



M&G Investment Funds (10)

Annual Long Report and audited Financial Statements
for the year ended 31 March 2020

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M&G Investment Funds (10)

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (10) presents its Annual Long Report and audited Financial Statements for the year ended 31 March 2020.

The audited financial statements of M&G Investment Funds (10) 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 (10) is an umbrella Open-Ended Investment Company (OEIC) and contains six 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 26 August 2010, the M&G UK Inflation Linked Corporate Bond Fund was launched on 16 September 2010, the M&G Absolute Return Bond Fund was launched on 13 December 2016, the M&G Global Listed Infrastructure Fund was launched on 5 October 2017, the M&G Positive Impact Fund was launched on 20 November 2018 the M&G Global Enhanced Equity Premia Fund was launched on 11 December 2019 and the M&G Global High Yield ESG Bond Fund was launched on 25 February 2020.

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 March 2020, none of the funds held shares of the other funds within this OEIC.

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

Fund managers

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

M&G Absolute Return Bond Fund

Jim Leaviss & Wolfgang Bauer

M&G Global Enhanced Equity Premia Fund

Gautam Samarth

M&G Global High Yield ESG Bond Fund

James Tomlins

M&G Global Listed Infrastructure Fund

Alex Araujo

M&G Positive Impact Fund

John William Olsen

M&G UK Inflation Linked Corporate Bond Fund

Ben Lord

ACD

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

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

Directors of the ACD

M Ammon*, G N Cotton**, C Dobson (non executive director),
N M Donnelly, S A Fitzgerald, P R Jelfs,
M McGrade (non executive director), L J Mumford

* Resigned 17 October 2019.

** Resigned 27 September 2019.

Investment manager

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

(Authorised and regulated by the Financial Conduct Authority)

Registrar

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

Depositary

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

Independent auditor

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

M&G Investment Funds (10)

Authorised Corporate Director's Report

Important information

On 8 April 2019, M&G Absolute Return Bond Fund, M&G Global Listed Infrastructure Fund, M&G Positive Impact Fund and M&G UK Inflation Linked Corporate Bond Fund launched Sterling Class 'PP' (Accumulation) shares.

On 5 August 2019, M&G Absolute Return Bond Fund, M&G Global Listed Infrastructure Fund, M&G Positive Impact Fund and M&G UK Inflation Linked Corporate Bond Fund launched Sterling Class 'PP' (Income) shares.

On 12 November 2019, the M&G Global Enhanced Equity Premia Fund was launched as a sub-fund of M&G Investment Funds (10).

On 24 January 2020, M&G Global Listed Infrastructure Fund launched Sterling Class 'I-H' (Income and Accumulation) shares, and Sterling Class 'PP-H' (Income and Accumulation) shares.

On 25 February 2020, the M&G Global High Yield ESG Bond Fund was launched as a sub-fund of M&G Investment Funds (10).

On 25 February 2020, the investment objective and policy were changed for the M&G UK Inflation Linked Corporate Bond Fund.

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

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

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

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

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.

Authorised Corporate Director's Responsibilities

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

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

Directors' statement

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

M&G Securities Limited
10 June 2020

M&G Investment Funds (10)

Depository's Responsibilities and Report

Statement of the Depository's Responsibilities and Report of the Depository to the Shareholders of M&G Investment Funds (10) ('the Company') for the period ended 31 March 2020

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
10 June 2020

NatWest Trustee and
Depository Services Limited

M&G Investment Funds (10)

Independent Auditor's Report

Independent Auditor's Report to the shareholders of M&G Investment Funds (10)

Opinion

We have audited the financial statements of M&G Investment Funds (10) ICVC ("the Company") for the year ended 31 March 2020 which comprise the Statement of Total Return and Statement of Change in Net Assets Attributable to Shareholders together with the Balance Sheet for each of the Company's funds, the accounting policies of the Company, the related notes for each fund and the Distribution Tables, including the 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 funds as at 31 March 2020 and of the net revenue / (expense) and the net capital gains / (losses) on the scheme property of the Company comprising each of its 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.

Conclusions relating to going concern

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 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following 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.

M&G Investment Funds (10)

Independent Auditor's Report

Independent Auditor's Report to the shareholders of M&G Investment Funds (10)

Responsibilities of the Authorised Corporate Director (ACD)

As explained more fully in the ACDs' responsibilities statement set out on page 2, 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
10 June 2020

Ernst & Young LLP
Statutory Auditor

M&G Investment Funds (10)

Financial statements and notes

The financial statements for M&G Investment Funds (10) 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 (10) 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 and amended in June 2017.

2 Summary of significant accounting policies

a) Basis of preparation

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

The financial statements 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.

b) Functional and presentational currency

Where the functional and presentational currency of a fund is not UK sterling this is disclosed in the 'Financial statements and notes' of that fund.

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 March 2020 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 March 2020, 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.

M&G Investment Funds (10)

Financial statements and notes

Notes to the financial statements

2 Summary of significant accounting policies (continued)

f) Treatment of income and expenses (continued)

- Ordinary equity dividends, including ordinary stock dividends are treated as revenue.
- 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 charge, 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.

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.

M&G Investment Funds (10)

Financial statements and notes

Notes to the financial statements

3 Risk management policies (continued)

Commitment approach (continued)

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 review (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 Absolute Return Bond Fund	VaR
M&G Global Enhanced Equity Premia Fund	Commitment
M&G Global High Yield ESG Bond Fund	VaR
M&G Global Listed Infrastructure Fund	Commitment
M&G Positive Impact Fund	Commitment
M&G UK Inflation Linked Corporate Bond Fund	VaR

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 Absolute Return Bond Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to achieve a total return (the combination of income and capital growth) of at least 2.5% per annum above the 3-month GBP LIBOR rate, before any charges are taken, in any market conditions and over any three year period. LIBOR is the rate at which banks borrow money from each other.

The fund aims to achieve this while seeking to minimise the degree to which the value of the fund fluctuates over time (volatility), while also seeking to limit monthly losses. Managing the fund in this way reduces its ability to achieve returns significantly above 3-month GBP LIBOR plus 2.5%.

There is no guarantee that the fund will achieve a positive return over three years, or any other period, and investors may not get back the original amount they invested.

Investment policy

The fund invests at least 70% in fixed and variable rate securities (including, but not limited to, corporate bonds and government and public securities), currencies, cash, near cash and deposits. These may be from anywhere in the world and denominated in any currency.

The fund's exposure to these investments may also be gained through the use of derivatives, which are financial contracts whose value is derived from an underlying asset. The fund may take short positions (holding derivatives with the aim of delivering a positive return when the assets they are linked to fall in value) in markets, currencies, securities, and groups of securities. The fund also has the flexibility to gain exposure to investments exceeding the net asset value of the fund in order to increase potential returns in both rising and falling markets.

Derivatives may be used to meet the fund's objective and for efficient portfolio management purposes. The fund may also invest in other funds.

Investment approach

The fund managers take a flexible approach, investing across a broad range of fixed income and currency markets according to where they identify value. A dynamic investment approach is followed, allowing the fund managers to change the blend of duration, credit and currency exposures based on their outlook. The fund will typically aim to have a high level of diversification in individual credit selection and across investment themes and sources of return. The managers will aim to achieve the performance objective while managing the fund's volatility and limiting losses during difficult market conditions.

Benchmark

Benchmark: 3-month GBP LIBOR + 2.5%

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

The fund is actively managed. The fund manager has complete freedom in choosing which assets to buy, hold and sell in the fund.

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

For unhedged share classes, the rate is shown in the share class currency. For Euro hedged share classes, the benchmark is the 3-month EURIBOR + 2.5%.

Risk profile

The fund is a flexible bond fund which invests in a range of fixed income securities and in currencies. The fund is therefore subject to the price volatility of global bond markets and fluctuations in currency exchange rates.

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

Portfolio diversification is key in managing liquidity and default risks as well as reducing market risk. The blend of assets held in the fund is regularly adjusted depending on where the managers see the most value and to manage risks, including liquidity, credit, currency and market risks. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

M&G Absolute Return Bond Fund

Authorised Corporate Director's Report

Investment review

As at 1 April 2020, for the year ended 31 March 2020

Performance against objective

Between 1 April 2019 (the start of the review period) and 1 April 2020, the M&G Absolute Return Bond Fund delivered a negative return (the combination of capital growth and income), and was also behind three-month GBP LIBOR + 2.5% across all share classes. The fund's objective is to achieve a total return of at least 2.5% per annum above the three-month GBP LIBOR rate, before any charges are taken, in any market condition and over any three-year period*. LIBOR is the rate at which banks borrow money from each other.

The fund is currently not meeting its objective, largely as a result of the sharp downturn in financial markets in March 2020. However, we believe the fund remains well placed to meet its objective as asset prices recover.

The M&G Absolute Return Bond Fund is a flexible, multi-strategy bond fund that targets steady positive returns, with a specific focus on minimising volatility and monthly losses in difficult market conditions. As a highly diversified portfolio, the fund provides exposure to a broad range of fixed income strategies across global corporate bond, government bond and currency markets. (Bonds are loans that are extended by an investor to an issuing entity – such as a company or government – in exchange for regular interest payments. Bonds issued by companies are referred to as 'corporate bonds', while those issued by governments are called 'government bonds'.)

The fund draws on the best ideas of M&G's Public Fixed Income team, giving investors access to an extensive range of investment knowledge across global bond markets. The team has long-running experience in managing flexible bond strategies and has demonstrated the ability to manage risk during periods of heightened volatility, such as during the global financial crisis and the eurozone debt crisis. (Volatility is the extent to which asset prices fluctuate over time.) The team members adopt a disciplined investment process, combining macroeconomic analysis, stock selection and robust risk management.

* 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

Fixed income markets delivered mixed returns in the review period against a turbulent market backdrop. Following largely supportive conditions throughout 2019 and into the beginning of 2020, markets experienced a dramatic reversal as the spread of the new coronavirus around the world began to dominate headlines from late February onwards.

The change of tone contrasted markedly with the relatively upbeat market conditions which had prevailed before the onset of the crisis. Signs of a tentative pick-up in global economic activity, coupled with the supportive actions of the world's central banks, had helped drive solid returns across fixed income markets during 2019.

Over the course of 2019, both the European Central Bank (ECB) and the US Federal Reserve implemented a range of stimulus measures to help boost growth, including a series of interest rate cuts and the resumption of their bond purchase programmes. This helped drive government bond yields to fall to record lows by the middle of 2019. (Yields refer to the income received from an investment. The yield is usually expressed annually as a percentage based on the investment's cost, its current market value or face value.)

Towards the end of 2019, markets were buoyed by signs of progress in the US/China trade negotiations, along with the avoidance of a no-deal Brexit scenario between the UK and Europe. With healthy labour markets providing further support to consumer confidence, earlier fears of a recession in Europe and the US had largely faded as we moved into 2020.

However, sentiment turned abruptly as the COVID-19 outbreak took hold, devastating financial markets from late February onwards. The virus meant most nations had to adopt strict population lockdowns, causing demand for many goods and services to slump. Governments and central banks scrambled to provide huge levels of monetary and fiscal support. A sharp oil price decline as a result of a slump in demand, coupled with a failure to agree supply cuts, only added to levels of distress in the markets.

Most areas of the corporate bond market sold off heavily in March, with the asset class more than reversing its earlier gains over the past year. Lower rated bonds generally experienced the largest declines as investors began to price in the likelihood of a rise in company defaults. However, highly rated government bonds offered some respite as investors sought refuge in their perceived safe-haven qualities, with US Treasuries and gilts delivering positive returns in March.

The fund delivered a negative return during the review period, largely as a result of the sharp fall in corporate bond prices in March. Losses were partly mitigated by our earlier decision to reduce our corporate bond exposure on the basis that valuations had become extended, as well as by our decision to increase our interest rate duration (or sensitivity to movements in interest rates).

Investment activities

Following the strong performance in corporate bond markets throughout 2019, we gradually reduced credit risk over the review period. In our view, valuations were starting to look excessive and we took the opportunity to switch into more defensive assets which would be expected to hold up better in the event of a market downturn. On this basis, we sold or reduced several of our bank positions following strong performance, while purchasing corporate bond issues from less cyclical businesses, such as Comcast and Walmart.

Alongside these defensive trades, we also took advantage of periods of market volatility during 2019 to opportunistically purchase a number of high-conviction names at attractive levels, including issues from GE and several oil/gas pipeline operators. We were also active in the primary corporate bond market, purchasing new issues from a variety of businesses.

M&G Absolute Return Bond Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

As a result of earlier defensive measures we believe the fund was relatively well positioned to withstand the market sell-off which began in late February. However, given the unprecedented speed of the sell-off, the fund breached its volatility and drawdown triggers. The fund's stringent risk management process means we are not permitted to add any more risk to the portfolio at an aggregate level. However, given that we expect our cash bond positions to ultimately recover, we do not consider it to be in the best interests of investors to crystallise losses by selling these bonds at very depressed levels.

Activity in the final month of the review period was relatively limited, although we did take the opportunity to purchase several newly issued corporate bonds as a number of high quality companies issued debt at highly attractive levels.

Outlook

Corporate bond valuations are now at highly attractive levels, in our opinion, presenting a wealth of opportunities for investors willing to weather some volatility and uncertainty in the months ahead. While corporate defaults (the failure to pay interest on bonds or pay back part or all of the principal amount borrowed) are expected to rise, markets are pricing in default rates four to five times larger than anything seen previously. The ability to carefully select high-quality, attractively priced credit exposure will be crucial over the coming weeks and months.

We believe the fund's flexible and diversified investment approach leaves it well placed to capture some of these opportunities, while at the same time maintaining a strong focus on minimising losses in the event of further market weakness.

Coronavirus will clearly cause some major economic disruption in the short term, and there is little doubt that many developed economies will enter recession in the coming months. On the other hand, record stimulus from both governments and central banks should help to alleviate some of the pain. While investor sentiment is likely to remain fragile for some time, if markets start to sense the arrival of more positive news and a return to normality, we think conditions may be ripe for an eventual strong rebound.

Jim Leaviss & Wolfgang Bauer

Co-fund managers

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

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

Investments

Portfolio statement

as at 31 March	2020	2020	2019
Holding	£'000	%	%
FIXED INCOME	49,058	93.34	97.24
Debt securities	49,220	93.65	98.08
'AAA' credit rated bonds	4,866	9.26	6.24
AUD790,000 Australia (Commonwealth of) 3% 21/03/2047	494	0.94	
€500,000 Avoca CLO XVII Designated Activity FRN 0.96% 15/10/2032	401	0.76	
£257,000 Bavarian Sky FRN 0% 20/04/2028	257	0.49	
£218,423 Dukinfield FRN 1.7866% 20/12/2052	210	0.40	
€100,000 Germany (Federal Republic of) IL 0.1% 15/04/2023	97	0.18	
€353,000 Harvest CLO VIII FRN 0.73% 15/01/2031	296	0.56	
£215,660 Lanark Master Issuer FRN 1.555% 22/12/2069	214	0.41	
£200,000 Landesbank Baden-Wuerttemberg 1.5% 03/02/2025	186	0.35	
NOK6,300,000 Norway (Kingdom of) 2% 24/05/2023	509	0.97	
€185,015 Paragon Mortgages No. 11 FRN 0% 15/10/2041	151	0.29	
£372,000 Permanent Master Issuer FRN 1.2911% 15/07/2058	364	0.69	
£105,150 Polaris 2019-1 FRN 1.8052% 27/04/2057	99	0.19	
£99,368 Precise Mortgage Funding 2020-1B FRN 1.6402% 16/10/2056	96	0.18	
£260,308 Residential Mortgage Securities No. 29 FRN 1.4866% 20/12/2046	241	0.46	
£203,431 Residential Mortgage Securities No. 30 FRN 1.3366% 20/03/2050	194	0.37	
€373,165 Shamrock Residential 2019-1 FRN 0.4% 24/11/2057	327	0.62	
€232,000 Sound Point Euro CLO III Funding FRN 0.95% 15/04/2033	187	0.36	
€150,000 Temasek Financial I 0.5% 20/11/2031	129	0.25	
£41,440 THRONES 2015-1 FRN 1.7334% 18/03/2050	41	0.08	
£124,649 Towd Point Mortgage Funding 2019-Vantage2 FRN 1.9112% 20/02/2054	122	0.23	
£252,343 Warwick Finance Residential Mortgages No. 2 FRN 2.0223% 21/09/2049	251	0.48	
'AA' credit rated bonds	4,797	9.13	8.14
€330,000 AutoFlorence 1 FRN 0.305% 25/12/2042	291	0.55	
£127,000 Euroclear Bank 1.25% 30/09/2024	120	0.23	
\$300,000 Exxon Mobil 2.992% 19/03/2025	246	0.47	
£179,000 First Abu Dhabi Bank 1.375% 19/02/2023	174	0.33	
£373,000 MassMutual Global Funding II 1.375% 15/12/2026	344	0.66	
€304,000 Metropolitan Life Global Funding I 0.375% 09/04/2024	256	0.49	
€321,000 New York Life Global Funding 0.25% 23/01/2027	265	0.50	
£182,000 New York Life Global Funding 1.25% 17/12/2026	167	0.32	
€631,683 Paragon Mortgages No. 13 FRN 0% 15/01/2039	510	0.97	
\$400,000 Toyota Motor Credit 3% 01/04/2025	323	0.62	
\$500,000 US Bank 2.05% 21/01/2025	394	0.75	
\$650,000 US Treasury 1.375% 31/05/2020	527	1.00	
\$325,000 US Treasury IL 0.125% 15/07/2026	286	0.54	
\$657,200 US Treasury IL 0.625% 15/01/2024	598	1.14	
\$250,000 Walmart 7.55% 15/02/2030	296	0.56	

M&G Absolute Return Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at 31 March Holding	2020 £'000	2020 %	2019 %	
'A' credit rated bonds	9,770	18.59	15.62	
\$100,000 AbbVie 3.2% 21/11/2029	80	0.15		
\$184,000 AbbVie 4.05% 21/11/2039	153	0.29		
\$200,000 Air Liquide Finance 2.25% 10/09/2029	150	0.29		
€200,000 Allianz Var. Rate 3.375% Perpetual	181	0.34		
€100,000 Argentum Netherlands Var. Rate 2.75% 19/02/2049	88	0.17		
\$200,000 Banco Santander 2.706% 27/06/2024	158	0.30		
£200,000 BNP Paribas 1.875% 14/12/2027	182	0.35		
€400,000 BP Capital Markets 1.104% 15/11/2034	291	0.55		
£300,000 BPCE 1.375% 23/12/2026	273	0.52		
\$250,000 BPCE 3.5% 23/10/2027	198	0.38		
\$73,000 Bristol-Myers Squibb 4.125% 15/06/2039	69	0.13		
€189,000 Chubb 0.875% 15/12/2029	146	0.28		
€150,000 Chubb 1.55% 15/03/2028	127	0.24		
\$53,000 Cigna 4.375% 15/10/2028	46	0.09		
\$68,000 Cigna 4.8% 15/08/2038	62	0.12		
\$100,000 Cigna 4.8% 15/07/2046	91	0.17		
€376,000 CK Hutchison Telecom Finance 1.5% 17/10/2031	303	0.58		
£200,000 CK Hutchison Telecom Finance 2% 17/10/2027	189	0.36		
£181,000 Comcast 1.5% 20/02/2029	171	0.33		
\$65,000 Comcast 3.1% 01/04/2025	55	0.10		
\$215,000 Comcast 4.15% 15/10/2028	192	0.37		
\$76,000 Comcast 4.95% 15/10/2058	84	0.16		
£400,000 Deutsche Pfandbriefbank 1.75% 21/11/2022	385	0.73		
£200,000 Eastern Power Networks 2.125% 25/11/2033	191	0.36		
€400,000 Eli Lilly 1.7% 01/11/2049	299	0.57		
€300,000 Engie 1.25% 24/10/2041	234	0.45		
€62,000 Engie 5.95% 16/03/2111	110	0.21		
£119,000 HSBC Var. Rate 2.256% 13/11/2026	114	0.22		
£126,000 HSBC Var. Rate 3% 22/07/2028	123	0.23		
£138,000 HSBC Var. Rate 3% 29/05/2030	132	0.25		
\$200,000 ING Groep 3.55% 09/04/2024	157	0.30		
€100,000 JAB 1% 20/12/2027	83	0.16		
¥97,000,000 Japan (Govt. of) IL 0.1% 10/03/2029	725	1.38		
\$104,000 John Deere Capital 1.75% 09/03/2027	80	0.15		
€250,000 JPMorgan Chase Var. Rate 0.389% 24/02/2028	197	0.37		
€100,000 JPMorgan Chase Var. Rate 1.001% 25/07/2031	79	0.15		
€400,000 JPMorgan Chase Var. Rate 1.047% 04/11/2032	315	0.60		
€101,000 Lloyds Bank Corporate Markets 0.25% 04/10/2022	86	0.16		
£161,000 Lloyds Bank FRN 0.8628% 16/05/2024	157	0.30		
RM1,350,000 Malaysia (Govt. of) 3.882% 10/03/2022	258	0.49		
€200,000 Medtronic Global 1.75% 02/07/2049	153	0.29		
\$300,000 Oracle 2.8% 04/01/2027	241	0.46		
€100,000 Santander Consumer Finance 0.375% 27/06/2024	84	0.16		
\$517,277 S-JETS 3.967% 15/08/2042	295	0.56		
€100,000 State Grid Overseas Investment 2016 1.375% 02/05/2025	90	0.17		
\$86,000 State Street Var. Rate 2.825% 30/03/2023	70	0.13		

Portfolio statement (continued)

as at 31 March Holding	2020 £'000	2020 %	2019 %
'A' credit rated bonds (continued)			
\$250,000 Sumitomo Mitsui Financial 2.448% 27/09/2024	196	0.37	
€100,000 Swiss Re Finance Luxembourg Var. Rate 2.534% 30/04/2050	82	0.16	
\$200,000 Total Capital International 2.829% 10/01/2030	163	0.31	
\$200,000 UBS Var. Rate 3.126% 13/08/2030	154	0.29	
€400,000 Unibail-Rodamco-Westfield 0.875% 29/03/2032	304	0.58	
\$225,000 US Bancorp 3% 30/07/2029	179	0.34	
\$300,000 Walt Disney 2% 01/09/2029	229	0.44	
£189,000 Wells Fargo 1.375% 30/06/2022	183	0.35	
£224,000 Wells Fargo 2.125% 24/09/2031	201	0.38	
£138,000 Wells Fargo 2.5% 02/05/2029	132	0.25	
'BBB' credit rated bonds	16,329	31.06	41.66
£71,000 AA Bond 2.875% 31/01/2022	67	0.13	
£129,000 AA Bond 5.5% 31/07/2027	110	0.21	
\$250,000 Allergan Funding 4.55% 15/03/2035	228	0.43	
€100,000 Altarea 1.875% 17/01/2028	85	0.16	
\$152,000 Altria 5.8% 14/02/2039	135	0.26	
€150,000 American International Var. Rate 1.241% 15/03/2037	105	0.20	
£151,000 Anglo American Capital 3.375% 11/03/2029	135	0.26	
\$200,000 Anglo American Capital 4.5% 15/03/2028	159	0.30	
€132,000 Arion Bank 1% 20/03/2023	114	0.22	
€150,000 ASR Nederland Var. Rate 5% Perpetual	131	0.25	
£100,000 AT&T 4.875% 01/06/2044	116	0.22	
€400,000 Banco Bilbao Vizcaya Argentaria 0.5% 14/01/2027	313	0.59	
€400,000 Banco Bilbao Vizcaya Argentaria Var. Rate 1% 16/01/2030	300	0.57	
\$200,000 Bayer US Finance II 4.375% 15/12/2028	172	0.33	
\$200,000 Bayer US Finance II FRN 1.7505% 15/12/2023	146	0.28	
\$200,000 BBVA Bancomer 6.5% 10/03/2021	157	0.30	
\$200,000 Berry Global 4.875% 15/07/2026	163	0.31	
\$225,000 Boeing 3.25% 01/02/2035	156	0.30	
COP200,000,000 Bogota Distrio Capital 9.75% 26/07/2028	42	0.08	
€141,000 Boston Scientific 0.625% 01/12/2027	114	0.22	
\$200,000 Bunge Finance 4.35% 15/03/2024	159	0.30	
£149,000 Canadian Imperial Bank of Commerce 1.625% 25/09/2025	140	0.27	
€350,000 Channel Link Enterprises Finance Var. Rate 1.761% 30/06/2050	307	0.58	
\$104,000 Cheniere Corpus Christi 3.7% 15/11/2029	64	0.12	
€144,000 Citigroup Var. Rate 0.5% 08/10/2027	114	0.22	
£129,000 Clydesdale Bank FRN 0.7717% 22/03/2024	126	0.24	
\$16,000 Conagra Brands FRN 2.5521% 22/10/2020	13	0.02	
\$100,000 CVS Health 4.3% 25/03/2028	84	0.16	
€400,000 Daimler 1.125% 06/11/2031	289	0.55	
\$100,000 Deutsche Telekom International Finance 8.75% 15/06/2030	103	0.20	
€111,000 DH Europe Finance II 0.2% 18/03/2026	91	0.17	
€110,000 DH Europe Finance II 1.8% 18/09/2049	77	0.15	
€100,000 Digital Dutch Finco 1.5% 15/03/2030	77	0.15	

M&G Absolute Return Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 31 March Holding	2020 £'000	2020 %	2019 %
'BBB' credit rated bonds (continued)			
€200,000 Digital Euro Finco 1.125% 09/04/2028	153	0.29	
\$216,000 DuPont de Nemours 5.319% 15/11/2038	193	0.37	
€250,000 ELM Var. Rate 3.375% 29/09/2047	219	0.42	
\$16,000 Energy Transfer Operating 4.5% 15/04/2024	12	0.02	
\$79,000 Energy Transfer Operating 5.8% 15/06/2038	56	0.11	
\$345,000 Energy Transfer Operating 6.125% 15/12/2045	239	0.45	
€250,000 FCE Bank 1.134% 10/02/2022	192	0.36	
€200,000 FedEx 1.3% 05/08/2031	154	0.29	
€197,000 Fidelity National Information Services 0.125% 03/12/2022	170	0.32	
£200,000 GE Capital UK Funding Unlimited 5.875% 18/01/2033	229	0.44	
£200,000 GKN 4.625% 12/05/2032	196	0.37	
\$182,000 Glencore Funding 4.125% 12/03/2024	134	0.25	
£100,000 Goldman Sachs 3.125% 25/07/2029	95	0.18	
€200,000 Goldman Sachs FRN 0.247% 26/09/2023	163	0.31	
£323,775 Greene King Finance FRN 2.9868% 15/12/2033	322	0.61	
€241,000 Heathrow Funding 1.875% 14/03/2034	182	0.35	
£150,000 Hiscox Var. Rate 6.125% 24/11/2045	151	0.29	
\$200,000 Imperial Brands Finance 3.875% 26/07/2029	151	0.29	
£150,000 Italy (Republic of) 6% 04/08/2028	184	0.35	
£250,000 KPN 5.75% 17/09/2029	295	0.56	
\$82,000 Lear 4.25% 15/05/2029	61	0.12	
\$150,000 Lear 5.25% 15/05/2049	105	0.20	
£184,000 Legal & General Var. Rate 3.75% 26/11/2049	166	0.32	
€122,000 Lloyds Banking Var. Rate 0.5% 12/11/2025	98	0.19	
€100,000 Lloyds Banking Var. Rate 1.75% 07/09/2028	83	0.16	
£200,000 Lloyds Banking Var. Rate 1.875% 15/01/2026	187	0.35	
€300,000 Logisor Financing 1.625% 15/07/2027	247	0.47	
£250,000 Logisor Financing 2.75% 15/01/2030	228	0.43	
€217,000 LYB International Finance II 1.625% 17/09/2031	166	0.32	
€100,000 McDonald's 0.9% 15/06/2026	85	0.16	
\$650,000 McDonald's 3.625% 01/09/2049	529	1.01	
€400,000 Mexico (United Mexican States) 1.125% 17/01/2030	302	0.57	
\$225,000 Mexico (United Mexican States) 4.5% 31/01/2050	178	0.34	
MXN4,480,000 Mexico (United Mexican States) 10% 05/12/2024	173	0.33	
\$57,928 Mitchells & Butlers Finance FRN 1.1905% 15/12/2030	43	0.08	
€100,000 Molnlycke 0.875% 05/09/2029	80	0.15	
\$750,000 Morgan Stanley FRN 1.6126% 20/01/2023	561	1.07	
\$200,000 Mylan 5.4% 29/11/2043	166	0.32	
€200,000 Orange Var. Rate 5% Perpetual	193	0.37	
€400,000 Philippines (Republic of) 0.7% 03/02/2029	310	0.59	
€300,000 RCI Banque FRN 0.037% 12/01/2023	249	0.47	
\$300,000 Rolls-Royce 3.625% 14/10/2025	246	0.47	

Portfolio statement (continued)

as at 31 March Holding	2020 £'000	2020 %	2019 %
'BBB' credit rated bonds (continued)			
€150,000 Romania (Republic of) 3.875% 29/10/2035	138	0.26	
€84,000 Romania (Republic of) 4.625% 03/04/2049	79	0.15	
£150,000 Royal Bank of Scotland Var. Rate 2.875% 19/09/2026	145	0.28	
\$200,000 Royal Bank of Scotland Var. Rate 4.892% 18/05/2029	170	0.32	
RUB15,000,000 Russia (Federation of) 8.15% 03/02/2027	170	0.32	
€165,000 Samhallsbyggnadsbolaget i Norden 1% 12/08/2027	132	0.25	
€259,000 Santander UK FRN 0.481% 27/03/2024	213	0.40	
€263,000 Santander Var. Rate 0.391% 28/02/2025	215	0.41	
€200,000 Société Générale FRN 0.39% 22/05/2024	165	0.31	
£109,000 SP Transmission 2% 13/11/2031	104	0.20	
\$100,000 Sunoco Logistics Partners Operations 5.4% 01/10/2047	63	0.12	
€150,000 Telefónica Emisiones 1.957% 01/07/2039	123	0.23	
\$300,000 Tesco 6.15% 15/11/2037	289	0.55	
€122,000 Thermo Fisher Scientific 1.875% 01/10/2049	85	0.16	
€300,000 UniCredit Leasing Corp IFN 0.502% 18/10/2022	260	0.49	
\$67,961 US Bancorp Var. Rate 5.3% Perpetual	52	0.10	
€200,000 Verizon Communications 2.875% 15/01/2038	181	0.34	
\$221,000 Verizon Communications 3% 22/03/2027	182	0.35	
£149,000 Virgin Money Var. Rate 3.375% 24/04/2026	137	0.26	
\$150,000 Vodafone 4.125% 30/05/2025	126	0.24	
\$72,000 Vodafone 4.875% 19/06/2049	65	0.12	
\$28,000 Vodafone 5% 30/05/2038	25	0.05	
\$100,000 Vodafone 5.125% 19/06/2059	89	0.17	
\$124,000 Volkswagen Financial Services 3.38% 04/06/2028	109	0.21	
€100,000 Volkswagen International Finance 4.125% 16/11/2038	93	0.18	
€100,000 Vonovia Finance 0.625% 07/10/2027	81	0.15	
€200,000 Vonovia Finance 1.625% 07/10/2039	143	0.27	
€203,000 WPC Eurobond 1.35% 15/04/2028	157	0.30	
'BB' credit rated bonds			
€400,000 ABN AMRO Bank Var. Rate 5.75% Perpetual	322	0.61	
\$225,000 Albertsons 5.875% 15/02/2028	183	0.35	
€325,000 Arcelik 3.875% 16/09/2021	274	0.52	
€150,000 Arrow Global Finance FRN 2.875% 01/04/2025	116	0.22	
£250,000 Autostrade per l'Italia 6.25% 09/06/2022	242	0.46	
€200,000 Bayer Var. Rate 2.375% 02/04/2075	165	0.31	
£170,000 Cabot Financial Luxembourg 7.5% 01/10/2023	157	0.30	
\$240,000 Cascades USA 5.125% 15/01/2026	188	0.36	
\$100,000 CCO Holdings Capital 5.125% 01/05/2027	81	0.15	
\$200,000 CSC 5.5% 15/04/2027	164	0.31	
\$50,000 Energy Transfer Operating FRN 4.7808% 01/11/2066	19	0.04	
\$200,000 EnLink Midstream 5.375% 01/06/2029	86	0.16	
€129,000 Ford Motor Credit 1.744% 19/07/2024	88	0.17	
€200,000 Ford Motor Credit 3.021% 06/03/2024	141	0.27	
	6,127	11.66	10.57

M&G Absolute Return Bond Fund

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Investments

Portfolio statement (continued)			
as at 31 March Holding	2020 £'000	2020 %	2019 %
'BB' credit rated bonds (continued)			
\$300,000 Ford Motor Credit 5.596% 07/01/2022	220	0.42	
€300,000 Heimstaden Bostad Var. Rate 3.248% Perpetual	215	0.41	
\$199,000 Inretail Pharma 5.375% 02/05/2023	153	0.29	
€129,000 IQVIA 2.25% 15/01/2028	104	0.20	
€125,000 Kraft Heinz Foods 2.25% 25/05/2028	95	0.18	
\$66,000 Kraft Heinz Foods 3.75% 01/04/2030	51	0.10	
£300,000 Kraft Heinz Foods 4.125% 01/07/2027	291	0.55	
\$65,000 Kraft Heinz Foods 4.625% 01/10/2039	48	0.09	
\$300,000 Olin 5% 01/02/2030	210	0.40	
\$108,000 Parsley Finance 4.125% 15/02/2028	59	0.11	
\$135,000 Petrobras Global Finance 6.9% 19/03/2049	105	0.20	
€100,000 Samhällsbyggnadsbolaget i Norden Var. Rate 4.625% Perpetual	85	0.16	
€475,000 SES Var. Rate 4.625% Perpetual	381	0.73	
\$113,000 Sirius XM Radio 5.5% 01/07/2029	93	0.18	
€100,000 Smurfit Kappa Treasury ULC 1.5% 15/09/2027	82	0.16	
\$158,000 Sprint 7.25% 01/02/2028	128	0.24	
\$200,000 Taylor Morrison Communities 5.875% 15/06/2027	148	0.28	
\$206,000 TEGNA 4.625% 15/03/2028	150	0.29	
€663,232 Teva Pharmaceutical Finance Netherlands II 0.375% 25/07/2020	573	1.09	
€200,000 UniCredit Var. Rate 2.731% 15/01/2032	140	0.27	
\$200,000 United Rentals North America 4.875% 15/01/2028	157	0.30	
£100,000 Vodafone Var. Rate 4.875% 03/10/2078	97	0.18	
\$100,000 Western Midstream Operating 4.65% 01/07/2026	41	0.08	
\$220,000 Yuzhou Properties 7.7% 20/02/2025	148	0.28	
€200,000 ZF Europe Finance 3% 23/10/2029	127	0.24	
'B' credit rated bonds	1,523	2.90	3.06
\$205,000 ADES International 8.625% 24/04/2024	166	0.32	
\$200,000 China Evergrande 7.5% 28/06/2023	115	0.22	
€150,000 Egypt (Arab Republic of) 5.625% 16/04/2030	101	0.19	
\$200,000 Future Retail 5.6% 22/01/2025	80	0.15	
£12,455 Iceland Bondco FRN 4.975% 15/07/2020	12	0.02	
€240,000 Jaguar Land Rover Automotive 6.875% 15/11/2026	152	0.29	
\$375,000 Live Nation Entertainment 4.75% 15/10/2027	275	0.52	
€150,000 Panther BF Aggregator 4.375% 15/05/2026	109	0.21	
\$150,000 Post 5.5% 15/12/2029	118	0.23	
\$400,000 TransDigm 5.5% 15/11/2027	293	0.56	
€130,000 Ukraine (Republic of) 6.75% 20/06/2026	102	0.19	
'CCC' credit rated bonds	138	0.26	0.42
\$200,000 Hexion 7.875% 15/07/2027	138	0.26	

Portfolio statement (continued)

as at 31 March Holding	2020 £'000	2020 %	2019 %
Bonds with no credit rating	5,670	10.79	12.37
£123,039 Albion No. 4 FRN 1.3916% 17/08/2062	120	0.23	
€200,000 Assicurazioni Generali Var. Rate 7.75% 12/12/2042	193	0.37	
\$200,000 Banco Santander Mexico Var. Rate 5.95% 01/10/2028	144	0.27	
\$200,000 Boubyan Sukuk 2.593% 18/02/2025	154	0.29	
£232,500 Brass No. 7 FRN 1.3238% 16/10/2059	225	0.43	
€100,000 Bureau Veritas 1.125% 18/01/2027	82	0.16	
£288,000 Coventry Building Society 1.5% 23/01/2023	278	0.53	
£256,000 DP World 4.25% 25/09/2030	232	0.44	
\$100,000 DP World 6.85% 02/07/2037	79	0.15	
€200,000 FFP 1.875% 30/10/2026	169	0.32	
£47,867 Finsbury Square 2017-2 FRN 1.1403% 12/09/2065	48	0.09	
£129,149 Finsbury Square 2018-1 FRN 1.1103% 12/09/2065	128	0.24	
£235,390 Finsbury Square 2019-3 FRN 1.7215% 16/12/2069	231	0.44	
£197,000 Finsbury Square 2020-1 FRN 0% 16/03/2070	191	0.36	
£181,592 Friary No. 6 FRN 1.4313% 21/11/2067	177	0.34	
£250,000 Hammerson 6% 23/02/2026	244	0.46	
£150,000 Hastings Group Finance 3% 24/05/2025	146	0.28	
€200,000 Lagardère 1.625% 21/06/2024	156	0.30	
€300,000 Lagardère 2.125% 16/10/2026	225	0.43	
\$200,000 NAK Naftogaz Ukraine 7.625% 08/11/2026	130	0.25	
£300,000 National Express 2.375% 20/11/2028	264	0.50	
£611,647 Oat Hill No. 1 FRN 1.3768% 25/02/2046	611	1.16	
£100,000 PCL Funding II FRN 1.0034% 15/06/2022	100	0.19	
£114,000 PCL Funding III FRN 0.9034% 15/06/2023	112	0.21	
\$237,180 Project Silver 3.967% 15/07/2044	134	0.26	
\$400,000 Puma International Financing 5% 24/01/2026	126	0.24	
€300,000 Quadient 2.25% 03/02/2025	246	0.47	
\$250,000 RIN II FRN 2.546% 10/09/2030	188	0.36	
€100,000 SELP Finance 1.5% 20/11/2025	87	0.17	
£369,453 Together Asset Backed Securitisation 2019-1 FRN 1.9802% 15/07/2061	348	0.66	
£107,772 Tower Bridge Funding No. 3 FRN 1.7366% 20/12/2061	102	0.19	
Debt derivatives	(162)	(0.31)	(0.84)
Credit default swaps	274	0.53	(0.40)
\$250,000 Amgen Jun 2023	(4)	0.00	
€(250,000) Anglo American Capital Jun 2022	18	0.03	
€(200,000) Anheuser-Busch InBev Dec 2021	1	0.00	
€(100,000) Glencore Finance Europe Jun 2022	2	0.00	
€(400,000) Glencore Finance Europe Jun 2023	9	0.01	
\$(150,000) Italy (Republic of) Dec 2022	(1)	0.00	
\$3,550,000 Markit CDX North American Investment Grade Series 33 9 Year Dec 2029	75	0.15	
\$12,950,000 Markit CDX North American Investment Grade Series 34 V1 5 Year Jun 2025	39	0.08	
€(950,000) Markit iTraxx Europe Series 29 10 Year Jun 2028	(15)	(0.03)	
€8,565,000 Markit iTraxx Europe Series 32 V1 9 Year Dec 2029	185	0.36	

M&G Absolute Return Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at 31 March Holding	2020 £'000	2020 %	2019 %	
Credit default swaps (continued)				
€30,800,000 Markit iTraxx Europe Series 33 V1 5 Year Jun 2025	(36)	(0.07)		
€950,000 Markit iTraxx Europe Snr Fin 32 V1 5 Year Dec 2024	3	0.01		
€1,450,000 Markit iTraxx Europe Sub Fin Series 32 V1 5 Year Dec 2024	78	0.15		
€(2,600,000) Markit iTraxx Europe Xover Series 33 V1 5 Year Jun 2025	(77)	(0.15)		
\$200,000 Pfizer Jun 2022	(3)	(0.01)		
Interest rate swaps				
£150,000 Pay 0.649% Receive VAR Jun 2022	0	0.00		0.01
£150,000 Pay 0.786% Receive VAR Feb 2022	(1)	(0.00)		
£150,000 Pay 0.7975% Receive VAR Mar 2022	(1)	(0.01)		
£200,000 Pay 0.799% Receive VAR May 2022	(1)	0.00		
£300,000 Pay 0.81% Receive VAR Sep 2049	(5)	(0.01)		
Interest rate futures				
(93) 5 Year US Treasury Note Jun 2020	(302)	(0.58)		(0.45)
(16) 10 Year US Treasury Note Jun 2020	(76)	(0.15)		
(81) Euro-Bobl Jun 2020	45	0.09		
(3) Euro-Bono Bond Jun 2020	12	0.02		
(12) Euro-Bund Jun 2020	40	0.08		
(4) Euro-Buxl 30 Year Bond Jun 2020	20	0.04		
3 Euro-Oat Jun 2020	(13)	(0.02)		
(7) Euro-Schatz Jun 2020	1	0.00		
(15) Long Gilt Future Jun 2020	(34)	(0.07)		
(7) US Ultra Long Treasury Bond Jun 2020	(121)	(0.23)		
CURRENCY				
	(1,407)	(2.68)		0.21
Forward currency contracts				
	(1,407)	(2.68)		0.21
DKK4,860,000 Bought for €650,751 (expires 06.05.20)	0	0.00		
€2,991,377 Bought for £2,736,713 (expires 08.04.20)	(87)	(0.17)		
€885,222 Bought for £812,193 (expires 06.05.20)	(28)	(0.05)		
€195,368 Bought for £172,480 (expires 03.06.20)	1	0.00		
€(26,583,275) Sold for £23,232,293 (expires 08.04.20)	(316)	(0.60)		
€(228,977) Sold for £199,804 (expires 06.05.20)	(3)	(0.01)		
¥130,207,207 Bought for £981,152 (expires 08.04.20)	(11)	(0.02)		
¥97,766 Bought for £723 (expires 03.06.20)	0	0.00		
¥27,896,645 Bought for €238,671 (expires 03.06.20)	(4)	(0.01)		
¥(59,700,551) Sold for £446,614 (expires 08.04.20)	2	0.00		
¥(9,639,854) Sold for £72,141 (expires 03.06.20)	0	0.00		
\$4,995,142 Bought for £4,112,238 (expires 08.04.20)	(71)	(0.13)		
\$ (22,212,425) Sold for £17,079,419 (expires 08.04.20)	(890)	(1.69)		
Portfolio of investments	47,651	90.66	97.45	

Portfolio statement (continued)

as at 31 March Holding	2020 £'000	2020 %	2019 %
CASH EQUIVALENTS			
	467	0.89	0.07
'AAA' rated money market funds ^[a]			
	467	0.89	0.07
467,000 Northern Trust Global Fund - Sterling	467	0.89	
SHARE CLASS HEDGING			
	1	0.00	0.00
Forward currency contracts for share class hedging			
	1	0.00	0.00
€32,288 Bought for £28,074 (expires 08.04.20)	1	0.00	
€(3,247) Sold for £2,967 (expires 08.04.20)	0	0.00	
Total portfolio (notes 2c & 2d on page 6)	48,119	91.55	97.52
Net other assets / (liabilities)	4,444	8.45	2.48
Net assets attributable to shareholders	52,563	100.00	100.00

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

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

M&G Absolute Return Bond Fund

Financial highlights

Fund performance

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

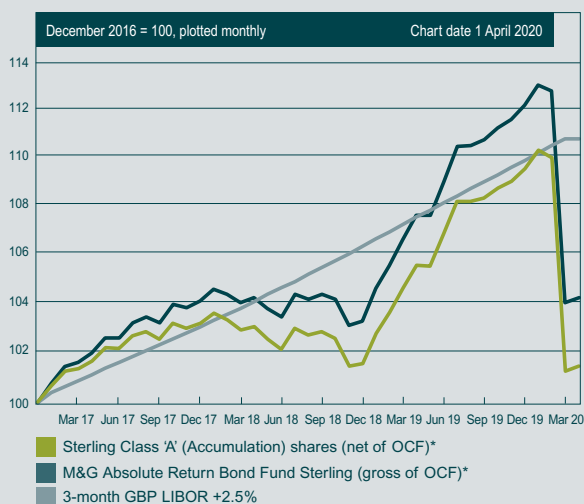
The following chart and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (10), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at 31 March	2020 £'000	2019 £'000	2018 £'000
Fund net asset value (NAV)	52,563	37,061	33,565

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.



* Income reinvested

The past performance shown here is for both gross returns (before the ongoing charges figure is taken) in line with the objective of the fund and net returns (after the ongoing charges figure has been taken) to illustrate how charges affected the performance. Investors should note that the net return is what they would receive and is therefore the more relevant figure.

Source: Morningstar, Inc. and M&G

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

Long-term performance by share class

	One year 01.04.19 % ^[a]	Three years 03.04.17 % p.a.	Five years 01.04.15 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'Z-H'	-3.0	n/a	n/a	-1.0 ^[c]
Sterling ^[b]				
Class 'A'	-3.1	+0.0	n/a	+0.4 ^[d]
Class 'I'	-2.9	+0.2	n/a	+0.6 ^[d]
Class 'L'	-2.8	+0.3	n/a	+0.8 ^[d]
Class 'PP'	n/a	n/a	n/a	-3.0 ^[e]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

^[c] 20 April 2018, the launch date of the share class.

^[d] 13 December 2016, the launch date of the fund.

^[e] 8 April 2019, the launch date of the share class. Not annualised.

M&G Absolute Return Bond Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.

For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).

- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Share class hedging:** Charge paid to M&G for currency hedging services to minimise exchange rate risk for the share class. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

as at 31 March	2020	2019	2018	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	1.36	0.56	0.50	0.81

[a] Average of first three columns.

M&G Absolute Return Bond Fund

Financial highlights

Specific share class performance

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

Euro Class 'Z-H' Accumulation share performance

The share class was launched on 20 April 2018.

for the year to 31 March Change in NAV per share	2020 Euro ¢	2019 Euro ¢	2018 Euro ¢
Opening NAV	1,006.85	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	(39.57)	9.35	n/a
Operating charges	(0.91)	(2.50)	n/a
Return after operating charges	(40.48)	6.85	n/a
Distributions	(30.31)	(26.28)	n/a
Retained distributions	30.31	26.28	n/a
Closing NAV	966.37	1,006.85	n/a
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.06	0.03	n/a
Dilution adjustments ^[a]	0.00	0.00	n/a
Total direct portfolio transaction costs	0.06	0.03	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	n/a
Operating charges ^[c]	0.09	0.27	n/a
Return after operating charges	-4.02	+0.69	n/a
Distribution yield	3.08	2.90	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (£'000)	26	26	n/a
Closing NAV percentage of total fund NAV (%)	0.05	0.07	n/a
Number of shares	3,000	3,000	n/a
Highest share price (Euro ¢)	1,063.85	1,009.60	n/a
Lowest share price (Euro ¢)	952.15	977.98	n/a

Sterling Class 'A' Income share performance

The share class was launched on 13 December 2016.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	98.54	99.88	100.35
Return before operating charges and after direct portfolio transaction costs	(3.11)	2.49	2.56
Operating charges	(0.84)	(0.89)	(0.82)
Return after operating charges	(3.95)	1.60	1.74
Distributions	(3.01)	(2.94)	(2.21)
Closing NAV	91.58	98.54	99.88
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	0.83	0.90	0.81
Return after operating charges	-4.01	+1.60	+1.73
Distribution yield	3.00	3.07	2.42
Effect on yield of charges offset against capital	0.80	0.80	0.80
Other information			
Closing NAV (£'000)	782	583	362
Closing NAV percentage of total fund NAV (%)	1.49	1.57	1.08
Number of shares	854,192	591,724	362,389
Highest share price (UK p)	103.24	100.40	102.28
Lowest share price (UK p)	91.91	97.12	100.80

Sterling Class 'A' Accumulation share performance

The share class was launched on 13 December 2016.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	104.25	102.58	100.87
Return before operating charges and after direct portfolio transaction costs	(3.38)	2.59	2.57
Operating charges	(0.90)	(0.92)	(0.86)
Return after operating charges	(4.28)	1.67	1.71
Distributions	(2.34)	(2.22)	(1.40)
Retained distributions	2.34	2.22	1.40
Closing NAV	99.97	104.25	102.58
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	0.83	0.90	0.85
Return after operating charges	-4.11	+1.63	+1.70
Distribution yield	2.19	2.27	1.59
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	502	408	258
Closing NAV percentage of total fund NAV (%)	0.96	1.10	0.77
Number of shares	502,474	391,877	251,544
Highest share price (UK p)	110.60	104.54	103.61
Lowest share price (UK p)	98.46	101.14	101.32

M&G Absolute Return Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Income share performance

The share class was launched on 13 December 2016.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	98.99	100.12	100.41
Return before operating charges and after direct portfolio transaction costs	(3.12)	2.52	2.50
Operating charges	(0.64)	(0.70)	(0.61)
Return after operating charges	(3.76)	1.82	1.89
Distributions	(3.03)	(2.95)	(2.18)
Closing NAV	92.20	98.99	100.12

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	0.63	0.70	0.61
Return after operating charges	-3.80	+1.82	+1.88
Distribution yield	3.00	3.07	2.38
Effect on yield of charges offset against capital	0.60	0.60	0.60

Other information

Closing NAV (£'000)	8,067	5,405	4,542
Closing NAV percentage of total fund NAV (%)	15.35	14.59	13.53
Number of shares	8,749,817	5,459,868	4,535,836
Highest share price (UK p)	103.91	100.84	102.43
Lowest share price (UK p)	92.52	97.51	100.86

Sterling Class 'I' Accumulation share performance

The share class was launched on 13 December 2016.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	104.75	102.86	100.93
Return before operating charges and after direct portfolio transaction costs	(3.42)	2.61	2.57
Operating charges	(0.68)	(0.72)	(0.64)
Return after operating charges	(4.10)	1.89	1.93
Distributions	(2.58)	(2.44)	(1.63)
Retained distributions	2.58	2.44	1.63
Closing NAV	100.65	104.75	102.86

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	0.63	0.70	0.63
Return after operating charges	-3.91	+1.84	+1.91
Distribution yield	2.39	2.47	1.79
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (£'000)	40,128	28,183	26,443
Closing NAV percentage of total fund NAV (%)	76.34	76.04	78.78
Number of shares	39,869,954	26,905,845	25,708,589
Highest share price (UK p)	111.33	105.03	103.86
Lowest share price (UK p)	99.12	101.56	101.38

Sterling Class 'L' Income share performance

The share class was launched on 13 December 2016.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	99.22	100.25	100.44
Return before operating charges and after direct portfolio transaction costs	(3.14)	2.53	2.52
Operating charges	(0.55)	(0.60)	(0.51)
Return after operating charges	(3.69)	1.93	2.01
Distributions	(3.04)	(2.96)	(2.20)
Closing NAV	92.49	99.22	100.25

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	0.53	0.60	0.51
Return after operating charges	-3.72	+1.93	+2.00
Distribution yield	3.00	3.07	2.39
Effect on yield of charges offset against capital	0.50	0.50	0.50

Other information

Closing NAV (£'000)	1,906	2,375	1,939
Closing NAV percentage of total fund NAV (%)	3.63	6.41	5.78
Number of shares	2,060,538	2,393,585	1,934,436
Highest share price (UK p)	104.24	101.07	102.50
Lowest share price (UK p)	92.82	97.71	100.89

Sterling Class 'L' Accumulation share performance

The share class was launched on 13 December 2016.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	105.05	103.01	100.96
Return before operating charges and after direct portfolio transaction costs	(3.46)	2.64	2.60
Operating charges	(0.55)	(0.60)	(0.55)
Return after operating charges	(4.01)	2.04	2.05
Distributions	(2.70)	(2.55)	(1.75)
Retained distributions	2.70	2.55	1.75
Closing NAV	101.04	105.05	103.01

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	0.54	0.59	0.54
Return after operating charges	-3.82	+1.98	+2.03
Distribution yield	2.49	2.57	1.88
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (£'000)	1,100	81	21
Closing NAV percentage of total fund NAV (%)	2.09	0.22	0.06
Number of shares	1,088,536	77,348	20,000
Highest share price (UK p)	111.75	105.34	103.99
Lowest share price (UK p)	99.51	101.79	101.41

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Specific share class performance

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the period to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(6.79)	n/a	n/a
Operating charges	(0.33)	n/a	n/a
Return after operating charges	(7.12)	n/a	n/a
Distributions	(2.94)	n/a	n/a
Closing NAV	89.94	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	n/a	n/a
Dilution adjustments ^[a]	0.00	n/a	n/a
Total direct portfolio transaction costs	0.00	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	n/a	n/a
Operating charges	0.50	n/a	n/a
Return after operating charges	-7.12	n/a	n/a
Distribution yield	2.48	n/a	n/a
Effect on yield of charges offset against capital	0.50	n/a	n/a
Other information			
Closing NAV (£'000)	18	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.03	n/a	n/a
Number of shares	20,000	n/a	n/a
Highest share price (UK p)	101.37	n/a	n/a
Lowest share price (UK p)	90.27	n/a	n/a

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the period to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(3.84)	n/a	n/a
Operating charges	(0.52)	n/a	n/a
Return after operating charges	(4.36)	n/a	n/a
Distributions	(2.55)	n/a	n/a
Retained distributions	2.55	n/a	n/a
Closing NAV	95.64	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	n/a	n/a
Dilution adjustments ^[a]	0.00	n/a	n/a
Total direct portfolio transaction costs	0.01	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	n/a	n/a
Operating charges	0.53	n/a	n/a
Return after operating charges	-4.36	n/a	n/a
Distribution yield	2.49	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (£'000)	34	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.06	n/a	n/a
Number of shares	35,314	n/a	n/a
Highest share price (UK p)	105.75	n/a	n/a
Lowest share price (UK p)	94.19	n/a	n/a

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

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

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

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Statement of total return

for the year to 31 March	Note	2020 £'000	2019 £'000
Income			
Net capital gains / (losses)	3	(4,161)	(196)
Revenue	5	1,424	1,104
Expenses	6	(291)	(233)
Net revenue / (expense) before taxation		1,133	871
Taxation	7	1	(1)
Net revenue / (expense) after taxation		1,134	870
Total return before distributions		(3,027)	674
Distributions	8	(1,197)	(909)
Change in net assets attributable to shareholders from investment activities		(4,224)	(235)

Statement of change in net assets attributable to shareholders

for the year to 31 March	2020 £'000	2019 £'000
Opening net assets attributable to shareholders	37,061	33,565
Amounts received on issue of shares	23,517	8,947
Amounts paid on cancellation of shares	(4,823)	(5,883)
	18,694	3,064
Dilution adjustments	35	6
Change in net assets attributable to shareholders from investment activities (see above)	(4,224)	(235)
Retained distributions on Accumulation shares	997	661
Closing net assets attributable to shareholders	52,563	37,061

Balance sheet

as at 31 March	Note	2020 £'000	2019 £'000
Assets			
Fixed assets			
Investments		49,752	36,569
Current assets			
Debtors	9	1,829	1,541
Cash and bank balances	10	4,620	830
Cash equivalents		467	26
Total assets		56,668	38,966
Liabilities			
Investment liabilities		(2,100)	(453)
Creditors			
Overdrawn positions at futures clearing houses and collateral manager		(270)	(98)
Distribution payable		(204)	(133)
Other creditors	11	(1,531)	(1,221)
Total liabilities		(4,105)	(1,905)
Net assets attributable to shareholders		52,563	37,061

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 6 and 7.

2 Distribution policy

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

3 Net capital gains / (losses)

for the year to 31 March	2020 £'000	2019 £'000
Non-derivative securities	(1,526)	225
Derivative contracts	(2,503)	(558)
Currency gains / (losses)	(125)	159
Transaction charges	(7)	(22)
Net capital gains / (losses)	(4,161)	(196)

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 17.

for the year to 31 March	2020 £'000	2019 £'000		
a) Purchases				
Debt securities ^[a]	53,402	24,132		
b) Sales				
Debt securities ^[a]	37,973	20,677		
Other transaction types				
Corporate actions	1,063	459		
Total sales after transaction costs	39,036	21,136		
c) Direct portfolio transaction costs	2020 £'000	% of average NAV	2019 £'000	% of average NAV
Commissions paid				
Derivatives	1	0.01	0	0.00
Taxes paid				
Derivatives	1	0.00	0	0.00
Total direct portfolio transaction costs ^[b]	2	0.01	0	0.00
d) Indirect portfolio transaction costs		%		%
Portfolio dealing spread ^[c]		1.36		0.56

^[a] These transaction types do not attract direct portfolio transaction costs.

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

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

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5 Revenue

for the year to 31 March	2020 £'000	2019 £'000
Bank interest	63	1
Derivative revenue	43	20
Interest distributions	8	2
Interest on debt securities	1,309	1,081
Rebate of ongoing charges from underlying funds	1	0
Total revenue	1,424	1,104

6 Expenses

for the year to 31 March	2020 £'000	2019 £'000
Payable to the ACD or associate		
Annual charge	203	0
Annual management charge ^[a]	58	163
Administration charge ^[a]	19	54
	280	217
Payable to the Depositary or associate		
Depositary's charge (including VAT) ^[a]	1	3
Other expenses		
Audit fee (including VAT) ^[a] ^[b]	4	9
Dividend charges	0	1
Interest payable	4	1
Legal fees	1	0
Safe custody charge ^[a]	1	2
	10	13
Total expenses	291	233

^[a] The segregated charges shown above for annual management, administration, depositary, audit and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

^[b] Audit fees for the financial year ending 2020 were £11,000 (including VAT).

7 Taxation

for the year to 31 March	2020 £'000	2019 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	(1)	1
Deferred tax (note 7c)	0	0
Total taxation	(1)	1
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	1,133	871
Corporation tax at 20%	227	174
Effects of:		
Interest distributions	(227)	(172)
Withholding tax	(1)	1
Retail Prices Index adjustments to gilts	0	(2)
Total tax charge (note 7a)	(1)	1
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
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset in the current financial year (2019: same).

8 Distributions

	2020		2019	
for the year to 31 March	Inc ^[a] £'000	Acc ^[b] £'000	Inc ^[a] £'000	Acc ^[b] £'000
Interest distributions				
Interim	140	358	115	298
Final	204	639	133	363
Total net distributions		1,341		909
Income deducted on cancellation of shares		44		46
Income received on issue of shares		(188)		(46)
Distributions		1,197		909
Net revenue / (expense) per statement of total return		1,134		870
Expenses offset against capital		63		47
Effective yield adjustments not distributed		0		(8)
Distributions		1,197		909

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 March	2020 £'000	2019 £'000
Amounts receivable on issues of shares	118	54
Currency deals outstanding	557	0
Debt security interest receivable	423	333
Distributions receivable	1	0
Derivative revenue receivable	5	1
Other debtors	5	0
Due from M&G Securities Limited	7	7
Sales awaiting settlement	713	1,145
Withholding tax recoverable	0	1
Total debtors	1,829	1,541

10 Cash and bank balances

as at 31 March	2020 £'000	2019 £'000
Amounts held at futures clearing houses and collateral manager	1,152	429
Cash held as bank balances	3,468	401
Total cash and bank balances	4,620	830

11 Other creditors

as at 31 March	2020 £'000	2019 £'000
ACD's annual management charge payable	0	8
Administration charge payable	0	3
Amounts payable on cancellation of shares	36	0
Annual charge payable	7	0
Currency deals outstanding	556	0
Derivative expense payable	1	2
Expenses payable	0	9
Purchases awaiting settlement	931	1,199
Total other creditors	1,531	1,221

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12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2019: 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 01.04.19	Movements Issued Cancelled		Closing 31.03.20
Euro				
Class 'Z-H' Accumulation	3,000	0	0	3,000
Sterling				
Class 'A' Income	591,724	616,481	(354,013)	854,192
Class 'A' Accumulation	391,877	261,607	(151,010)	502,474
Class 'I' Income	5,459,868	4,536,982	(1,247,033)	8,749,817
Class 'I' Accumulation	26,905,845	15,400,018	(2,435,909)	39,869,954
Class 'L' Income	2,393,585	11,139	(344,186)	2,060,538
Class 'L' Accumulation	77,348	1,019,294	(8,106)	1,088,536
Class 'PP' Income	0	20,000	0	20,000
Class 'PP' Accumulation	0	179,359	(144,045)	35,314

14 Charging structure

The table below sets out the charging structure for each class of share in existence as at the balance sheet date. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Entry charge %	Exit charge %	Annual charge ^[a] %
Euro			
Class 'Z-H'	n/a	n/a	0.00
Sterling			
Class 'A'	n/a	n/a	0.80
Class 'I'	n/a	n/a	0.60
Class 'L'	n/a	n/a	0.50
Class 'PP'	n/a	n/a	0.50

^[a] The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

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 annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end from the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 28.20% (2019: 41.87%) of the fund's shares.

16 Events after the balance sheet date

Between 31 March 2020 and 5 June 2020 the value of investments has risen. For further details on the share class movements, please refer to the below table:

Net asset	31.03.20	05.06.20	% Change
Euro			
Euro Class 'Z-H' Accumulation	966.37	1,030.56	6.64
Sterling			
Class 'A' Income	91.58	97.97	6.97
Class 'A' Accumulation	99.97	106.61	6.64
Class 'I' Income	92.20	98.65	7.00
Class 'I' Accumulation	100.65	107.37	6.67
Class 'L' Income	92.49	99.00	7.04
Class 'L' Accumulation	101.04	107.81	6.70
Class 'PP' Income	89.94	96.27	7.03
Class 'PP' Accumulation	95.64	102.04	6.69

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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.

as at 31 March Basis of valuation	Assets 2020 £'000	Liabilities 2020 £'000	Assets 2019 £'000	Liabilities 2019 £'000
Level 1	2,535	(546)	2,373	(168)
Level 2	46,960	(1,554)	34,196	(285)
Level 3	257	0	0	0
	49,752	(2,100)	36,569	(453)

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 7 and 8.

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 March 2020 was 3% (2019: 3.3%).

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 March 2020 and 31 March 2019.

for the year to 31 March	2020 % of VaR	2020 Utilisation of upper limit VaR ^[a] 3%	2019 % of VaR	2019 Utilisation of upper limit VaR ^[a] 3.3%
Lowest	0.79	23.72	0.60	17.94
Highest	7.21 ^[b]	216.52	1.60	47.98
Average	1.31	39.29	0.91	27.29

^[a] The VaR on the fund has been divided by its maximum limit.

^[b] Due to market volatility caused by the COVID-19 pandemic there were passive breaches of the internally set M&G Absolute Return Bond Fund upper VaR limit. The recent volatility has been more abrupt than the 2008-09 crisis on which this limit was initially modelled. This limit is under frequent review. The fund remains below the regulatory upper VaR limit and is being monitored with increased oversight.

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 March	2020 £'000	2019 £'000
Investment grade securities	35,762	26,560
Below investment grade securities	7,788	5,206
Unrated securities	5,670	4,584
Other investments	(1,568)	(234)
Total	47,652	36,116

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 March 2020	Swaps £'000	Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch	0	0	(428)
Barclays Bank	186	2	0
Citigroup	(24)	0	0
Goldman Sachs	27	(909)	0
HSBC	0	(402)	0
JPMorgan	78	(34)	0
State Street Bank	0	(61)	0
UBS	(1)	(2)	0
Total	266	(1,406)	(428)

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20 Credit risk (continued)

as at 31 March 2019	Swaps £'000	Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch	0	0	(168)
Barclays Bank	(43)	(1)	0
Citigroup	(55)	(2)	0
Goldman Sachs	74	(1)	0
HSBC	0	11	0
JPMorgan	(121)	0	0
State Street Bank	0	69	0
UBS	3	0	0
Total	(142)	76	(168)

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 March 2020 and 31 March 2019 are disclosed in the table below.

for the year to 31 March	2020 ^[a] £'000	2020 ^[a] % ^[b]	2019 ^[a] £'000	2019 ^[a] % ^[b]
Lowest	50,289	134.00	36,033	105.00
Highest	205,859	353.00	106,181	287.00
Average	98,267	209.00	49,740	137.00

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

^[b] Expressed as a percentage over fund valuation.

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 15.

23 Interest distribution tables

This fund pays semi-annual interest distributions and the following table sets out the distribution periods.

Semi-annual distribution periods				
	Start	End	Xd	Payment
Interim	01.04.19	30.09.19	01.10.19	30.11.19
Final	01.10.19	31.03.20	01.04.20	31.05.20

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 'Z-H' Accumulation shares				
Interest distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020	2019
	£	£	£	£
Interim	12.3624	0.0000	12.3624	11.3446
Final	17.9486	0.0000	17.9486	14.9330

Sterling Class 'A' Income shares				
Interest distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020	2019
	p	p	p	p
Interim	0.6311	0.6412	1.2723	1.3724
Final	0.9709	0.7698	1.7407	1.5710

Sterling Class 'A' Accumulation shares				
Interest distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020	2019
	p	p	p	p
Interim	0.4364	0.4890	0.9254	1.0076
Final	0.8214	0.5976	1.4190	1.2158

Sterling Class 'I' Income shares				
Interest distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020	2019
	p	p	p	p
Interim	0.2865	0.9922	1.2787	1.3767
Final	0.9585	0.7906	1.7491	1.5775

M&G Absolute Return Bond Fund

Financial statements and notes

Notes to the financial statements

23 Interest distribution tables (continued)

Sterling Class 'I' Accumulation shares				
Interest distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution	
	p	p	2020	2019
Interim	0.3285	0.7072	1.0357	1.1117
Final	0.7227	0.8176	1.5403	1.3264

Sterling Class 'L' Income shares				
Interest distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution	
	p	p	2020	2019
Interim	0.1402	1.1417	1.2819	1.3788
Final	1.7585	0.0000	1.7585	1.5806

Sterling Class 'L' Accumulation shares				
Interest distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution	
	p	p	2020	2019
Interim	0.2815	0.8122	1.0937	1.1651
Final	0.6945	0.9077	1.6022	1.3802

Sterling Class 'PP' Income shares				
Interest distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution	
	p	p	2020	2019
Interim	1.2244	0.0000	1.2244	n/a
Final	1.7162	0.0000	1.7162	n/a

Sterling Class 'PP' Accumulation shares				
Interest distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution	
	p	p	2020	2019
Interim	0.6395	0.3957	1.0352	n/a
Final	0.7639	0.7549	1.5188	n/a

M&G Global Enhanced Equity Premia Fund

Authorised Corporate Director's Report

Investment objective

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

Investment policy

At least 80% of the fund is invested directly in equity securities and equity-related securities of companies across any sector and market capitalisation that are domiciled in any country, including emerging markets.

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

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

The fund applies a systematic investment approach to select stocks the fund manager expects to outperform other companies in the global equity market.

From the fund's investible universe, each stock is ranked on five key criteria or 'Factors': Value, Quality, Momentum, Volatility and Size. Historically, stocks with exposure to these factors (attractive valuation, high quality, positive momentum, low volatility and small company size) have generated excess returns, or equity premia.

These rankings are then combined to provide a single 'score' for each stock. The weighting of each factor in the single score is determined by the fund manager and reflects prevailing market conditions. Stocks with high scores are candidates for inclusion in the fund. Consideration is also given to the sector and country breakdown of the fund's benchmark to ensure a diversified portfolio.

As part of the portfolio construction process, differences between the fund's characteristics and those of its benchmark (such as sector, country or risk factor weightings) may be constrained. Managing the fund in this way limits the magnitude by which the fund is expected to deviate from the benchmark.

Benchmark

Benchmark: MSCI ACWI NUK Index.

The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used to measure the fund's performance and acts as a constraint on the fund's portfolio construction, as certain limits, such as constraints on sector or geographic exposure, may apply at any given time.

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

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

Risk profile

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

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

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

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



The above number:

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

M&G Global Enhanced Equity Premia Fund

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Investment review

As at 1 April 2020, for the period ended 31 March 2020

Investment performance

The M&G Global Enhanced Equity Premia Fund is an active equity (company shares) fund, using a dynamic multi-factor equity approach. Factor investing is based on the premise that a significant portion of returns over time can be explained by the excess return generated by stocks that reflect certain characteristics, or risk factors.

We apply a systematic investment approach to select stocks we expect to outperform other companies in the global equity market. We invest at least 80% of the fund in company shares across any sector and of any size, from anywhere in the world.

From the fund's investible universe, the MSCI ACWI Index, each stock is ranked on five key criteria, or factors: value, quality, momentum, volatility and size. Based on analysis of simulated past returns, stocks with exposure to these factors (attractive valuation, high quality, positive momentum, low volatility and small company size) have historically tended to deliver superior risk-adjusted returns.

These rankings are then combined to provide a single 'score' for each stock. Stocks with high scores are candidates for inclusion in the fund.

The weighting we allocate to each factor in the process of arriving at the single score reflects our view of the prevailing market conditions. The potential returns of individual factors might vary depending on their valuation and price action, as well as general market conditions. For example, if in our view a risk factor is attractively valued, it will have a greater weighting in the score than if we regard it as unattractively valued. Typically, each risk factor will have an equal weighting (ie 20%). No factor can have a weighting of less than 0% or greater than 50%.

As part of the portfolio construction process, differences between the fund's characteristics and the index (such as stock, sector, country or risk factor weightings) may be constrained. Managing the fund in this way limits the magnitude by which the fund is expected to deviate from the benchmark.

Factor investing is a well-established practice and supported by large bodies of academic research. It is cost-effective, with the potential to achieve excess returns. By combining factors, we mitigate the risk of any single factor being out of favour at a given time. Factors generally have low levels of correlation – they often do not move in the same direction as the market or as each other. In some cases in the past factors have even displayed negative correlation, moving in opposite directions to the markets and/or each other.

The recent bout of stockmarket volatility has exacerbated some of the pricing differentials between factors. More specifically, the valuations of the value and size factors relative to the market are approaching levels last seen during the technology bubble of the late 1990s. We have therefore increased the portfolio's exposure slightly towards the value and small size factors. At the same time, portfolio risk is diversified by having meaningful exposures to the momentum, quality and low volatility factors.

Outlook

Equity markets have been rattled by the pandemic and the sharp declines in share prices are presenting pricing dislocations which are rarely seen. For how long the coronavirus will impact the real economy and financial markets is still unknown, but we remain focused on our systematic approach to factor investing. We believe that stocks with exposure to the factors we have identified (attractive valuation, high quality, positive momentum, low volatility and small company size) will continue to deliver superior risk-adjusted returns and the portfolio is well placed to weather the current market uncertainty.

Gautam Samarth Fund manager

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

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

Investments

Portfolio statement

as at 31 March Holding	2020 \$'000	2020 %
EQUITIES	66,442	99.71
United Kingdom	2,220	3.33
59,784 3i	580	0.87
87,759 Barratt Developments	480	0.72
13,825 Carnival	152	0.23
9,910 Ferguson	607	0.91
7,048 Johnson Matthey	155	0.23
16,931 Smiths	246	0.37
Belgium	651	0.98
15,824 Ageas	651	0.98
Denmark	254	0.38
4,212 Novo-Nordisk	254	0.38
Finland	224	0.34
3,942 Kone	224	0.34
France	2,334	3.50
8,317 Arkema	571	0.86
7,696 Cie Générale des Établissements Michelin	659	0.99
3,294 Legrand	214	0.32
5,779 Publicis	157	0.23
8,506 Schneider Electric	733	1.10
Germany	617	0.93
1,242 Deutsche Boerse	170	0.26
10,882 HeidelbergCement	447	0.67
Hungary	365	0.55
19,469 Richter Gedeon	365	0.55
Ireland	1,215	1.82
6,940 CRH	183	0.27
12,610 James Hardie Industries	142	0.21
9,667 Medtronic	890	1.34
Netherlands	177	0.27
2,673 Akzo Nobel	177	0.27
Poland	203	0.30
35,077 Cyfrowy Polsat	203	0.30

M&G Global Enhanced Equity Premia Fund

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Investments

Portfolio statement (continued)		
as at 31 March Holding	2020 \$'000	2020 %
Spain	674	1.01
31,890 Endesa	674	1.01
Sweden	1,188	1.78
37,183 Skanska	548	0.82
11,746 Swedish Match	640	0.96
Switzerland	3,276	4.92
8,398 Garmin	643	0.96
10,504 Nestlé	1,078	1.62
3,078 Roche	1,000	1.51
1,647 Swiss Life	555	0.83
United States	35,869	53.83
2,970 AbbVie	223	0.33
16,607 Aflac	602	0.90
14,663 AGNC Investment	171	0.26
2,322 Allstate	220	0.33
675 Alphabet	774	1.16
405 Amazon.com	795	1.19
4,104 Amgen	856	1.28
2,457 Amphenol	186	0.28
8,317 Apple	2,118	3.18
15,608 Applied Materials	738	1.11
2,781 Arthur J. Gallagher & Co.	231	0.35
33,456 AT&T	1,012	1.52
756 AutoZone	657	0.99
5,968 Booz Allen Hamilton	425	0.64
4,104 Bristol-Myers Squibb	223	0.33
3,537 Cardinal Health	171	0.26
7,048 CDW	683	1.02
3,510 Cerner	226	0.34
5,752 Comcast	204	0.31
9,532 Copart	685	1.03
5,455 Danaher	768	1.15
22,385 DISH Network	463	0.69
2,160 Dollar General	317	0.48
2,241 Dover	192	0.29
19,256 DR Horton	709	1.06
2,835 Eaton	222	0.33
2,727 Entergy	273	0.41
8,101 Expedia	457	0.69
1,215 Facebook	202	0.30
6,616 Fidelity National Information Services	829	1.24
3,294 Fiserv	324	0.49
3,915 Fortune Brands Home & Security	174	0.26
15,500 Fox	376	0.56
6,940 General Mills	376	0.56
4,969 Global Payments	750	1.13
21,980 Harley-Davidson	393	0.59
1,782 Hershey	246	0.37
1,485 Illinois Tool Works	211	0.32
18,956 Intel	1,052	1.58
4,779 International Business Machines	539	0.81
3,888 Jacobs Engineering	303	0.45
1,863 Johnson & Johnson	248	0.37
4,671 Kansas City Southern	604	0.91
2,970 Keysight Technologies	254	0.38
1,836 Kimberly-Clark	243	0.36
1,323 L3Harris Technologies	241	0.36
891 Lam Research	228	0.34

Portfolio statement (continued)

as at 31 March Holding	2020 \$'000	2020 %
United States (continued)		
9,235 Lamb Weston	532	0.80
10,450 LKQ	219	0.33
9,154 LyondellBasell Industries	453	0.68
16,418 Marathon Petroleum	399	0.60
4,293 Mastercard	1,086	1.63
5,968 Match	398	0.60
10,369 Merck	798	1.20
15,932 Microsoft	2,554	3.83
11,206 PACCAR	697	1.05
8,452 Phillips 66	458	0.69
2,079 Procter & Gamble	239	0.36
7,966 Quest Diagnostics	662	0.99
3,105 Raytheon	438	0.66
4,536 Seagate Technology	226	0.34
4,969 Skyworks Solutions	448	0.67
1,917 STERIS	268	0.40
11,044 Sysco	512	0.77
7,075 T Rowe Price	699	1.05
2,943 Thermo Fisher Scientific	838	1.26
11,179 TJX	532	0.80
22,763 VICI Properties	365	0.55
4,888 Walgreens Boots Alliance	221	0.33
2,295 Walmart	264	0.40
4,212 Western Digital	183	0.27
9,829 Western Union	186	0.28
Canada	1,629	2.44
8,911 IGM Financial	145	0.22
33,591 Keyera	273	0.41
5,435 National Bank of Canada	199	0.30
34,996 Power Corporation of Canada	519	0.78
3,294 Royal Bank of Canada	196	0.29
9,613 Sun Life Financial	297	0.44
Colombia	464	0.70
2,005,846 Grupo Aval Acciones y Valores Preference Shares	464	0.70
Mexico	529	0.79
203,115 Megacable	529	0.79
Japan	4,755	7.14
5,400 ABC-Mart	268	0.40
32,400 Aozora Bank	613	0.92
40,500 Astellas Pharma	621	0.93
18,900 Bridgestone	578	0.87
21,600 ITOCHU	445	0.67
8,100 Japan Airlines	148	0.22
16,200 KDDI	475	0.71
8,100 Square Enix	359	0.54
5,400 Toyo Suisan Kaisha	257	0.39
13,500 Toyota Motor	806	1.21
13,500 USS	185	0.28
Australia	1,691	2.54
72,448 Challenger	176	0.26
126,535 Coca-Cola Amatil	681	1.02
3,969 Rio Tinto	205	0.32
42,556 Sonic Healthcare	629	0.94
China	1,964	2.95
5,400 Changchun High & New Technology Industry	417	0.63
437,400 China Everbright Bank	223	0.33
162,000 China National Building Material	177	0.27
148,500 China Shenhua Energy	282	0.41
486,000 PICC Property & Casualty	470	0.71
378,000 Postal Savings Bank of China	230	0.35
162,000 Shenzhen Expressway	165	0.25

M&G Global Enhanced Equity Premia Fund

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Investments

Portfolio statement (continued)		
as at 31 March	2020	2020
Holding	\$'000	%
Hong Kong	900	1.35
94,500 BYD Electronic International	158	0.24
567,000 China Medical System	613	0.92
108,000 China Resources Cement	129	0.19
Israel	403	0.60
21,359 Mizrahi Tefahot Bank	403	0.60
Malaysia	992	1.49
342,900 MISC	589	0.89
186,300 RHB Bank	202	0.30
256,500 Westports	201	0.30
Philippines	198	0.30
690,700 Robinsons Land	198	0.30
Singapore	501	0.75
78,300 BOC Aviation	501	0.75
Taiwan	2,308	3.46
351,000 CTBC Financial	207	0.31
81,000 Novatek Microelectronics	461	0.69
1,728,000 SinoPac Financial	631	0.95
135,000 Standard Foods	272	0.41
297,000 Taiwan Cement	388	0.58
432,000 Wistron	349	0.52
South Africa	841	1.26
608,696 Fortress REIT	344	0.52
477,382 Life Healthcare	481	0.72
8,972 Resilient REIT	16	0.02
Portfolio of investments (notes 2c & 2d on page 6)	66,442	99.71
Net other assets / (liabilities)	194	0.29
Net assets attributable to shareholders	66,636	100.00

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

Top ten portfolio transactions

for the period to 31 March 2020

Largest purchases	\$'000
Apple	3,545
Merck	2,545
Microsoft	2,340
Ageas	1,974
Amgen	1,767
Visa	1,654
AT&T	1,601
Intel	1,559
Mastercard	1,525
Medtronic	1,516
Other purchases	132,377
Total purchases	152,403
Largest sales	\$'000
Visa	1,677
Merck	1,646
China Resources	1,299
Apple	1,279
Phison Electronics	1,201
Berkeley	1,132
Inter Pipeline	1,074
Arrow Electronics	1,056
Ageas	1,032
China Oriental	1,017
Other sales	51,690
Total sales	64,103

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

M&G Global Enhanced Equity Premia 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 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 (10), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value	
	2020
as at 31 March	\$'000
Fund net asset value (NAV)	66,636

Performance since launch

As the fund has not yet operated for a 12 month period, the performance since launch graph and long-term performance figures have not been calculated.

Operating charges and portfolio transaction costs

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

Operating charges

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

- Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.

For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs	
for the period to 31 March	2020
Direct portfolio transaction costs ^[a]	%
Broker commission	0.06
Taxes	0.07
Costs before dilution adjustments	0.13
Dilution adjustments ^[b]	(0.01)
Total direct portfolio transaction costs	0.12
as at 31 March	2020
Indirect portfolio transaction costs	%
Average portfolio dealing spread	0.19

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

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

M&G Global Enhanced Equity Premia Fund

Financial highlights

Specific share class performance

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

Historic yields for the current period are calculated as at 9 April 2020.

Sterling Class 'I' Income share performance

The share class was launched on 12 November 2019.

for the period to 31 March Change in NAV per share	2020 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	(17.78)
Operating charges	(0.11)
Return after operating charges	(17.89)
Distributions	(0.87)
Closing NAV	81.24
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.13
Dilution adjustments ^[a]	(0.01)
Total direct portfolio transaction costs	0.12
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.12
Operating charges	0.30
Return after operating charges	-17.89
Historic yield	1.05
Effect on yield of charges offset against capital	0.30
Other information	
Closing NAV (\$'000)	20
Closing NAV percentage of total fund NAV (%)	0.03
Number of shares	20,000
Highest share price (UK p)	105.08
Lowest share price (UK p)	74.96

Sterling Class 'I' Accumulation share performance

The share class was launched on 12 November 2019.

for the period to 31 March Change in NAV per share	2020 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	(17.77)
Operating charges	(0.11)
Return after operating charges	(17.88)
Distributions	(0.78)
Retained distributions	0.78
Closing NAV	82.12
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.13
Dilution adjustments ^[a]	(0.01)
Total direct portfolio transaction costs	0.12
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.12
Operating charges	0.30
Return after operating charges	-17.88
Historic yield	0.90
Effect on yield of charges offset against capital	0.00
Other information	
Closing NAV (\$'000)	20
Closing NAV percentage of total fund NAV (%)	0.03
Number of shares	20,000
Highest share price (UK p)	105.08
Lowest share price (UK p)	74.96

Sterling Class 'PP' Income share performance

The share class was launched 12 November 2019.

for the period to 31 March Change in NAV per share	2020 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	(17.78)
Operating charges	(0.10)
Return after operating charges	(17.88)
Distributions	(0.87)
Closing NAV	81.25
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.13
Dilution adjustments ^[a]	(0.01)
Total direct portfolio transaction costs	0.12
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.12
Operating charges	0.25
Return after operating charges	-17.88
Historic yield	1.05
Effect on yield of charges offset against capital	0.25
Other information	
Closing NAV (\$'000)	20
Closing NAV percentage of total fund NAV (%)	0.03
Number of shares	20,000
Highest share price (UK p)	105.10
Lowest share price (UK p)	74.98

M&G Global Enhanced Equity Premia Fund

Financial highlights

Specific share class performance

Sterling Class 'PP' Accumulation share performance

The share class was launched on 12 November 2019.

for the period to 31 March Change in NAV per share	2020 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	(17.78)
Operating charges	(0.10)
Return after operating charges	(17.88)
Distributions	(0.79)
Retained distributions	0.79
Closing NAV	82.12
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.13
Dilution adjustments ^[a]	(0.01)
Total direct portfolio transaction costs	0.12
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.12
Operating charges	0.25
Return after operating charges	-17.88
Historic yield	0.92
Effect on yield of charges offset against capital	0.00
Other information	
Closing NAV (\$'000)	21
Closing NAV percentage of total fund NAV (%)	0.03
Number of shares	20,000
Highest share price (UK p)	105.10
Lowest share price (UK p)	74.98

Sterling Class 'Z' Accumulation share performance

The share class was launched on 12 November 2019.

for the period to 31 March Change in NAV per share	2020 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	(17.82)
Operating charges	0.00
Return after operating charges	(17.82)
Distributions	(0.87)
Retained distributions	0.87
Closing NAV	82.18
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.13
Dilution adjustments ^[a]	(0.01)
Total direct portfolio transaction costs	0.12
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.12
Operating charges	0.00
Return after operating charges	-17.82
Historic yield	1.04
Effect on yield of charges offset against capital	0.00
Other information	
Closing NAV (\$'000)	66,555
Closing NAV percentage of total fund NAV (%)	99.88
Number of shares	65,519,000
Highest share price (UK p)	105.17
Lowest share price (UK p)	75.05

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

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

M&G Global Enhanced Equity Premia Fund

Financial statements and notes

Financial statements

Statement of total return

for the period to 31 March	Note	2020 \$'000	\$'000
Income			
Net capital gains / (losses)	3	(21,972)	
Revenue	5	922	
Expenses	6	(2)	
Net revenue / (expense) before taxation		920	
Taxation	7	(105)	
Net revenue / (expense) after taxation			815
Total return before distributions		(21,157)	
Distributions	8	(815)	
Change in net assets attributable to shareholders from investment activities		(21,972)	

Statement of change in net assets attributable to shareholders

for the period to 31 March	2020 \$'000	\$'000
Opening net assets attributable to shareholders		0
Amounts received on issue of shares	101,762	
Amounts paid on cancellation of shares	(13,889)	
		87,873
Dilution adjustments		29
Change in net assets attributable to shareholders from investment activities (see above)	(21,972)	
Retained distributions on Accumulation shares		706
Closing net assets attributable to shareholders		66,636

Balance sheet

as at 31 March	Note	2020 \$'000
Assets		
Fixed assets		
Investments		66,442
Current assets		
Debtors	9	226
Cash and bank balances	10	23
Total assets		66,691
Liabilities		
Creditors		
Bank overdrafts		(53)
Other creditors	11	(2)
Total liabilities		(55)
Net assets attributable to shareholders		66,636

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 6 and 7.

The fund's functional and presentational currency is US dollars as this better reflects the currency of its primary economic environment.

2 Distribution policy

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

3 Net capital gains / (losses)

for the period to 31 March	2020 \$'000
Non-derivative securities	(21,855)
Currency gains / (losses)	(117)
Net capital gains / (losses)	(21,972)

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 31.

for the period to 31 March	2020 \$'000	% of transaction
a) Purchases		
Equities		
Equities before transaction costs	151,687	
Commissions	43	0.03
Taxes	53	0.03
Equities after transaction costs	151,783	
Collective investment schemes	620	
Total purchases after transaction costs	152,403	
b) Sales		
Equities		
Equities before transaction costs	63,540	
Commissions	(17)	0.03
Taxes	(16)	0.03
Equities after transaction costs	63,507	
Collective investment schemes	596	
Total sales after transaction costs	64,103	
c) Direct portfolio transaction costs	2020 \$'000	% of average NAV
Commissions paid		
Equities	60	0.06
Taxes paid		
Equities	69	0.07
Total direct portfolio transaction costs ^[a]	129	0.13
d) Indirect portfolio transaction costs		%
Portfolio dealing spread ^[b]		0.19

^[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.

M&G Global Enhanced Equity Premia Fund

Financial statements and notes

Notes to the financial statements

5 Revenue

	2020 \$'000
for the period to 31 March	
Dividends from equity investments: non-taxable	909
Dividends from equity investments: taxable	12
Rebate of ongoing charges from underlying funds	1
Total revenue	922

6 Expenses

	2020 \$'000
for the period to 31 March	
Other expenses	
Interest payable	2
Total expenses	2

Audit fees for the financial period ending 2020 were £5,273 (including VAT).

7 Taxation

	2020 \$'000
for the period to 31 March	
a) Analysis of charge in the period	
Corporation tax	0
Withholding tax	103
Deferred tax (note 7c)	2
Total taxation	105
b) Factors affecting taxation charge for the period	
Net revenue / (expense) before taxation	920
Corporation tax at 20%	184
Effects of:	
Dividends from equity investments: non-taxable	(182)
Withholding tax	103
Total tax charge (note 7a)	105
c) Provision for deferred taxation	
Provision at the start of the period	0
Deferred tax in profit and loss account (note 7a)	2
Provision at the end of the period	2

The fund has not recognised a deferred tax asset in the current financial period.

8 Distributions

	2020	
for the period to 31 March	Inc ^[a]	Acc ^[b]
Dividend distributions	\$'000	\$'000
Final	0	706
Total net distributions		706
Income deducted on cancellation of shares		109
Distributions		815
Net revenue / (expense) per statement of total return		815
Distributions		815

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

	2020 \$'000
as at 31 March	
Dividends receivable	217
Withholding tax recoverable	9
Total debtors	226

10 Cash and bank balances

	2020 \$'000
as at 31 March	
Cash held as bank balances	23
Total cash and bank balances	23

11 Other creditors

	2020 \$'000
as at 31 March	
Deferred taxation	2
Total other creditors	2

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date.

13 Shares in issue

The following table shows each class of share in issue during the period. 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 12.11.19	Movements		Closing 31.03.20
		Issued	Cancelled	
Sterling				
Class 'I' Income	0	20,000	0	20,000
Class 'I' Accumulation	0	20,000	0	20,000
Class 'PP' Income	0	20,000	0	20,000
Class 'PP' Accumulation	0	20,000	0	20,000
Class 'Z' Accumulation	0	79,205,000	(13,686,000)	65,519,000

14 Charging structure

The table below sets out the charging structure for each class of share in existence as at the balance sheet date. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Entry charge %	Exit charge %	Annual ^[a] charge %
Sterling			
Class 'I'	n/a	n/a	0.30
Class 'PP'	n/a	n/a	0.25
Class 'Z'	n/a	n/a	0.00

^[a] The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

M&G Global Enhanced Equity Premia Fund

Financial statements and notes

Notes to the financial statements

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 period end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the annual charge are disclosed in note 6. Amounts due at the period end from the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 99.84% of the fund's shares.

16 Events after the balance sheet date

Between 31 March 2020 and 5 June 2020 the value of investments has risen. For further details on the share class movements, please refer to the below table:

Net asset	31.03.20	05.06.20	% Change
Sterling			
Class 'I' Income	81.24	95.16	17.14
Class 'I' Accumulation	82.12	96.19	17.14
Class 'PP' Income	81.25	95.19	17.15
Class 'PP' Accumulation	82.12	96.22	17.17
Class 'Z' Accumulation	82.18	96.34	17.24

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. However no such financial instruments were held.

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 March Basis of valuation	Assets 2020 \$'000	Liabilities 2020 \$'000
Level 1	66,442	0
Level 2	0	0
Level 3	0	0
	66,442	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'.

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 7 and 8.

M&G Global Enhanced Equity Premia Fund

Financial statements and notes

Notes to the financial statements

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 \$3,322,000. A five per cent decrease would have an equal and opposite effect.

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 \$3,332,000. A five per cent decrease would have an equal and opposite effect.

as at 31 March	2020 \$'000
Currency exposure in respect of the fund	
Australian dollar	1,842
Canadian dollar	1,658
Chinese yuan	648
Colombian peso	466
Danish krone	257
Euro	4,684
Hong Kong dollar	2,725
Hungarian forint	365
Israeli shekel	403
Japanese yen	4,820
Malaysian ringgit	992
Mexican peso	529
Philippine peso	198
Polish zloty	203
Sterling	2,403
South African rand	841
South Korean won	8
Swedish krona	1,188
Swiss franc	2,640
Taiwan dollar	2,308
UAE dirham	46
US dollar	37,412
Total	66,636

21 Dividend distribution tables

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

Annual distribution period				
	Start	End	Xd	Payment
Final	12.11.19	31.03.20	01.04.20	31.05.20

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.

Sterling Class 'I' Income shares			
Ordinary distributions for the period to 31 March	Group 2 Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020
	p	p	p
Final	0.8727	0.0000	0.8727

Sterling Class 'I' Accumulation shares			
Ordinary distributions for the period to 31 March	Group 2 Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020
	p	p	p
Final	0.7783	0.0000	0.7783

Sterling Class 'PP' Income shares			
Ordinary distributions for the period to 31 March	Group 2 Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020
	p	p	p
Final	0.8728	0.0000	0.8728

Sterling Class 'PP' Accumulation shares			
Ordinary distributions for the period to 31 March	Group 2 Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020
	p	p	p
Final	0.7939	0.0000	0.7939

Sterling Class 'Z' Accumulation shares			
Ordinary distributions for the period to 31 March	Group 2 Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020
	p	p	p
Final	0.8707	0.0000	0.8707

M&G Global Enhanced Equity Premia Fund

Financial statements and notes

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M&G Global High Yield ESG Bond Fund

Authorised Corporate Director's Report

Investment objective

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

Investment policy

At least 80% of the fund is invested directly in high yield bonds issued by companies that are domiciled in any country, including emerging markets. These bonds may be denominated in any currency and currency exposure is typically hedged back to US dollar.

The fund invests in securities that meet the fund manager's environmental, social and governance (ESG) criteria. This is achieved through the use of third party ESG information and/or proprietary analysis. However, some securities which meet the ESG criteria may not provide as good an ESG outcome as others.

In addition, the fund aims to exclude securities issued by:

- companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment and anti-corruption;
- companies that derive any revenue from defence and weapons; and
- companies that derive revenue of more than 5% for producers, and 10% for distributors, from the following industries: tobacco, alcohol, adult entertainment, gambling, nuclear power or thermal coal.

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

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

Derivatives, other transferable securities, cash and near cash may not be subject to the same ESG restrictions as other securities held in the portfolio.

Investment approach

The fund is globally diversified, and the fund manager seeks to provide exposure to a broad range of individual issuers across a variety of sectors.

The fund manager has the flexibility to adjust the fund's credit exposure, sector positioning and regional allocations depending on the assessment of current market valuations and the macroeconomic environment, including the likely path of economic growth, inflation and interest rates.

Individual credit selection is carried out in conjunction with the in-house team of credit analysts, which provides bottom-up analysis of the corporate bond markets to complement the fund manager's views.

ESG characteristics are assessed as part of the analysis of bond issuers, driving security selection and acting as an additional filter to the fund's hard ESG exclusion policies.

Further information about the Investment Manager's ESG criteria applied to the fund can be found on the M&G website under the Fund Literature section.

Benchmark

Benchmark: ICE BofAML Global High Yield Index (USD hedged).

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

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

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

M&G Global High Yield ESG Bond Fund

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Risk profile

The fund invests mainly in higher yielding fixed income securities, which may be denominated in any currency. It is, therefore, subject to the price volatility of the global bond market as well as the performance of individual issuers. In addition, the fund is subject to fluctuations in currency exchange rates, although currency exposure is typically hedged back to US dollar.

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

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

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

The following table shows the risk number associated with the fund and is based on Sterling Class 'A-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 April 2020, for the period to 31 March 2020

Investment overview

The M&G Global High Yield ESG Bond Fund was launched on 25 February 2020. The fund combines M&G's long-running experience in high yield bond investing with a rigorous assessment of environmental, social and governance (ESG) factors.

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

In order to identify securities that meet the fund's ESG criteria, potential investments undergo a three-stage screening process, which excludes certain types of organisation. We believe the approach outlined below strikes the right balance between maintaining a large and diverse selection of high yield bonds and achieving a favourable ESG outcome.

The first stage excludes any companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment protection and anti-corruption. Companies in breach are defined as institutions that have been involved in one or more controversial cases (both ongoing cases, as well as those concluded within the last three years) and have been judged to have inflicted serious large-scale harm.

The second stage implements a sector screen seeking to filter out companies that derive more than 5% of their revenue for producers, or 10% of their revenue for distributors, from the following sectors or sub-sectors: tobacco, alcohol, adult entertainment, gambling, thermal coal or nuclear energy. We also seek to exclude companies that derive any of their revenue from defence and weapons. Please note that sector exclusions are implemented on a best-efforts basis and subject to source data.

The third stage filters companies according to their overall ESG credentials. The fund seeks to exclude companies that we consider to be ESG laggards based on the analysis from research agency MSCI and our in-house ESG assessment. We typically exclude any company that is classified as an ESG laggard by MSCI (ESG rating 2.9 or lower).

However, since ESG assessment is a highly complex and subjective process, there may be occasions when our credit analysts disagree with the assessment of our external provider. In such instances, the fund managers may retain a limited exposure to a company with an ESG rating below 2.9. Any such decision is subject to a formal and documented approval and review process.

With high yield bonds remaining an underserved part of the ESG landscape, the fund provides a distinctive opportunity for investors to gain access to M&G's long-running experience in high yield bond analysis alongside leading ESG research from MSCI. By providing investors with a measurable assessment of its overall ESG impact, we believe the fund represents a genuinely distinctive proposition in the high yield bond fund space.

Outlook

Coronavirus will clearly cause some major economic disruption in the short term, and there is little doubt that many developed economies will enter recession over the coming months. On the other hand, record stimulus from both governments and central banks should help to alleviate some of the pain. While market sentiment is likely to remain fragile for some time, if markets start to sense the arrival of more positive news and a return to normality, we think conditions may be ripe for an eventual strong rebound.

James Tomlins & Stefan Isaacs

Co-fund managers

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

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

M&G Global High Yield ESG Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at 31 March Holding	2020 \$'000	2020 %
DEBT SECURITIES	16,029	94.41
Corporate bonds	16,029	94.41
Investment grade	2,223	13.09
\$57,000 Avolon Funding 2.875% 15/02/2025	46	0.27
€200,000 Banco Bilbao Vizcaya Argentaria Var. Rate 6% Perpetual	184	1.08
€200,000 Banco de Sabadell Var. Rate 6.5% Perpetual	161	0.95
\$197,000 Berry Global 4.875% 15/07/2026	199	1.17
\$264,000 Centene 4.75% 15/01/2025	269	1.58
\$196,000 Cheniere Corpus Christi 5.875% 31/03/2025	164	0.97
\$92,000 EMC 5.45% 15/06/2023	92	0.54
\$133,000 HCA 4.75% 01/05/2023	135	0.80
\$177,000 HCA 5% 15/03/2024	182	1.07
\$106,000 HCA 5.5% 15/06/2047	115	0.68
£101,000 Legal & General Var. Rate 5.375% 27/10/2045	129	0.76
€100,000 Merck Var. Rate 1.625% 25/06/2079	99	0.58
\$88,000 NGPL PipeCo 4.875% 15/08/2027	78	0.46
\$109,000 Sabine Pass Liquefaction 5.625% 01/03/2025	97	0.57
€142,000 Société Générale Var. Rate 6.75% Perpetual	148	0.87
€113,000 TOTAL Var. Rate 3.369% Perpetual	125	0.74
Below investment grade	12,481	73.51
\$200,000 Alpha 9% 10/02/2025	138	0.81
\$175,000 AMC Entertainment 6.125% 15/05/2027	73	0.43
\$161,000 American Axle & Manufacturing 6.25% 01/04/2025	132	0.78
\$50,000 Aramark Services 5% 01/02/2028	46	0.27
€158,000 Arrow Global Finance FRN 2.875% 01/04/2025	152	0.90
\$30,000 Avis Budget Finance 5.75% 15/07/2027	24	0.14
\$190,000 Axalta Coating Systems 4.875% 15/08/2024	178	1.05
€106,000 Belden 3.375% 15/07/2027	100	0.59
£100,000 Cabot Financial Luxembourg 7.5% 01/10/2023	114	0.67
\$200,000 Cascades USA 5.125% 15/01/2026	193	1.14
€200,000 Casino Guichard Perrachon 4.498% 07/03/2024	187	1.10
€187,000 Cemex 2.75% 05/12/2024	185	1.09
\$97,000 Cheniere Energy Partners 4.5% 01/10/2029	83	0.49
\$42,000 Cheniere Energy Partners 5.25% 01/10/2025	38	0.22
\$124,000 Cheniere Energy Partners 5.625% 01/10/2026	114	0.67
\$45,000 Chesapeake Energy 5.75% 15/03/2023	4	0.02
€283,000 CMA CGM 5.25% 15/01/2025	176	1.04
\$171,000 CommScope 8.25% 01/03/2027	165	0.97
€117,000 CPI Property Var. Rate 4.375% Perpetual	119	0.70
€106,000 CPI Property Var. Rate 4.875% Perpetual	101	0.59
£115,000 CPM Finance 4.25% 28/08/2022	113	0.67
\$160,000 Crown Americas Capital 4.25% 30/09/2026	159	0.94
\$145,000 DaVita 5% 01/05/2025	145	0.85
\$200,000 Drax Finco 6.625% 01/11/2025	198	1.17

Portfolio statement (continued)

as at 31 March Holding	2020 \$'000	2020 %
Below investment grade (continued)		
\$279,000 EnLink Midstream 5.375% 01/06/2029	149	0.88
€106,000 Fire BC FRN 4.75% 30/09/2024	88	0.52
€106,000 Foodco Bondco SL 6.25% 15/05/2026	84	0.49
\$153,000 Goodyear Tire & Rubber 5% 31/05/2026	140	0.82
€112,000 Grifols 2.25% 15/11/2027	118	0.70
\$161,000 Hanesbrands 4.625% 15/05/2024	160	0.94
\$135,000 Hanesbrands 4.875% 15/05/2026	131	0.77
\$92,000 HCA 5.375% 01/09/2026	95	0.56
\$71,000 Hilton Worldwide Finance 4.625% 01/04/2025	65	0.38
£100,000 Iceland Bondco 4.625% 15/03/2025	97	0.57
€200,000 Infineon Technologies Var. Rate 3.625% Perpetual	194	1.14
\$38,000 Intelsat Luxembourg 8.125% 01/06/2023	9	0.05
€212,000 Intesa Sanpaolo Var. Rate 6.25% Perpetual	192	1.13
€127,000 Intrum 3% 15/09/2027	97	0.57
€200,000 IQVIA 2.25% 15/01/2028	199	1.17
€100,000 IQVIA 3.25% 15/03/2025	107	0.63
\$34,000 JC Penney 6.375% 15/10/2036	3	0.02
\$60,000 KB Home 4.8% 15/11/2029	51	0.30
\$212,000 KB Home 6.875% 15/06/2027	210	1.24
€200,000 Koninklijke KPN Var. Rate 2% Perpetual	203	1.20
\$212,000 KUO 5.75% 07/07/2027	154	0.91
€175,000 Levi Strauss 3.375% 15/03/2027	177	1.04
\$159,000 Live Nation Entertainment 4.75% 15/10/2027	144	0.85
\$200,000 MHP 7.75% 10/05/2024	170	1.00
\$265,000 Network i2i Var. Rate 5.65% Perpetual	209	1.23
\$82,000 New Red Finance 5% 15/10/2025	79	0.47
€100,000 OI European 2.875% 15/02/2025	102	0.60
€100,000 OI European 3.125% 15/11/2024	103	0.61
€106,000 Paprec 4% 31/03/2025	80	0.47
\$150,000 Par Pharmaceutical 7.5% 01/04/2027	149	0.88
\$86,000 Parsley Finance 4.125% 15/02/2028	58	0.34
\$125,000 Parsley Finance 5.625% 15/10/2027	88	0.52
\$45,000 Performance Food 5.5% 15/10/2027	41	0.24
\$123,000 Pilgrim's Pride 5.75% 15/03/2025	124	0.73
\$240,000 Pilgrim's Pride 5.875% 30/09/2027	241	1.42
\$182,000 Post 5.5% 15/12/2029	176	1.04
£106,000 Premier Foods Finance 6.25% 15/10/2023	119	0.70
£107,000 Premier Foods Finance FRN 5.725% 15/07/2022	120	0.71
€142,000 Repsol International Finance Var. Rate 4.5% 25/03/2075	151	0.89
\$217,000 Sally Capital 5.625% 01/12/2025	177	1.04
\$197,000 Sealed Air 5.125% 01/12/2024	199	1.17
€266,000 Selecta 5.875% 01/02/2024	150	0.88
\$85,000 Service Corporation International 5.125% 01/06/2029	81	0.48
\$256,000 Sirius XM Radio 5% 01/08/2027	259	1.53
\$78,000 SM Energy 5% 15/01/2024	25	0.15
\$52,000 SM Energy 6.625% 15/01/2027	15	0.09
€100,000 Smurfit Kappa Treasury ULC 1.5% 15/09/2027	101	0.59
\$247,000 Southwestern Energy 7.75% 01/10/2027	163	0.96
\$103,000 Sprint 7.25% 01/02/2028	103	0.61
\$137,000 Sprint 7.875% 15/09/2023	149	0.88
€100,000 Starfruit US 6.5% 01/10/2026	86	0.51

M&G Global High Yield ESG Bond Fund

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Investments

Portfolio statement (continued)			
as at 31 March	2020	2020	
Holding	\$'000	%	
Below investment grade (continued)			
\$150,000 Starfruit US 8% 01/10/2026	133	0.78	
€100,000 Stena International 3.75% 01/02/2025	87	0.51	
\$130,000 Taylor Morrison Communities 5.875% 15/06/2027	119	0.70	
\$177,000 TEGNA 4.625% 15/03/2028	159	0.94	
€200,000 Telefónica Europe Var. Rate 4.375% Perpetual	213	1.25	
\$398,000 Tenet Healthcare 4.625% 15/07/2024	386	2.27	
\$80,000 Tenet Healthcare 4.875% 01/01/2026	78	0.46	
\$273,000 T-Mobile USA 6.5% 15/01/2026	275	1.62	
\$92,000 United Rentals North America 4.625% 15/10/2025	85	0.50	
\$99,000 United Rentals North America 6.5% 15/12/2026	100	0.59	
€212,000 Vallourec 6.625% 15/10/2022	129	0.76	
\$62,000 Videotron 5.375% 15/06/2024	62	0.37	
£106,000 Virgin Media Secured Finance 4.875% 15/01/2027	121	0.71	
\$178,000 Vodafone Var. Rate 7% 04/04/2079	189	1.11	
€106,000 Volvo Car 2.125% 02/04/2024	104	0.61	
\$400,00 VTR Finance 6.875% 15/01/2024	365	2.15	
€100,000 VZ Vendor Financing 2.5% 31/01/2024	102	0.60	
€200,000 Walnut Bidco 6.75% 01/08/2024	162	0.95	
\$200,000 Wanda Properties International 7.25% 29/01/2024	146	0.86	
\$150,000 Ziggo Bond 6% 15/01/2027	144	0.85	
No credit rating	1,325	7.81	
€177,000 Banca Monte dei Paschi di Siena Var. Rate 8% 22/01/2030	120	0.71	
\$70,756 Digicel Group One 8.25% 30/12/2022	31	0.18	
€143,000 Eurofins Scientific Var. Rate 2.875% Perpetual	143	0.84	
\$200,000 Greenko Solar Mauritius 5.55% 29/01/2025	164	0.97	
£177,000 Heathrow Finance 3.875% 01/03/2027	186	1.10	
\$200,000 Millicom International Cellular 6.25% 25/03/2029	178	1.05	
£160,000 Ocado 4% 15/06/2024	189	1.11	
\$200,000 Puma International Financing 5% 24/01/2026	78	0.46	
€198,000 Ruyi US Finance 5.375% 01/05/2023	130	0.77	
€100,000 Stora Enso 2.5% 21/03/2028	106	0.62	

Portfolio statement (continued)

as at 31 March	2020	2020
Holding	\$'000	%
CURRENCY	19	0.11
Forward currency contracts	19	0.11
€1,314,014 Bought for \$1,460,723 (expires 08.04.20)	(22)	(0.13)
€(6,213,399) Sold for \$6,786,083 (expires 08.04.20)	(18)	(0.11)
£124,589 Bought for \$154,503 (expires 08.04.20)	0	0.00
£(1,102,422) Sold for \$1,421,744 (expires 08.04.20)	59	0.35
Portfolio of investments	16,048	94.52
SHARE CLASS HEDGING	(721)	(4.24)
Forward currency contracts for share class hedging	(721)	(4.24)
£16,884,662 Bought for \$21,542,604 (expires 08.04.20)	(671)	(3.95)
£(3,140,152) Sold for \$3,831,864 (expires 08.04.20)	(50)	(0.29)
Total portfolio (notes 2c & 2d on page 6)	15,327	90.28
Net other assets / (liabilities)	1,650	9.72
Net assets attributable to shareholders	16,977	100.00

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

M&G Global High Yield ESG Bond Fund

Financial highlights

Fund performance

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

The 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 (10), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value	
	2020
as at 31 March	\$'000
Fund net asset value (NAV)	16,977

Performance since launch

As the fund has not yet operated for a 12 month period, the performance since launch graph and long-term performance figures have not been calculated.

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.

For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).

- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.

- **Share class hedging:** Charge paid to M&G for currency hedging services to minimise exchange rate risk for the share class. From 1 August 2019 this charge is rolled into the annual charge.

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs	
as at 31 March	2020
Indirect portfolio transaction costs	%
Average portfolio dealing spread	1.66

M&G Global High Yield ESG Bond Fund

Financial highlights

Specific share class performance

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

Sterling Class 'A-H' Income share performance

The share class was launched on 25 February 2020.

for the period to 31 March Change in NAV per share	2020 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	(16.51)
Operating charges	(0.12)
Return after operating charges	(16.63)
Distributions	(0.44)
Closing NAV	82.93
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.00
Dilution adjustments ^[a]	0.00
Total direct portfolio transaction costs	0.00
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.00
Operating charges	1.23
Return after operating charges	-16.63
Distribution yield	5.55
Effect on yield of charges offset against capital	1.23
Other information	
Closing NAV (\$'000)	20
Closing NAV percentage of total fund NAV (%)	0.12
Number of shares	20,010
Highest share price (UK p)	100.00
Lowest share price (UK p)	79.05

Sterling Class 'A-H' Accumulation share performance

The share class was launched on 25 February 2020.

for the period to 31 March Change in NAV per share	2020 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	(16.51)
Operating charges	(0.12)
Return after operating charges	(16.63)
Distributions	(0.33)
Retained distributions	0.33
Closing NAV	83.37
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.00
Dilution adjustments ^[a]	0.00
Total direct portfolio transaction costs	0.00
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.00
Operating charges	1.23
Return after operating charges	-16.63
Distribution yield	4.44
Effect on yield of charges offset against capital	0.00
Other information	
Closing NAV (\$'000)	21
Closing NAV percentage of total fund NAV (%)	0.12
Number of shares	20,000
Highest share price (UK p)	100.00
Lowest share price (UK p)	79.05

Sterling Class 'I-H' Income share performance

The share class was launched on 25 February 2020.

for the period to 31 March Change in NAV per share	2020 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	(16.52)
Operating charges	(0.07)
Return after operating charges	(16.59)
Distributions	(0.44)
Closing NAV	82.97
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.00
Dilution adjustments ^[a]	0.00
Total direct portfolio transaction costs	0.00
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.00
Operating charges	0.73
Return after operating charges	-16.59
Distribution yield	5.55
Effect on yield of charges offset against capital	0.73
Other information	
Closing NAV (\$'000)	21
Closing NAV percentage of total fund NAV (%)	0.12
Number of shares	20,050
Highest share price (UK p)	100.00
Lowest share price (UK p)	79.08

M&G Global High Yield ESG Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 25 February 2020.

for the period to 31 March Change in NAV per share	2020 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	(16.38)
Operating charges	(0.06)
Return after operating charges	(16.44)
Distributions	(0.37)
Retained distributions	0.37
Closing NAV	83.56
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.00
Dilution adjustments ^[a]	0.00
Total direct portfolio transaction costs	0.00
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.00
Operating charges	0.73
Return after operating charges	-16.44
Distribution yield	4.90
Effect on yield of charges offset against capital	0.00
Other information	
Closing NAV (\$'000)	1,345
Closing NAV percentage of total fund NAV (%)	7.92
Number of shares	1,302,583
Highest share price (UK p)	100.00
Lowest share price (UK p)	79.43

Sterling Class 'L-H' Accumulation share performance

The share class was launched on 25 February 2020.

for the period to 31 March Change in NAV per share	2020 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	(16.53)
Operating charges	(0.05)
Return after operating charges	(16.58)
Distributions	(0.39)
Retained distributions	0.39
Closing NAV	83.42
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.00
Dilution adjustments ^[a]	0.00
Total direct portfolio transaction costs	0.00
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.00
Operating charges	0.58
Return after operating charges	-16.58
Distribution yield	5.03
Effect on yield of charges offset against capital	0.00
Other information	
Closing NAV (\$'000)	15,487
Closing NAV percentage of total fund NAV (%)	91.22
Number of shares	15,020,000
Highest share price (UK p)	100.00
Lowest share price (UK p)	79.09

Sterling Class 'PP-H' Income share performance

The share class was launched on 25 February 2020.

for the period to 31 March Change in NAV per share	2020 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	(16.53)
Operating charges	(0.05)
Return after operating charges	(16.58)
Distributions	(0.44)
Closing NAV	82.98
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.00
Dilution adjustments ^[a]	0.00
Total direct portfolio transaction costs	0.00
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.00
Operating charges	0.58
Return after operating charges	-16.58
Distribution yield	5.55
Effect on yield of charges offset against capital	0.58
Other information	
Closing NAV (\$'000)	21
Closing NAV percentage of total fund NAV (%)	0.13
Number of shares	20,070
Highest share price (UK p)	100.00
Lowest share price (UK p)	79.09

Sterling Class 'PP-H' Accumulation share performance

The share class was launched on 25 February 2020.

for the period to 31 March Change in NAV per share	2020 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	(16.53)
Operating charges	(0.05)
Return after operating charges	(16.58)
Distributions	(0.39)
Retained distributions	0.39
Closing NAV	83.42
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.00
Dilution adjustments ^[a]	0.00
Total direct portfolio transaction costs	0.00
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.00
Operating charges	0.58
Return after operating charges	-16.58
Distribution yield	5.03
Effect on yield of charges offset against capital	0.00
Other information	
Closing NAV (\$'000)	21
Closing NAV percentage of total fund NAV (%)	0.13
Number of shares	20,060
Highest share price (UK p)	100.00
Lowest share price (UK p)	79.09

M&G Global High Yield ESG Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'R-H' Income share performance

The share class was launched on 25 February 2020.

for the period to 31 March Change in NAV per share	2020 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	(16.52)
Operating charges	(0.09)
Return after operating charges	(16.61)
Distributions	(0.44)
Closing NAV	82.95
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.00
Dilution adjustments ^[a]	0.00
Total direct portfolio transaction costs	0.00
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.00
Operating charges	0.98
Return after operating charges	-16.61
Distribution yield	5.55
Effect on yield of charges offset against capital	0.98
Other information	
Closing NAV (\$'000)	20
Closing NAV percentage of total fund NAV (%)	0.12
Number of shares	20,030
Highest share price (UK p)	100.00
Lowest share price (UK p)	79.06

Sterling Class 'R-H' Accumulation share performance

The share class was launched on 25 February 2020.

for the period to 31 March Change in NAV per share	2020 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	(16.52)
Operating charges	(0.09)
Return after operating charges	(16.61)
Distributions	(0.35)
Retained distributions	0.35
Closing NAV	83.39
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.00
Dilution adjustments ^[a]	0.00
Total direct portfolio transaction costs	0.00
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.00
Operating charges	0.98
Return after operating charges	-16.61
Distribution yield	4.66
Effect on yield of charges offset against capital	0.00
Other information	
Closing NAV (\$'000)	21
Closing NAV percentage of total fund NAV (%)	0.12
Number of shares	20,020
Highest share price (UK p)	100.00
Lowest share price (UK p)	79.06

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

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

M&G Global High Yield ESG Bond Fund

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Statement of total return

for the period to 31 March	Note	2020 \$'000	\$'000
Income			
Net capital gains / (losses)	3		(4,165)
Revenue	5	85	
Expenses	6	(10)	
Net revenue / (expense) before taxation		75	
Taxation	7	0	
Net revenue / (expense) after taxation			75
Total return before distributions			(4,090)
Distributions	8		(75)
Change in net assets attributable to shareholders from investment activities			(4,165)

Statement of change in net assets attributable to shareholders

for the period to 31 March	2020 \$'000	\$'000
Opening net assets attributable to shareholders		0
Amounts received on issue of shares	21,052	
Amounts paid on cancellation of shares	0	
		21,052
Dilution adjustments		12
Change in net assets attributable to shareholders from investment activities (see above)		(4,165)
Retained distributions on Accumulation shares		78
Closing net assets attributable to shareholders		16,977

Balance sheet

as at 31 March	Note	2020 \$'000
Assets		
Fixed assets		
Investments		16,088
Current assets		
Debtors	9	1,522
Cash and bank balances	10	2,037
Total assets		19,647
Liabilities		
Investment liabilities		(761)
Creditors		
Bank overdrafts		(635)
Other creditors	11	(1,274)
Total liabilities		(2,670)
Net assets attributable to shareholders		16,977

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 6 and 7.

The fund's functional and presentational currency is US dollars as this better reflects the currency of its primary economic environment.

2 Distribution policy

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

3 Net capital gains / (losses)

for the period to 31 March	2020 \$'000
Non-derivative securities	(3,182)
Derivative contracts	(963)
Currency gains / (losses)	(20)
Net capital gains / (losses)	(4,165)

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 43.

for the period to 31 March	2020 \$'000
a) Purchases	
Debt securities ^[a]	19,395
b) Sales	
Debt securities ^[a]	182
c) There were no direct portfolio transaction costs	
d) Indirect portfolio transaction costs	%
Portfolio dealing spread ^[b]	1.66

^[a] These transaction types do not attract direct portfolio transaction costs.

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

5 Revenue

for the period to 31 March	2020 \$'000
Interest on debt securities	85
Total revenue	85

6 Expenses

for the period to 31 March	2020 \$'000
Payable to the ACD or associate	
Annual charge	10
Total expenses	10

Audit fees for the financial period ending 2020 were £6,676 (including VAT).

M&G Global High Yield ESG Bond Fund

Financial statement and notes

Notes to the financial statements

7 Taxation

for the period to 31 March	2020 \$'000
a) Analysis of charge in the period	
Corporation tax	0
Withholding tax	0
Deferred tax (note 7c)	0
Total taxation	0
b) Factors affecting taxation charge for the period	
Net revenue / (expense) before taxation	75
Corporation tax at 20%	15
Effects of:	
Interest distributions	(15)
Total tax charge (note 7a)	0
c) Provision for deferred taxation	
Provision at the start of the period	0
Deferred tax in profit and loss account (note 7a)	0
Provision at the end of the period	0

The fund has not recognised a deferred tax asset in the current financial period.

8 Distributions

for the period to 31 March	2020 Inc ^[a] \$'000	Acc ^[b] \$'000
Interest distributions		
Final	1	78
Total net distributions		79
Income received on issue of shares		(4)
Distributions		75
Net revenue / (expense) per statement of total return		75
Distributions		75

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 March	2020 \$'000
Amounts receivable on issues of shares	512
Currency deals outstanding	736
Debt security interest receivable	274
Total debtors	1,522

10 Cash and bank balances

as at 31 March	2020 \$'000
Cash held as bank balances	2,037
Total cash and bank balances	2,037

11 Other creditors

as at 31 March	2020 \$'000
Annual charge payable	2
Currency deals outstanding	731
Purchases awaiting settlement	541
Total other creditors	1,274

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date.

13 Shares in issue

The following table shows each class of share in issue during the period. 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 25.02.20	Movements Issued Cancelled	Closing 31.03.20
Sterling			
Class 'A-H' Income	0	20,010	0
Class 'A-H' Accumulation	0	20,000	0
Class 'I-H' Income	0	20,050	0
Class 'I-H' Accumulation	0	1,302,583	0
Class 'L-H' Accumulation	0	15,020,000	0
Class 'PP-H' Income	0	20,070	0
Class 'PP-H' Accumulation	0	20,060	0
Class 'R-H' Income	0	20,030	0
Class 'R-H' Accumulation	0	20,020	0

14 Charging structure

The table below sets out the charging structure for each class of share in existence as at the balance sheet date. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Entry charge %	Exit charge %	Annual ^[a] charge %
Sterling			
Class 'A-H'	n/a	n/a	1.23
Class 'I-H'	n/a	n/a	0.73
Class 'L-H'	n/a	n/a	0.58
Class 'PP-H'	n/a	n/a	0.58
Class 'R-H'	n/a	n/a	0.98

[a] The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

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 period end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the annual charge are disclosed in note 6. Amounts due at the period end from the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 91.11% of the fund's shares.

M&G Global High Yield ESG Bond Fund

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Notes to the financial statements

16 Events after the balance sheet date

Between 31 March 2020 and 5 June 2020 the value of investments has risen. For further details on the share class movements, please refer to the below table:

Net asset	31.03.20	05.06.20	% Change
Sterling			
Class 'A-H' Income	82.93	93.49	12.74
Class 'A-H' Accumulation	83.37	93.98	12.73
Class 'I-H' Income	82.97	93.62	12.83
Class 'I-H' Accumulation	83.56	94.27	12.82
Class 'L-H' Accumulation	83.42	94.15	12.86
Class 'PP-H' Income	82.98	93.66	12.87
Class 'PP-H' Accumulation	83.42	94.15	12.86
Class 'R-H' Income	82.95	93.56	12.79
Class 'R-H' Accumulation	83.39	94.05	12.78

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 March Basis of valuation	Assets 2020 \$'000	Liabilities 2020 \$'000
Level 1	0	0
Level 2	16,088	(761)
Level 3	0	0
	16,088	(761)

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 7 and 8.

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 March 2020 was 12%.

The lowest, highest and average VaR, as well as utilisation of VaR with reference to the limit above, are calculated during the financial year ended 31 March 2020.

	2020 % of VaR	2020 utilisation of VaR ^[a] 12%
for the period to 31 March		
Lowest	1.64	13.67
Highest	15.76 ^[b]	131.33
Average	8.32	69.35

^[a] The VaR on the fund has been divided by its maximum limit.

^[b] Due to market volatility caused by the COVID-19 pandemic there were passive breaches of the internally set M&G Global High Yield ESG Bond Fund upper VaR limit. The recent volatility has been more abrupt than the 2008-09 crisis on which this limit was initially modelled. The upper limit on M&G Global High Yield ESG Bond Fund has been temporarily increased to allow the fund to remain fully invested and in-line with investor expectations. This limit is under frequent review. The fund remains below the regulatory upper VaR limit and is being monitored with increased oversight.

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 March	2020 \$'000
Investment grade securities	2,223
Below investment grade securities	12,481
Unrated securities	1,325
Other investments	(702)
Total	15,327

The table below shows 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 March 2020	Forward currency contracts \$'000
HSBC	1
JPMorgan	32
Merrill Lynch	1
State Street Bank	(736)
Total	(702)

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.

M&G Global High Yield ESG Bond Fund

Financial statement and notes

Notes to the financial statements

21 Leverage risk (continued)

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial year ended 31 March 2020 are disclosed in the table below.

for the period to 31 March	2020 ^[a] \$'000	2020 ^[a] % ^[b]
Lowest	17,781	100.20
Highest	72,229	406.90
Average	45,752	257.70

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

^[b] Expressed as a percentage over fund valuation.

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 42.

23 Interest distribution tables

This fund pays quarterly interest distributions and the following table sets out the distribution period since the launch of the fund.

Quarterly distribution period				
	Start	End	Xd	Payment
Final	25.02.20	31.03.20	01.04.20	31.05.20

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.

Sterling Class 'A-H' Income shares			
Interest distributions for the period to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020
	p	p	p
Final	0.4396	0.0000	0.4396

Sterling Class 'A-H' Accumulation shares			
Interest distributions for the period to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020
	p	p	p
Final	0.3334	0.0000	0.3334

Sterling Class 'I-H' Income shares			
Interest distributions for the period to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020
	p	p	p
Final	0.4395	0.0000	0.4395

Sterling Class 'I-H' Accumulation shares			
Interest distributions for the period to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020
	p	p	p
Final	0.1558	0.2135	0.3693

Sterling Class 'L-H' Accumulation shares			
Interest distributions for the period to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020
	p	p	p
Final	0.3895	0.0000	0.3895

Sterling Class 'PP-H' Income shares			
Interest distributions for the period to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020
	p	p	p
Final	0.4392	0.0000	0.4392

Sterling Class 'PP-H' Accumulation shares			
Interest distributions for the period to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020
	p	p	p
Final	0.3888	0.0000	0.3888

Sterling Class 'R-H' Income shares			
Interest distributions for the period to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020
	p	p	p
Final	0.4397	0.0000	0.4397

Sterling Class 'R-H' Accumulation shares			
Interest distributions for the period to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020
	p	p	p
Final	0.0679	0.2870	0.3549

M&G Global Listed Infrastructure Fund

Authorised Corporate Director's Report

Investment objective

The fund has two aims:

- To deliver a higher total return (the combination of income and growth of capital), net of the ongoing charges figure, than that of the MSCI ACWI Index over any five-year period and;
- To deliver an income stream that increases every year in sterling terms

Investment policy

At least 80% of the fund is invested in publicly-listed equity securities issued by infrastructure companies, investment trusts and real estate investment trusts across any market capitalisation that are domiciled in any country. The minimum 80% allocation may include ordinary shares, preference shares and convertible bonds (the fund may hold up to a maximum of 20% in convertibles bonds). Infrastructure companies include those involved in the following business activities: utilities, energy, transport, health, education, security, communications and transactions. The fund is expected to exhibit lower volatility and offer a higher dividend yield than the MSCI ACWI Index which is consistent with the characteristics of infrastructure securities. The fund usually holds fewer than 50 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.

Sustainability considerations play an important role in assessing business models. Companies that derive more than 30% of their revenue from coal-fired and nuclear power are excluded from the investment universe. Industries including tobacco, alcohol, adult entertainment, gambling, and controversial weapons are also excluded. United Nations Global Compact principles on human rights, labour, environmental and anti-corruption are also considered in the analysis of companies.

The fund may also invest in collective investment schemes, other transferable securities, cash, near cash, other money market securities and warrants. Derivatives may be used for hedging and efficient portfolio management.

Investment approach

The fund employs a bottom-up stock picking approach, driven by the fundamental analysis of individual companies. Dividend yield is not the primary consideration for stock selection.

The fund manager aims to create a portfolio with exposure to a broad range of countries and sectors. Stocks with different drivers of dividend growth are selected to construct a portfolio that has the potential to cope in a variety of market conditions.

Sustainability considerations encompassing Environmental, Social and Governance issues are fully integrated into the investment process with a focus on risks specific to infrastructure companies. The monitoring of these risks involves regular engagement with company management.

Benchmark

Benchmark: MSCI ACWI Index.

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

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

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

Risk profile

The fund invests globally in the shares of infrastructure companies, including emerging markets, and is, therefore, subject to the price volatility of the global stockmarket and the performance of individual companies.

The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on 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.

The fund usually invests in fewer than 50 companies, but is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. Diversification across industry, geography, infrastructure class and market capitalisation is key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

M&G Global Listed Infrastructure Fund

Authorised Corporate Director's Report

Investment review

As at 1 April 2020, for the year ended 31 March 2020

Distribution summary

Over the 12-month review period to 1 April 2020, the fund distributed income of 3.7302 pence per Sterling Class 'A' (Income) share. This is 6.6% higher than the distribution for the same period in the previous financial year. The payout represented a yield (distributed income as a percentage of the share price as at 1 April 2020) of 3.80% versus a yield of 2.99% for the MSCI ACWI Index, the fund's target benchmark.

We are pleased that the fund's distribution has risen compared to last year and we are encouraged that most of our holdings continue to deliver dividend growth in the region of 5% to 10%. (Dividends represent a share in the profits of a company and are paid out to the company's shareholders at set times of the year.)

The fund benefited from dividend increases from a variety of sectors and countries.

In 'economic' infrastructure, our holdings in utilities delivered more impressive growth than the pedestrian progress more commonly associated with the sector. Italy's Enel and Nextera Energy of the US were among the holdings that reported double-digit increases. Energy infrastructure was another source of solid growth as Enbridge and TC Energy raised their dividends by 10% and 8%, respectively. Union Pacific and CSX, our holdings in US railroads, matched these growth rates in transportation infrastructure.

In 'social' infrastructure, our holdings such as International Public Partnerships (INPP) and HICL Infrastructure delivered dividend increases which were broadly in line with inflation, as expected.

'Evolving' infrastructure, which invests in the physical networks that support our increasingly digital economy, provided a more exciting source of growth. American Tower, the owner and operator of communication towers, raised its dividend every quarter with an annualised growth rate of 20%. MasterCard and Visa reported similar increases in 'payments infrastructure'.

It was not all good news, however. At the end of the review period, PrairieSky Royalty cut its dividend as a cautionary measure to provide greater financial flexibility in the near-unprecedented uncertainty clouding the energy sector. UNITE Group, the UK's leading provider of student accommodation, cancelled its final dividend in response to the coronavirus outbreak. The company has been emphatic in stating its intention to restore the dividend to its previous level as soon as possible. While we understand the reasons behind these decisions, we are nonetheless disappointed by the outcome and we continue to engage closely with the companies.

Aside from these outliers, dividend growth was solid across the portfolio and the fund achieved its goal of increasing the distribution. We are very aware that a rising income stream is important to many of our investors and we remain focused on meeting this objective.

The fund's distribution is shown in the 'Specific share class performance' tables in this report. The distribution is subject to a variety of influences, including changes in the market environment, movements in currency and changes in the fund's tax status. Consequently, there is no guarantee that the fund will increase the income stream in every reporting period.

Performance against objective

Between 1 April 2019 (the start of the review period) and 1 April 2020, the M&G Global Listed Infrastructure Fund delivered a negative total return (the combination of income and growth of capital) across all its share classes, but was ahead of the MSCI ACWI Index which returned -10.1% in sterling. The fund therefore met its objective of outperforming the MSCI ACWI Index over this short timeframe. The fund also delivered on its objective of increasing the income stream in sterling.

It is not possible to assess the fund's performance against its objective over five years because the fund was only launched on 5 October 2017.*

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

Investment performance

Stockmarkets around the world declined during the past 12 months following an abrupt downturn towards the end of the year. Markets rose for most of the review period and reached all-time highs in mid-February, before falling sharply as the spread of the coronavirus heralded the prospect of an imminent recession. Emerging markets led the declines, closely followed by Asia Pacific ex Japan. Europe underperformed, not helped by the weakness of the UK. Japan and the US held up best, benefiting from the safe-haven status of their currencies.

Sector performance reflected the market's preference for safety. Healthcare ended the review period with a positive return, while utilities and consumer staples proved resilient. Technology delivered the highest return as the likes of Apple and Microsoft rallied. At the other end of the spectrum, cyclical stocks such as financials and materials were out of favour. Energy stood out among the laggards as a lower oil price took its toll.

Against this backdrop, the fund ended the year with a negative total return, but outperformed the MSCI ACWI Index as utilities provided downside protection in a falling market.

Ørsted and Enel – two companies at the vanguard of renewable energy deployments – made the biggest contributions in the sector. Ørsted, the world leader in offshore wind power generation, is a long-term beneficiary of offshore wind's favourable position as the fastest-growing segment of renewable energy. Enel, the Italian utility, continues to deliver on its operational targets and its strategic plan of deploying emission-free energy sources, while accelerating the process of decarbonisation.

Elia Group (Belgium), NextEra Energy (US) and National Grid (UK) also delivered solid gains during the year.

Communications infrastructure too provided a safe haven during the market turmoil. Equinix and CoreSite, our data centre holdings, rallied alongside Infrastrutture Wireless Italiane (INWIT) and Crown Castle, which own and operate communication towers.

The importance of digital infrastructure became very apparent towards the end of the review period as the spread of the coronavirus led to lockdowns across the world, with millions of people forced to work remotely and entertain themselves at home.

M&G Global Listed Infrastructure Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

We continue to have confidence in the long-term growth credentials of these companies. Data centres are beneficiaries of a powerful structural growth trend, namely the proliferation of data in our increasingly digital world, while communication towers are capitalising on the long-term opportunity created by rising internet penetration and mobile connectivity.

Franco-Nevada, one of our royalty companies, was the standout contributor during the review period. The Canadian company, which owns rights to cashflows from mineral landholdings including those producing gold, rose steadily during the year, while providing resilience during times of turbulence. The stock continues to offer valuable diversification benefits for the portfolio.

PrairieSky, our other royalty holding, experienced contrasting fortunes. PrairieSky, which receives royalties from oil & gas bearing lands, underperformed together with our energy infrastructure holdings as these companies became embroiled in a broader sector malaise. The sell-off in the energy sector, which intensified during the market reversal in March, was remarkable not only for its indiscriminate nature, but more notably the speed and severity of the share price declines. PrairieSky detracted most, followed by the pipeline companies ONEOK and Keyera. The pipeline stocks had done well until the end of February, outperforming in 2019 and continuing the trend into the first two months of 2020, but did not escape unscathed in March. Only TC Energy bucked the trend among our energy infrastructure holdings.

The weakness in energy stemmed from concerns about both sides of the supply/demand equation. Oil supply is on the increase after Saudi Arabia took steps to ramp up production, while demand is under pressure, most recently from COVID-19 and the paralysis it has inflicted on economic activity.

Unlike oil & gas producers, the cashflows generated by pipeline businesses have limited direct exposure to the underlying commodity price, but the negative sentiment has infiltrated all areas of the energy industry. Royalty companies offer cashflows running into perpetuity with minimal operating costs, capital requirement or environmental liabilities – favourable characteristics, we believe, for long-term investors. We note that the current situation in energy has parallels with 2015 before the sector recovered strongly in 2016.

Our fundamental research places strong emphasis on understanding each company's counterparty exposure and we believe that we are being presented with some excellent buying opportunities. We have been adding to ONEOK and Keyera in a measured manner, conscious of the fact that negative sentiment can persist for long periods of time before fundamentals reassert themselves.

Transportation infrastructure was another area under pressure as travel restrictions disrupted traffic around the world. Sydney Airport and Flughafen Zurich were prominent among the laggards. Transurban, an Australian toll roads company, also ended the year lower. The long-term investment case for all three companies remains intact and we added to the holdings on weakness.

Investment activities

We made three new purchases and two complete sales during the 12 months under review – a level of turnover consistent with our long-term investment timeframe of five years or more. The level of activity increased towards the end of the review period as we took advantage of buying opportunities presented by the market downturn.

The new holdings were all in utilities. We started a position in E.ON at the start of the review period based on its attractive valuation and exposure to Germany's energy transition. The stock was yielding almost 5% at the time of purchase with a strong commitment to dividend growth.

NextEra Energy Partners and A2A were added to the portfolio in March during the period of market volatility.

NextEra Energy Partners, a US utility with a focus on clean energy, is a stock we have followed for many years with the intention of owning it alongside our existing holding in NextEra Energy. Despite the attraction of the underlying assets, the valuation was out of reach until the share price almost halved. The stock yielded more than 6% when we initiated the holding, with the distribution expected to grow at a healthy rate in the coming years. We have a high degree of confidence in the income stream given the company's exposure to long-term contracted revenues.

The performance of A2A followed a similar pattern. The multi-utility operating in northern Italy was unceremoniously dumped by domestic investors, but the shares offer compelling value on a dividend yield of almost 8%. The company has a strong balance sheet and has already committed to a dividend increase following the announcement of annual results. The dividend is well covered with potential for further growth. We believe there is considerable upside from the optimisation of the company's portfolio by divesting and rationalising assets.

Despite these new purchases, the fund's exposure to utilities declined during the year as we lowered the sector's target weighting in the earlier part of the review period. We saw better value in other areas of infrastructure and reduced our weightings in stocks such as Ørsted, Elia and American Water Works.

In addition to the top-ups mentioned earlier in energy infrastructure and transport, we also added to our existing holdings in Asia. We took advantage of weakness in the region to buy more shares in MTR, the operator of Hong Kong's public transit system, and NetLink, the owner of optical fibre networks in Singapore.

Shenzhen Investment Holdings Bay Area Development Company Limited was sold as a source of cash. The toll road company formerly known as Hopewell Highway offers access to attractive assets in the Pearl River Delta, China's industrial heartland, but a change in the company's ownership prompted concerns about corporate governance and strategy. We also exited Intercontinental Exchange in the US after the shares performed well.

The number of holdings rose to 43. Listed infrastructure as an asset class offers excellent opportunities for stockpickers and we believe the potential for investors is best captured by a conviction-based approach.

M&G Global Listed Infrastructure Fund

Authorised Corporate Director's Report

Investment review

Outlook

The fund is usually managed as a low turnover, buy-and-hold strategy, but the current market conditions are far from normal. The unprecedented circumstances are presenting pricing disruptions which are rarely seen, and we are actively taking advantage of these opportunities by backing our conviction with a long-term investment horizon.

For how long the global health crisis will impact the real economy and financial markets is still unknown, but we remain focused on our disciplined approach of investing in long-life, critical infrastructure assets with stable and growing cashflows.

We are also mindful of the reality that dividends will be tested in 2020. Dividends are under political pressure, as many banks are discovering, and it would be reasonable to expect more dividend cuts, if not dividend eliminations, across the market as the year progresses. Some infrastructure companies, airports for example, will not be immune. Being selective will be paramount.

That said, we continue to believe that the vast majority of our holdings remain on track to keep growing their dividends in the core 5% to 10% range. We are confident that the portfolio is well placed not only to weather the current uncertainty, but to capture attractive growth over the long term.

Alex Araujo

Fund manager

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

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

Investments

Portfolio statement			
as at 31 March	2020	2020	2019
Holding	£'000	%	%
EQUITIES	216,123	98.78	98.36
Oil, gas & consumable fuels	35,102	16.03	16.45
United States	5,675	2.59	3.01
350,193 ONEOK	5,675	2.59	
Canada	29,427	13.44	13.44
327,907 Enbridge	7,484	3.42	
808,112 Gibson Energy	6,706	3.06	
643,681 Keyera	4,255	1.94	
931,013 PrairieSky Royalty	3,696	1.69	
218,694 TC Energy	7,286	3.33	
Metals & mining	5,727	2.62	3.93
Canada	5,727	2.62	3.93
73,062 Franco Nevada	5,727	2.62	
Construction & engineering	15,318	7.00	7.46
France	8,861	4.05	4.41
138,819 Vinci	8,861	4.05	
Spain	6,457	2.95	3.05
342,591 Ferrovial	6,457	2.95	
Commercial services & supplies	3,121	1.43	1.96
United States	3,121	1.43	1.96
50,331 Republic Services	3,121	1.43	
Road & rail	13,071	5.97	5.02
United States	9,189	4.20	3.97
98,048 CSX	4,599	2.10	
40,503 Union Pacific	4,590	2.10	
Hong Kong	3,882	1.77	1.05
930,000 MTR	3,882	1.77	
Transportation infrastructure	20,896	9.55	7.10
Switzerland	4,325	1.98	1.04
47,891 Flughafen Zurich	4,325	1.98	
Brazil	3,372	1.54	1.10
1,761,406 CCR	3,372	1.54	
Australia	13,199	6.03	4.52
1,970,521 Sydney Airport	5,426	2.48	
1,320,563 Transurban	7,773	3.55	
Cayman Islands	0	0.00	0.44
Capital markets	8,634	3.95	5.07
United Kingdom	4,491	2.05	1.99
2,744,886 HICL Infrastructure	4,491	2.05	
United States	4,143	1.90	3.08
29,471 CME	4,143	1.90	
IT services	6,626	3.03	2.95
United States	6,626	3.03	2.95
15,932 Mastercard	3,260	1.49	
25,140 Visa	3,366	1.54	
Diversified telecommunication services	8,010	3.66	2.15
Italy	3,660	1.67	1.03
404,748 Infrastrutture Wireless Italiane	3,660	1.67	
Singapore	4,350	1.99	1.12
8,516,100 NetLink NBN	4,350	1.99	
Electric utilities	22,271	10.18	17.33
Belgium	2,100	0.96	2.96
26,082 Elia	2,100	0.96	
Denmark	3,490	1.60	3.96
43,686 Ørsted	3,490	1.60	

M&G Global Listed Infrastructure Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at 31 March Holding	2020 £'000	2020 %	2019 %	
Italy	8,772	4.01	4.44	
1,542,573 Enel	8,772	4.01		
United States	7,909	3.61	5.97	
124,022 Edison International	5,649	2.58		
11,367 NextEra Energy	2,260	1.03		
Gas utilities	9,837	4.50	4.45	
Spain	6,161	2.82	1.96	
440,220 Naturgy Energy	6,161	2.82		
United States	3,676	1.68	2.49	
44,191 Atmos Energy	3,676	1.68		
Multi-utilities	16,747	7.66	3.02	
United Kingdom	6,938	3.17	3.02	
721,933 National Grid	6,938	3.17		
Germany	6,755	3.09	0.00	
793,793 E.ON	6,755	3.09		
Italy	3,054	1.40	0.00	
3,070,209 A2A	3,054	1.40		
Water utilities	2,396	1.10	2.01	
United States	2,396	1.10	2.01	
23,374 American Water Works	2,396	1.10		
Independent power and renewable electricity producers	8,441	3.86	1.98	
United Kingdom	4,786	2.19	1.98	
3,798,373 Renewables Infrastructure	4,786	2.19		
United States	3,655	1.67	0.00	
105,812 NextEra Energy Partners	3,655	1.67		
Equity real estate investment trusts (REITs)	27,309	12.47	13.59	
United Kingdom	5,888	2.69	3.50	
740,564 UNITE	5,888	2.69		
United States	21,421	9.78	10.09	
18,612 American Tower	3,466	1.58		
83,939 CoreSite Realty	7,752	3.54		
55,636 Crown Castle International	6,654	3.04		
6,805 Equinix	3,549	1.62		
Equity investment instruments	12,617	5.77	3.89	
United Kingdom	12,617	5.77	3.89	
2,934,409 International Public Partnerships	4,595	2.10		
8,767,460 SDCL Energy Efficiency Income Trust	8,022	3.67		
Portfolio of investments	216,123	98.78	98.36	
CASH EQUIVALENTS	224	0.10	0.77	
'AAA' rated money market funds [a]	224	0.10	0.77	
224,000 Northern Trust Global Fund - Sterling	224	0.10		
SHARE CLASS HEDGING	(2)	0.00	0.00	
Forward currency contracts for share class hedging	(2)	0.00	0.00	
AUD3,555 Bought for £1,780 (expires 08.04.20)	0	0.00		
AUD(17,095) Sold for £8,785 (expires 08.04.20)	0	0.00		
CAD15,644 Bought for £9,015 (expires 08.04.20)	0	0.00		
CAD(32,639) Sold for £19,020 (expires 08.04.20)	0	0.00		
DKK7,490 Bought for £902 (expires 08.04.20)	0	0.00		
DKK(23,504) Sold for £2,735 (expires 08.04.20)	0	0.00		

Portfolio statement (continued)

as at 31 March Holding	2020 £'000	2020 %	2019 %
Forward currency contracts for share class hedging (continued)			
€9,646 Bought for £8,662 (expires 08.04.20)	0	0.00	
€(33,467) Sold for £29,328 (expires 08.04.20)	(1)	0.00	
HKD6,770 Bought for £717 (expires 08.04.20)	0	0.00	
HKD(26,207) Sold for £2,629 (expires 08.04.20)	0	0.00	
SGD677 Bought for £394 (expires 08.04.20)	0	0.00	
SGD(4,583) Sold for £2,588 (expires 08.04.20)	0	0.00	
CHF(2,623) Sold for £2,157 (expires 08.04.20)	0	0.00	
\$19,868 Bought for £16,337 (expires 08.04.20)	0	0.00	
\$(66,942) Sold for £52,835 (expires 08.04.20)	(1)	0.00	
Total portfolio (notes 2c & 2d on page 6)	216,345	98.88	99.13
Net other assets / (liabilities)	2,448	1.12	0.87
Net assets attributable to shareholders	218,793	100.00	100.00

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

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

Top ten portfolio transactions

for the year to 31 March 2020

Largest purchases	£'000
PrairieSky Royalty	15,837
ONEOK	12,596
Vinci	12,140
Gibson Energy	10,092
Keyera	10,089
Enel	9,571
SDCL Energy Efficiency Income Trust	9,166
Ferrovial	9,163
Naturgy Energy	9,154
Enbridge	9,015
Other purchases	177,319
Total purchases	284,142
Largest sales	£'000
PrairieSky Royalty	6,457
Franco Nevada	6,113
Ørsted	5,220
Ferrovial	3,909
Intercontinental Exchange	3,478
Enel	3,438
Vinci	3,261
UNITE	2,967
NextEra Energy	2,422
International Public Partnerships	2,346
Other sales	40,476
Total sales	80,087

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

M&G Global Listed Infrastructure Fund

Financial highlights

Fund performance

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

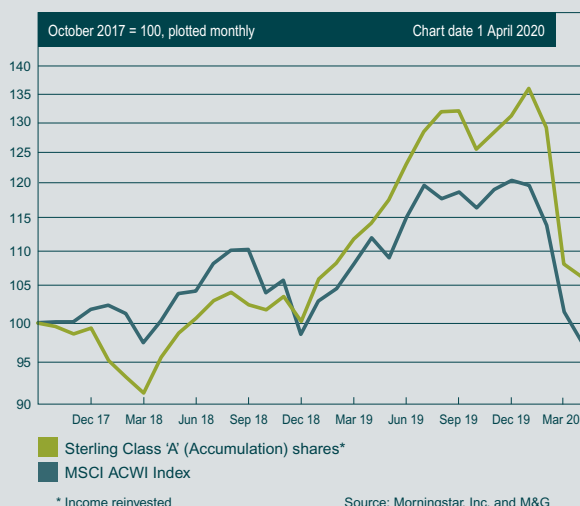
The following chart and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (10), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at 31 March	2020 £'000	2019 £'000	2018 £'000
Fund net asset value (NAV)	218,793	46,348	9,619

Performance since launch

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



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

Long-term performance by share class

	One year 01.04.19 % ^[a]	Three years 03.04.17 % p.a.	Five years 01.04.15 % p.a.	Since launch % p.a.
Sterling ^[b]				
Class 'A'	-4.9	n/a	n/a	+2.5 ^[c]
Class 'I'	-4.7	n/a	n/a	+2.7 ^[c]
Class 'I-H'	n/a	n/a	n/a	-24.7 ^[d]
Class 'L'	-4.4	n/a	n/a	+3.0 ^[c]
Class 'PP'	n/a	n/a	n/a	-6.2 ^[e]
Class 'PP-H'	n/a	n/a	n/a	-24.6 ^[d]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

^[c] 5 October 2017, the launch date of the fund.

^[d] 24 January 2020, the launch date of the share class. Not annualised.

^[e] 8 April 2019, the launch date of the share class. Not annualised.

M&G Global Listed Infrastructure Fund

Financial highlights

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.

For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).

- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
for the year to 31 March	2020	2019	2018	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.06	0.06	0.11	0.08
Taxes	0.11	0.10	0.13	0.11
Costs before dilution adjustments	0.17	0.16	0.24	0.19
Dilution adjustments ^[c]	(0.17)	(0.16)	(0.14)	(0.16)
Total direct portfolio transaction costs	0.00	0.00	0.10	0.03
as at 31 March	2020	2019	2018	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.32	0.11	0.12	0.18

^[a] Average of first three columns.

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

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

M&G Global Listed Infrastructure Fund

Financial highlights

Specific share class performance

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

Historic yields for the current year are calculated as at 9 April 2020.

Sterling Class 'A' Income share performance

The share class was launched on 5 October 2017.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	106.29	89.91	100.00
Return before operating charges and after direct portfolio transaction costs	(1.96)	21.17	(8.23)
Operating charges	(1.32)	(1.29)	(0.68)
Return after operating charges	(3.28)	19.88	(8.91)
Distributions	(3.73)	(3.50)	(1.18)
Closing NAV	99.28	106.29	89.91
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.21	0.16	0.11
Dilution adjustments ^[a]	(0.21)	(0.16)	(0.07)
Total direct portfolio transaction costs	0.00	0.00	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.10
Operating charges ^[c]	1.12	1.24	1.36
Return after operating charges	-3.09	+22.11	-8.91
Historic yield	3.59	3.25	3.70
Effect on yield of charges offset against capital	1.12	1.11	1.10
Other information			
Closing NAV (£'000)	534	142	60
Closing NAV percentage of total fund NAV (%)	0.24	0.31	0.62
Number of shares	538,070	133,880	66,837
Highest share price (UK p)	131.99	107.24	101.11
Lowest share price (UK p)	91.96	90.08	88.92

Sterling Class 'A' Accumulation share performance

The share class was launched on 5 October 2017.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	111.44	91.01	100.00
Return before operating charges and after direct portfolio transaction costs	(2.53)	21.75	(8.29)
Operating charges	(1.40)	(1.32)	(0.70)
Return after operating charges	(3.93)	20.43	(8.99)
Distributions	(2.57)	(2.47)	(0.66)
Retained distributions	2.57	2.47	0.66
Closing NAV	107.51	111.44	91.01
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.22	0.17	0.11
Dilution adjustments ^[a]	(0.22)	(0.17)	(0.06)
Total direct portfolio transaction costs	0.00	0.00	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.10
Operating charges ^[c]	1.12	1.24	1.43
Return after operating charges	-3.53	+22.45	-8.99
Historic yield	2.29	2.18	2.57
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	622	252	56
Closing NAV percentage of total fund NAV (%)	0.28	0.54	0.58
Number of shares	578,400	226,127	61,211
Highest share price (UK p)	141.79	111.70	101.12
Lowest share price (UK p)	98.79	91.20	89.49

Sterling Class 'I' Income share performance

The share class was launched on 5 October 2017.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	106.60	90.00	100.00
Return before operating charges and after direct portfolio transaction costs	(2.02)	21.20	(8.23)
Operating charges	(1.03)	(1.09)	(0.60)
Return after operating charges	(3.05)	20.11	(8.83)
Distributions	(3.74)	(3.51)	(1.17)
Closing NAV	99.81	106.60	90.00
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.21	0.16	0.11
Dilution adjustments ^[a]	(0.21)	(0.16)	(0.06)
Total direct portfolio transaction costs	0.00	0.00	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.10
Operating charges ^[c]	0.89	1.04	1.20
Return after operating charges	-2.86	+22.34	-8.83
Historic yield	3.58	3.25	3.70
Effect on yield of charges offset against capital	0.89	0.91	0.90
Other information			
Closing NAV (£'000)	37,912	4,883	1,285
Closing NAV percentage of total fund NAV (%)	17.33	10.53	13.36
Number of shares	37,984,956	4,580,694	1,428,209
Highest share price (UK p)	132.65	107.55	101.14
Lowest share price (UK p)	92.45	90.17	89.01

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Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 5 October 2017.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	111.77	91.10	100.00
Return before operating charges and after direct portfolio transaction costs	(2.57)	21.80	(8.32)
Operating charges	(1.11)	(1.13)	(0.58)
Return after operating charges	(3.68)	20.67	(8.90)
Distributions	(2.88)	(2.68)	(0.75)
Retained distributions	2.88	2.68	0.75
Closing NAV	108.09	111.77	91.10
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.22	0.17	0.11
Dilution adjustments ^[a]	(0.22)	(0.17)	(0.07)
Total direct portfolio transaction costs	0.00	0.00	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.10
Operating charges ^[c]	0.88	1.04	1.14
Return after operating charges	-3.29	+22.69	-8.90
Historic yield	2.54	2.36	2.77
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	120,921	37,274	8,182
Closing NAV percentage of total fund NAV (%)	55.27	80.42	85.06
Number of shares	111,876,045	33,347,533	8,981,662
Highest share price (UK p)	142.50	112.03	101.13
Lowest share price (UK p)	99.31	91.29	89.57

Sterling Class 'I-H' Income share performance

The share class was launched on 24 January 2020.

for the period to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(23.76)	n/a	n/a
Operating charges	(0.15)	n/a	n/a
Return after operating charges	(23.91)	n/a	n/a
Distributions	(0.51)	n/a	n/a
Closing NAV	75.58	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	n/a	n/a
Dilution adjustments ^[a]	(0.03)	n/a	n/a
Total direct portfolio transaction costs	0.00	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	n/a	n/a
Operating charges	0.88	n/a	n/a
Return after operating charges	-23.91	n/a	n/a
Historic yield	3.58	n/a	n/a
Effect on yield of charges offset against capital	0.88	n/a	n/a
Other information			
Closing NAV (£'000)	15	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.01	n/a	n/a
Number of shares	20,010	n/a	n/a
Highest share price (UK p)	103.22	n/a	n/a
Lowest share price (UK p)	66.53	n/a	n/a

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 24 January 2020.

for the period to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(23.75)	n/a	n/a
Operating charges	(0.14)	n/a	n/a
Return after operating charges	(23.89)	n/a	n/a
Distributions	(0.36)	n/a	n/a
Retained distributions	0.36	n/a	n/a
Closing NAV	76.11	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	n/a	n/a
Dilution adjustments ^[a]	(0.03)	n/a	n/a
Total direct portfolio transaction costs	0.00	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	n/a	n/a
Operating charges	0.88	n/a	n/a
Return after operating charges	-23.89	n/a	n/a
Historic yield	2.52	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (£'000)	68	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.03	n/a	n/a
Number of shares	89,418	n/a	n/a
Highest share price (UK p)	103.16	n/a	n/a
Lowest share price (UK p)	66.49	n/a	n/a

Sterling Class 'L' Income share performance

The share class was launched on 5 October 2017.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	107.01	90.10	100.00
Return before operating charges and after direct portfolio transaction costs	(2.09)	21.27	(8.27)
Operating charges	(0.72)	(0.85)	(0.45)
Return after operating charges	(2.81)	20.42	(8.72)
Distributions	(3.77)	(3.51)	(1.18)
Closing NAV	100.43	107.01	90.10
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.21	0.16	0.11
Dilution adjustments ^[a]	(0.21)	(0.16)	(0.07)
Total direct portfolio transaction costs	0.00	0.00	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.10
Operating charges ^[c]	0.64	0.79	0.86
Return after operating charges	-2.63	+22.66	-8.72
Historic yield	3.59	3.24	3.70
Effect on yield of charges offset against capital	0.64	0.66	0.65
Other information			
Closing NAV (£'000)	8,047	21	18
Closing NAV percentage of total fund NAV (%)	3.68	0.05	0.19
Number of shares	8,012,055	20,000	20,000
Highest share price (UK p)	133.45	107.97	101.16
Lowest share price (UK p)	93.02	90.29	89.11

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Specific share class performance

Sterling Class 'L' Accumulation share performance

The share class was launched on 5 October 2017.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	112.19	91.21	100.00
Return before operating charges and after direct portfolio transaction costs	(2.64)	21.85	(8.34)
Operating charges	(0.79)	(0.87)	(0.45)
Return after operating charges	(3.43)	20.98	(8.79)
Distributions	(3.20)	(2.94)	(0.87)
Retained distributions	3.20	2.94	0.87
Closing NAV	108.76	112.19	91.21
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.22	0.17	0.11
Dilution adjustments ^[a]	(0.22)	(0.17)	(0.07)
Total direct portfolio transaction costs	0.00	0.00	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.10
Operating charges ^[c]	0.64	0.78	0.86
Return after operating charges	-3.06	+23.00	-8.79
Historic yield	2.81	2.58	3.03
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	46,020	3,776	18
Closing NAV percentage of total fund NAV (%)	21.03	8.15	0.19
Number of shares	42,314,416	3,365,793	20,000
Highest share price (UK p)	143.35	112.45	101.16
Lowest share price (UK p)	99.92	91.40	89.68

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the period to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(15.18)	n/a	n/a
Operating charges	(0.40)	n/a	n/a
Return after operating charges	(15.58)	n/a	n/a
Distributions	(2.12)	n/a	n/a
Closing NAV	82.30	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.11	n/a	n/a
Dilution adjustments ^[a]	(0.11)	n/a	n/a
Total direct portfolio transaction costs	0.00	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	n/a	n/a
Operating charges	0.65	n/a	n/a
Return after operating charges	-15.58	n/a	n/a
Historic yield	3.59	n/a	n/a
Effect on yield of charges offset against capital	0.65	n/a	n/a
Other information			
Closing NAV (£'000)	3,698	n/a	n/a
Closing NAV percentage of total fund NAV (%)	1.69	n/a	n/a
Number of shares	4,492,893	n/a	n/a
Highest share price (UK p)	109.38	n/a	n/a
Lowest share price (UK p)	76.23	n/a	n/a

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the period to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(4.42)	n/a	n/a
Operating charges	(0.70)	n/a	n/a
Return after operating charges	(5.12)	n/a	n/a
Distributions	(2.76)	n/a	n/a
Retained distributions	2.76	n/a	n/a
Closing NAV	94.88	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.18	n/a	n/a
Dilution adjustments ^[a]	(0.18)	n/a	n/a
Total direct portfolio transaction costs	0.00	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	n/a	n/a
Operating charges	0.68	n/a	n/a
Return after operating charges	-5.12	n/a	n/a
Historic yield	2.78	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (£'000)	926	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.42	n/a	n/a
Number of shares	975,955	n/a	n/a
Highest share price (UK p)	125.07	n/a	n/a
Lowest share price (UK p)	87.18	n/a	n/a

Sterling Class 'PP-H' Income share performance

The share class was launched on 24 January 2020.

for the period to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(23.77)	n/a	n/a
Operating charges	(0.12)	n/a	n/a
Return after operating charges	(23.89)	n/a	n/a
Distributions	(0.51)	n/a	n/a
Closing NAV	75.60	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	n/a	n/a
Dilution adjustments ^[a]	(0.03)	n/a	n/a
Total direct portfolio transaction costs	0.00	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	n/a	n/a
Operating charges	0.68	n/a	n/a
Return after operating charges	-23.89	n/a	n/a
Historic yield	3.59	n/a	n/a
Effect on yield of charges offset against capital	0.68	n/a	n/a
Other information			
Closing NAV (£'000)	15	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.01	n/a	n/a
Number of shares	20,030	n/a	n/a
Highest share price (UK p)	103.22	n/a	n/a
Lowest share price (UK p)	66.55	n/a	n/a

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Specific share class performance

Sterling Class 'PP-H' Accumulation share performance

The share class was launched on 24 January 2020.

for the period to 31 March	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(23.78)	n/a	n/a
Operating charges	(0.12)	n/a	n/a
Return after operating charges	(23.90)	n/a	n/a
Distributions	(0.39)	n/a	n/a
Retained distributions	0.39	n/a	n/a
Closing NAV	76.10	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	n/a	n/a
Dilution adjustments ^[a]	(0.03)	n/a	n/a
Total direct portfolio transaction costs	0.00	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	n/a	n/a
Operating charges	0.68	n/a	n/a
Return after operating charges	-23.90	n/a	n/a
Historic yield	2.76	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (£'000)	15	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.01	n/a	n/a
Number of shares	20,020	n/a	n/a
Highest share price (UK p)	103.22	n/a	n/a
Lowest share price (UK p)	66.55	n/a	n/a

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

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

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

M&G Global Listed Infrastructure Fund

Financial statements and notes

Financial statements

Statement of total return					
for the year to 31 March	Note	2020 £'000		2019 £'000	
Income					
Net capital gains / (losses)	3		(33,686)		3,522
Revenue	5	5,565		764	
Expenses	6	(1,321)		(186)	
Net revenue / (expense) before taxation		4,244		578	
Taxation	7	(484)		(71)	
Net revenue / (expense) after taxation			3,760		507
Total return before distributions			(29,926)		4,029
Distributions	8		(3,985)		(534)
Change in net assets attributable to shareholders from investment activities			(33,911)		3,495

Statement of change in net assets attributable to shareholders					
for the year to 31 March		2020 £'000		2019 £'000	
Opening net assets attributable to shareholders			46,348		9,619
Amounts received on issue of shares		283,822		33,122	
Amounts paid on cancellation of shares		(81,601)		(474)	
			202,221		32,648
Dilution adjustments			624		61
Change in net assets attributable to shareholders from investment activities (see above)			(33,911)		3,495
Retained distributions on Accumulation shares			3,511		525
Closing net assets attributable to shareholders			218,793		46,348

Balance sheet			
as at 31 March	Note	2020 £'000	2019 £'000
Assets			
Fixed assets			
Investments		216,123	45,589
Current assets			
Debtors	9	2,757	1,698
Cash and bank balances	10	2,799	16
Cash equivalents		224	355
Total assets		221,903	47,658
Liabilities			
Investment liabilities		(2)	0
Creditors			
Bank overdrafts		0	(96)
Distribution payable		(406)	(33)
Other creditors	11	(2,702)	(1,181)
Total liabilities		(3,110)	(1,310)
Net assets attributable to shareholders		218,793	46,348

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 6 and 7.

2 Distribution policy

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

3 Net capital gains / (losses)

for the year to 31 March	2020 £'000	2019 £'000
Non-derivative securities	(33,439)	3,527
Derivative contracts	(3)	0
Currency gains / (losses)	(236)	3
Transaction charges	(8)	(8)
Net capital gains / (losses)	(33,686)	3,522

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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 57.

for the year to 31 March	2020 £'000	% of transaction	2019 £'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	267,168		33,019	
Commissions	76	0.03	10	0.03
Taxes	159	0.06	21	0.06
Equities after transaction costs	267,403		33,050	
Collective investment schemes				
Collective investment schemes before transaction costs	16,716		1,604	
Commissions	6	0.03	0	0.00
Taxes	17	0.10	0	0.00
Collective investment schemes after transaction costs	16,739		1,604	
Total purchases after transaction costs	284,142		34,654	

b) Sales

Equities				
Equities before transaction costs	74,025		1,733	
Commissions	(22)	0.03	(1)	0.04
Taxes	(3)	0.00	0	0.00
Equities after transaction costs	74,000		1,732	
Collective investment schemes				
Collective investment schemes before transaction costs	6,090		333	
Commissions	(3)	0.05	0	0.00
Collective investment schemes after transaction costs	6,087		333	
Total sales after transaction costs	80,087		2,065	

c) Direct portfolio transaction costs	2020 £'000	% of average NAV	2019 £'000	% of average NAV
Commissions paid				
Equities	98	0.06	11	0.06
Collective investment schemes	9	0.00	0	0.00
Total commissions paid	107	0.06	11	0.06
Taxes paid				
Equities	162	0.10	21	0.10
Collective investment schemes	17	0.01	0	0.00
Total taxes paid	179	0.11	21	0.10
Total direct portfolio transaction costs [a]	286	0.17	32	0.16

d) Indirect portfolio transaction costs	% of average NAV		% of average NAV	
Portfolio dealing spread [b]	0.32		0.11	

[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 March	2020 £'000	2019 £'000
Bank interest	3	1
Distributions from collective investment schemes: taxable	(1)	0
Distributions from collective investment schemes: property income dividends	82	10
Dividends from equity investments: non-taxable	4,580	633
Dividends from equity investments: taxable	737	114
Interest distributions	7	1
Rebate of ongoing charges from underlying funds	1	0
Stock dividends	156	5
Total revenue	5,565	764

6 Expenses

for the year to 31 March	2020 £'000	2019 £'000
Payable to the ACD or associate		
Annual charge	1,077	0
Annual management charge [a]	190	146
Administration charge [a]	40	30
	1,307	176
Payable to the Depositary or associate		
Depositary's charge (including VAT) [a]	2	2
Other expenses		
Audit fee (including VAT) [a] [b]	2	4
Interest payable	7	1
Legal fees	0	1
Safe custody charge [a]	3	2
	12	8
Total expenses	1,321	186

[a] The segregated charges shown above for annual management, administration, depositary, audit and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

[b] Audit fees for the financial year ending 2020 were £9,000 (including VAT).

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7 Taxation

for the year to 31 March	2020 £'000	2019 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	484	71
Deferred tax (note 7c)	0	0
Total taxation	484	71
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	4,244	578
Corporation tax at 20%	849	116
Effects of:		
Dividends from equity investments: non-taxable	(916)	(127)
Stock dividends not taxable	(32)	(1)
Current year expenses not utilised	115	12
Withholding tax	484	71
Withholding tax expensed	(16)	0
Total tax charge (note 7a)	484	71
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
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of £130,000 (2019: £15,000) 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 March	2020		2019	
Dividend distributions	Inc ^[a] £'000	Acc ^[b] £'000	Inc ^[a] £'000	Acc ^[b] £'000
First interim	117	622	19	93
Second interim	157	751	28	99
Third interim	329	1,189	29	148
Final	406	949	33	185
Total net distributions		4,520		634
Income deducted on cancellation of shares		135		1
Income received on issue of shares		(670)		(101)
Distributions		3,985		534
Net revenue / (expense) per statement of total return		3,760		507
Expenses offset against capital		225		27
Distributions		3,985		534

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 March	2020 £'000	2019 £'000
Amounts receivable on issues of shares	896	1,144
Currency deals outstanding	564	479
Distributions receivable	1	0
Dividends receivable	412	63
Sales awaiting settlement	775	0
Tax recoverable	11	0
Withholding tax recoverable	98	12
Total debtors	2,757	1,698

10 Cash and bank balances

as at 31 March	2020 £'000	2019 £'000
Cash held as bank balances	2,799	16
Total cash and bank balances	2,799	16

11 Other creditors

as at 31 March	2020 £'000	2019 £'000
ACD's annual management charge payable	0	16
Administration charge payable	0	3
Amounts payable on cancellation of shares	511	18
Annual charge payable	28	0
Currency deals outstanding	565	479
Expenses payable	5	8
Purchases awaiting settlement	1,593	657
Total other creditors	2,702	1,181

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2019: 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 01.04.19	Movements		Closing 31.03.20
		Issued	Cancelled	
Sterling				
Class 'A' Income	133,880	482,949	(78,759)	538,070
Class 'A' Accumulation	226,127	483,061	(130,788)	578,400
Class 'I' Income	4,580,694	34,626,413	(1,222,151)	37,984,956
Class 'I' Accumulation	33,347,533	109,270,681	(30,742,169)	111,876,045
Class 'I-H' Income	0	20,010	0	20,010
Class 'I-H' Accumulation	0	89,418	0	89,418
Class 'L' Income	20,000	8,046,821	(54,766)	8,012,055
Class 'L' Accumulation	3,365,793	68,179,421	(29,230,798)	42,314,416
Class 'PP' Income	0	4,493,909	(1,016)	4,492,893
Class 'PP' Accumulation	0	1,014,202	(38,247)	975,955
Class 'PP-H' Income	0	20,030	0	20,030
Class 'PP-H' Accumulation	0	20,020	0	20,020

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14 Charging structure

The table below sets out the charging structure for each class of share in existence as at the balance sheet date. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Entry charge %	Exit charge %	Annual charge ^[a] %
Sterling			
Class 'A'	n/a	n/a	1.10
Class 'I'	n/a	n/a	0.85
Class 'I-H'	n/a	n/a	0.88
Class 'L'	n/a	n/a	0.60
Class 'PP'	n/a	n/a	0.65
Class 'PP-H'	n/a	n/a	0.68

^[a] The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

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 annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end from the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 4.66% (2019: 12.00%) of the fund's shares.

16 Events after the balance sheet date

Between 31 March 2020 and 5 June 2020 the value of investments has risen. For further details on the share class movements, please refer to the below table:

Net asset	31.03.20	05.06.20	% Change
Sterling			
Class 'A' Income	99.28	121.09	21.97
Class 'A' Accumulation	107.51	131.15	21.99
Class 'I' Income	99.81	121.79	22.02
Class 'I' Accumulation	108.09	131.91	22.03
Class 'I-H' Income	75.58	91.96	21.67
Class 'I-H' Accumulation	76.11	92.90	22.06
Class 'L' Income	100.43	122.60	22.08
Class 'L' Accumulation	108.76	132.79	22.09
Class 'PP' Income	82.30	100.46	22.07
Class 'PP' Accumulation	94.88	115.84	22.09
Class 'PP-H' Income	75.60	92.02	21.71
Class 'PP-H' Accumulation	76.10	92.64	21.73

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 March	Assets 2020	Liabilities 2020	Assets 2019	Liabilities 2019
Basis of valuation	£'000	£'000	£'000	£'000
Level 1	216,123	0	45,589	0
Level 2	0	(2)	0	0
Level 3	0	0	0	0
	216,123	(2)	45,589	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'.

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18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 7 and 8.

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 £10,806,000 (2019: £2,279,000). A five per cent decrease would have an equal and opposite effect.

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 £10,940,000 (2019: £2,317,000). A five per cent decrease would have an equal and opposite effect.

as at 31 March	2020 £'000	2019 £'000
Currency exposure in respect of the fund		
Australian dollar	13,418	2,098
Brazilian real	3,372	462
Canadian dollar	20,255	5,333
Danish krone	3,801	1,838
Euro	45,554	8,280
Hong Kong dollar	4,161	690
Singapore dollar	4,446	517
Sterling	36,606	7,385
Swiss franc	4,541	481
US dollar	82,639	19,264
Total	218,793	46,348

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 55.

22 Dividend distribution tables

This fund pays quarterly ordinary distributions and the following table sets out the distribution periods.

Quarterly distribution periods				
	Start	End	Xd	Payment
First interim	01.04.19	30.06.19	01.07.19	31.08.19
Second interim	01.07.19	30.09.19	01.10.19	30.11.19
Third interim	01.10.19	31.12.19	02.01.20	29.02.20
Final	01.01.20	31.03.20	01.04.20	31.05.20

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.

Sterling Class 'A' Income shares				
Ordinary distributions for the year to 31 March	Group 2		Group 1 & 2	
	Income 2020	Equalisation 2020	Distribution 2020	2019
	p	p	p	p
First interim	0.6463	0.5089	1.1552	1.0673
Second interim	0.5074	0.3095	0.8169	0.8721
Third interim	0.4098	0.5479	0.9577	0.8574
Final	0.4067	0.3937	0.8004	0.7012

Sterling Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 March	Group 2		Group 1 & 2	
	Income 2020	Equalisation 2020	Distribution 2020	2019
	p	p	p	p
First interim	0.5607	0.3406	0.9013	0.8330
Second interim	0.3916	0.1101	0.5017	0.5990
Third interim	0.5570	0.1096	0.6666	0.5953
Final	0.3531	0.1497	0.5028	0.4392

Sterling Class 'I' Income shares				
Ordinary distributions for the year to 31 March	Group 2		Group 1 & 2	
	Income 2020	Equalisation 2020	Distribution 2020	2019
	p	p	p	p
First interim	0.5183	0.6324	1.1507	1.0794
Second interim	0.4572	0.3627	0.8199	0.8701
Third interim	0.6157	0.3462	0.9619	0.8590
Final	0.4658	0.3402	0.8060	0.7036

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22 Dividend distribution tables (continued)

Sterling Class 'I' Accumulation shares				
Ordinary distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020 2019	
	p	p	p	p
First interim	0.4494	0.5074	0.9568	0.8807
Second interim	0.4471	0.1333	0.5804	0.6517
Third interim	0.4918	0.2585	0.7503	0.6495
Final	0.3535	0.2343	0.5878	0.4935

Sterling Class 'I-H' Income shares				
Ordinary distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020 2019	
	p	p	p	p
First interim	n/a	n/a	n/a	n/a
Second interim	n/a	n/a	n/a	n/a
Third interim	n/a	n/a	n/a	n/a
Final	0.5103	0.0000	0.5103	n/a

Sterling Class 'I-H' Accumulation shares				
Ordinary distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020 2019	
	p	p	p	p
First interim	n/a	n/a	n/a	n/a
Second interim	n/a	n/a	n/a	n/a
Third interim	n/a	n/a	n/a	n/a
Final	0.2083	0.1490	0.3573	n/a

Sterling Class 'L' Income shares				
Ordinary distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020 2019	
	p	p	p	p
First interim	0.0000	1.1624	1.1624	1.0764
Second interim	0.2201	0.6040	0.8241	0.8704
Third interim	0.3850	0.5823	0.9673	0.8619
Final	0.4870	0.3314	0.8184	0.7052

Sterling Class 'L' Accumulation shares				
Ordinary distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020 2019	
	p	p	p	p
First interim	0.5251	0.5092	1.0343	0.9365
Second interim	0.2920	0.3740	0.6660	0.7218
Third interim	0.5827	0.2529	0.8356	0.7175
Final	0.5063	0.1617	0.6680	0.5613

Sterling Class 'PP' Income shares				
Ordinary distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020 2019	
	p	p	p	p
First interim	n/a	n/a	n/a	n/a
Second interim	0.2353	0.4367	0.6720	n/a
Third interim	0.6779	0.1149	0.7928	n/a
Final	0.4368	0.2233	0.6601	n/a

Sterling Class 'PP' Accumulation shares				
Ordinary distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020 2019	
	p	p	p	p
First interim	0.3206	0.5782	0.8988	n/a
Second interim	0.3531	0.2141	0.5672	n/a
Third interim	0.4039	0.3112	0.7151	n/a
Final	0.3617	0.2183	0.5800	n/a

Sterling Class 'PP-H' Income shares				
Ordinary distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020 2019	
	p	p	p	p
First interim	n/a	n/a	n/a	n/a
Second interim	n/a	n/a	n/a	n/a
Third interim	n/a	n/a	n/a	n/a
Final	0.5058	0.0000	0.5058	n/a

Sterling Class 'PP-H' Accumulation shares				
Ordinary distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020 2019	
	p	p	p	p
First interim	n/a	n/a	n/a	n/a
Second interim	n/a	n/a	n/a	n/a
Third interim	n/a	n/a	n/a	n/a
Final	0.3934	0.0000	0.3934	n/a

M&G Global Listed Infrastructure Fund

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M&G Positive Impact Fund

Authorised Corporate Director's Report

Investment objective

The fund has two aims:

- To provide a higher total return (the combination of capital growth and income), net of the ongoing charges figure, than the MSCI ACWI Index over any five-year period; and
- To invest in companies that aim to have a positive societal impact through addressing the world's major social and environmental challenges.

Investment policy

At least 80% of the fund is invested in the equity securities of companies across any sector and market capitalisation that are domiciled in any country, including emerging markets. The fund has a concentrated portfolio and usually holds fewer than 40 stocks.

Assessment and measurement of the ability to deliver positive social and/or environmental impact and generate financial returns will be conducted at a company level using M&G's impact assessment methodology. This focuses on three criteria:

- Investment credentials: the quality and durability of the company's business model and its ability to produce sustainable economic returns;
- Intention: the company's purpose as evidenced by the alignment of its mission statement with its corporate actions and strategy; and
- Impact: the scale of the net positive societal impact and the company's progress towards addressing specified social and environmental challenges.

Certain investments which are considered by M&G to conflict with the fund's aim to invest in companies with a positive societal impact are excluded from the investment universe. The following are excluded:

- Companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour rights, the environment and anti-corruption; and
- Companies involved in the production of tobacco, alcohol, adult entertainment, controversial weapons, oil sands, nuclear power or coal-fired power, or the provision of gambling services.

The fund manager has discretion to invest in companies with limited exposure to fossil fuels but which are driving or significantly participating in the transition to a more sustainable economy.

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

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

The fund is a concentrated portfolio of global stocks, investing over the long term in companies that make a positive social and/or environmental impact alongside a financial return, using a disciplined stock selection process. Sustainability and impact considerations are fundamental in determining the fund's investment universe and assessing business models. The fund embraces the United Nations Sustainable Development Goals framework and invests in companies focused on areas including climate action, pollution reduction, circular economy, health and wellbeing, education and innovation, and working conditions.

The fund invests in three categories of positive impact companies:

- "Pioneers", whose products or services have a transformational effect on society or the environment;
- "Enablers", which provide the tools for others to deliver positive social or environmental impact; and
- "Leaders", which spearhead the development of sustainability in their industries.

Investing in these categories provides diversification across industries and maturity of business models.

Dialogue with the companies in which the fund invests is fundamental to the investment approach. The objective is to support and influence their contribution to the world's major social and environmental challenges.

Benchmark

Benchmark: MSCI ACWI Index.

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

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

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

An annual report is published to provide an assessment of the positive, societal and environmental impact of each holding in the fund.

M&G Positive Impact Fund

Authorised Corporate Director's Report

Risk profile

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

The fund's focus is on businesses that have a positive impact on society through addressing the world's major social and/or environmental challenges.

The fund is a concentrated portfolio, usually holding fewer than 40 stocks. The fund mainly invests in the shares of large and medium-sized companies, which are normally traded with relative ease, however these stocks could potentially experience a degree of illiquidity in times of market distress.

The fund may also invest in emerging markets which are generally more sensitive to economic and political factors, and where investments may be less easily bought and sold.

Diversification across countries, industries and market capitalisation is key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 1 April 2020, for the year ended 31 March 2020

Performance against objective

Between 1 April 2019 (the start of the review period) and 1 April 2020, the fund's sterling share classes delivered a negative total return (the combination of income and growth of capital). However, the fund's sterling returns were considerably more resilient than its benchmark, the MSCI ACWI Index, which declined by 10.1% for the period in sterling terms.

The fund was launched in November 2018, and thus cannot yet be measured on its five-year performance objective*.

In terms of the fund's second objective – to invest in companies that have a positive impact on society through addressing the world's major social and/or environmental challenges – please see the fund's Annual Impact Report on the M&G website: www.mandg.co.uk/positiveimpactreport.

* 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

Global stockmarkets delivered negative returns for the 12 months under review, with the end of the period witnessing levels of volatility, or market turbulence, not seen since the financial crisis in 2008.

For much of the period, market sentiment had been dominated by a number of repeat themes, one of the most destabilising of which was the ongoing 'trade war' between the US and China. Concerns about on-again / off-again trade negotiations drove waves of both euphoria and risk aversion, depending on how those negotiations were perceived to be progressing. Other sources of disillusionment included an apparent slowdown in China and signs of weakness in the US economy, political difficulties in Europe, exacerbated by the looming presence of Brexit, geopolitical tensions in the Middle East and weakness in the oil price, amid potential declining demand in the face of reduced economic activity.

Despite these difficulties, markets maintained a generally upward trajectory, and as we entered the new year investors appeared upbeat. The Brexit situation had relatively stabilised, following a majority Conservative government win in the UK's December general election, trade tensions between the US and China appeared to be cooling, and concerns over declining global economic activity were being ameliorated by central bank intervention in both Europe and China.

This positive sentiment, however, was to prove short-lived. Markets were hit hard near the end of February as concerns about the COVID-19 pandemic led to the worst quarter for global markets since the 2008 financial crisis, and for some the worst first quarter on record. Initial hopes that the virus might be contained faded as new outbreaks were reported beyond China, notably in Iran, Italy and South Korea. Fearful of the emergence of a global pandemic and its potential negative effects on the global economy, stocks sold off in dramatic fashion. This carried into March as investors came to grips with an impending recession, with billions of people across the world facing lockdowns and high streets closed for business. The forced and instant global economic shutdown led to the quickest stockmarket sell-off on record.

M&G Positive Impact Fund

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Investment review

Investment performance (continued)

Elsewhere, the combination of weakening global economic demand and a price war between Saudi Arabia and Russia sent oil prices down to their lowest level since 2002. Subsequently, energy was far and away the worst-performing sector for the month, followed by materials, financials and real estate. The most resilient sectors for the period were, unsurprisingly given the circumstances, information technology and healthcare, while utilities and consumer staples also proved more robust than the wider market.

For the fund, stock selection within the utilities, industrial and information technology sectors was supportive of relative returns, as was the large above-index position in healthcare and zero weighting in the energy sector. On the downside, stockpicking within the consumer discretionary and financial sectors weighed on performance for the period.

At an individual stock level, the fund's largest contributor was solar energy specialist SolarEdge. The company delivered strong performance in 2019, growing revenues by over 50%, mostly through its solar business, with profits increasing by a similar degree. Over the course of 2019 SolarEdge continued to expand its solar operations and made significant investment into acquired businesses, which should allow it to successfully develop its product offerings in related areas, including battery technology, electric vehicle systems and solutions for electricity grids.

Renewable energy leader Ørsted delivered positive returns as well, and made large strides in progress with its strategy and global expansion. Ørsted's vision is for a world running entirely on green energy, and a number of new projects announced during the year will help it to move in that direction. These included two large-scale offshore wind projects in the US, commissioning of the world's largest offshore wind farm in the UK, and the inauguration of phase two of Taiwan's first-ever offshore wind farm.

Other supportive holdings included allergy immunotherapy specialist ALK-Abelló and engineering simulation software developer Ansys. ALK's shares rallied on news that it had initiated a new Phase III trial in China for its house dust mite (HDM) allergy programme, with the study designed to secure approval for the therapy several years earlier than previously planned, and at a reduced cost. ALK said it could now launch the product in China as early as 2023, opening up a lucrative new market for its treatments. Ansys, meanwhile, has continued to deliver operational success – in 2019 this included the acquisition of Helic, a provider of software that mitigates the risk of electromagnetic 'crosstalk' (ie electromagnetic interference between different hardware elements within a device). The news was well received by investors.

On the downside, two of the fund's largest detractors were both in the banking sector, India's HDFC Bank and Georgia's Bank of Georgia. Banks were the hardest hit sector after energy during the period under review, and this was reflected in the share prices of both holdings – neither bank is held within the fund's benchmark.

Other detractors included US semiconductor manufacturer ON Semiconductor and South African financial services group Sanlam, while not investing in tech giants Apple and Microsoft (which both delivered very strong performance for the period) also weighed on relative performance.

Investment activities

We run a concentrated portfolio of around 30 holdings, maintaining a watchlist of impactful companies – approved by M&G's Impact team – that we would like to own when the timing and price are right. We monitor our watchlist closely, waiting patiently for short-term issues to create buying opportunities.

During the review period, three such opportunities presented themselves. The first was specialist insulation producer Rockwool. Rockwool Group first started producing stone wool in 1937 and now provides an extensive range of solutions to make the built environment more energy-efficient and sustainable, with the fire resistant properties of stone wool meaning it can withstand temperatures of more than 1,000 degrees Celsius. It is estimated that effective use of stone wool insulation can reduce heating needs, and associated carbon emissions, by some 70%, while Rockwool's products helps to tackle other sustainability challenges, including noise pollution, water scarcity and soil degradation. Through its products, Rockwool aligns most closely with Sustainable Development Goal 11: sustainable cities and communities.

We invested in US workers compensation insurance company Amerisafe. This is a high-quality business, run in a conservative fashion, insuring workers in hazardous industries while actively trying to help their corporate clients to improve safety standards. Amerisafe works with smaller companies, with an average workforce of 17 people, which generally do not have well-defined safety standards and are often overlooked by larger insurers. Amerisafe engages with these employers to improve safety in these often dangerous industries. This helps drive a lower number of claims and lower severity in claims. Through its services, Amerisafe aligns most closely with Sustainable Development Goal 8: decent work and economic growth.

Finally, we established a position in Kenyan telecommunications company Safaricom. Safaricom provides integrated telecommunication services, including mobile and fixed voice, internet and its 'M-PESA' service to the Kenyan population. M-PESA allows people to send and receive money to pay for goods and services through a mobile phone. This service now also provides overdraft facilities, offering underserved populations credit facilities as well. Through M-PESA and broadband services, Safaricom is further driving access to information and communication, as well as financial inclusion in a growing African country. It is now looking to do the same outside of its borders, in Ethiopia, which remains grossly underpenetrated in mobile and broadband services, despite having the second-highest population in Africa. Through its offerings, Safaricom aligns most closely with Sustainable Development Goal 9: industry, innovation and infrastructure.

Conversely, we closed three positions during the review period. Our holding in pharmaceuticals company Lonza was sold when it surfaced that the company was involved in animal testing for non-medical purposes in its specialty ingredients business. While the fund does not exclude companies involved in animal testing on medical grounds, it does when that testing is for other purposes. We sold our shares in cleaning and catering company ISS after management decided to significantly reduce its workforce in emerging markets, making it considerably less impactful. Finally, we closed the position in China Everbright Greentech, believing there were better opportunities elsewhere.

M&G Positive Impact Fund

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Investment review

Outlook

The social and human costs of the COVID-19 pandemic have made it obvious that more resources must be deployed in many areas targeted by the Sustainable Development Goals as a matter of urgency. This is where we believe impact investing can make a difference, supporting companies who have at their core the intention to make a positive impact on society and the environment. Specifically in relation to the COVID-19 pandemic, a number of the M&G Positive Impact Fund's companies have ramped up efforts to offer solutions, either leveraging their expertise or, in some cases, developing brand new products.

From an investment perspective, events like the extreme market reaction to the COVID-19 outbreak are difficult to predict, and while, from an investment viewpoint, such events can be painful in the short term, they can also create opportunities for long-term investors. We believe that investing in quality companies when they are being undervalued can help to deliver long-term benefits for our customers, as markets return to more normal levels.

We focus on company fundamentals more so than macroeconomics, but it seems likely that the coronavirus outbreak will slow down economies for a while and potentially push Europe into a recession – but we do not believe that all recessions are the same. In the current situation we do not see extreme excess in the corporate system or exuberance in the banking sector, and government efforts to fight the downturn will potentially make it a shallow recession, as it presently appears to us. That being said, the immediate effects of this pandemic are horrifying, from a human, as well as an economic, point-of-view, but we continue to look for a silver lining. We also hope that this will be a stringent reminder of how important a well-functioning healthcare system is, and we need to bear in mind that climate change, pollution and inequality will still be with us on the other side of COVID-19. We hope that governments and industries will step up the effort to find solutions to our all too obvious societal challenges, and we are convinced that the commitment of impactful companies to combat them will remain firmly in place.

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

John William Olsen

Fund manager

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

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

Investments

Portfolio statement

as at 31 March Holding	2020 \$'000	2020 %	2019 %
EQUITIES	70,367	93.12	95.05
Containers & packaging	1,963	2.60	2.71
583,660 DS Smith	1,963	2.60	
Building products	4,190	5.54	3.07
77,212 Johnson Controls International	2,044	2.70	
11,463 ROCKWOOL International	2,146	2.84	
Electrical equipment	2,602	3.44	3.00
30,208 Schneider Electric	2,602	3.44	
Commercial services & supplies	4,260	5.64	8.53
321,372 Brambles	2,062	2.73	
28,670 Republic Services	2,198	2.91	
Road & rail	1,708	2.26	2.80
22,700 East Japan Railway	1,708	2.26	
Diversified consumer services	2,263	2.99	4.77
17,809 Bright Horizons Family Solutions	1,771	2.34	
281,892 Cognia Educacao	274	0.36	
220,095 Cognia Educacao ADR	218	0.29	
Health care equipment & supplies	2,626	3.48	2.82
11,784 Becton Dickinson	2,626	3.48	
Health care providers & services	7,334	9.71	8.95
40,601 Fresenius Medical Care	2,639	3.49	
23,270 Quest Diagnostics	1,932	2.56	
11,003 UnitedHealth	2,763	3.66	
Biotechnology	2,004	2.65	2.62
102,359 Grifols	2,004	2.65	
Pharmaceuticals	6,797	9.00	7.37
13,316 ALK-Abelló	3,027	4.01	
62,424 Novo-Nordisk	3,770	4.99	
Life sciences tools & services	7,629	10.10	12.43
35,039 Agilent Technologies	2,546	3.37	
8,685 Illumina	2,403	3.18	
9,408 Thermo Fisher Scientific	2,680	3.55	
Banks	3,763	4.98	7.35
106,956 Bank of Georgia	1,260	1.67	
64,641 HDFC Bank ADR	2,503	3.31	
Insurance	5,952	7.87	6.88
336,600 AIA	3,046	4.03	
28,793 AMERISAFE	1,807	2.39	
389,621 Sanlam	1,099	1.45	
Software	3,440	4.55	3.35
14,657 Ansys	3,440	4.55	
Electronic equipment, instruments & components	4,354	5.76	6.44
48,900 Horiba	2,417	3.20	
17,786 IPG Photonics	1,937	2.56	
Semiconductors & semiconductor equipment	4,221	5.59	5.93
124,631 ON Semiconductor	1,615	2.14	
31,923 SolarEdge Technologies	2,606	3.45	
Wireless telecommunication services	1,188	1.57	0.00
4,658,376 Safaricom	1,188	1.57	

M&G Positive Impact Fund

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Investments

Portfolio statement (continued)			
as at 31 March	2020	2020	2019
Holding	\$'000	%	%
Electric utilities	4,073	5.39	4.14
41,245 Ørsted	4,073	5.39	
Independent power and renewable electricity producers	0	0.00	1.89
Portfolio of investments (notes 2c & 2d on page 6)	70,367	93.12	95.05
Net other assets / (liabilities)	5,198	6.88	4.95
Net assets attributable to shareholders	75,565	100.00	100.00

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

Top portfolio transactions	
for the year to 31 March 2020	
Largest purchases	\$'000
Ørsted	2,771
ROCKWOOL International	2,660
SolarEdge Technologies	2,645
Ansys	2,614
Novo-Nordisk	2,455
HDFC Bank ADR	2,448
ALK-Abelló	2,320
UnitedHealth	2,303
Johnson Controls International	2,196
Fresenius Medical Care	2,191
Other purchases	35,613
Total purchases	60,216
Sales	\$'000
SolarEdge Technologies	984
Lonza	898
ISS	578
China Everbright Greentech	410
ALK-Abelló	161
Total sales	3,031

M&G Positive Impact Fund

Financial highlights

Fund performance

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

The following chart and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (10), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value		
as at 31 March	2020 \$'000	2019 \$'000
Fund net asset value (NAV)	75,565	28,182

Performance since launch

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



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

Long-term performance by share class

	One year 01.04.19 % [a]	Three years 03.04.17 % p.a.	Five years 01.04.15 % p.a.	Since launch % p.a.
Sterling [b]				
Class 'A'	-4.1	n/a	n/a	+1.3 [c]
Class 'I'	-3.5	n/a	n/a	+2.0 [c]
Class 'L'	-3.3	n/a	n/a	+2.2 [c]
Class 'PP'	-3.8	n/a	n/a	-5.2 [d]
Class 'R'	-3.8	n/a	n/a	+1.7 [c]

[a] Absolute basis.

[b] Price to price with income reinvested.

[c] 20 November 2018, the launch date of the fund.

[d] 8 April 2019, the launch date of the share class. Not annualised.

M&G Positive Impact 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:

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

for the year to 31 March	2020	2019	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%
Broker commission	0.06	0.07	0.06
Taxes	0.09	0.16	0.13
Costs before dilution adjustments	0.15	0.23	0.19
Dilution adjustments ^[c]	(0.14)	(0.13)	(0.13)
Total direct portfolio transaction costs	0.01	0.10	0.06
as at 31 March	2020	2019	Average ^[a]
Indirect portfolio transaction costs	%	%	%
Average portfolio dealing spread	0.18	0.12	0.15

^[a] Average of first two columns.

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

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

M&G Positive Impact Fund

Financial highlights

Specific share class performance

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

Historic yields for the current year are calculated as at 9 April 2020.

Sterling Class 'A' Income share performance

The share class was launched on 20 November 2018.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p
Opening NAV	104.48	100.00
Return before operating charges and after direct portfolio transaction costs	1.50	5.48
Operating charges	(1.60)	(0.62)
Return after operating charges	(0.10)	4.86
Distributions	(1.71)	(0.38)
Closing NAV	102.67	104.48
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.17	0.08
Dilution adjustments ^[a]	(0.16)	(0.05)
Total direct portfolio transaction costs	0.01	0.03
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.01	0.10
Operating charges ^[c]	1.46	1.73
Return after operating charges	-0.10	+4.86
Historic yield	1.61	0.35
Effect on yield of charges offset against capital	1.45	1.65
Other information		
Closing NAV (\$'000)	447	41
Closing NAV percentage of total fund NAV (%)	0.59	0.15
Number of shares	352,220	29,855
Highest share price (UK p)	128.15	105.74
Lowest share price (UK p)	98.73	93.44

Sterling Class 'A' Accumulation share performance

The share class was launched on 20 November 2018.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p
Opening NAV	104.86	100.00
Return before operating charges and after direct portfolio transaction costs	1.60	5.48
Operating charges	(1.71)	(0.62)
Return after operating charges	(0.11)	4.86
Distributions	0.00	0.00
Retained distributions	0.00	0.00
Closing NAV	104.75	104.86
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.17	0.08
Dilution adjustments ^[a]	(0.16)	(0.05)
Total direct portfolio transaction costs	0.01	0.03
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.01	0.10
Operating charges ^[c]	1.47	1.72
Return after operating charges	-0.10	+4.86
Historic yield	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00
Other information		
Closing NAV (\$'000)	30	28
Closing NAV percentage of total fund NAV (%)	0.04	0.10
Number of shares	23,368	20,000
Highest share price (UK p)	128.62	105.74
Lowest share price (UK p)	99.09	93.44

Sterling Class 'I' Income share performance

The share class was launched on 20 November 2018.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p
Opening NAV	104.76	100.00
Return before operating charges and after direct portfolio transaction costs	1.46	5.50
Operating charges	(0.94)	(0.36)
Return after operating charges	0.52	5.14
Distributions	(1.72)	(0.38)
Closing NAV	103.56	104.76
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.16	0.09
Dilution adjustments ^[a]	(0.15)	(0.05)
Total direct portfolio transaction costs	0.01	0.04
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.01	0.10
Operating charges ^[c]	0.87	0.99
Return after operating charges	+0.50	+5.14
Historic yield	1.61	0.35
Effect on yield of charges offset against capital	0.87	0.90
Other information		
Closing NAV (\$'000)	4,420	121
Closing NAV percentage of total fund NAV (%)	5.85	0.43
Number of shares	3,453,258	88,415
Highest share price (UK p)	129.18	106.00
Lowest share price (UK p)	99.57	93.50

M&G Positive Impact Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 20 November 2018.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p
Opening NAV	105.14	100.00
Return before operating charges and after direct portfolio transaction costs	1.52	5.50
Operating charges	(1.01)	(0.36)
Return after operating charges	0.51	5.14
Distributions	(0.68)	(0.06)
Retained distributions	0.68	0.06
Closing NAV	105.65	105.14
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.17	0.09
Dilution adjustments ^[a]	(0.16)	(0.05)
Total direct portfolio transaction costs	0.01	0.04
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.01	0.10
Operating charges ^[c]	0.88	0.99
Return after operating charges	+0.49	+5.14
Historic yield	0.62	0.06
Effect on yield of charges offset against capital	0.00	0.00
Other information		
Closing NAV (\$'000)	48,891	11,460
Closing NAV percentage of total fund NAV (%)	64.70	40.66
Number of shares	37,437,214	8,317,546
Highest share price (UK p)	129.65	106.00
Lowest share price (UK p)	99.92	93.51

Sterling Class 'L' Income share performance

The share class was launched on 20 November 2018.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p
Opening NAV	104.85	100.00
Return before operating charges and after direct portfolio transaction costs	1.51	5.50
Operating charges	(0.73)	(0.27)
Return after operating charges	0.78	5.23
Distributions	(1.72)	(0.38)
Closing NAV	103.91	104.85
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.17	0.09
Dilution adjustments ^[a]	(0.16)	(0.05)
Total direct portfolio transaction costs	0.01	0.04
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.01	0.10
Operating charges ^[c]	0.63	0.74
Return after operating charges	+0.74	+5.23
Historic yield	1.61	0.35
Effect on yield of charges offset against capital	0.62	0.65
Other information		
Closing NAV (\$'000)	3,448	539
Closing NAV percentage of total fund NAV (%)	4.56	1.91
Number of shares	2,684,848	392,038
Highest share price (UK p)	129.58	106.09
Lowest share price (UK p)	99.90	93.52

Sterling Class 'L' Accumulation share performance

The share class was launched on 20 November 2018.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p
Opening NAV	105.23	100.00
Return before operating charges and after direct portfolio transaction costs	1.53	5.49
Operating charges	(0.74)	(0.26)
Return after operating charges	0.79	5.23
Distributions	(0.98)	(0.15)
Retained distributions	0.98	0.15
Closing NAV	106.02	105.23
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.17	0.08
Dilution adjustments ^[a]	(0.16)	(0.05)
Total direct portfolio transaction costs	0.01	0.03
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.01	0.10
Operating charges ^[c]	0.63	0.73
Return after operating charges	+0.75	+5.23
Historic yield	0.90	0.14
Effect on yield of charges offset against capital	0.00	0.00
Other information		
Closing NAV (\$'000)	17,621	15,862
Closing NAV percentage of total fund NAV (%)	23.32	56.28
Number of shares	13,447,028	11,502,289
Highest share price (UK p)	130.05	106.09
Lowest share price (UK p)	100.26	93.52

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the period to 31 March Change in NAV per share	2020 UK p	2019 UK p
Opening NAV	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(8.80)	n/a
Operating charges	(0.44)	n/a
Return after operating charges	(9.24)	n/a
Distributions	(1.46)	n/a
Closing NAV	89.30	n/a
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.10	n/a
Dilution adjustments ^[a]	(0.09)	n/a
Total direct portfolio transaction costs	0.01	n/a
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.01	n/a
Operating charges	0.65	n/a
Return after operating charges	-9.24	n/a
Historic yield	1.59	n/a
Effect on yield of charges offset against capital	0.65	n/a
Other information		
Closing NAV (\$'000)	30	n/a
Closing NAV percentage of total fund NAV (%)	0.04	n/a
Number of shares	27,000	n/a
Highest share price (UK p)	111.34	n/a
Lowest share price (UK p)	85.83	n/a

M&G Positive Impact Fund

Financial highlights

Specific share class performance

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the period to 31 March Change in NAV per share	2020 UK p	2019 UK p
Opening NAV	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(1.71)	n/a
Operating charges	(0.72)	n/a
Return after operating charges	(2.43)	n/a
Distributions	(0.85)	n/a
Retained distributions	0.85	n/a
Closing NAV	97.57	n/a
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.16	n/a
Dilution adjustments ^[a]	(0.14)	n/a
Total direct portfolio transaction costs	0.02	n/a
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.01	n/a
Operating charges	0.68	n/a
Return after operating charges	-2.43	n/a
Historic yield	0.84	n/a
Effect on yield of charges offset against capital	0.00	n/a
Other information		
Closing NAV (\$'000)	60	n/a
Closing NAV percentage of total fund NAV (%)	0.08	n/a
Number of shares	49,464	n/a
Highest share price (UK p)	119.70	n/a
Lowest share price (UK p)	92.27	n/a

Sterling Class 'R' Income share performance

The share class was launched on 20 November 2018.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p
Opening NAV	104.67	100.00
Return before operating charges and after direct portfolio transaction costs	1.55	5.49
Operating charges	(1.31)	(0.44)
Return after operating charges	0.24	5.05
Distributions	(1.71)	(0.38)
Closing NAV	103.20	104.67
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.17	0.08
Dilution adjustments ^[a]	(0.16)	(0.05)
Total direct portfolio transaction costs	0.01	0.03
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.01	0.10
Operating charges ^[c]	1.12	1.22
Return after operating charges	+0.23	+5.05
Historic yield	1.61	0.35
Effect on yield of charges offset against capital	1.12	1.15
Other information		
Closing NAV (\$'000)	320	27
Closing NAV percentage of total fund NAV (%)	0.42	0.10
Number of shares	250,556	20,000
Highest share price (UK p)	128.78	105.92
Lowest share price (UK p)	99.23	93.48

Sterling Class 'R' Accumulation share performance

The share class was launched on 20 November 2018.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p
Opening NAV	105.04	100.00
Return before operating charges and after direct portfolio transaction costs	1.58	5.50
Operating charges	(1.32)	(0.46)
Return after operating charges	0.26	5.04
Distributions	(0.38)	0.00
Retained distributions	0.38	0.00
Closing NAV	105.30	105.04
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.17	0.08
Dilution adjustments ^[a]	(0.16)	(0.05)
Total direct portfolio transaction costs	0.01	0.03
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.01	0.10
Operating charges ^[c]	1.13	1.26
Return after operating charges	+0.25	+5.04
Historic yield	0.35	0.00
Effect on yield of charges offset against capital	0.00	0.00
Other information		
Closing NAV (\$'000)	298	104
Closing NAV percentage of total fund NAV (%)	0.40	0.37
Number of shares	229,267	75,183
Highest share price (UK p)	129.24	105.92
Lowest share price (UK p)	99.59	93.48

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

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

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

M&G Positive Impact Fund

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Statement of total return					
for the year to 31 March	Note	2020		2019	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	3		(13,348)		2,134
Revenue	5	627		103	
Expenses	6	(292)		(62)	
Net revenue / (expense) before taxation		335		41	
Taxation	7	(47)		(11)	
Net revenue / (expense) after taxation			288		30
Total return before distributions			(13,060)		2,164
Distributions	8		(304)		(31)
Change in net assets attributable to shareholders from investment activities			(13,364)		2,133

Statement of change in net assets attributable to shareholders					
for the year to 31 March		2020		2019	
		\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders			28,182		0
Amounts received on issue of shares		62,386		26,027	
Amounts paid on cancellation of shares		(2,223)		(28)	
			60,163		25,999
Dilution adjustments			106		21
Change in net assets attributable to shareholders from investment activities (see above)			(13,364)		2,133
Retained distributions on Accumulation shares			478		29
Closing net assets attributable to shareholders			75,565		28,182

Balance sheet			
as at 31 March	Note	2020	2019
		\$'000	\$'000
Assets			
Fixed assets			
Investments		70,367	26,786
Current assets			
Debtors	9	1,123	36
Cash and bank balances	10	5,100	1,379
Total assets		76,590	28,201
Liabilities			
Creditors			
Distribution payable		(144)	(3)
Other creditors	11	(881)	(16)
Total liabilities		(1,025)	(19)
Net assets attributable to shareholders		75,565	28,182

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 6 and 7.

The fund's functional and presentational currency is US dollars as this better reflects the currency of its primary economic environment.

2 Distribution policy

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

3 Net capital gains / (losses)

for the year to 31 March	2020	2019
	\$'000	\$'000
Non-derivative securities	(13,503)	2,194
Currency gains / (losses)	153	(55)
Transaction charges	2	(5)
Net capital gains / (losses)	(13,348)	2,134

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 75.

for the year to 31 March	2020	% of	2019	% of
	\$'000	transaction	\$'000	transaction
a) Purchases				
Equities				
Equities before transaction costs	60,161		24,571	
Commissions	22	0.04	6	0.02
Taxes	33	0.05	13	0.05
Total purchases after transaction costs	60,216		24,590	
b) Sales				
Equities				
Equities before transaction costs	3,032		0	
Commissions	(1)	0.04	0	0.00
Total sales after transaction costs	3,031		0	
c) Direct portfolio transaction costs	2020	% of	2019	% of
	\$'000	average NAV	\$'000	average NAV
Commissions paid				
Equities	23	0.06	6	0.07
Taxes paid				
Equities	33	0.09	13	0.16
Total direct portfolio transaction costs ^[a]	56	0.15	19	0.23
d) Indirect portfolio transaction costs		%		%
Portfolio dealing spread ^[b]		0.18		0.12

^[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.

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Notes to the financial statements

5 Revenue

for the year to 31 March	2020 \$'000	2019 \$'000
Bank interest	7	1
Dividends from equity investments: non-taxable	620	102
Total revenue	627	103

6 Expenses

for the year to 31 March	2020 \$'000	2019 \$'000
Payable to the ACD or associate		
Annual charge	206	0
Annual management charge ^[a]	63	48
Administration charge ^[a]	15	12
	284	60
Payable to the Depositary or associate		
Depositary's charge (including VAT) ^[a]	1	1
Other expenses		
Dividend charges	1	0
Legal fees	5	0
Safe custody charge ^[b]	1	1
	7	1
Total expenses	292	62

Audit fees for the financial year ending 2020 were £6,000 (VAT included).

^[a] The segregated charges shown above for annual management, administration, depositary and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

7 Taxation

for the year to 31 March	2020 \$'000	2019 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	47	11
Deferred tax (note 7c)	0	0
Total taxation	47	11
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	335	41
Corporation tax at 20%	67	8
Effects of:		
Dividends from equity investments: non-taxable	(124)	(20)
Current year expenses not utilised	57	12
Withholding tax	47	11
Total tax charge (note 7a)	47	11
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
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of \$69,000 (2019: \$12,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

	2020		2019	
for the year to 31 March	Inc ^[a] \$'000	Acc ^[b] \$'000	Inc ^[a] \$'000	Acc ^[b] \$'000
Dividend distributions				
Final	144	478	3	29
Total net distributions		622		32
Income deducted on cancellation of shares		11		0
Income received on issue of shares		(329)		(1)
Distributions		304		31
Net revenue / (expense) per statement of total return		288		30
Expenses offset against capital		16		1
Distributions		304		31

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 March	2020 \$'000	2019 \$'000
Amounts receivable on issues of shares	655	8
Currency deals outstanding	367	0
Dividends receivable	67	22
Withholding tax recoverable	34	6
Total debtors	1,123	36

10 Cash and bank balances

as at 31 March	2020 \$'000	2019 \$'000
Cash held as bank balances	5,100	1,379
Total cash and bank balances	5,100	1,379

11 Other creditors

as at 31 March	2020 \$'000	2019 \$'000
ACD's annual management charge payable	0	8
Administration charge payable	0	2
Amounts payable on cancellation of shares	501	0
Annual charge payable	12	0
Currency deals outstanding	367	0
Expenses payable	1	6
Total other creditors	881	16

M&G Positive Impact Fund

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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 (2019: 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 01.04.19	Movements Issued Cancelled		Closing 31.03.20
Sterling				
Class 'A' Income	29,855	325,843	(3,478)	352,220
Class 'A' Accumulation	20,000	7,478	(4,110)	23,368
Class 'I' Income	88,415	3,409,658	(44,815)	3,453,258
Class 'I' Accumulation	8,317,546	30,525,437	(1,405,769)	37,437,214
Class 'L' Income	392,038	2,318,624	(25,814)	2,684,848
Class 'L' Accumulation	11,502,289	2,032,241	(87,502)	13,447,028
Class 'PP' Income	0	27,000	0	27,000
Class 'PP' Accumulation	0	50,501	(1,037)	49,464
Class 'R' Income	20,000	231,365	(809)	250,556
Class 'R' Accumulation	75,183	165,884	(11,800)	229,267

14 Charging structure

The table below sets out the charging structure for each class of share in existence as at the balance sheet date. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Entry charge %	Exit charge %	Annual charge ^[a] %
Sterling			
Class 'A'	n/a	n/a	1.35
Class 'I'	n/a	n/a	0.85
Class 'L'	n/a	n/a	0.60
Class 'PP'	n/a	n/a	0.65
Class 'R'	n/a	n/a	1.10

^[a] The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

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 annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end from the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 34.61% (2019: 86.17%) of the fund's shares.

16 Events after the balance sheet date

Between 31 March 2020 and 5 June 2020 the value of investments has risen. For further details on the share class movements, please refer to the below table:

Net asset	31.03.20	05.06.20	% Change
Sterling			
Class 'A' Income	102.67	122.57	19.38
Class 'A' Accumulation	104.75	125.12	19.45
Class 'I' Income	103.56	123.73	19.48
Class 'I' Accumulation	105.65	126.30	19.55
Class 'L' Income	103.91	124.21	19.54
Class 'L' Accumulation	106.02	126.79	19.59
Class 'PP' Income	89.30	106.74	19.53
Class 'PP' Accumulation	97.57	116.68	19.59
Class 'R' Income	103.20	123.26	19.43
Class 'R' Accumulation	105.30	125.82	19.49

M&G Positive Impact 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. However no such financial instruments were held.

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 March	Assets 2020	Liabilities 2020	Assets 2019	Liabilities 2019
Basis of valuation	\$'000	\$'000	\$'000	\$'000
Level 1	70,367	0	26,786	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	70,367	0	26,786	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'.

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 7 and 8.

19 Market risk sensitivity and exposure

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 \$3,518,000 (2019: \$1,339,000). A five per cent decrease would have an equal and opposite effect.

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 \$3,778,000 (2019: \$1,409,000). A five per cent decrease would have an equal and opposite effect.

	2020 \$'000	2019 \$'000
as at 31 March		
Currency exposure in respect of the fund		
Australian dollar	2,086	885
Brazilian real	274	0
Danish krone	13,074	3,949
Euro	7,256	2,651
Hong Kong dollar	3,046	1,770
Japanese yen	4,140	1,757
Kenyan shilling	1,188	0
Sterling	3,676	1,625
South African rand	1,099	698
Swiss franc	0	802
US dollar	39,726	14,045
Total	75,565	28,182

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	01.04.19	31.03.20	01.04.20	31.05.20

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.

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020	2019
	p	p	p	p
Final	0.2648	1.4432	1.7080	0.3757

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020	2019
	p	p	p	p
Final	0.0000	0.0000	0.0000	0.0000

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21 Dividend distribution tables (continued)

Sterling Class 'I' Income shares				
Ordinary distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020	2019
	p	p	p	p
Final	0.2897	1.4278	1.7175	0.3764

Sterling Class 'I' Accumulation shares				
Ordinary distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020	2019
	p	p	p	p
Final	0.1733	0.5045	0.6778	0.0626

Sterling Class 'L' Income shares				
Ordinary distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020	2019
	p	p	p	p
Final	0.2971	1.4229	1.7200	0.3767

Sterling Class 'L' Accumulation shares				
Ordinary distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020	2019
	p	p	p	p
Final	0.3195	0.6615	0.9810	0.1501

Sterling Class 'PP' Income shares				
Ordinary distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020	2019
	p	p	p	p
Final	0.2877	1.1731	1.4608	n/a

Sterling Class 'PP' Accumulation shares				
Ordinary distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020	2019
	p	p	p	p
Final	0.1670	0.6834	0.8504	n/a

Sterling Class 'R' Income shares				
Ordinary distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020	2019
	p	p	p	p
Final	0.8033	0.9107	1.7140	0.3758

Sterling Class 'R' Accumulation shares				
Ordinary distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020	2019
	p	p	p	p
Final	0.0000	0.3758	0.3758	0.0000

M&G Positive Impact Fund

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M&G UK Inflation Linked Corporate Bond Fund

Authorised Corporate Director's Report

Investment objective up to 24 February 2020

The fund aims to protect the value of capital and income from inflation by generating a return consistent with or greater than UK inflation over a rolling three to five year period. There is no guarantee that the fund will achieve its objective over this, or any other, period. The income distributions and the value of your investment may rise and fall and investors may not recoup the original amount they invested.

Investment policy up to 24 February 2020

The fund invests mainly in investment grade corporate bonds, including inflation-linked corporate bonds, floating rate notes (including asset backed securities) and other fixed income instruments (including bonds not linked to inflation). Derivatives may be used in pursuit of the fund objective and for efficient portfolio management purposes. Corporate bond exposure may be achieved either directly or by investing in a combination of assets, including government securities and credit derivatives. Inflation strategies may, at times, result in a return profile different to that of corporate bonds not linked to inflation. If deemed appropriate by the investment manager, the associated currency risks may be hedged.

The fund may also invest in other assets including collective investment schemes, other transferable securities and debt instruments (including high yield debt, convertible and preference stocks), cash and near cash, deposits, warrants and money market instruments.

Investment approach up to 24 February 2020

The fund typically seeks to maintain a low sensitivity to movements in interest rates to help mitigate the negative impact of rising bond yields which are common during periods of rising inflation.

The fund manager believes that "synthetic" inflation-linked corporate bonds can offer a similar return profile to physical inflation-linked corporate bonds while benefiting from enhanced market depth and liquidity.

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

Investment objective from 25 February 2020

The fund aims to protect the value of capital and income from inflation by providing a total return (the combination of capital growth and income), net of the ongoing charge figure, that is consistent with or higher than UK inflation (as measured by the UK Consumer Prices Index), over any three-year period. There is no guarantee that the fund will achieve its objective over this, or any other, period. The income distributions and the value of your investment may rise and fall, and investors may not recoup the original amount they invested.

Investment policy from 25 February 2020

At least 70% of the fund is invested, directly or indirectly, in investment grade corporate debt securities (typically inflation-linked corporate bonds and floating rate notes), denominated in sterling or hedged back to sterling. These securities can be issued by companies from anywhere in the world, including emerging markets.

The fund's indirect exposure to inflation-linked corporate bonds is achieved by investing through a combination of instruments. These include a combination of inflation-linked government bonds with credit derivatives, such as credit default swaps (CDS) to create synthetic positions.

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

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

Investment approach from 25 February 2020

The M&G UK Inflation Linked Corporate Bond Fund invests in a range of fixed interest securities that should perform well when inflation is high or rising. The fund will be mainly exposed to investment grade credit but can also invest in inflation-linked government bonds, floating rate notes (FRNs), senior secured loans, conventional corporate and government bonds, cash and derivatives such as credit default swaps (CDS). The fund manager may also form assets out of a combination of government bonds and derivatives, whose returns behave in a similar way to inflation-linked corporate bonds. The aim of the fund is to provide returns that are consistent with or exceed inflation, as measured by the Consumer Prices Index (CPI) over a rolling three- to five-year period.

Benchmark

Benchmark: UK Consumer Prices Index.

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

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

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

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

M&G UK Inflation Linked Corporate Bond Fund

Authorised Corporate Director's Report

Risk profile

The fund invests in fixed interest assets that would be expected to perform well in an inflationary environment, such as inflation-linked bonds issued by companies and governments. It is therefore subject to the price volatility of the global bond market as well as the performance of individual issuers.

The fund's focus is on investment grade, or high-quality corporate bonds, which are securities that are normally traded with relative ease. The fund's exposure to index-linked bonds may be achieved either directly or by investing in a combination of assets, including government securities and credit derivatives. In association with the use of derivatives, including those instruments not traded through an exchange, collateral is deposited in order to mitigate the risk that a counterparty may default on its obligations or become insolvent.

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

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



The above number:

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

Investment review

As at 1 April 2020, for the year ended 31 March 2020

Performance against objective

Between 1 April 2019 (the start of the review period) and 1 April 2020, the M&G UK Inflation Linked Corporate Bond Fund delivered a small negative total return (the combination of income and growth of capital) across different share classes. Returns in this period were behind the change in the UK Consumer Prices Index (CPI), which the fund seeks to match or exceed over a rolling three-year period. Over three years, the fund's returns were also behind the CPI, which stood at 2% p.a.*

The fund is currently not meeting its objective, largely as a result of the sharp downturn in financial markets in March 2020. However, we believe the fund remains well placed to meet its objective as asset prices recover.

* 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 invests in a range of instruments that can help to mitigate the potentially damaging effects of inflation. It is mainly invested in inflation-linked bonds issued by high-quality companies, where both the value of the loan and the interest payments are adjusted in line with inflation until they mature. Bonds are loans that are extended by an investor to an issuing entity – such as a company or government – in exchange for regular interest payments. Bonds issued by companies are referred to as 'corporate bonds', while those issued by governments are called 'government bonds'.

Fixed income markets delivered mixed returns in the review period against a turbulent market backdrop. Following largely supportive market conditions throughout 2019 and into the beginning of 2020, markets experienced a dramatic reversal as the spread of the Coronavirus around the world began to dominate headlines from late February onwards.

The change of tone contrasted markedly with the relatively upbeat market conditions which had prevailed before the onset of the crisis. Signs of a tentative pick-up in global economic activity, coupled with the supportive actions of the world's central banks, had helped drive solid returns across fixed income markets during 2019.

Over the course of 2019, both the European Central Bank (ECB) and the US Federal Reserve implemented a range of stimulus measures to help boost growth, including a series of interest rate cuts and the resumption of their bond-purchase programmes. This helped drive government bond yields down to record lows by the middle of 2019. (Yields refer to the income received from an investment. The yield is usually expressed annually as a percentage based on the investment's cost, its current market value or face value).

Towards the end of 2019, markets were buoyed by signs of progress in the US/China trade negotiations, along with the avoidance of a no-deal Brexit scenario between the UK and Europe. With healthy labour markets providing further support to consumer confidence, earlier fears of a recession in Europe and the US had largely faded as we moved into 2020.

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Investment review

Investment performance (continued)

However, sentiment turned abruptly as the COVID-19 outbreak took hold, devastating financial markets from late February onwards. The virus meant most nations had to adopt strict population lockdowns, causing demand for many goods and services to slump. Governments and central banks scrambled to provide huge levels of monetary and fiscal support. A sharp oil price decline as a result of a contraction in demand, coupled with a failure to agree supply cuts, only added to levels of distress in the markets.

Most areas of the corporate bond market sold off heavily in March, with the asset class more than reversing its earlier gains over the past year. Lower rated bonds generally experienced the largest declines as investors began to price in the likelihood of a rise in company defaults. However, highly rated government bonds offered some respite as investors sought refuge in their perceived safe-haven qualities, with US Treasuries and UK government bonds (gilts) delivering positive returns in March.

The fund delivered a negative return during the review period, largely as a result of the sharp fall in corporate bond prices in March. Losses were partly mitigated by our earlier decision to reduce our corporate bond exposure on the basis that valuations had become somewhat stretched. While the fund maintained a low duration (or sensitivity to movements in interest rates), it nevertheless obtained some benefit from the significant fall in government bond yields over the review period.

It should be noted that the fund's index-linked gilt positions consist entirely of very short-dated instruments (such as those maturing before 2022). This meant the fund was not affected by the announcement of potential changes to the Retail Prices Index (RPI), which led to a sharp sell-off in longer dated index-linked gilts in early September 2019. In addition, by focusing on short-dated index-linked gilts, the fund was less affected by the sharp fall in UK inflation expectations towards the end of the period.

Investment activities

Following the strong performance in corporate bond markets throughout 2019, we gradually reduced credit risk over the review period. In our view, valuations were starting to look excessive and we took the opportunity to switch into more defensive assets which would be expected to hold up better in the event of a market downturn. For instance, we sold a number of US corporate bonds and European banks where valuations looked less compelling after recent strong performance. In their place, we have been switching into higher rated issues, including some AAA rated residential mortgage-backed securities (RMBS).

Given the high levels of political uncertainty in the UK which prevailed throughout much of the period, we maintained our focus on very short-dated UK index-linked bonds. These instruments tend to be less correlated to movements in sterling – which we expect to remain highly volatile – and should be largely immune to any future reforms to the RPI, as this would be unlikely to occur before 2025 at the earliest.

As a result of earlier defensive measures we believe the fund was relatively well positioned to withstand the market sell-off which began in late February. During March, we were able to take advantage of the sharp fall in corporate bond prices to purchase a number of positions at very attractive levels. However, it is important to note that we have been firmly focused on the most defensive parts of the market: highly rated, cash-generative, global businesses that are strongly placed to ride out any prolonged economic slowdown.

Towards the end of the review period we also decided to slightly increase the fund's duration. While the huge increases in UK government borrowing might be expected to put pressure on gilt markets, we think the Bank of England's willingness to purchase this additional debt will effectively limit the extent to which gilt yields can rise, and in this type of environment, we want to keep some duration in the fund.

Outlook

We believe corporate bond valuations are now at highly attractive levels, presenting a wealth of opportunities for investors willing to weather some volatility and uncertainty over the months ahead. While corporate default rates are expected to rise, markets are pricing in default rates of four-to-five times larger than anything seen previously. The ability to carefully select high-quality, attractively priced credit exposure will be crucial over the coming weeks and months.

In the near term, we think the impact of Coronavirus will result in lower UK inflation, with the demand shock more than offsetting any interruptions to the supply chain. However, on a medium-term view, we need to factor in the huge increases in government borrowing, and the likelihood that new government bond issuance may need to be financed directly by central banks. This would amount to a form of money printing, which we think could result in much higher inflation over the coming years. Given our emphasis on inflation-linked bonds issued by high-quality companies, we believe the fund would be well equipped to withstand such a scenario.

Coronavirus will clearly cause some major economic disruption in the short term, and there is little doubt that many developed economies will enter recession over the coming months. On the other hand, record stimulus from both governments and central banks should help to alleviate some of the pain. While market sentiment is likely to remain fragile for some time, if markets start to sense the arrival of more positive news and a return to normality, we think conditions may be ripe for an eventual strong rebound.

Ben Lord

Fund manager

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

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

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Investments

Portfolio statement

as at 31 March Holding	2020 £'000	2020 %	2019 %
FIXED INCOME	628,242	98.05	98.85
Debt securities	631,003	98.47	98.51
'AAA' credit rated bonds	19,374	3.02	7.63
£6,240,652 Dukinfield FRN 1.7866% 20/12/2052	6,012	0.94	
£148,000 European Investment Bank IL 2.1% 22/11/2022	231	0.03	
£6,800,000 FMS Wertmanagement FRN 0.3441% 14/01/2022	6,794	1.06	
£2,399,182 Polaris 2019-1 FRN 1.8052% 27/04/2057	2,259	0.35	
£4,166,555 Towd Point Mortgage Funding 2019-Vantage2 FRN 1.9112% 20/02/2054	4,078	0.64	
'AA' credit rated bonds	399,274	62.32	51.25
£17,361 Baglan Moor Healthcare IL 3.92% 30/04/2029	37	0.01	
\$15,000,000 Exxon Mobil 2.992% 19/03/2025	12,305	1.92	
£4,463,000 First Abu Dhabi Bank 1.375% 19/02/2023	4,344	0.68	
£4,276,000 New York Life Global Funding 0.25% 23/01/2027	3,531	0.55	
£3,036,000 New York Life Global Funding 1.25% 17/12/2026	2,777	0.43	
€1,500,000 Réseau Ferré de France IL 2.45% 28/02/2023	1,833	0.29	
£3,520,000 Royal Bank of Canada FRN 0.8909% 30/01/2025	3,391	0.53	
£1,300,000 Scotland Gas Networks IL 2.127% 21/10/2022	2,142	0.33	
\$5,000,000 Toyota Motor Credit 3% 01/04/2025	4,041	0.63	
£35,457,642 UK Treasury IL 0.125% 22/03/2024	47,091	7.35	
£182,517 UK Treasury IL 0.125% 22/03/2026	241	0.04	
£50,000 UK Treasury IL 0.125% 10/08/2028	66	0.01	
£182,517 UK Treasury IL 1.25% 22/11/2027	365	0.06	
£74,254,059 UK Treasury IL 1.875% 22/11/2022	117,440	18.33	
£53,000,000 UK Treasury IL 2.5% 17/07/2024	190,848	29.78	
\$10,000,000 US Treasury IL 0.125% 15/07/2024	8,822	1.38	
'A' credit rated bonds	92,253	14.39	12.18
£1,350,000 Anglian Water Services Financing IL 3.666% 30/07/2024	2,678	0.42	
£11,168,000 Anglian Water Services Financing IL 4.125% 28/07/2020	19,754	3.08	
£7,800,000 Banco Santander 1.375% 31/07/2024	7,327	1.14	
£5,920,000 Bank of Scotland IL 2.64% 16/04/2020	9,951	1.55	
£4,945,000 Canadian Imperial Bank of Commerce FRN 0.9151% 28/10/2022	4,876	0.76	
\$4,652,000 Cigna FRN 1.4931% 17/09/2021	3,555	0.56	
\$2,791,000 Comcast 3.1% 01/04/2025	2,359	0.37	
£2,126,000 Cooperative Rabobank IL 2.25% 22/11/2022	3,266	0.51	
£10,000,000 Deutsche Pfandbriefbank 1.75% 21/11/2022	9,638	1.51	
£2,199,000 National Grid Electricity Transmission IL 3.806% 27/07/2020	3,733	0.58	
£3,013,700 Nationwide Building Society IL 3.875% 30/07/2021	9,572	1.49	
£598,898 Nationwide Building Society IL 4.25% 23/02/2024	1,945	0.30	
\$5,000,000 Oracle 2.5% 01/04/2025	4,062	0.63	
\$1,887,000 State Street Var. Rate 2.901% 30/03/2026	1,535	0.24	
\$1,786,000 United Parcel Service 3.9% 01/04/2025	1,538	0.24	
\$7,500,000 Walt Disney 3.35% 24/03/2025	6,464	1.01	

Portfolio statement (continued)

as at 31 March Holding	2020 £'000	2020 %	2019 %
'BBB' credit rated bonds	81,941	12.78	21.34
£10,000,000 Banco Bilbao Vizcaya Argentaria Var. Rate 1% 16/01/2030	7,496	1.17	
\$8,796,000 BAT Capital 3.222% 15/08/2024	6,919	1.08	
\$5,000,000 BellSouth 4.266% 26/04/2020	4,044	0.63	
\$9,126,000 Energy Transfer Operating 4.05% 15/03/2025	6,549	1.02	
£6,677,000 Lloyds Banking Var. Rate 1.875% 15/01/2026	6,254	0.98	
£9,103,000 Ørsted 0.375% 16/05/2034	9,325	1.45	
£4,806,000 Royal Bank of Scotland Var. Rate 2.875% 19/09/2026	4,644	0.72	
£2,829,000 Royal Bank of Scotland Var. Rate 3.125% 28/03/2027	2,744	0.43	
£1,452,000 Southern Water Services Finance IL 3.816% 31/03/2023	2,677	0.42	
£10,000,000 Tesco IL 3.322% 05/11/2025	19,729	3.08	
£3,152,000 Thames Water Utilities Finance IL 3.375% 21/07/2021	5,442	0.85	
\$3,675,000 Verizon Communications 3% 22/03/2027	3,031	0.47	
€3,509,000 Volkswagen Financial Services 3% 06/04/2025	3,087	0.48	
'BB' credit rated bonds	7,842	1.23	3.50
£1,272,895 Catalyst Healthcare Manchester Financing IL 2.411% 30/09/2040	2,369	0.37	
£4,995,000 Ford Motor Credit 4.535% 06/03/2025	3,796	0.60	
\$2,244,000 Royal Bank of Scotland Var. Rate 3.754% 01/11/2029	1,677	0.26	
Bonds with no credit rating	30,319	4.73	2.61
£2,464,512 Albion No. 4 FRN 1.3916% 17/08/2062	2,399	0.37	
£176,220 Annes Gate Property IL 3.237% 31/03/2030	356	0.05	
£3,140,000 Darrowby No. 5 FRN 1% 20/12/2057	3,050	0.48	
€2,000,000 Eirles Two FRN 2020 ^[a]	0	0.00	
£386,460 Exchequer Partnership IL 3.582% 31/12/2035	957	0.15	
£9,410,298 Finsbury Square 2018-2 FRN 1.4103% 12/09/2068	9,282	1.45	
£2,272,799 Friary No. 6 FRN 1.4313% 21/11/2067	2,209	0.34	
£644,286 HPC King's College Hospital Issuer IL 3.443% 31/03/2036	1,519	0.24	
£2,859,000 PCL Funding III FRN 0.9034% 15/06/2023	2,806	0.44	
\$3,034,951 Project Silver 3.967% 15/07/2044	1,719	0.27	
€6,000,000 Quadient 2.25% 03/02/2025	4,925	0.77	
£1,146,712 Together Asset Backed Securitisation No. 1 FRN 1.4603% 12/03/2049	1,097	0.17	
Debt derivatives	(2,761)	(0.42)	0.34
Credit default swaps	(1,252)	(0.20)	0.54
\$(17,500,000) America Movil Dec 2023	(544)	(0.09)	
€(7,500,000) Anglo American Capital Jun 2024	720	0.11	
€(13,500,000) Anheuser-Busch InBev Dec 2023	(124)	(0.02)	
€(5,000,000) Aroundtown Dec 2022	37	0.01	
€(5,000,000) Bayer Jun 2024	24	0.00	
€(5,000,000) Bayer Dec 2024	12	0.00	
\$(7,500,000) CVS Health Dec 2027	(32)	(0.01)	
\$(5,000,000) Energy Transfer Operating Dec 2024	(390)	(0.06)	
\$(5,000,000) General Electric Dec 2023	(153)	(0.02)	
\$(7,500,000) General Electric Dec 2028	(788)	(0.13)	
\$(5,000,000) General Motors Dec 2024	71	0.01	
€(5,000,000) Imperial Brands Dec 2024	2	0.00	

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Investments

Portfolio statement (continued)				
as at 31 March	2020	2020	2019	
Holding	£'000	%	%	
Credit default swaps (continued)				
\$(67,500,000) Markit CDX North American Investment Grade Series 33 V1 4 Year Dec 2024	(34)	0.00		
\$(45,000,000) Markit CDX North American Investment Grade Series 33 V1 5 Year Dec 2024	(22)	0.00		
\$(55,000,000) Markit CDX North American Investment Grade Series 34 V1 5 Year Jun 2025	(176)	(0.02)		
€(97,700,000) Markit iTraxx Europe Series 32 V1 4 Year Dec 2024	146	0.03		
€(7,800,000) Markit iTraxx Europe Xover Series 32 V1 4 Year Dec 2024	(163)	(0.03)		
€(7,500,000) Vodafone Dec 2024	71	0.01		
\$(7,500,000) Walt Disney Dec 2024	91	0.01		
Interest rate swaps	(544)	(0.07)	(0.05)	
\$15,000,000 Pay 0.163% Receive VAR Mar 2025	57	0.01		
£15,000,000 Pay 0.198% Receive VAR Mar 2025	30	0.00		
£20,000,000 Pay 0.253% Receive VAR Mar 2025	(14)	0.00		
£22,500,000 Pay 0.3225% Receive VAR Mar 2025	(92)	(0.01)		
£5,000,000 Pay 0.4570% Receive VAR Feb 2070	(562)	(0.09)		
£42,500,000 Pay 0.57% Receive VAR Nov 2024	(527)	(0.08)		
£17,500,000 Pay 3.89% Receive VAR Sep 2024	(251)	(0.04)		
£50,000,000 Pay VAR Receive 3.251% Feb 2025	210	0.04		
£50,000,000 Pay VAR Receive 3.3275% Jan 2025	605	0.10		
Interest rate futures	(965)	(0.15)	(0.15)	
150 Euro Bobl Jun 2020	(71)	(0.01)		
(400) UK Long Gilt Bond Jun 2020	(894)	(0.14)		
CURRENCY	(1,219)	(0.19)	0.23	
Forward currency contracts	(1,219)	(0.19)	0.23	
€8,287,675 Bought for £7,479,774 (expires 08.04.20)	(138)	(0.02)		
€(29,410,653) Sold for £25,880,613 (expires 08.04.20)	(173)	(0.03)		
\$14,776,626 Bought for £11,923,942 (expires 08.04.20)	30	0.01		
\$(100,979,718) Sold for £80,751,143 (expires 08.04.20)	(938)	(0.15)		
Portfolio of investments	627,023	97.86	99.08	
CASH EQUIVALENTS	28,177	4.40	0.68	
'AAA' rated money market funds ^[b]	28,177	4.40	0.68	
28,177,000 Northern Trust Global Fund - Sterling	28,177	4.40		
Total portfolio (notes 2c & 2d on page 6)	655,200	102.26	99.76	
Net other assets / (liabilities)	(14,469)	(2.26)	0.24	
Net assets attributable to shareholders	640,731	100.00	100.00	

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

^[a] Defaulted bond.

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

M&G UK Inflation Linked Corporate Bond Fund

Financial highlights

Fund performance

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

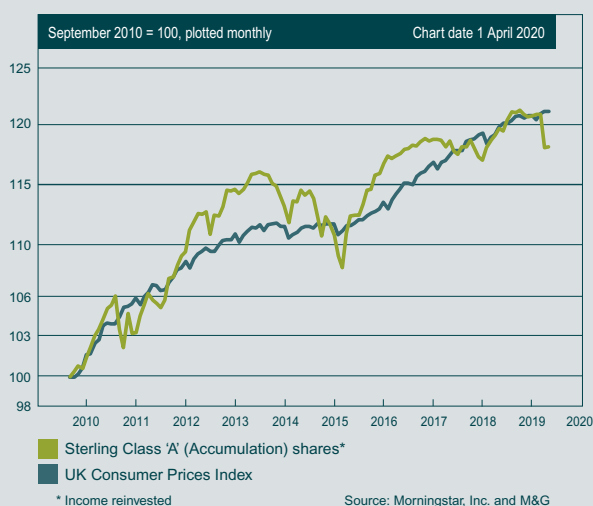
The following chart and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (10), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at 31 March	2020 £'000	2019 £'000	2018 £'000
Fund net asset value (NAV)	640,731	1,080,651	1,192,190

Performance since launch

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



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

Long-term performance by share class

	One year 01.04.19 % ^[a]	Three years 03.04.17 % p.a.	Five years 01.04.15 % p.a.	Since launch % p.a.
Sterling ^[b]				
Class 'A'	-0.9	+0.2	+0.9	+1.8 ^[c]
Class 'I'	-0.4	+0.7	+1.3	+2.2 ^[c]
Class 'PP'	n/a	n/a	n/a	-0.5 ^[d]
Class 'R'	-0.7	+0.4	+1.1	+1.6 ^[e]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

^[c] 16 September 2010, the launch date of the fund.

^[d] 8 April 2019, the launch date of the share class. Not annualised.

^[e] 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:

- Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.

For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.

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Financial highlights

Fund performance

Operating charges (continued)

- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

as at 31 March	2020	2019	2018	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.47	0.22	0.12	0.27

^[a] Average of first three columns.

Specific share class performance

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

Sterling Class 'A' Income share performance

The share class was launched on 16 September 2010.

for the year to 31 March	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	114.10	114.53	114.15
Return before operating charges and after direct portfolio transaction costs	0.32	2.33	2.39
Operating charges	(1.39)	(1.33)	(1.33)
Return after operating charges	(1.07)	1.00	1.06
Distributions	(0.74)	(1.43)	(0.68)
Closing NAV	112.29	114.10	114.53

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.15	1.16	1.16
Return after operating charges	-0.94	+0.87	+0.93
Distribution yield	0.00	0.81	0.61
Effect on yield of charges offset against capital	1.15	1.15	1.15

Other information

Closing NAV (£'000)	2,547	129,109	131,816
Closing NAV percentage of total fund NAV (%)	0.40	11.95	11.06
Number of shares	2,267,975	113,152,100	115,089,107
Highest share price (UK p)	116.14	115.10	115.85
Lowest share price (UK p)	111.07	112.77	114.10

M&G UK Inflation Linked Corporate Bond Fund

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Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 16 September 2010.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	119.18	118.14	117.06
Return before operating charges and after direct portfolio transaction costs	0.31	2.41	2.44
Operating charges	(1.40)	(1.37)	(1.36)
Return after operating charges	(1.09)	1.04	1.08
Distributions	0.00	(0.12)	0.00
Retained distributions	0.00	0.12	0.00
Closing NAV	118.09	119.18	118.14

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.15	1.16	1.16
Return after operating charges	-0.91	+0.88	+0.92
Distribution yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (£'000)	20,042	30,318	48,328
Closing NAV percentage of total fund NAV (%)	3.13	2.81	4.05
Number of shares	16,971,111	25,438,455	40,906,802
Highest share price (UK p)	121.36	119.23	119.16
Lowest share price (UK p)	116.57	116.96	117.00

Sterling Class 'I' Income share performance

The share class was launched on 16 September 2010.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	116.80	116.65	115.69
Return before operating charges and after direct portfolio transaction costs	0.30	2.38	2.42
Operating charges	(0.77)	(0.77)	(0.77)
Return after operating charges	(0.47)	1.61	1.65
Distributions	(0.78)	(1.46)	(0.69)
Closing NAV	115.55	116.80	116.65

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.65	0.66	0.66
Return after operating charges	-0.40	+1.38	+1.43
Distribution yield	0.00	0.82	0.61
Effect on yield of charges offset against capital	0.65	0.65	0.65

Other information

Closing NAV (£'000)	349,131	477,510	553,103
Closing NAV percentage of total fund NAV (%)	54.49	44.19	46.39
Number of shares	302,141,204	408,820,821	474,150,953
Highest share price (UK p)	119.23	117.67	117.81
Lowest share price (UK p)	114.28	115.30	115.67

Sterling Class 'I' Accumulation share performance

The share class was launched on 16 September 2010.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	123.84	122.15	120.43
Return before operating charges and after direct portfolio transaction costs	0.31	2.50	2.52
Operating charges	(0.82)	(0.81)	(0.80)
Return after operating charges	(0.51)	1.69	1.72
Distributions	(0.17)	(0.74)	0.00
Retained distributions	0.17	0.74	0.00
Closing NAV	123.33	123.84	122.15

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.65	0.66	0.66
Return after operating charges	-0.41	+1.38	+1.43
Distribution yield	0.00	0.17	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (£'000)	267,522	442,333	457,560
Closing NAV percentage of total fund NAV (%)	41.75	40.93	38.39
Number of shares	216,918,305	357,173,836	374,593,898
Highest share price (UK p)	126.49	123.89	123.01
Lowest share price (UK p)	121.72	121.39	120.41

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the period to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(1.71)	n/a	n/a
Operating charges	(0.33)	n/a	n/a
Return after operating charges	(2.04)	n/a	n/a
Distributions	(0.65)	n/a	n/a
Closing NAV	97.31	n/a	n/a

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	n/a	n/a
Operating charges	0.50	n/a	n/a
Return after operating charges	-2.04	n/a	n/a
Distribution yield	0.00	n/a	n/a
Effect on yield of charges offset against capital	0.50	n/a	n/a

Other information

Closing NAV (£'000)	244	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.04	n/a	n/a
Number of shares	250,312	n/a	n/a
Highest share price (UK p)	100.32	n/a	n/a
Lowest share price (UK p)	96.24	n/a	n/a

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Specific share class performance

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(0.06)	n/a	n/a
Operating charges	(0.50)	n/a	n/a
Return after operating charges	(0.56)	n/a	n/a
Distributions	(0.21)	n/a	n/a
Retained distributions	0.21	n/a	n/a
Closing NAV	99.44	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	n/a	n/a
Dilution adjustments ^[a]	0.00	n/a	n/a
Total direct portfolio transaction costs	0.00	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	n/a	n/a
Operating charges	0.50	n/a	n/a
Return after operating charges	-0.56	n/a	n/a
Distribution yield	0.00	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (£'000)	288	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.04	n/a	n/a
Number of shares	290,074	n/a	n/a
Highest share price (UK p)	101.98	n/a	n/a
Lowest share price (UK p)	98.14	n/a	n/a

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	110.22	110.36	109.72
Return before operating charges and after direct portfolio transaction costs	0.29	2.24	2.29
Operating charges	(1.01)	(1.00)	(1.00)
Return after operating charges	(0.72)	1.24	1.29
Distributions	(0.73)	(1.38)	(0.65)
Closing NAV	108.77	110.22	110.36
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.90	0.91	0.91
Return after operating charges	-0.65	+1.12	+1.18
Distribution yield	0.00	0.82	0.62
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (£'000)	401	474	522
Closing NAV percentage of total fund NAV (%)	0.06	0.04	0.04
Number of shares	368,700	430,103	472,989
Highest share price (UK p)	112.37	111.05	111.52
Lowest share price (UK p)	107.59	108.87	109.68

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	113.93	112.65	111.34
Return before operating charges and after direct portfolio transaction costs	0.29	2.31	2.33
Operating charges	(1.05)	(1.03)	(1.02)
Return after operating charges	(0.76)	1.28	1.31
Distributions	(0.02)	(0.40)	0.00
Retained distributions	0.02	0.40	0.00
Closing NAV	113.17	113.93	112.65
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.90	0.91	0.91
Return after operating charges	-0.67	+1.14	+1.18
Distribution yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	556	907	861
Closing NAV percentage of total fund NAV (%)	0.09	0.08	0.07
Number of shares	491,438	796,399	763,965
Highest share price (UK p)	116.14	113.97	113.51
Lowest share price (UK p)	111.70	111.74	111.30

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

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

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

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Statement of total return

for the year to 31 March	Note	2020 £'000	2019 £'000
Income			
Net capital gains / (losses)	3	(11,332)	(4,006)
Revenue	5	18,088	26,703
Expenses	6	(6,112)	(8,451)
Net revenue / (expense) before taxation		11,976	18,252
Taxation	7	31	(28)
Net revenue / (expense) after taxation		12,007	18,224
Total return before distributions		675	14,218
Distributions	8	(3,844)	(10,843)
Change in net assets attributable to shareholders from investment activities		(3,169)	3,375

Statement of change in net assets attributable to shareholders

for the year to 31 March	2020 £'000	2019 £'000
Opening net assets attributable to shareholders	1,080,651	1,192,190
Amounts received on issue of shares	29,891	87,218
Amounts paid on cancellation of shares	(467,759)	(205,030)
	(437,868)	(117,812)
Dilution adjustments	603	224
Change in net assets attributable to shareholders from investment activities (see above)	(3,169)	3,375
Retained distributions on Accumulation shares	514	2,672
Unclaimed distributions	0	2
Closing net assets attributable to shareholders	640,731	1,080,651

Balance sheet

as at 31 March	Note	2020 £'000	2019 £'000
Assets			
Fixed assets			
Investments		633,109	1,076,169
Current assets			
Debtors	9	19,494	20,648
Cash and bank balances	10	3,230	5,494
Cash equivalents		28,177	7,358
Total assets		684,010	1,109,669
Liabilities			
Investment liabilities		(6,086)	(5,423)
Creditors			
Bank overdrafts		(8,522)	0
Distribution payable		(732)	(4,309)
Other creditors	11	(27,939)	(19,286)
Total liabilities		(43,279)	(29,018)
Net assets attributable to shareholders		640,731	1,080,651

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 6 and 7.

2 Distribution policy

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

In determining the amount available for distribution, a transfer has been made between revenue and capital to disregard the change in the Retail Prices Index during the period in respect of interest from index-linked gilt-edged securities. This is to contribute to the preservation of the share value in real terms.

3 Net capital gains / (losses)

for the year to 31 March	2020 £'000	2019 £'000
Non-derivative securities	5,603	26,943
Derivative contracts	(14,986)	(35,584)
Currency gains / (losses)	(1,944)	4,649
Transaction charges	(5)	(14)
Net capital gains / (losses)	(11,332)	(4,006)

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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 90 and 91.

for the year to 31 March	2020 £'000	2019 £'000		
a) Purchases				
Debt securities ^[a]	842,167	866,018		
b) Sales				
Debt securities ^[a]	1,276,915	994,845		
Other transaction types				
Corporate actions	0	2,320		
Total sales after transaction costs	1,276,915	997,165		
c) Direct portfolio transaction costs	2020 £'000	% of average NAV	2019 £'000	% of average NAV
Commissions paid				
Derivatives	12	0.00	16	0.00
Taxes paid				
Derivatives	10	0.00	9	0.00
Total direct portfolio transaction costs ^[b]	22	0.00	25	0.00
d) Indirect portfolio transaction costs				
		%		
Portfolio dealing spread ^[c]		0.47	0.22	

^[a] These transaction types do not attract direct portfolio transaction costs.

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

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

5 Revenue

for the year to 31 March	2020 £'000	2019 £'000
Bank interest	25	20
Derivative revenue	3,948	5,761
Interest distributions	71	63
Interest on debt securities	14,040	20,859
Rebate of ongoing charges from underlying funds	4	0
Total revenue	18,088	26,703

6 Expenses

for the year to 31 March	2020 £'000	2019 £'000
Payable to the ACD or associate		
Annual charge	3,609	0
Annual management charge ^[a]	1,931	6,624
Administration charge ^[a]	516	1,709
	6,056	8,333
Payable to the Depositary or associate		
Depositary's charge (including VAT) ^[a]	18	58
Other expenses		
Audit fee (including VAT) ^[a] ^[b]	4	12
Interest payable	25	25
Safe custody charge ^[a]	9	23
	38	60
Total expenses	6,112	8,451

^[a] The segregated charges shown above for annual management, administration, depositary, audit and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

^[b] Audit fees for the financial year ending 2020 were £12,000 (including VAT).

7 Taxation

for the year to 31 March	2020 £'000	2019 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	(31)	28
Deferred tax (note 7c)	0	0
Total taxation	(31)	28
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	11,976	18,252
Corporation tax at 20%	2,395	3,650
Effects of:		
Interest distributions	(6)	(894)
Withholding tax	(31)	28
Retail Prices Index adjustments to gilts	(2,389)	(2,464)
Prior year expenses utilised	0	(292)
Total tax charge (note 7a)	(31)	28
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
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset in the current financial year (2019: same).

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8 Distributions

for the year to 31 March	2020		2019	
	Inc ^[a] £'000	Acc ^[b] £'000	Inc ^[a] £'000	Acc ^[b] £'000
Interest distributions				
Interim	2,142	514	3,593	977
Final	732	0	4,309	1,695
Total net distributions		3,388		10,574
Income deducted on cancellation of shares		494		448
Income received on issue of shares		(38)		(179)
Distributions		3,844		10,843
Net revenue / (expense) per statement of total return		12,007		18,224
Expenses offset against capital		3,330		4,936
Effective yield adjustments not distributed		(11,946)		(12,317)
Income deficit transferred to capital		453		0
Distributions		3,844		10,843

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 March	2020 £'000	2019 £'000
Amounts receivable on issues of shares	21	0
Currency deals outstanding	8,081	0
Debt security interest receivable	2,869	7,985
Derivative revenue receivable	152	114
Distributions receivable	6	3
Sales awaiting settlement	8,365	12,522
Withholding tax recoverable	0	24
Total debtors	19,494	20,648

10 Cash and bank balances

as at 31 March	2020 £'000	2019 £'000
Amounts held at futures clearing houses and collateral manager	2,659	4,103
Cash held as bank balances	571	1,391
Total cash and bank balances	3,230	5,494

11 Other creditors

as at 31 March	2020 £'000	2019 £'000
ACD's annual management charge payable	0	312
Administration charge payable	0	81
Amounts payable on cancellation of shares	6,724	5,380
Annual charge payable	95	0
Currency deals outstanding	8,080	0
Derivative expense payable	0	36
Expenses payable	4	26
Purchases awaiting settlement	13,036	13,451
Total other creditors	27,939	19,286

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2019: 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 01.04.19	Movements		Closing 31.03.20
		Issued	Cancelled	
Sterling				
Class 'A' Income	113,152,100	932,225	(111,816,350)	2,267,975
Class 'A' Accumulation	25,438,455	1,114,781	(9,582,125)	16,971,111
Class 'I' Income	408,820,821	11,488,777	(118,168,394)	302,141,204
Class 'I' Accumulation	357,173,836	10,332,517	(150,588,048)	216,918,305
Class 'PP' Income	0	270,000	(19,688)	250,312
Class 'PP' Accumulation	0	566,098	(276,024)	290,074
Class 'R' Income	430,103	5,270	(66,673)	368,700
Class 'R' Accumulation	796,399	71,887	(376,848)	491,438

14 Charging structure

The table below sets out the charging structure for each class of share in existence as at the balance sheet date. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Entry charge %	Exit charge %	Annual charge ^[a] %
Sterling			
Class 'A'	n/a	n/a	1.15
Class 'I'	n/a	n/a	0.65
Class 'PP'	n/a	n/a	0.50
Class 'R'	n/a	n/a	0.90

^[a] The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

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 annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end from the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 0.04% (2019: 0.05%) of the fund's shares.

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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 2020	Liabilities 2020	Assets 2019	Liabilities 2019
as at 31 March	£'000	£'000	£'000	£'000
Basis of valuation				
Level 1	360,092	(965)	533,296	(2,275)
Level 2	273,017	(5,121)	542,873	(3,148)
Level 3	0	0	0	0
	633,109	(6,086)	1,076,169	(5,423)

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 7 and 8.

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 March 2020 was 10% (2019: 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 March 2020 and 31 March 2019.

	2020	Utilisation of upper limit VaR [a]	2019	Utilisation of upper limit VaR [a]
for the year to 31 March	% of VaR	10%	% of VaR	10%
Lowest	0.42	4.20	0.54	5.39
Highest	4.28	42.80	1.08	10.79
Average	0.80	7.99	0.70	6.97

[a] 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.

	2020 £'000	2019 £'000
as at 31 March		
Investment grade securities	592,842	998,494
Below investment grade securities	7,842	37,826
Unrated securities	30,319	28,182
Other investments	(3,980)	6,244
Total	627,023	1,070,746

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.

	Swaps £'000	Forward currency contracts £'000	Futures £'000
as at 31 March 2020			
Bank of America Merrill Lynch	0	(288)	(965)
Barclays Bank	(253)	47	0
BNP Paribas	(867)	(1,820)	0
Citigroup	815	0	0
Goldman Sachs	(244)	0	0
HSBC	0	157	0
JPMorgan	(415)	54	0
Royal Bank of Canada	0	88	0
Standard Chartered Bank	0	514	0
State Street Bank	0	8	0
UBS	(832)	21	0
Total	(1,796)	(1,219)	(965)

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20 Credit risk (continued)

as at 31 March 2019	Swaps £'000	Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch	475	0	(1,597)
Barclays Bank	(113)	(3)	0
BNP Paribas	(198)	0	0
Citigroup	1,287	0	0
Credit Suisse	(340)	0	0
Goldman Sachs	3,325	0	0
HSBC	(84)	1,698	0
JPMorgan	857	864	0
RBC	0	(3)	0
State Street Bank	0	(39)	0
UBS	115	0	0
Total	5,324	2,517	(1,597)

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 March 2020 and 31 March 2019 are disclosed in the table below.

for the year to 31 March	2020 ^[a] £'000	2020 ^[a] % ^[b]	2019 ^[a] £'000	2019 ^[a] % ^[b]
Lowest	715,867	73.40	1,463,468	132.80
Highest	2,362,966	228.10	2,774,631	243.60
Average	1,174,177	131.50	1,751,956	154.20

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

^[b] Expressed as a percentage over fund valuation.

22 Interest distribution tables

This fund pays semi-annual interest distributions and the following table sets out the distribution periods.

Semi-annual distribution periods				
	Start	End	Xd	Payment
Interim	01.04.19	30.09.19	01.10.19	30.11.19
Final	01.10.19	31.03.20	01.04.20	31.05.20

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.

Sterling Class 'A' Income shares

Interest distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020	2019
	p	p	p	p
Interim	0.3333	0.1751	0.5084	0.6220
Final	0.0882	0.1472	0.2354	0.8107

Sterling Class 'A' Accumulation shares

Interest distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020	2019
	p	p	p	p
Interim	0.0000	0.0000	0.0000	0.0000
Final	0.0000	0.0000	0.0000	0.1231

Sterling Class 'I' Income shares

Interest distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020	2019
	p	p	p	p
Interim	0.2702	0.2682	0.5384	0.6345
Final	0.1124	0.1276	0.2400	0.8287

Sterling Class 'I' Accumulation shares

Interest distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020	2019
	p	p	p	p
Interim	0.0637	0.1077	0.1714	0.2754
Final	0.0000	0.0000	0.0000	0.4650

M&G UK Inflation Linked Corporate Bond Fund

Financial statements and notes

Notes to the financial statements

22 Interest distribution tables (continued)

Sterling Class 'PP' Income shares				
Interest distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020	2019
	p	p	p	p
Interim	0.4476	0.0000	0.4476	n/a
Final	0.2038	0.0000	0.2038	n/a

Sterling Class 'PP' Accumulation shares				
Interest distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020	2019
	p	p	p	p
Interim	0.0402	0.1707	0.2109	n/a
Final	0.0000	0.0000	0.0000	n/a

Sterling Class 'R' Income shares				
Interest distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020	2019
	p	p	p	p
Interim	0.2424	0.2635	0.5059	0.5996
Final	0.1029	0.1251	0.2280	0.7826

Sterling Class 'R' Accumulation shares				
Interest distributions for the year to 31 March	Income 2020	Group 2 Equalisation 2020	Group 1 & 2 Distribution 2020	2019
	p	p	p	p
Interim	0.0000	0.0163	0.0163	0.1160
Final	0.0000	0.0000	0.0000	0.2838

M&G Investment Funds (10)

Other regulatory disclosures

Value assessment

From 31 July 2020, we will be publishing an annual value assessment delivered to investors in this fund, including an assessment of our charges and services, and how we compare to our competitors. This will be available at www.mandg.co.uk/investor/fund-prices-performance/annual-value-assessment/

Remuneration

In line with the requirements of the Undertakings for Collective Investment 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 policy is designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of employees is in line with the risk policies and objectives of the UCITS funds managed by the UCITS Manager. Further details of the remuneration policy can be found here: <https://www.mandg.com/about-us/policies-and-business-principles>.

The remuneration policy, and its implementation, is reviewed on an annual basis, or more frequently where required, and is approved by the M&G plc Board Remuneration Committee.

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 2019, aggregate remuneration of £37,357,114 (£6,853,720 in respect of fixed remuneration and £30,503,394 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 £2,111,206 related to senior management.

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.

Defaulted bond: When a bond issuer 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.

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

Glossary

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 represents the operating costs you can reasonably expect to pay under normal circumstances.

Open-ended investment company (OEIC): A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Options: Financial contracts that offer the right, but not the obligation, to buy or sell an asset at a given price on or before a given date in the future.

Over-the-counter (OTC): Whereby financial assets are traded directly between two parties. This is in contrast to exchange trading, which is carried out through exchanges set up specifically for the purpose of trading. OTC is also known as off-exchange trading.

Overweight: If a fund is 'overweight' a stock, it holds a larger proportion of that stock than the comparable index or sector.

Payment date: The date on which distributions will be paid by the fund to investors, usually the last business day of the month.

Physical assets: An item of value that has tangible existence, for example, cash, equipment, inventory or real estate. Physical assets can also refer to securities, such as company shares or fixed income securities.

Portfolio transaction cost: The cost of trading, such as brokerage, clearing, exchange fees and bid-offer spread as well as taxes such as stamp duty.

Preference shares: Preference shares are a loan to a company that may be traded in the same way as ordinary shares, but generally have a higher yield and pay dividends on fixed dates. Preference shares have varying characteristics as to the treatment of the principal and the dividend payment, which includes ranking them above ordinary shares when it comes to dividend payments.

Principal: The face value of a fixed income security, which is the amount due back to the investor by the borrower when the security reaches the end of its life.

Private placement: An offer of sale of securities to a relatively small number of investors selected by the company, generally investment banks, mutual funds, insurance companies or pension funds.

Property Expense Ratio (PER): Property expenses are the operating expenses that relate to the management of the property assets in the portfolio. These include: insurance and rates, rent review and lease renewal costs and maintenance and repairs, but not improvements. They depend on the level of activity taking place within the fund. The Property Expense Ratio is the ratio of property expenses to the fund's net asset value.

Real yield: The return of an investment, adjusted for changes in prices in an economy.

Retail Prices Index (RPI): A UK inflation index that measures the rate of change in prices for a basket of goods and services in the UK, including mortgage payments and council tax.

Risk: The chance that an investment's return will be different to what is expected. Risk includes the possibility of losing some or all of the original investment.

Risk management: The term used to describe the activities the fund manager undertakes to limit the risk of a loss in a fund.

Risk premium: The difference between the return from a risk-free asset, such as a high-quality government bond or cash, and the return from an investment in any other asset. The risk premium can be considered the 'price' or 'pay-off' for taking on increased risk. A higher risk premium implies higher risk.

Risk-free asset: An asset that notionally carries no risk of non-payment by the borrower such as a high-quality fixed income security issued by a government or cash.

Risk/reward ratio: A ratio comparing the expected returns of an investment with the amount of risk undertaken.

Glossary

Safe-haven assets: Refers to assets that investors perceive to be relatively safe from suffering a loss in times of market turmoil.

Security: Financial term for a paper asset – usually a share in a company or a fixed income security also known as a bond.

Share class: Each M&G fund has different share classes, such as A, R and I. Each has a different level of charges and minimum investment. Details on charges and minimum investments can be found in the Key Investor Information Documents.

Share class hedging: Activities undertaken in respect of hedged shares to mitigate the impact on performance of exchange rate movements between the fund's currency exposure and the investor's chosen currency.

Short position: A way for a fund manager to express his or her view that the market might fall in value.

Short selling: This often refers to the practice whereby an investor sells an asset they do not own. The investor borrows the asset from someone who does own it and pays a fee. The investor must eventually return the borrowed asset by buying it in the open market. If the asset has fallen in price, the investor buys it for less than they sold it for, thus making a profit. The contrary may also occur.

Short-dated corporate bonds: Fixed income securities issued by companies and repaid over relatively short periods.

Short-dated government bonds: Fixed income securities issued by governments and repaid over relatively short periods.

Sovereign debt: Debt of a government. Also referred to as government bonds.

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

Suspended: Temporarily halting the trading of a listed security on the stock exchange. It can be voluntary (requested by the issuing company) or imposed by regulators. Typically, trading suspensions are introduced ahead of important news announcements, following technical glitches, or due to regulatory concerns.

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).

Unlisted/unquoted stocks: Shares of ownership in companies that are not listed on a public exchange, known as private companies.

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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