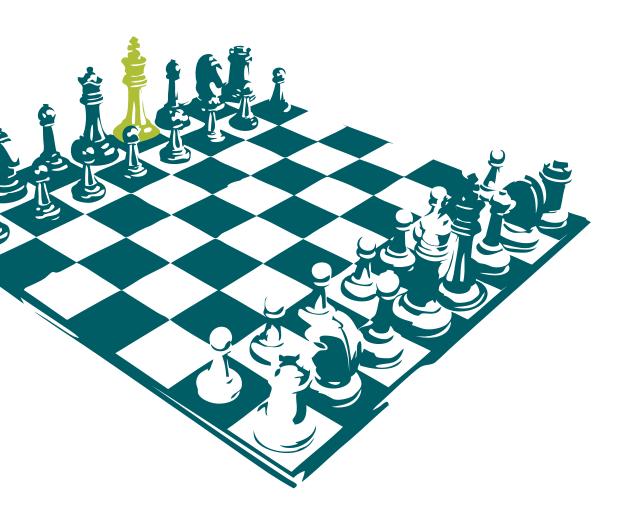
Annual Long Report and audited Financial Statements for the year ended 31 December 2016





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### Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (5) presents its Annual Long Report and audited Financial Statements for the year ended 31 December 2016.

The audited financial statements of M&G Investment Funds (5) 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 (5) is an umbrella Open-Ended Investment Company (OEIC) and contains two 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 24 December 2002, the M&G Episode Macro Fund was launched on 3 June 2010 and the M&G Global Corporate Bond Fund was launched on 5 September 2013.

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

As at 31 December 2016, none of the funds held shares of the other funds within this OEIC.

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

### Fund managers

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

**M&G Episode Macro Fund**David Fishwick & Eric Lonergan

M&G Global Corporate Bond Fund Ben Lord

#### ACD

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

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

#### Directors of the ACD

W J Nott (Chief Executive), G N Cotton, P R Jelfs, G W MacDowall, L J Mumford

### Investment manager

M&G Investment Management Limited, Laurence Pountney Hill, London EC4R 0HH, UK Telephone: +44 (0)20 7626 4588 (Authorised and regulated by the Financial Conduct Authority)

### Registrar

International Financial Data Services (UK) Limited, IFDS House, St. Nicholas Lane, Basildon, Essex SS15 5FS, UK (Authorised and regulated by the Financial Conduct Authority)

### Depositary

National Westminster Bank Plc, Trustee & Depositary Services, Younger Building, 3 Redheughs Avenue, Edinburgh EH12 9RH, UK (Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority)

### Independent auditor

Ernst & Young LLP
Ten George Street, Edinburgh EH2 2DZ, UK

### Important information

Please note that from 1 December 2016, M&G Global Corporate Bond Fund began taking the annual management charge, administration charge and where relevant, the share class hedging charge, from capital in the case of Income shares. These charges continue to be charged to income for Accumulation shares.

In the 2016 Budget, the UK government announced that, effective from 6 April 2017, interest distributions from open-ended investment companies (OEICs) may be paid without deducting income tax (currently 20%).

As a result, prices for the Sterling share classes of M&G's bond funds will be calculated without an accrual for the deduction of income tax. This change, for different funds, will be phased in between October 2016 and March 2017.

From 1 January 2017 the M&G Global Corporate Bond Fund's prices for the Sterling share classes are now calculated without income tax deducted.

### Authorised Corporate Director's Report

### **Investor** information

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

### Customer services and administration for UK clients:

M&G Securities Limited,

PO Box 9039, Chelmsford CM99 2XG, UK

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

Telephone: 0800 390 390 (UK only)

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

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

M&G International Investments Limited,

mainBuilding, Taunusanlage 19, 60325 Frankfurt am Main, Germany

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: +49 69 1338 6767 Email: iocs@mandg.co.uk

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

### Austrian Paying and Information Agent:

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

### **Belgian Financial Agent:**

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

### Danish Representative Agent:

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

### French Centralising Agent:

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

### **German Information Agent:**

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

### **Greek Paying Agent and Distributor:**

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

### **Irish Facilities Agent:**

Société Générale SA, Dublin Branch, 3rd Floor IFSC House – The IFSC, Dublin 1, Ireland

### **Italian Paying Agents:**

Allfunds Bank, S.A.,

Via Santa Margherita 7, 20121 Milano, Italy

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

Banca Sella Holding S.p.A.,

Piazza Gaudenzio Sella 1, 13900 Biella, Italy

BNP PARIBAS Securities Services, Via Ansperto 5, 20123 Milano, Italy

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

State Street Bank S.p.A.,

Via Ferrante Aporti 10, 20125 Milano, Italy

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

### **Luxembourg Paying and Information Agent:**

Société Générale Bank & Trust SA, Centre operationel, 28-32, place de la Gare, 1616 Luxembourg, Grand Duchy of Luxembourg

### **Portuguese Distributor:**

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

### **Spanish Representative:**

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

### **Swedish Paying Agent:**

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

### Swiss Paying Agent and Representative:

Société Générale, Paris, Zurich Branch, Talacker 50, P.O. Box 5070, 8021 Zurich, Switzerland

### Authorised Corporate Director's Report

# Authorised Corporate Director's Responsibilities

The Authorised Corporate Director (ACD) is required to prepare annual and interim long and short reports for the Company. The ACD must ensure that the financial statements, contained in the Long 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.

### Depositary's Responsibilities and Report

Statement of the Depositary's
Responsibilities and Report of the
Depositary to the Shareholders of
M&G Investment Funds (5)
('the Company') for the period ended
31 December 2016

The Depositary 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 (SI 2001/1228) (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 Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary 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 Depositary must ensure that:

- the Company's cashflows are properly monitored (this requirement on the Depositary applied from 18 March 2016) 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 Depositary 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 Depositary 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 13 February 2017 National Westminster Bank Plc Trustee and Depositary Services

### Independent Auditor's Report

# Independent Auditor's Report to the shareholders of M&G Investment Funds (5) ICVC

We have audited the financial statements of M&G Investment Funds (5) ICVC ('the Company') for the year ended 31 December 2016 which comprise the Statement of Total Return and Statement of Change in Net Assets Attributable to Shareholders together with the Balance Sheet for the Company's sub-funds, the accounting policies of the Company and the related notes for the sub-funds. 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 FRS102 'The Financial Reporting Standard applicable to the UK and the Republic of Ireland'.

This report is made solely to the Company's members, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

# Respective responsibilities of the Authorised Corporate Director and Auditor

As explained more fully in the Authorised Corporate Director's responsibilities statement set out on page 3, the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

# Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed:
- the reasonableness of significant accounting estimates made by the Authorised Corporate Director; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### In our opinion:

- The financial statements give a true and fair view of the financial position of the Company comprising the sub-funds as at 31 December 2016 and of the net revenue / (expense) and the net capital gains / (losses) on the scheme property of the Company comprising the sub-funds for the year then ended; and
- The financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### Opinion 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 Authorised Corporate Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- 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; and
- we have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Edinburgh 13 February 2017 Ernst & Young LLP Statutory Auditor

The financial statements are published at www.mandg.co.uk/reports, which is a website maintained by M&G Securities Limited and M&G Financial Services Limited (M&G). The maintenance and integrity of the M&G website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Financial statements and notes

The financial statements for M&G Investment Funds (5) 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 (5) have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014 (2014 SORP).

Amendments to FRS 102 'Fair value hierarchy disclosures' effective for annual periods beginning on or after 1 January 2017 have been early adopted. These amendments improve the consistency of fair value disclosures for financial instruments with those required by EU-adopted IFRS (International Financial Reporting Standards).

### 2 Summary of significant accounting policies

#### a) Basis of preparation

The financial statements of M&G Investment Funds (5) 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

The functional and presentational currency of M&G Investment Funds (5) is US dollars.

### 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 30 December 2016 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 30 December 2016, 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).
- 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.
- The value of any enhancement to a stock dividend is treated as capital.

### Financial statements and notes

### Notes to the financial statements

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

- 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, including performance fees, 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.

### h) Allocation of returns to share classes

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

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

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

### 3 Risk management policies

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

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

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

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

### Market risk

Market risk is the risk of loss resulting from fluctuations in the market value of positions in a fund's portfolio attributable to changes in market variables, such as interest rates, foreign 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.

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.

### Financial statements and notes

### Notes to the financial statements

### 3 Risk management policies (continued)

### Commitment approach (continued)

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

### Value at Risk approach

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

Instrument and portfolio modelling techniques are based on market accepted practices and are subject to regular audit (back-testing). Market risk factors that are analysed include LIBOR / swap rates, government yield curves, equity prices, foreign exchange, 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 Episode Macro Fund	VaR
M&G Global 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.

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.

### Directors' statement

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

G W MACDOWALL

Directors

L J MUMFORD

13 February 2017

### Authorised Corporate Director's Report

### Investment objective

The Fund aims to deliver a higher total return, with lower volatility on average, than global equities over a rolling three to five year period. There is no guarantee that the Fund will achieve a positive return over this, or any other, period and investors may not recoup the original amount they invested

### Investment policy

The fund manager adopts a flexible approach to the allocation of capital between asset classes in response to changes in economic conditions and the valuation of assets. Central to this approach is the identification of episodes, which are periods of time during which, in the fund manager's view, asset prices become over- or under-stated, relative to objective valuation measures, due to the emotional reaction of investors to events. These episodes can exist over both the short and medium term. The short term volatility of the fund may be high.

The fund will typically invest in a variety of equity index futures, currency forwards, interest rate swaps, and other highly-liquid derivatives. The portfolio may therefore comprise a high proportion of cash and near cash, the majority of which is likely to be held in cash deposits. In addition to derivatives, the fund may invest in a range of equities, fixed income and other assets, including collective investment schemes, other transferable securities, deposits, warrants and money market instruments.

Subject to rigorous risk management, the fund is likely to operate with a gross asset exposure in excess of net assets. This will be achieved through the use of derivative contracts, often with a view to increasing diversification.

### Investment approach

The managers believe the best approach for achieving the fund objective lies in the flexible allocation of capital between asset classes, guided by a robust valuation framework. In particular, they seek to respond where asset prices move away from a reasonable sense of 'fair' value due to investors reacting emotionally to events. They believe such 'episodes' create opportunities because emotions should be less important than underlying fundamentals over the medium and long term.

The fund is fully flexible and is not bound by any sense of neutrality or benchmark. The fund's investment strategy is likely to involve the use of financial instruments to take short positions, that is, positions that profit from a fall in the price of an asset, or to generate modest amounts of leverage (gain exposure to greater investment than the net asset value of the fund).

### Risk profile

The fund invests globally in a broad range of assets, including company shares (equities), fixed income securities (bonds), currencies and other assets such as property shares and convertible bonds. The fund is, therefore, subject to the price volatility of global financial and currency markets. Exposure to the different asset classes is typically gained through the use of derivatives.

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

The fund is fully flexible and is managed aggressively, although the managers will seek to maximise portfolio diversity wherever possible. However, in cases where the managers believe that the opportunities are limited to a few areas, there may be a higher-than-usual concentration of asset or market exposure. Such strategies may result in higher volatility of the fund's short-term performance.

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 'S-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 3 January 2017, for the year ended 31 December 2016

### Performance against objective

Between 4 January 2016 (the start of the review period) and 3 January 2017, the M&G Episode Macro Fund delivered a positive return across all share classes. [a] This was despite a very turbulent market environment over the first half of the review period, in which nervous sentiment saw investors shun the so-called 'risk' assets the fund was positioned in favour of. Over the period as a whole, maintaining a geographically diverse selection of equity (company shares) and bond positions proved helpful in terms of gains from some areas offsetting losses from others. (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').

Over rolling periods of three to five years, the fund has not achieved its aim of delivering a higher total return, with lower volatility on average, than global equities. While volatility of the fund has been lower, total returns have lagged that of global equities, as measured by the MSCI AC World Index.

### Authorised Corporate Director's Report

### Investment review

### Investment performance

The 12 months under review was a strong period for the fund, both in terms of the returns ultimately generated and, perhaps more importantly, the manner and pattern in which this was achieved and delivered. It was a year which highlighted and underlined the relevance of some of the core beliefs at the heart of our investment approach. This is especially true in terms of our view on the challenges of prediction and forecasts, with particular focus on the 'surprising' response of markets to unexpected economic and political events.

The year began with investor sentiment seemingly in a state of peak-pessimism over the global economic outlook, which prompted sharp declines in stockmarkets (which tend to perform badly when investors are averse to risk) and a rush to the perceived 'safety' of mainstream government bonds (those issued by governments which are considered most creditworthy such as the US, UK, Germany and Japan). By the middle of 2016, the UK's shock vote to leave the European Union (EU) seemingly dealt the final hammer blow to any positive sentiment that may have been returning.

We viewed this period as an extension or intensification of the economic and market regime that has prevailed since the global financial crisis of 2007/8. The key elements of this regime were high risk aversion, an increasingly negative perspective on the global economy's growth outlook and an almost exclusive reliance on and belief in the power of monetary policy. Against this backdrop, investor behaviour was dominated by a focus on potential loss and minimising volatility (the rise and falls in investment returns over a given period). This concern about what might go wrong next and a need to protect against it was elevated above the potential for material capital gain as a primary goal. It has always been our view that trying to predict what comes next in such an uncertain environment as financial markets is a futile pursuit. Instead, we try to focus on the facts we can observe about genuine economic conditions and the pricing of assets in that context.

By early 2016 we felt that the global economy had actually been showing signs of robust recovery in many parts of the world for some time, and this overly negative sentiment had driven the pricing of certain assets to unjustifiable extremes. Specifically, we felt equities were being significantly undervalued, particularly in relation to the overvaluation of mainstream government bonds. As such, although the fund's preference for equities proved painful over the early months of the year, far from panicking, we took the opportunity to tactically increase equity exposure as prices fell. Specifically, we added to positions in the most apparently 'unloved' parts of the market – the banking and mining sectors. At the same time, as mainstream bond prices rose dramatically to levels at which we felt they looked vulnerable to 'correction', that is, reversal. Therefore, we moved our positions in US government bonds from 'long' (designed to profit from a rise in value) to 'short' (designed to profit from a decline in value).

It is these decisions to which the fund's strong performance over the second half of the year is attributable. The middle of the year saw a dramatic change in behaviour within markets as sentiment turned far more positive and the price action we saw in the first half of the year quickly unwound, with equities rallying and mainstream bonds falling rapidly out of favour with investors. Furthermore, Donald Trump's victory in the US presidential election in November – something which many had predicted would intensify risk aversion among investors – actually provided a further boost to confidence (and hence

equity markets) by bolstering hopes that global policymakers (including Trump) have started to favour fiscal policies (such as tax cuts and infrastructure spending) to boost growth over the monetary policies (such as lower interest rates and the buying of bonds) of recent years, which many now regard as ineffective.

This meant that the fund's substantial gains over the second half of the year more than offset losses from the first half, with some of the most notable contributors being shares in banks and mining companies as well as short positions in mainstream government bonds.

#### Investment activities

The flexibility of the fund was key to navigating the turbulence of the review period. The most notable changes were made in response to significant movements in asset prices, such as materially adjusting the fund's mainstream government bond positioning as these assets rallied to price levels that we felt to be unjustifiably expensive over the first half of the year. Specifically, in February, we closed the long position in long-dated US government bonds and increased the short position in short-dated US government bonds, and then later in the year, added short positions in UK and German government bonds. (Long-dated bonds are securities repaid over relatively long periods, while short-dated bonds are those repaid over relatively short periods.)

Elsewhere, in equities, we tactically increased positions in the mining and US banking sectors where we felt sentiment, rather than facts, were driving prices down to very attractive levels. As these sectors recovered later in the year, we took profits in reducing exposure again.

### Outlook

The price behaviour in the last few months of 2016 has been greeted with surprise and a large degree of scepticism. Many have found Donald Trump's victory to be a convenient explanation for price movements, and therefore believe that a continuation of the current trend is dependent upon what the Republican administration will deliver from here

In our view, this is only part of the story. Price action since the summer is less surprising when we consider where markets had got to in the first half of the year, and how they had got there. Ultimately, the movements we have seen are a partial correction of that earlier phase.

The key issue of 2017 will be whether this correction marks the start of a sustained shift away from the bond-friendly, 'risk-off' environment of much of the last decade, toward a more meaningful improvement in sentiment in both markets and the real economy. US policy may be an element in this, but is not necessarily the factor.

Such a shift would be supportive for the fund's longer term themes, but is it likely that the transition in regime will be subject to frequent and testing challenges. As we saw in 2016, such turbulence can present a fertile environment for the fund's approach.

### David Fishwick & Eric Lonergan

Co-fund managers

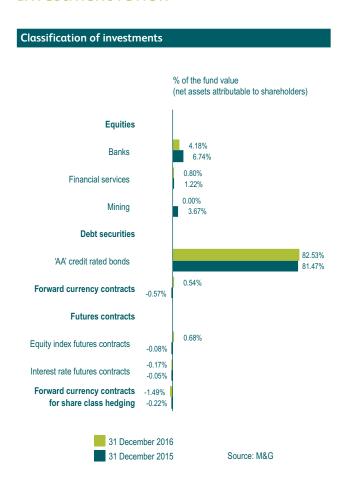
Employees of M&G Limited which is an associate of M&G Securities Limited.

[a] 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.

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.

### Authorised Corporate Director's Report

### Investment review



### **Investments**

s at 31 December		2016	2016	2015
lolding		\$'000	%	%
	Equities	11,410	4.98	11.63
	Banks	9,574	4.18	6.74
•	Bank of America	1,940	0.85	
	Citigroup	1,892	0.83	
	JPMorgan Chase	1,970	0.86	
	Lloyds Banking Group	1,866	0.81	
34,759	Wells Fargo	1,906	0.83	
	Financial services	1,836	0.80	1.22
24,843	American Express	1,836	0.80	
	Mining	0	0.00	3.67
	Debt securities	189,262	82.53	81.47
	'AA' credit rated bonds	189,262	82.53	81.47
\$16,476,500	US Treasury 0% 2017 (5 Jan)	16,475	7.18	
\$25,135,000	US Treasury 0% 2017 (12 Jan)	25,132	10.96	
\$38,399,800	US Treasury 0% 2017 (19 Jan)	38,392	16.74	
\$29,550,000	US Treasury 0% 2017 (26 Jan)	29,543	12.88	
\$9,152,100	US Treasury 0% 2017 (2 Feb)	9,148	3.99	
\$36,554,100	US Treasury 0% 2017 (2 Mar)	36,525	15.93	
\$16,011,800	US Treasury 0% 2017 (16 Mar)	15,997	6.98	
\$8,600,000	US Treasury 0% 2017 (23 Mar)	8,591	3.75	
\$9,470,000	US Treasury 0% 2017 (30 Mar)	9,459	4.12	
	Forward currency contracts	1,239	0.54	(0.57
AUD(8,226,715)	Sold for \$6,308,533 (expires 20.01.17)	367	0.16	
BRL23,955,078	Bought for \$7,316,459 (expires 20.01.17)	10	0.00	
BRL(3,751,745)	Sold for \$1,150,136 (expires 20.01.17)	3	0.00	
CZK(267,506,617)	Sold for \$10,814,287			
	(expires 20.01.17) Sold for \$13,604,468	351	0.16	
,	(expires 20.01.17) Bought for \$229,717	448	0.20	
	(expires 20.01.17)	0	0.00	
	(expires 20.01.17)	0	0.00	
	Bought for \$6,223,095 (expires 20.01.17)	(43)	(0.02)	
	Bought for \$9,167,747 (expires 20.01.17)	(189)	(80.0)	
DR(121,228,332,765)	Sold for \$9,215,381 (expires 20.01.17)	237	0.11	
¥645,221,777	Bought for \$5,759,891 (expires 20.01.17)	(236)	(0.10)	
¥(767,910,007)	Sold for \$7,333,316 (expires 20.01.17)	759	0.33	
MXN135,605,347	Bought for \$7,133,383 (expires 20.01.17)	(593)	(0.26)	
RUB391,210,501	Bought for \$6,149,250 (expires 20.01.17)	224	0.10	
SGD(8,909,180)	Sold for \$6,417,621 (expires 20.01.17)	252	0.11	
ZAR87,421,472	Bought for \$6,196,743 (expires 20.01.17)	152	0.07	
KRW9,186,091,813	Bought for \$7,897,938 (expires 20.01.17)	(292)	(0.13)	
KRW(2,690,726,355)	Sold for \$2,383,241 (expires 20.01.17)	155	0.07	
£1,185,467	Bought for \$1,474,478		(0.01)	
£(3,715,935)	(expires 20.01.17) Sold for \$4,559,326	(15)	, ,	
CHF(10,707,154)	(expires 20.01.17) Sold for \$10,766,412	(14)	(0.01)	
	(expires 20.01.17)	235	0.10	

# M&G Episode Macro Fund Authorised Corporate Director's Report

### Investments

Portfolio statement (con	inued)			
as at 31 December Holding		2016 \$'000	2016 %	2015 %
Forward curren	cy contracts (continue	d)		
TWD15,559,304 Bought for \$495 (expires 20.01.		(13)	(0.01)	
TWD(398,491,848) Sold for \$12,539 (expires 20.01.		167	0.07	
TRY35,604,823 Bought for \$11, (expires 20.01.		(1,212)	(0.53)	
TRY(12,882,308) Sold for \$4,123 (expires 20.01.		486	0.21	
Futures contra	ets	1,170	0.51	(0.13)
Equity index fu	tures contracts	1,555	0.68	(0.08)
169 Euro Stoxx 50 l	ndex Mar 2017	160	0.07	
122 FTSE MIB Inde	Mar 2017	357	0.16	
99 H-shares Index	Jan 2017	82	0.04	
142 KOSPI 200 Inde	x Mar 2017	624	0.27	
246 MSCI Singapore	e Index Jan 2017	(69)	(0.03)	
172 MSCI Taiwan In	dex Jan 2017	59	0.03	
1,043 SET50 Index M	ar 2017	150	0.06	
42 TOPIX Index Ma	ar 2017	192	0.08	
Interest rate fut	ures contracts	(385)	(0.17)	(0.05)
(131) 10 Year US Trea	asury Note Mar 2017	126	0.05	
(58) Euro Buxl Mar 2	017	(166)	(0.07)	
(105) UK Long Gilt Bo	nd Mar 2017	(345)	(0.15)	
Portfolio of investments		203,081	88.56	92.40
Forward curren share class he	cy contracts for dging	(3,417)	(1.49)	(0.22)
€24,825,233 Bought for \$26, (expires 11.01.	*	(301)	(0.13)	
€(1,738,500) Sold for \$1,834, (expires 11.01.	17)	(3)	0.00	
£98,771,126 Bought for \$124 (expires 11.01.	17)	(3,112)	(1.36)	
CHF82,183 Bought for \$81, (expires 11.01.		(1)	0.00	
CHF(2,892) Sold for \$2,869	(expires 11.01.17)	0	0.00	
Total portfolio (notes 2c & 2d on pa	ige 6)	199,664	87.07 12.93	92.18 7.82
Net other assets / (liabilities)		29,661		
Net assets attributable to shareho	olders	229,325	100.00	100.00

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

### 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 table reflect the key financial information of a representative share class, Sterling Class 'S-H' (Accumulation) shares. As different share classes have different attributes, for example charging structures, please be aware that their performance may be different.

### Fund level performance

Fund net asset value			
as at 31 December	2016 \$'000	2015 \$'000	2014 \$'000
Fund net asset value (NAV)	229,325	106,905	110,620

### Performance since launch

To give an indication of how the fund has performed since launch, the chart below shows total return of Sterling Class 'S-H' (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 04.01.16 % [a]	Three years 03.01.14 % p.a.	Five years 03.01.12 % p.a.	Since launch % p.a.
Euro [b]				
Class 'B-H'	+10.2	+6.9	n/a	+3.0 [c]
Class 'S-H'	+10.8	+7.3	+3.9	+3.6 [d]
Class 'T-H'	+9.7	+6.6	+3.6	+3.3 [d]
Sterling [b]				
Class 'S-H'	+11.7	+8.0	+4.6	+4.1 [d]
Class 'T-H'	+10.8	+7.3	+4.3	+3.9 [d]
Swiss franc [b]				
Class 'S-H'	+10.2	+6.8	n/a	+6.6 <sup>[e]</sup>
Class 'T-H'	+11.3	+7.7	n/a	+7.3 [e]
US dollar [b]				
Class 'N'	+13.8	+9.8	+6.2	+5.7 [d]
Class 'S'	+11.9	+7.9	+4.4	+3.9 [d]
Class 'T'	+13.0	+8.7	+5.0	+4.4 [d]

- [a] Absolute basis.
- [b] Price to price with income reinvested.
- [c] 19 April 2012, the launch date of the share class.
- [d] 3 June 2010, the launch date of the fund.
- [e] 28 September 2012, the launch date of the share class.

### 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, comprised of operating charges and portfolio transaction costs.

### **Operating charges**

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

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

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

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

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

### Portfolio transaction costs

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

- Direct portfolio transaction costs: Broker execution commission, taxes, and costs of research from brokers and other research providers.
- 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 December Direct portfolio transaction costs [b]	<b>2016</b> %	<b>2015</b> %	<b>2014</b> %	Average [a] %
Broker commission	0.06	0.02	0.02	0.03
Taxes	0.03	0.02	0.01	0.02
Costs before dilution adjustments	0.09	0.04	0.03	0.05
Dilution adjustments [c]	(0.01)	0.00	0.00	0.00
Total direct portfolio transaction costs	0.08	0.04	0.03	0.05
as at 31 December Indirect portfolio transaction costs	<b>2016</b> %	2015 %	2014 %	Average [a] %
Average portfolio dealing spread	0.00	0.01	0.01	0.01

- [a] Average of first three columns.
- [b] As a percentage of average net asset value.
- [c] In respect of direct portfolio transaction costs.

### Financial highlights

### Specific share class performance

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

The share class was launched on 19 April 2012	2.		
for the year to 31 December Change in NAV per share	2016 Euro ¢	2015 Euro ¢	2014 Euro ¢
Opening NAV	1,057.73	1,040.85	954.35
Return before operating charges and after direct			
portfolio transaction costs	114.97	43.71	111.33
Operating charges	(26.51)	(26.83)	(24.83)
Return after operating charges	88.46	16.88	86.50
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	1,146.19	1,057.73	1,040.85
Direct portfolio transaction costs [a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.93	0.37	0.25
Dilution adjustments [b]	(0.14)	(0.01)	0.00
Total direct portfolio transaction costs	0.79	0.36	0.25
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.04	0.03
Operating charges	2.47	2.45	2.49
Return after operating charges	+8.36	+1.62	+9.06
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	167	29	32
Closing NAV percentage of total fund NAV (%)	0.07	0.03	0.03
Number of shares	13,765	2,500	2,500
Highest share price (Euro ¢)	1,152.63	1,140.66	1,051.81
Lowest share price (Euro ¢)	971.05	1,031.09	934.06

Euro Class 'S-H' Accumulation s	share perf	ormance	
The share class was launched on 3 June 2010	).		
for the year to 31 December	2016	2015	2014
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1,150.41	1,134.24	1,030.35
Return before operating charges and after direction portfolio transaction costs	ect 124.82	39.31	125.52
Operating charges	(22.97)	(23.14)	(21.63)
	, ,	, ,	
Return after operating charges	101.85	16.17	103.89
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	1,252.26	1,150.41	1,134.24
Direct portfolio transaction costs [a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.02	0.41	0.28
Dilution adjustments [b]	(0.16)	(0.01)	0.00
Total direct portfolio transaction costs	0.86	0.40	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.04	0.03
Operating charges	1.97	1.95	1.98
Return after operating charges	+8.85	+1.43	+10.08
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	al 0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	20,387	1,383	68
Closing NAV percentage of total fund NAV (%	) 8.89	1.29	0.06
Number of shares	1,541,650	110,366	4,900
Highest share price (Euro ¢)	1,259.08	1,237.25	1,144.70
Lowest share price (Euro ¢)	1,056.58	1,123.77	1,008.90

Euro Class 'T-H' Accumulation share performance					
The share class was launched on 3 June 2010.					
for the year to 31 December Change in NAV per share	2016 Euro ¢	2015 Euro ¢	2014 Euro ¢		
Opening NAV	1,139.00	1,087.58	1,030.63		
Return before operating charges and after dire portfolio transaction costs	ect 126.22	66.93	96.26		
Operating charges	(11.03)	(11.04)	(17.53)		
Performance fee	(24.25)	(4.47)	(21.78)		
Return after operating charges	90.94	51.42	56.95		
Distributions	0.00	0.00	0.00		
Retained distributions	0.00	0.00	0.00		
Closing NAV	1,229.94	1,139.00	1,087.58		
Direct portfolio transaction costs [a]	Euro ¢	Euro ¢	Euro ¢		
Costs before dilution adjustments	0.99	0.40	0.27		
Dilution adjustments [b]	(0.16)	(0.01)	0.00		
Total direct portfolio transaction costs	0.83	0.39	0.27		
Performance and charges	%	%	%		
Direct portfolio transaction costs	0.08	0.04	0.03		
Operating charges	0.95	0.95	1.63		
Performance fee	2.09	0.39	2.02		
Return after operating charges	+7.98	+4.73	+5.53		
Historic yield	0.00	0.00	0.00		
Effect on yield of charges offset against capital	o.00	0.00	0.00		
Other information					
Closing NAV (\$'000)	4,084	3,600	4,158		
Closing NAV percentage of total fund NAV (%)	1.78	3.37	3.76		
Number of shares	314,484	290,156	314,545		
Highest share price (Euro ¢)	1,235.09	1,202.03	1,124.85		
Lowest share price (Euro ¢)	1,047.70	1,102.15	1,009.31		

## Financial highlights

### Specific share class performance

for the year to 31 December	2016	2015	2014
Change in NAV per share	UKp	UK p	UK p
Opening NAV	118.41	115.43	104.82
Return before operating charges and after direct portfolio transaction costs	13.74	5.36	12.77
Operating charges	(2.25)	(2.38)	(2.16)
Return after operating charges	11.49	2.98	10.61
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	129.90	118.41	115.43
Direct portfolio transaction costs [a]	UKp	UK p	UK p
Costs before dilution adjustments	0.10	0.04	0.03
Dilution adjustments [b]	(0.02)	0.00	0.00
Total direct portfolio transaction costs	0.08	0.04	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.04	0.03
Operating charges	1.96	1.95	1.98
Return after operating charges	+9.70	+2.58	+10.12
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	116,597	291	175
Closing NAV percentage of total fund NAV (%)	50.84	0.27	0.16
Number of shares 72,	965,663	166,000	97,000
Highest share price (UK p)	130.57	126.80	116.68
Lowest share price (UK p)	108.47	114.39	103.60

Sterling Class 'T-H' Accumulatio	n share	performance			
The share class was launched on 3 June 2010.					
for the year to 31 December Change in NAV per share	2016 UK p	2015 UK p	2014 UK p		
Opening NAV	117.59	114.42	105.38		
Return before operating charges and after direct portfolio transaction costs	t 13.57	5.33	12.98		
Operating charges	(1.17)	(1.14)	(1.76)		
Performance fee	(1.94)	(1.02)	(2.18)		
Return after operating charges	10.46	3.17	9.04		
Distributions	0.00	0.00	0.00		
Retained distributions	0.00	0.00	0.00		
Closing NAV	128.05	117.59	114.42		
Direct portfolio transaction costs [a]	UK p	UK p	UK p		
Costs before dilution adjustments	0.11	0.04	0.03		
Dilution adjustments [b]	(0.02)	0.00	0.00		
Total direct portfolio transaction costs	0.09	0.04	0.03		
Performance and charges	%	%	%		
Direct portfolio transaction costs	0.08	0.04	0.03		
Operating charges	0.95	0.95	1.61		
Performance fee	1.56	0.86	1.98		
Return after operating charges	+8.90	+2.77	+8.58		
Historic yield	0.00	0.00	0.00		
Effect on yield of charges offset against capital	0.00	0.00	0.00		
Other information					
Closing NAV (\$'000)	5,241	30,326	39,334		
Closing NAV percentage of total fund NAV (%)	2.28	28.37	35.56		
Number of shares 3	,326,872	17,403,312	22,025,229		
Highest share price (UK p)	128.54	123.47	115.32		
Lowest share price (UK p)	108.13	113.12	103.24		

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

The share class was launched on 28 September 2012.

for the year to 31 December Change in NAV per share	2016 Swiss ¢	2015 Swiss ¢	2014 Swiss ¢
Opening NAV	1,207.00	1,194.66	1,090.40
Return before operating charges and after dire		00.70	400.00
portfolio transaction costs	123.78	36.78	126.86
Operating charges	(23.95)	(24.44)	(22.60)
Return after operating charges	99.83	12.34	104.26
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	1,306.83	1,207.00	1,194.66
Direct portfolio transaction costs [a]	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	1.05	0.43	0.29
Dilution adjustments [b]	(0.16)	(0.01)	0.00
Total direct portfolio transaction costs	0.89	0.42	0.29
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.04	0.03
Operating charges	1.95	1.95	1.98
Return after operating charges	+8.27	+1.03	+9.56
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	38	36	36
Closing NAV percentage of total fund NAV (%)	0.02	0.03	0.03
Number of shares	3,000	3,000	3,000
Highest share price (Swiss ¢)	1,314.62	1,304.85	1,206.66
Lowest share price (Swiss ¢)	1,108.12	1,183.54	1,067.72

# M&G Episode Macro Fund Financial highlights

### Specific share class performance

Swiss franc Class 'T-H' Accumula	ation sha	ıre performar	nce
The share class was launched on 28 September	er 2012.		
for the year to 31 December Change in NAV per share	2016 Swiss ¢	2015 Swiss ¢	2014 Swiss ¢
Opening NAV	1,227.00	1,202.38	1,093.19
Return before operating charges and after dire portfolio transaction costs	ct 126.68	36.70	127.51
Operating charges	(11.93)	(12.08)	(18.32)
Return after operating charges	114.75	24.62	109.19
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	1,341.75	1,227.00	1,202.38
Direct portfolio transaction costs [a]	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	1.07	0.44	0.29
Dilution adjustments [b]	(0.17)	(0.01)	0.00
Total direct portfolio transaction costs	0.90	0.43	0.29
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.04	0.03
Operating charges	0.95	0.95	1.60
Return after operating charges	+9.35	+2.05	+9.99
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capita	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	40	37	36
Closing NAV percentage of total fund NAV (%)	0.02	0.03	0.03
Number of shares	3,000	3,000	3,000
Highest share price (Swiss ¢)	1,349.09	1,318.47	1,213.58
Lowest share price (Swiss ¢)	1,127.48	1,191.44	1,070.69

US dollar Class 'N' shares are not generally ava		nvestors.	
The share class was launched on 3 June 2010.			
for the year to 31 December Change in NAV per share	2016 US ¢	2015 US ¢	2014 US ¢
Opening NAV	1,284.00	1,234.10	1,105.07
Return before operating charges and after direct portfolio transaction costs	ot 154.65	52.29	131.44
Operating charges	(2.43)	(2.39)	(2.41)
Return after operating charges	152.22	49.90	129.03
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	1,436.22	1,284.00	1,234.10
Direct portfolio transaction costs [a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.14	0.45	0.29
Dilution adjustments [b]	(0.18)	(0.01)	0.00
Total direct portfolio transaction costs	0.96	0.44	0.29
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.04	0.03
Operating charges	0.18	0.18	0.21
Return after operating charges	+11.86	+4.04	+11.68
Historic yield	0.00	0.00	0.57
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	71,563	63,994	62,962
Closing NAV percentage of total fund NAV (%)	31.21	59.86	56.92
Number of shares 4	,982,754	4,982,754	5,101,854
Highest share price (US ¢)	1,441.90	1,362.98	1,245.23
Lowest share price (US ¢)	1.179.53	1.223.21	1.083.47

US dollar Class 'S' Accumulation	on share pe	erformance	
The share class was launched on 3 June 201	0.		
for the year to 31 December Change in NAV per share	2016 US ¢	2015 US ¢	2014 US ¢
Opening NAV	1,168.00	1,142.19	1,040.24
Return before operating charges and after direction portfolio transaction costs	ect 138.47	48.91	123.48
Operating charges	(23.13)	(23.10)	(21.53)
Return after operating charges	115.34	25.81	101.95
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	1,283.34	1,168.00	1,142.19
Direct portfolio transaction costs [a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.03	0.41	0.28
Dilution adjustments [b]	(0.16)	(0.01)	0.00
Total direct portfolio transaction costs	0.87	0.40	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.04	0.03
Operating charges	1.93	1.93	1.94
Return after operating charges	+9.88	+2.26	+9.80
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capit	al 0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	9,923	5,363	2,595
Closing NAV percentage of total fund NAV (%	4.33	5.02	2.35
Number of shares	773,230	459,187	227,162
Highest share price (US ¢)	1,289.27	1,252.49	1,153.97
Lowest share price (US ¢)	1,070.90	1,131.73	1,018.52

## Financial highlights

### Specific share class performance

US dollar Class 'T' Accumulation	•	errormance	
The share class was launched on 3 June 2010.			
for the year to 31 December	2016	2015	2014
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1,194.00	1,156.14	1,049.12
Return before operating charges and after direct portfolio transaction costs	142.55	49.30	124.40
Operating charges	(11.48)	(11.44)	(17.38)
Return after operating charges	131.07	37.86	107.02
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	1,325.07	1,194.00	1,156.14
Direct portfolio transaction costs [a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.05	0.42	0.28
Dilution adjustments <sup>[b]</sup>	(0.16)	(0.01)	0.00
Total direct portfolio transaction costs	0.89	0.41	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.04	0.03
Operating charges	0.93	0.93	1.58
Return after operating charges	+10.98	+3.27	+10.20
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	1,285	1,846	1,224
Closing NAV percentage of total fund NAV (%)	0.56	1.73	1.11
Number of shares	96,970	154,635	105,916
Highest share price (US ¢)	1,330.68	1,272.71	1,167.19
Lowest share price (US ¢)	1,095.72	1,145.78	1,027.52

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

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

### Financial statements and notes

### Financial statements

		20	116	20	15
for the year to 31 December	Note	\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	2		12,878		2,921
Revenue	4	(93)		(360)	
Expenses	5	(1,098)		(934)	
Net revenue / (expense) before taxation		(1,191)		(1,294)	
Taxation	6	(34)		(26)	
Net revenue / (expense) after taxation			(1,225)		(1,320
Total return before equalisation			11,653		1,601
Equalisation	7		(2,074)		6
Change in net assets attributab to shareholders from investme					
activities			9,579		1,607

	2	016	2015	
for the year to 31 December	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		106,905		110,620
Amounts received on issue of shares	140,886		14,102	
Amounts paid on cancellation of shares	(28,066)		(19,426)	
		112,820		(5,324)
Dilution adjustments		21		2
Change in net assets attributable to shareholders from investment activities				
(see above)		9,579		1,607
Closing net assets attributable to				
shareholders		229,325		106,905

		2016	2015
as at 31 December	Note	\$'000	\$'000
Assets			
Fixed assets			
Investments		206,268	100,364
Current assets			
Debtors	8	5,938	48
Cash and bank balances	9	26,755	8,867
Total assets		238,961	109,279
Liabilities			
Investment liabilities		(6,604)	(1,823)
Creditors			
Other creditors	10	(3,032)	(551)
Total liabilities		(9,636)	(2,374)
Net assets attributable to shareholders		229,325	106,905

### 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 Net capital gains / (losses)

for the year to 31 December	2016 \$'000	2015 \$'000
Non-derivative securities	5,824	(1,455)
Derivative contracts	7,302	4,436
Currency gains / (losses)	(240)	(48)
Transaction charges	(8)	(12)
Net capital gains / (losses)	12,878	2,921

### 3 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 14.

for the year to 31 December	2016 \$'000	% of transaction	2015 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	32,840		4,729	
Commissions	17	0.05	2	0.04
Taxes	35	0.11	19	0.40
Equities after transaction costs	32,892		4,750	
Debt securities after transaction costs [a]	389,719		402,757	
Total purchases after transaction costs	422,611		407,507	
b) Sales				
Equities				
Equities before transaction costs	39,756		7,105	
Commissions	(20)	0.05	(4)	0.06
Equities after transaction costs	39,736		7,101	
Debt securities after transaction costs [a]	287,777		397,361	
Total sales after transaction costs	327,513		404,462	
c) Direct portfolio transaction costs	2016 \$'000	% of average NAV	2015 \$'000	% of average NAV
Commissions paid				
Equities	37	0.04	6	0.01
Derivatives	25	0.02	14	0.01
Total commissions paid	62	0.06	20	0.02
Taxes paid				
Equities	35	0.03	19	0.02
Total direct portfolio transaction costs [b]	97	0.09	39	0.04
d) Indirect portfolio transaction costs		%		%
Portfolio dealing spread [c]		0.00		0.01

 $<sup>\</sup>ensuremath{\mathit{[a]}}$  These transaction types do not attract direct portfolio transaction costs.

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

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

### Financial statements and notes

### Notes to the financial statements

### 4 Revenue

for the year to 31 December	2016 \$'000	2015 \$'000
Bank interest	14	0
Derivative revenue	(773)	(645)
Dividends from equity investments: non-taxable	372	207
Dividends from equity investments: taxable	17	54
Interest on debt securities	239	13
Share class hedging revenue	38	11
Total revenue	(93)	(360)

### **5** Expenses

5 Expenses	2016	2015
for the year to 31 December	\$'000	\$'000
Payable to the ACD or associate		
Annual management charge	703	414
Administration charge	169	169
Performance fee	189	316
Share class hedging charge	8	8
	1,069	907
Payable to the Depositary or associate		
Depositary's charge (including VAT)	10	10
Other expenses		
Audit fee (including VAT)	15	13
Interest payable	2	2
Safe custody charge	2	2
	19	17
Total expenses	1,098	934

### **6** Taxation

for the year to 31 December	\$'000	\$'000
a) Analysis of charge in the year		
Withholding tax	34	26
Total taxation	34	26
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	(1,191)	(1,294)
Corporation tax at 20%	(238)	(259)
Effects of:		
Dividends from equity investments: non-taxable	(75)	(41)
Current year expenses not utilised	313	300
Withholding tax	34	26
Total tax charge (note 6a)	34	26
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of \$1,832,000 (2015: \$1,519,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

### **7 Distributions**

	2016		2015	
for the year to 31 December Dividend distributions	Inc <sup>[a]</sup> \$'000	Acc <sup>[b]</sup> \$'000	Inc <sup>[a]</sup> \$'000	Acc <sup>[b]</sup> \$'000
Final	n/a	0	n/a	0
Total net distributions		0		0
Income deducted on cancellation of share	·S	(71)		(73)
Income received on issue of shares		2,145		67
Equalisation		2,074		(6)
Net revenue per statement of total return		(1,225)		(1,320)
Income deficit transferred to capital		3,299		1,314
Equalisation		2,074		(6)

- [a] Distributions payable on Income shares.
- [b] Retained distributions on Accumulation shares.

### **8 Debtors**

as at 31 December	2016 \$'000	\$'000	
Amounts receivable on issues of shares	3,320	0	
Currency deals outstanding	2,618	0	
Derivative revenue receivable	0	48	
Total debtors	5,938	48	

### 9 Cash and bank balances

as at 31 December	2016 \$'000	2015 \$'000
Amounts held at futures clearing houses and brokers	16,849	5,746
Cash held as bank balances	9,906	3,121
Total cash and bank balances	26.755	8.867

### 10 Other creditors

as at 31 December	\$'000	\$'000
ACD's annual management charge payable	78	11
Administration charge payable	10	4
Amounts payable on cancellation of shares	0	200
Currency deals outstanding	2,653	0
Derivative expense payable	82	0
Expenses payable	19	15
Performance fee payable	189	321
Share class hedging charge payable	1	0
Total other creditors	3,032	551

### 11 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2015: same).

### Financial statements and notes

### Notes to the financial statements

### 12 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 13 below.

	Opening	Movements		Closing
Share class	01.01.16	Issued	Cancelled	31.12.16
Euro				
Class 'B-H' Accumulation (Net)	2,500	11,265	0	13,765
Class 'S-H' Accumulation (Net)	110,366	1,500,384	(69,100)	1,541,650
Class 'T-H' Accumulation (Net)	290,156	69,769	(45,441)	314,484
Sterling				
Class 'S-H' Accumulation (Net)	166,000	72,799,663	0	72,965,663
Class 'T-H' Accumulation (Net)	17,403,312	996,188	(15,072,628)	3,326,872
Swiss franc				
Class 'S-H' Accumulation (Net)	3,000	0	0	3,000
Class 'T-H' Accumulation (Net)	3,000	0	0	3,000
US dollar				
Class 'N' Accumulation (Net)	4,982,754	0	0	4,982,754
Class 'S' Accumulation (Net)	459,187	401,497	(87,454)	773,230
Class 'T' Accumulation (Net)	154,635	62,535	(120,200)	96,970

### 13 Charging structure

The table below sets out the charging structure for each class of share.

		Annual	Share class	
Entry	Exit	management	hedging	Performance
	_	-	_	fee
%	%	<u>%</u>	%	%
1.25	n/a	2.25	[b]	n/a
4.00	n/a	1.75	[b]	n/a
4.00	n/a	0.75	[b]	[c]
1.00 <i>[a]</i>	n/a	1.75	[b]	n/a
1.00 [a]	n/a	0.75	[b]	[c]
4.00	n/a	1.75	[b]	n/a
4.00	n/a	0.75	[b]	[c]
0.00	n/a	0.00	n/a	n/a
4.00	n/a	1.75	n/a	n/a
4.00	n/a	0.75	n/a	[c]
	1.25 4.00 4.00 1.00 [a] 1.00 [a] 4.00 4.00	charge % charge % %  1.25	Entry charge w         Exit charge w         management charge w         %           1.25         n/a         2.25           4.00         n/a         1.75           4.00         n/a         0.75           1.00 [a]         n/a         1.75           1.00 [a]         n/a         0.75           4.00         n/a         1.75           4.00         n/a         0.75           0.00         n/a         0.00           4.00         n/a         1.75           0.00         n/a         0.00           4.00         n/a         1.75	Entry charge charge (harge with the properties)         Exit charge charge charge with the properties (harge with the properties)         management charge with the properties (harge with the properties)         hedging charge with the properties (harge with the properties)           1.25         n/a         2.25         [b]           4.00         n/a         1.75         [b]           1.00 [a]         n/a         1.75         [b]           4.00         n/a         1.75         [b]           4.00         n/a         0.75         [b]           0.00         n/a         0.00         n/a           4.00         n/a         1.75         n/a

<sup>[</sup>a] Effective 16 December 2016, the entry charge has been discounted to zero on all new investments into Sterling share classes.

### 14 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 7. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 8 and 10 where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's annual management charge, administration charge, share class hedging charge and performance fee are disclosed in note 5. Amounts due at the year end in respect of the ACD's annual management charge, administration charge, share class hedging charge and performance fee are disclosed in note 10.

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 91.31% (2015: 21.13%) of the fund's shares.

### 15 Events after the balance sheet date

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

<sup>[</sup>b] This charge may vary between 0.01% and 0.055%.

<sup>[</sup>c] Fee based on fund performance. For more information, please refer to the Prospectus for M&G Investment Funds (5).

### Financial statements and notes

### Notes to the financial statements

### 16 Portfolio 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: Quoted prices for identical instruments in active markets

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 techniques using observable market data

This includes publicly traded corporate bonds and instruments which have been valued using models with observable market data inputs such as quoted prices for similar instruments, interest rates, yield curves or credit spreads. Over-the-counter instruments have also been included in the category.

### Level 3: Valuation techniques using non-observable market data

This refers to instruments which have been valued using models with non-observable market data inputs. This includes private equity, unlisted closed-ended funds and investment analyst recommended prices where the market price is deemed to not be a true representation of fair value. However no such financial instruments were held

as at 31 December Valuation technique	Assets 2016 \$'000	2016 \$'000	2015 \$'000	2015 \$'000
Level 1	202,422	(580)	99,649	(265)
Level 2	3,846	(6,024)	715	(1,558)
Level 3	0	0	0	0
	206,268	(6,604)	100,364	(1,823)

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 12 meet the definition of a level 2 financial instrument 'Valuation techniques using observable market data'.

### 17 Risk management policies

General risk management policies for the fund are described in note 3 to the financial statements on pages 7 and 8.

#### 18 Market risk

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 December 2016 was 15% (2015: 15%).

The lowest, highest and average VaR calculated during the financial years ended 31 December 2016 and 31 December 2015 are disclosed in the table below. The lowest, highest and average utilisation of VaR is with reference to the limit above.

for the year to 31 December	2016 %	2015 %
Lowest	2.83	3.27
Highest	10.24	7.12
Average	5.78	5.13

### 19 Credit risk

as at 31 December	2016 \$'000	2015 \$'000
Investment grade securities	189,262	87,091
Below investment grade securities	0	0
Unrated securities	0	0
Other investments	10,402	11,450
Total	199,664	98,541

### **20** Counterparty exposure

as at 31 December 2016	Forward currency contracts \$'000	Futures \$'000	Collateral held as cash \$'000	Net exposure \$'000
Bank of America Merrill Lynch	0	1,170	(11,819)	(10,649)
BNP Paribas	556	0	0	556
Citigroup	121	0	0	121
HSBC	1,021	0	0	1,021
JPMorgan	0	0	(5,030)	(5,030)
State Street Bank	(3,418)	0	0	(3,418)
UBS	(458)	0	0	(458)
Total	(2,178)	1,170	(16,849)	(17,857)

as at 31 December 2015	Forward currency contracts \$'000	Futures \$'000	Collateral held as cash \$'000	Net exposure \$'000
Bank of America Merrill Lynch	0	(128)	(5,456)	(5,584)
BNP Paribas	(638)	0	0	(638)
Citigroup	(234)	0	0	(234)
HSBC	125	0	0	125
JPMorgan	0	0	(290)	(290)
State Street Bank	(243)	0	0	(243)
UBS	147	0	0	147
Total	(843)	(128)	(5,746)	(6,717)

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.

### Financial statements and notes

### Notes to the financial statements

### 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 December 2016 and 31 December 2015 are disclosed in the table below.

for the year to 31 December	2016 \$'000	<b>2016</b> %	2015 \$'000	2015 %
Lowest	170,250	203	229,187	201
Highest	819,166	530	473,774	418
Average	323,617	292	313,736	275

### 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.

### 23 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	01.01.16	31.12.16	03.01.17	28.02.17

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 net revenue 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 net revenue and equalisation. Equalisation is the average amount of revenue 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 net revenue and equalisation components.

Euro Class 'B-H' Accumulation shares					
Ordinary distributions for the year	Gr Net revenue	oup 2 Equalisation	Group 1 & 2 Distribution		
to 31 December	2016	2016	2016	2015	
	¢	¢	¢	¢	
Final	0.0000	-	0.0000	0.0000	

Ordinary distributions	Gr	oup 2	Grou	p 1 & 2	
for the year		Equalisation	Distribution		
to 31 December	2016	2016	2016	2015	
	¢	¢	¢	¢	
Final	0.0000	-	0.0000	0.0000	

Oudiname diatributiana	C-	1	Creati	4 0 0
Ordinary distributions for the year	Net revenue	up 2 Group 1 & Equalisation Distribution		
to 31 December	2016	2016	2016	2015
	¢	¢	¢	¢
Final	0.0000	-	0.0000	0.0000

Sterling Class 'S-H' Accumulation shares					
Ordinary distributions for the year		oup 2 Equalisation	Group 1 & 2 Distribution		
to 31 December	2016	2016	2016	2015	
	р	р	р	р	
Final	0.0000	-	0.0000	0.0000	

Sterling Class 'T-H' Accumulation shares					
Ordinary distributions	Gr	oup 2	Grou	p1&2	
for the year	Net revenue	Equalisation	Distribution		
to 31 December	2016	2016	2016 201		
	р	р	р	р	
Final	0.0000	-	0.0000	0.0000	

Ordinary distributions	Gr	oup 2	Group 1 & 2	
for the year to 31 December	Net revenue	Equalisation	Distribution	
	2016	2016	2016	2015
	¢	¢	¢	¢
Final	0.0000	-	0.0000	0.0000

Swiss franc Class 'T-H' Accumulation shares					
Ordinary distributions for the year		oup 2 Equalisation	Group 1 & 2 Distribution		
to 31 December	2016	2016	2016	2015	
	¢	¢	¢	¢	
Final	0.0000	-	0.0000	0.0000	

US dollar Class 'N' Accumulation shares					
Ordinary distributions for the year		oup 2 Equalisation	Group 1 & 2 Distribution		
to 31 December	2016	2016	2016	2015	
	¢	¢	¢	¢	
Final	0.0000	-	0.0000	0.0000	

# M&G Episode Macro Fund Financial statements and notes

### Notes to the financial statements

### 23 Dividend distribution tables (continued)

US dollar Class 'S' Accumulation shares					
Ordinary distributions for the year		oup 2 Equalisation	Group 1 & 2 Distribution		
to 31 December	2016	2016	2016	2015	
	¢	¢	¢	¢	
Final	0.0000	-	0.0000	0.0000	

US dollar Class 'T' Accumulation shares					
Ordinary distributions	Gr	oup 2	Grou	p1&2	
for the year	Net revenue Equalisation		Distribution		
to 31 December	2016	2016	2016	2015	
	¢	¢	¢	¢	
Final	0.0000	_	0.0000	0.0000	

Authorised Corporate Director's Report

### Investment objective

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

### **Investment policy**

The Fund invests on a global basis mainly in investment grade corporate bonds denominated in any currency. The Fund's exposure to investment grade corporate bonds may be gained through the use of derivatives.

The Fund may also invest in high yield corporate bonds, government and public securities, collective investment schemes, other transferable securities, cash and near cash, deposits, warrants and money market instruments which may be denominated in any currency.

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

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

### Investment approach

The fund manager believes that bond returns are driven by a combination of macroeconomic, asset class, sector, geographic and individual credit-level factors. A dynamic investment approach combining top-down and bottom-up stock selection is followed, allowing the fund manager to change the blend of duration and credit exposure based on his outlook for bond markets. An in-house team of independent credit analysts assists the fund manager in individual credit selection along with the monitoring of names held by the fund.

The fund is not managed closely to a benchmark, which allows for a flexible and high-conviction investment approach. The fund's currency exposure is typically hedged back to its base currency.

### Risk profile

The fund invests mainly in investment grade corporate bonds 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. It is also subject to fluctuations in currency exchange rates.

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

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

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

The following table shows the risk number associated with the fund and is based on Sterling Class 'A-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 3 January 2017, for the year ended 31 December 2016

### Performance against objective

Between 4 January 2016 (the start of the review period) and 3 January 2017, the M&G Global Corporate Bond Fund produced a solid positive total return (the combination of income and growth of capital) across all its different share classes. [a]

The M&G Global Corporate Bond Fund invests predominantly in high-quality corporate bonds from around the world with the aim of maximising total return (the combination of income and growth of capital).

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'. Investment grade corporate bonds refer to 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 of non-repayment than those issued by companies with lower credit ratings (known as high yield bonds). The performance of investment grade credit markets can be influenced by the performance of government bonds.

### Investment performance

The period under review was generally a challenging one for bond investors and the prices of all types of bonds saw considerable movement, driven by a complex picture of different political and macroeconomic factors.

In early 2016, huge swings in the oil price, concerns over China's slowing economy and escalating fears of a US recession combined to drive significant fluctuations in markets. Fears over banks' profitability also added to existing worries over slowing global economic growth. However, bond market sentiment reversed sharply in mid-February due to a combination of improving US economic data, a solid rebound

### Authorised Corporate Director's Report

### Investment review

### **Investment performance** (continued)

in oil prices, encouraging comments from China's central bank and the European Central Bank's decision to widen its bond buying programme. Corporate bonds rallied strongly until the end of April, posting significant gains, particularly in US markets.

A period of caution followed the rally, but the tone remained broadly positive until June when markets began to focus on the UK's referendum on membership of the European Union (EU). The vote to leave took investors by surprise and a two-day sell-off in corporate bonds and a flight to government bonds ensued.

Markets regained their footing in July, however, calmed by expectations that the Bank of England would implement policy measures to mitigate any potential negative consequences of the 'Brexit' vote. In August, the central bank met those expectations, announcing a package of measures designed to shore up the economy, including a reduction of the base interest rate to 0.25% and a new round of so-called 'quantitative easing'. This included an undertaking to buy selected corporate bonds, a programme that began in September and provided further support to the UK corporate bond market.

The last few months of 2016 delivered further political surprises, the most significant of which was Donald Trump's US presidential election victory in November. The result caused US government bonds (also known as US Treasuries) to suffer their worst month in seven years. However, it did not deter the US Federal Reserve from completing only its second interest rate hike in more than 10 years a few weeks later in December.

Also in December, a resounding 'No' result in Italy's referendum on sweeping constitutional reform caused Prime Minister Matteo Renzi to resign. The ensuing uncertainty put further pressure on a number of the country's banks that were struggling to recapitalise themselves.

The Organization of the Petroleum Exporting Countries (OPEC) announced its first oil production agreement in eight years in November, which will see production cut by 1.2 million barrels a day for six months from January 2017, with the option to extend the reduction until the end of the year. This agreement should push the price of oil higher, which is in turn likely to feed through into higher inflation as well.

In this environment, global investment grade corporate bonds experienced changing fortunes over the course of the year, ultimately delivering solid positive returns for 2016 as a whole. As a result of the fund's well-diversified portfolio of bonds issued in a number of markets, all of the fund's share classes delivered positive returns for the period under review

### Investment activities

An important driver of a bond fund's performance is its ability to adjust its sensitivity to changes in interest rates, known as 'duration'. While we made certain changes to the fund's duration over the course of the year, we kept it short versus a comparable index for the entire period, meaning that the portfolio would be less sensitive to interest rate changes than the market average.

We maintained a significant exposure to inflation-linked bonds (also known as index-linked bonds) during the review period. These are bonds where both the value of the loans and the interest payments are adjusted in line with inflation over the life of the securities, thus providing protection from rising inflation. At the end of the review period, the total exposure to index-linked bonds stood at around 8% (compared to a high of around 15% near the start of the year) with the majority invested in US Treasury Inflation-Protected Securities (TIPS). In the first six months of the year, we reduced TIPS exposure after healthy gains, and increased our exposure to UK government index-linked bonds. Following the Brexit vote, we started to increase our exposure to TIPS once again, as these had underperformed UK government index-linked bonds and so looked more attractive again.

One of our main strategies throughout the year was to have a significant exposure to US dollar-denominated bonds in the portfolio. This is because we believe long-dated US investment grade corporate bonds offer significant value compared to those issued in euros and sterling. (Long-dated bonds refer to issues repaid over relatively long periods.)

Towards the end of the year, we increased our exposure to floating rate notes issued by financial institutions, for example, from Goldman Sachs, JPMorgan and Morgan Stanley. Floating rate notes are securities whose interest (income) payments are periodically adjusted depending on the changes in interest rates, and so offer protection should interest rates rise.

#### Outlook

2016 proved to be a tumultuous year for establishment politics and, in turn, financial markets. With Europe facing a heavy political pipeline in 2017, further uncertainty over the likely path the UK will take as it negotiates its departure from the EU, and investors watching closely to see whether newly inaugurated US President Donald Trump's policies prove to be as inflationary as anticipated, market volatility looks set to continue.

We have a positive outlook on corporate bonds and continue to see value in these securities as we believe companies are generally in good financial health. We believe that this asset class remains attractive relative to cash and government bonds, can perform well during periods of uncertainty and can spread risk away from investment in company shares.

As ever, our focus is on finding relative value among corporate bond markets. New measures proposed by President Trump to cut taxation and to encourage US firms to repatriate funds that they had been keeping offshore are likely to prove supportive for US bond markets this year.

After European corporate bonds underperformed in 2016, we are starting to see selected opportunities in this market. This is especially the case for US companies that choose to issue in the euro-denominated market. Their bonds are not eligible to be purchased by the European Central Bank as part of its bond-buying programme, and so often trade at more attractive prices than bonds from similar European companies.

### **Ben Lord**

Fund manager

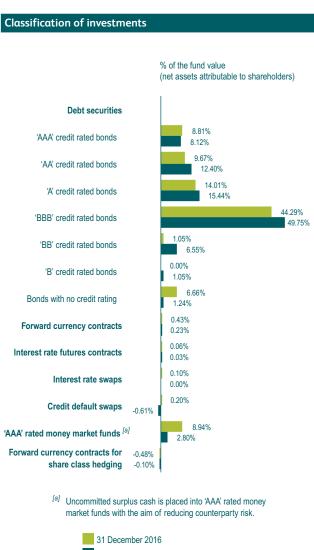
An employee of M&G Limited which is an associate of M&G Securities Limited.

[a] 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.

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.

### Authorised Corporate Director's Report

### Investment review



31 December 2015

Source: M&G

### **Investments**

Portfolio stat	ement			
as at 31 December Holding		2016 \$'000	2016 %	<b>2015</b> %
	Debt securities	23,618	84.49	94.55
	'AAA' credit rated bonds	2,462	8.81	8.12
£129,440	Dukinfield FRN 2052	160	0.57	
€350,000	Germany (Federal Republic of) 1.75% IL 2020	452	1.62	
€350,000	Johnson & Johnson 0.65% 2024	371	1.33	
\$200,000	Johnson & Johnson 2.45% 2026	190	0.68	
£316,780	Lanark Master Issuer FRN 2054	393	1.41	
\$115,000	Microsoft 3.7% 2046	107	0.38	
\$150,000	Microsoft 4.45% 2045	157	0.56	
\$360,000	Microsoft 4.75% 2055	385	1.38	
£200,000	Towd Point Mortgage Funding FRN 2045	247	0.88	

D. J.C.H.				
	tement (continued)			
as at 31 December Holding		2016 \$'000	2016 %	2015 %
	'AA' credit rated bonds	2,702	9.67	12.40
\$274,000	Apple 4.65% 2046	292	1.04	
\$125,000	Oracle 4.375% 2055	122	0.44	
\$200,000	Procter & Gamble 2.45% 2026	190	0.68	
£289,000	Towd Point Mortgage Funding			
000 000	FRN 2046	356	1.27	
	Treasury 1.25% IL 2027	46	0.16 1.52	
,	Treasury 1.875% IL 2022	424		
	Treasury 2.5% IL 2024 US Treasury 0.125% 2021	204 251	0.73 0.90	
	US Treasury 0.125% 2026	262	0.90	
	US Treasury 0.375% IL 2025	555	1.99	
φοσο,σσσ	'A' credit rated bonds	3,916	14.01	15.44
\$207 000	ABBVIE Inc 3.2% 2026	196	0.70	13.44
	AIG Sunamer 6.9% 2032	254	0.91	
	American International Group	20.	0.01	
,	3.9% 2026	202	0.72	
\$400,000	Anheuser-Busch InBev 3.65% 2026	403	1.44	
\$149,000	BP Capital Markets 3.017% 2027	143	0.51	
	British Airways 4.625% 2025	340	1.21	
	Cloverie Var. Rate 2046 (5.625%)	208	0.74	
€100,000	Cloverie for Zurich Insurance Var.	100	0.44	
¢475.000	Rate 2039 (7.5%) Comcast 6.55% 2039	122 617	0.44 2.21	
	Greene King Finance FRN 2033	98	0.35	
	Honeywell International 1.3% 2023	220	0.79	
	JPMorgan Chase FRN 2023	203	0.73	
	Mitchells & Butlers Finance	200	0.70	
Ų2. 0,. 20	FRN 2030	240	0.86	
£110,000	Munich Re Finance Var. Rate			
	2028 (7.625%)	147	0.53	
	UBS Jersey 1.5% 2024	319	1.14	
\$200,000	Wells Fargo 4.3% 2027	204	0.73	40.00
¢260,000	'BBB' credit rated bonds	12,381	<b>44.29</b> 1.27	49.75
	Abbott Laboratories 3.75% 2026 AT&T 4.8% 2044	355 139	0.50	
	AT&T 5.65% 2047	236	0.84	
	Aviva Var. Rate 2049 (4.375%)	117	0.42	
	Aviva Var. Rate Perp. (6.125%)	127	0.45	
	AXA Var. Rate 2047 (3.375%)	108	0.39	
£100,000	AXA Var. Rate Perp. (6.6862%)	133	0.47	
\$417,000	Bank of America 3.95% 2025	412	1.47	
\$60,000	Bank of America 4% 2024	62	0.22	
\$180,000	Bank of America 4.25% 2026	181	0.65	
€197,000	Becton Dickinson 1.9% 2026	214	0.77	
	Celgene 3.875% 2025	137	0.49	
	Citigroup 4.3% 2026	226	0.81	
	Citigroup 4.4% 2025	161	0.58	
	Delphi 4.25% 2026	102	0.36	
\$425,000	Deutsche Telekom International Finance 8.75% 2030	622	2.23	
\$74.000	Diamond 1 and 2 Finance 5.45% 2023	78	0.28	
	Dow Chemical 9.4% 2039	231	0.83	
	easyJet 1.125% 2023	103	0.37	
	Enbridge Energy 5.875% 2025	222	0.79	
\$330,000	Energy Transfer Partners			
	4.05% 2025	325	1.16	
\$150,000	Energy Transfer Partners 6.125% 2045	159	0.57	
\$200,000	5.125% 2045 Exelon Generation 5.6% 2042	185	0.66	
	Ford Motor Credit 4.389% 2026	202	0.72	
	Goldman Sachs Group 3.85% 2024	61	0.72	
	Goldman Sachs Group 4.25% 2025	101	0.36	
	Goldman Sachs Group FRN 2023	136	0.49	
	Goldman Sachs Group FRN 2027	204	0.73	
\$200 000				

# M&G Global Corporate Bond Fund Authorised Corporate Director's Report

### Investments

Section   Sect	Portfolio sta	tement (continued)			
### SBB' credit rated bonds (continued) \$400.000 HSBC Holdings 4.25% 2025					
\$400,000 HSBC Holdings 4.25% 2025	Holding	'PPP' credit rated bands (continued)	\$.000	%	%
\$100,000 HSBC Holdings 6.75% 2028 \$200,000 ING Bank Var. Rate 2023 (4.125%) \$100,000 International Paper 3% 2027 \$100,000 International Paper 4.8% 2047 \$200,000 International Paper 4.8% 2047 \$200,000 International Paper 4.8% 2047 \$480,000 JPMorgan Chase 4.25% 01/10/2027 \$480,000 Legal & General Group Var. Rate 2045 (5.375%) \$480,000 Legal & General Group Var. Rate 2044 (10% IL) \$480,000 Liberly Mutual Group 2.75% 2026 \$530,000 Liberly Mutual Group 2.75% 2026 \$530,000 Liberly Mutual Group 2.75% 2026 \$530,000 Lioyds Bank 7.625% 2025 \$127 \$4.55	\$400.000	· · · · · · · · · · · · · · · · · · ·	400	1.44	
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Var. Rate 2045 (5.375%)         127         0.45           £50,000 Legal & General Group Var. Rate 2041 (10% IL)         79         0.28           €300,000 Liberty Mutual Group 2.75% 2026         327         1.17           £80,000 LyondellBasell Industries 4.625% 2055         127         0.45           \$380,000 LyondellBasell Industries 4.625% 2055         350         1.25           \$100,000 Mellon Capital FRN Perp.         81         0.29           €1110,000 Morgan Stanley 1% 2022         117         0.42           \$1515,000 Morgan Stanley 5% 2025         265         0.95           \$150,000 Morgan Stanley 5% 2025         265         0.95           \$150,000 Morgan Stanley FRN 2023         151         0.54           \$150,000 Mplx LP 4.875% 2025         153         0.55           €200,000 Mylan 5.4% 2043         188         0.67           \$200,000 Mylan 5.4% 2043         188         0.67           \$200,000 Wylan 5.4% 2043         188         0.67           \$200,000 Wylan 5.4% 2043         188         0.67           \$200,000 Perrigo Finance 3.9% 2024         473         1.69           \$200,000 Perrigo Finance 3.9% 2024         494         0.69           \$400,000 Reynolds American 5.85% 2045         151         0.54	\$298,000	KPN 8.375% 2030	396	1.42	
Var. Rate 2041 (10% iL)         79         0.28           €300,000 Liberty Mutual Group 2.75% 2026         327         1.17           £80,000 Lloyds Bank 7.625% 2025         127         0.45           \$380,000 Lloyds Bank 7.625% 2025         127         0.45           \$380,000 Lloyds Bank 7.625% 2025         350         1.25           \$100,000 Mellon Capital FRN Perp.         81         0.29           €110,000 Morgan Stanley 1% 2022         117         0.42           \$115,000 Morgan Stanley 5% 2025         265         0.95           \$150,000 Morgan Stanley FRN 2023         151         0.54           \$150,000 Mpla LP 4.875% 2025         153         0.55           €200,000 Mylan 2.5% 2024         215         0.77           \$200,000 Mylan 2.5% 2024         215         0.77           \$200,000 Mylan 2.5% 2024         194         0.69           \$400,000 Reynolds American 5.85% 2045         464         1.66           £120,000 RSA Insurance 5.125% 2045         151         0.54           \$100,000 Santander 7.85% 2029         116         0.41           £100,000 Santander Var. Rate 2023 (9.625%)         139         0.50           \$52,000 Teva Pharmaceutical Industries         2.8% 2026         69         0.25		Var. Rate 2045 (5.375%)	127	0.45	
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\$250,000 Morgan Stanley 5% 2025 265 0.95 \$150,000 Morgan Stanley FRN 2023 151 0.54 \$150,000 Mplx LP 4.875% 2025 153 0.55 €200,000 Mylan 2.25% 2024 215 0.77 \$200,000 Mylan 5.4% 2043 188 0.67 \$500,000 Nationwide Building Society 4% 2026 473 1.69 \$200,000 Perrigo Finance 3.9% 2024 194 0.69 \$400,000 Reynolds American 5.85% 2045 464 1.66 £120,000 RSA Insurance 5.125% 2045 151 0.54 \$100,000 Santander 7.95% 2029 116 0.41 £100,000 Santander Var. Rate 2023 (9.625%) 139 0.50 \$52,000 Teva Pharmaceutical Industries 2.8% 2023 49 0.17 \$75,000 Teva Pharmaceutical Industries 3.15% 2026 69 0.25 \$88,000 USB Capital IX FRN 2099 72 0.26 \$194,000 Verizon Communications 4.522% 2048 184 0.66 \$88,000 Verizon Communications 4.672% 2022 91 0.32 \$133,000 Verizon Communications 5.012% 2054 131 0.47 \$325,000 Weyerhaeuser 7.375% 2032 410 1.47 \$210,000 Zimmer Biomet 2.425% 2026 212 0.76  **BB' credit rated bonds 294 1.05 \$21,000 Bank of America Var. Rate Perp. (6.3%) 22 0.08 \$275,000 Royal Bank of Scotland 5.125% 2024 272 0.97  *B' credit rated bonds 0 0.00 1.05  **Bonds with no credit rating 1,863 6.66 1.24 \$400,000 American Tower Trust 3.07% 2048 396 1.41 €186,000 Arbour Clo FRN 2030 198 0.71 €238,000 ATON 3.875% 2018 257 0.92 £197,000 BUPA Finance 5% 2026 252 0.90 \$268,176 Home Partners of America Trust 1.67% 2033 £00,000 Id Mutual 8% 2021 139 0.50 \$224,000 Pergess Residential Trust FRN 2034 224 0.80 £101,000 Vorkshire Building Society	€110,000	Morgan Stanley 1% 2022	117	0.42	
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\$150,000 Mplx LP 4.875% 2025	\$250,000	Morgan Stanley 5% 2025	265	0.95	
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\$200,000 Perrigo Finance 3.9% 2024 194 0.69 \$400,000 Reynolds American 5.85% 2045 464 1.66 £120,000 RSA Insurance 5.125% 2045 151 0.54 \$100,000 Santander 7.95% 2029 116 0.41 £100,000 Santander Var. Rate 2023 (9.625%) 139 0.50 \$52,000 Teva Pharmaceutical Industries 2.8% 2023 49 0.17 \$75,000 Teva Pharmaceutical Industries 3.15% 2026 69 0.25 \$88,000 USB Capital IX FRN 2099 72 0.26 \$194,000 Verizon Communications 4.522% 2048 184 0.66 \$98,000 Verizon Communications 4.672% 2022 91 0.32 \$133,000 Verizon Communications 5.012% 2054 131 0.47 \$325,000 Weyerhaeuser 7.375% 2032 410 1.47 €196,000 Zimmer Biomet 2.425% 2026 212 0.76  *BB' credit rated bonds 294 1.05 6.55 \$21,000 Bank of America Var. Rate Perp. (6.3%) 22 0.08 \$275,000 Royal Bank of Scotland 5.125% 2024 272 0.97  *B' credit rated bonds 0 0.00 1.05  *Bonds with no credit rating 1,863 6.66 1.24 \$400,000 American Tower Trust 3.07% 2048 396 1.41 €186,000 Arbour Clo FRN 2030 198 0.71 €238,000 ATON 3.875% 2018 257 0.92 £197,000 BUPA Finance 5% 2026 252 0.90 \$268,176 Home Partners of America Trust 1.67% 2033 266 0.95 £100,000 Old Mutual 8% 2021 139 0.50 \$224,000 Progress Residential Trust FRN 2034 224 0.80 £101,000 Yorkshire Building Society	\$200,000	Mylan 5.4% 2043	188	0.67	
\$400,000 Reynolds American 5.85% 2045 464 1.66 £120,000 RSA Insurance 5.125% 2045 151 0.54 \$100,000 Santander 7.95% 2029 116 0.41 £100,000 Santander Var. Rate 2023 (9.625%) 139 0.50 \$52,000 Teva Pharmaceutical Industries 2.8% 2023 49 0.17 \$75,000 Teva Pharmaceutical Industries 3.15% 2026 69 0.25 \$88,000 USB Capital IX FRN 2099 72 0.26 \$194,000 Verizon Communications 4.522% 2048 184 0.66 \$98,000 Verizon Communications 4.672% 2022 91 0.32 \$133,000 Verizon Communications 5.012% 2054 131 0.47 \$325,000 Weyerhaeuser 7.375% 2032 410 1.47 €196,000 Zimmer Biomet 2.425% 2026 212 0.76  **BB' credit rated bonds 294 1.05 6.55 \$21,000 Bank of America Var. Rate Perp. (6.3%) 22 0.08 \$275,000 Royal Bank of Scotland 5.125% 2024 272 0.97  *B' credit rated bonds 0 0.00 1.05  **Bonds with no credit rating 1,863 6.66 1.24 \$400,000 American Tower Trust 3.07% 2048 396 1.41 €186,000 Arbour Clo FRN 2030 198 0.71 €238,000 ATON 3.875% 2018 257 0.92 £197,000 BUPA Finance 5% 2026 252 0.90 \$268,176 Home Partners of America Trust 1.67% 2033 266 0.95 £100,000 Old Mutual 8% 2021 139 0.50 \$224,000 Progress Residential Trust FRN 2034 224 0.80 £101,000 Yorkshire Building Society	\$500,000		473	1.69	
£120,000 RSA Insurance 5.125% 2045  \$100,000 Santander 7.95% 2029  \$116  \$100,000 Santander Var. Rate 2023 (9.625%)  \$52,000 Teva Pharmaceutical Industries 2.8% 2023  \$75,000 Teva Pharmaceutical Industries 3.15% 2026  \$88,000 USB Capital IX FRN 2099  \$194,000 Verizon Communications 4.522% 2048  \$98,000 Verizon Communications 4.672% 2022  \$133,000 Verizon Communications 5.012% 2054  \$131  \$325,000 Weyerhaeuser 7.375% 2032  \$140  \$131  €196,000 Zimmer Biomet 2.425% 2026  \$210  \$20,08  \$275,000 Royal Bank of Scotland 5.125% 2024  \$270  \$20,000  \$275  \$300  \$200  \$275  \$300  \$200  \$275  \$300  \$200  \$275  \$300  \$200  \$30	\$200,000	Perrigo Finance 3.9% 2024	194	0.69	
\$100,000 Santander 7.95% 2029 116 0.41 £100,000 Santander Var. Rate 2023 (9.625%) 139 0.50 \$52,000 Teva Pharmaceutical Industries 2.8% 2023 49 0.17 \$75,000 Teva Pharmaceutical Industries 3.15% 2026 69 0.25 \$88,000 USB Capital IX FRN 2099 72 0.26 \$194,000 Verizon Communications 4.522% 2048 184 0.66 \$98,000 Verizon Communications 4.672% 2022 91 0.32 \$133,000 Verizon Communications 5.012% 2054 131 0.47 \$325,000 Weyerhaeuser 7.375% 2032 410 1.47 €196,000 Zimmer Biomet 2.425% 2026 212 0.76  **BB' credit rated bonds 294 1.05 6.55 \$21,000 Bank of America Var. Rate Perp. (6.3%) 22 0.08 \$275,000 Royal Bank of Scotland 5.125% 2024 272 0.97  *B' credit rated bonds 0 0.00 1.05  **Bonds with no credit rating 1,863 6.66 1.24 \$400,000 American Tower Trust 3.07% 2048 396 1.41 €186,000 Arbour Clo FRN 2030 198 0.71 €238,000 ATON 3.875% 2018 257 0.92 £197,000 BUPA Finance 5% 2026 252 0.90 \$268,176 Home Partners of America Trust 1.67% 2033 266 0.95 £100,000 Old Mutual 8% 2021 139 0.50 \$224,000 Progress Residential Trust FRN 2034 224 0.80 £101,000 Yorkshire Building Society	\$400,000	Reynolds American 5.85% 2045	464	1.66	
£100,000 Santander Var. Rate 2023 (9.625%) 139 0.50  \$52,000 Teva Pharmaceutical Industries 2.8% 2023 49 0.17  \$75,000 Teva Pharmaceutical Industries 3.15% 2026 69 0.25  \$88,000 USB Capital IX FRN 2099 72 0.26  \$194,000 Verizon Communications 4.522% 2048 184 0.66  \$98,000 Verizon Communications 4.672% 2022 91 0.32  \$133,000 Verizon Communications 5.012% 2054 131 0.47  \$325,000 Weyerhaeuser 7.375% 2032 410 1.47  €196,000 Zimmer Biomet 2.425% 2026 212 0.76  **BB' credit rated bonds 294 1.05 6.55  \$21,000 Bank of America Var. Rate Perp. (6.3%) 22 0.08  \$275,000 Royal Bank of Scotland 5.125% 2024 272 0.97  *B' credit rated bonds 0 0.00 1.05  Bonds with no credit rating 1,863 6.66 1.24  \$400,000 American Tower Trust 3.07% 2048 396 1.41  €186,000 Arbour Clo FRN 2030 198 0.71  €238,000 ATON 3.875% 2018 257 0.92  £197,000 BUPA Finance 5% 2026 252 0.90  \$268,176 Home Partners of America Trust 1.67% 2033 266 0.95  £100,000 Old Mutual 8% 2021 139 0.50  \$224,000 Progress Residential Trust FRN 2034 224 0.80  £101,000 Yorkshire Building Society	£120,000	RSA Insurance 5.125% 2045	151	0.54	
\$52,000 Teva Pharmaceutical Industries 2.8% 2023 49 0.17  \$75,000 Teva Pharmaceutical Industries 3.15% 2026 69 0.25  \$88,000 USB Capital IX FRN 2099 72 0.26  \$194,000 Verizon Communications 4.522% 2048 184 0.66  \$98,000 Verizon Communications 4.672% 2022 91 0.32  \$133,000 Verizon Communications 5.012% 2054 131 0.47  \$325,000 Weyerhaeuser 7.375% 2032 410 1.47  €196,000 Zimmer Biomet 2.425% 2026 212 0.76  **BB' credit rated bonds 294 1.05 6.55  \$21,000 Bank of America Var. Rate Perp. (6.3%) 22 0.08  \$275,000 Royal Bank of Scotland 5.125% 2024 272 0.97  **B' credit rated bonds 0 0.00 1.05  **Bonds with no credit rating 1,863 6.66 1.24  \$400,000 American Tower Trust 3.07% 2048 396 1.41  €186,000 Arbour Clo FRN 2030 198 0.71  €238,000 ATON 3.875% 2018 257 0.92  £197,000 BUPA Finance 5% 2026 252 0.90  \$268,176 Home Partners of America Trust 1.67% 2033 266 0.95  £100,000 Old Mutual 8% 2021 139 0.50  \$224,000 Progress Residential Trust FRN 2034 224 0.80  £101,000 Yorkshire Building Society	\$100,000	Santander 7.95% 2029	116	0.41	
2.8% 2023	£100,000	Santander Var. Rate 2023 (9.625%)	139	0.50	
3.15% 2026 69 0.25 \$88,000 USB Capital IX FRN 2099 72 0.26 \$194,000 Verizon Communications 4.522% 2048 184 0.66 \$98,000 Verizon Communications 4.672% 2022 91 0.32 \$133,000 Verizon Communications 5.012% 2054 131 0.47 \$325,000 Weyerhaeuser 7.375% 2032 410 1.47 €196,000 Zimmer Biomet 2.425% 2026 212 0.76  *BB' credit rated bonds 294 1.05 6.55 \$21,000 Bank of America Var. Rate Perp. (6.3%) 22 0.08 \$275,000 Royal Bank of Scotland 5.125% 2024 272 0.97  *B' credit rated bonds 0 0.00 1.05  Bonds with no credit rating 1,863 6.66 1.24 \$400,000 American Tower Trust 3.07% 2048 396 1.41 €186,000 Arbour Clo FRN 2030 198 0.71 €238,000 ATON 3.875% 2018 257 0.92 £197,000 BUPA Finance 5% 2026 252 0.90 \$268,176 Home Partners of America Trust 1.67% 2033 266 0.95 £100,000 Old Mutual 8% 2021 139 0.50 \$224,000 Progress Residential Trust FRN 2034 224 0.80 £101,000 Yorkshire Building Society	\$52,000		49	0.17	
\$194,000 Verizon Communications 4.522% 2048 184 0.66 \$98,000 Verizon Communications 4.672% 2022 91 0.32 \$133,000 Verizon Communications 5.012% 2054 131 0.47 \$325,000 Weyerhaeuser 7.375% 2032 410 1.47 €196,000 Zimmer Biomet 2.425% 2026 212 0.76  'BB' credit rated bonds 294 1.05 6.55 \$21,000 Bank of America Var. Rate Perp. (6.3%) 22 0.08 \$275,000 Royal Bank of Scotland 5.125% 2024 272 0.97  'B' credit rated bonds 0 0.00 1.05  Bonds with no credit rating 1,863 6.66 1.24 \$400,000 American Tower Trust 3.07% 2048 396 1.41 €186,000 Arbour Clo FRN 2030 198 0.71 €238,000 ATON 3.875% 2018 257 0.92 £197,000 BUPA Finance 5% 2026 252 0.90 \$268,176 Home Partners of America Trust 1.67% 2033 266 0.95 £100,000 Old Mutual 8% 2021 139 0.50 \$224,000 Progress Residential Trust FRN 2034 224 0.80 £101,000 Yorkshire Building Society	\$75,000		69	0.25	
\$98,000 Verizon Communications 4.672% 2022 91 0.32 \$133,000 Verizon Communications 5.012% 2054 131 0.47 \$325,000 Weyerhaeuser 7.375% 2032 410 1.47 €196,000 Zimmer Biomet 2.425% 2026 212 0.76  'BB' credit rated bonds 294 1.05 6.55  \$21,000 Bank of America Var. Rate Perp. (6.3%) 22 0.08 \$275,000 Royal Bank of Scotland 5.125% 2024 272 0.97  'B' credit rated bonds 0 0.00 1.05  Bonds with no credit rating 1,863 6.66 1.24 \$400,000 American Tower Trust 3.07% 2048 396 1.41 €186,000 Arbour Clo FRN 2030 198 0.71 €238,000 ATON 3.875% 2018 257 0.92 £197,000 BUPA Finance 5% 2026 252 0.90 \$268,176 Home Partners of America Trust 1.67% 2033 266 0.95 £100,000 Old Mutual 8% 2021 139 0.50 \$224,000 Progress Residential Trust FRN 2034 224 0.80 £101,000 Yorkshire Building Society	\$88,000	USB Capital IX FRN 2099	72	0.26	
\$133,000 Verizon Communications 5.012% 2054 131 0.47 \$325,000 Weyerhaeuser 7.375% 2032 410 1.47 €196,000 Zimmer Biomet 2.425% 2026 212 0.76  *BB' credit rated bonds 294 1.05 6.55 \$21,000 Bank of America Var. Rate Perp. (6.3%) 22 0.08 \$275,000 Royal Bank of Scotland 5.125% 2024 272 0.97  *B' credit rated bonds 0 0.00 1.05  Bonds with no credit rating 1,863 6.66 1.24 \$400,000 American Tower Trust 3.07% 2048 396 1.41 €186,000 Arbour Clo FRN 2030 198 0.71 €238,000 ATON 3.875% 2018 257 0.92 £197,000 BUPA Finance 5% 2026 252 0.90 \$268,176 Home Partners of America Trust 1.67% 2033 266 0.95 £100,000 Old Mutual 8% 2021 139 0.50 \$224,000 Progress Residential Trust FRN 2034 224 0.80 £101,000 Yorkshire Building Society	\$194,000	Verizon Communications 4.522% 2048	184	0.66	
\$325,000 Weyerhaeuser 7.375% 2032 410 1.47 €196,000 Zimmer Biomet 2.425% 2026 212 0.76  *BB' credit rated bonds 294 1.05 6.55  \$21,000 Bank of America Var. Rate Perp. (6.3%) 22 0.08  \$275,000 Royal Bank of Scotland 5.125% 2024 272 0.97  *B' credit rated bonds 0 0.00 1.05  Bonds with no credit rating 1,863 6.66 1.24  \$400,000 American Tower Trust 3.07% 2048 396 1.41  €186,000 Arbour Clo FRN 2030 198 0.71  £238,000 ATON 3.875% 2018 257 0.92  £197,000 BUPA Finance 5% 2026 252 0.90  \$268,176 Home Partners of America Trust 1.67% 2033 266 0.95  £100,000 Old Mutual 8% 2021 139 0.50  \$224,000 Progress Residential Trust FRN 2034 224 0.80  £101,000 Yorkshire Building Society	\$98,000	Verizon Communications 4.672% 2022	91	0.32	
€196,000 Zimmer Biomet 2.425% 2026 212 0.76  'BB' credit rated bonds 294 1.05 6.55  \$21,000 Bank of America Var. Rate Perp. (6.3%) 22 0.08  \$275,000 Royal Bank of Scotland 5.125% 2024 272 0.97  'B' credit rated bonds 0 0.00 1.05  Bonds with no credit rating 1,863 6.66 1.24  \$400,000 American Tower Trust 3.07% 2048 396 1.41  €186,000 Arbour Clo FRN 2030 198 0.71  €238,000 ATON 3.875% 2018 257 0.92  £197,000 BUPA Finance 5% 2026 252 0.90  \$268,176 Home Partners of America Trust 1.67% 2033 266 0.95  £100,000 Old Mutual 8% 2021 139 0.50  \$224,000 Progress Residential Trust FRN 2034 224 0.80  £101,000 Yorkshire Building Society	\$133,000	Verizon Communications 5.012% 2054	131	0.47	
'BB' credit rated bonds       294       1.05       6.55         \$21,000 Bank of America Var. Rate Perp. (6.3%)       22       0.08         \$275,000 Royal Bank of Scotland 5.125% 2024       272       0.97         'B' credit rated bonds       0       0.00       1.05         Bonds with no credit rating       1,863       6.66       1.24         \$400,000 American Tower Trust 3.07% 2048       396       1.41         €186,000 Arbour Clo FRN 2030       198       0.71         €238,000 ATON 3.875% 2018       257       0.92         £197,000 BUPA Finance 5% 2026       252       0.90         \$268,176 Home Partners of America Trust 1.67% 2033       266       0.95         £100,000 Old Mutual 8% 2021       139       0.50         \$224,000 Progress Residential Trust FRN 2034       224       0.80         £101,000 Yorkshire Building Society	\$325,000	Weyerhaeuser 7.375% 2032	410	1.47	
\$21,000 Bank of America Var. Rate Perp. (6.3%) 22 0.08 \$275,000 Royal Bank of Scotland 5.125% 2024 272 0.97  'B' credit rated bonds 0 0.00 1.05  Bonds with no credit rating 1,863 6.66 1.24 \$400,000 American Tower Trust 3.07% 2048 396 1.41 €186,000 Arbour Clo FRN 2030 198 0.71 €238,000 ATON 3.875% 2018 257 0.92 £197,000 BUPA Finance 5% 2026 252 0.90 \$268,176 Home Partners of America Trust 1.67% 2033 266 0.95 £100,000 Old Mutual 8% 2021 139 0.50 \$224,000 Progress Residential Trust FRN 2034 224 0.80 £101,000 Yorkshire Building Society	€196,000	Zimmer Biomet 2.425% 2026	212	0.76	
\$275,000 Royal Bank of Scotland 5.125% 2024 272 0.97  'B' credit rated bonds 0 0.00 1.05  Bonds with no credit rating 1,863 6.66 1.24  \$400,000 American Tower Trust 3.07% 2048 396 1.41  €186,000 Arbour Clo FRN 2030 198 0.71  €238,000 ATON 3.875% 2018 257 0.92  £197,000 BUPA Finance 5% 2026 252 0.90  \$268,176 Home Partners of America Trust 1.67% 2033 266 0.95  £100,000 Old Mutual 8% 2021 139 0.50  \$224,000 Progress Residential Trust FN 2034 224 0.80  £101,000 Yorkshire Building Society		'BB' credit rated bonds	294	1.05	6.55
'B' credit rated bonds         0         0.00         1.05           Bonds with no credit rating         1,863         6.66         1.24           \$400,000 American Tower Trust 3.07% 2048         396         1.41           €186,000 Arbour Clo FRN 2030         198         0.71           €238,000 ATON 3.875% 2018         257         0.92           £197,000 BUPA Finance 5% 2026         252         0.90           \$268,176 Home Partners of America Trust 1.67% 2033         266         0.95           £100,000 Old Mutual 8% 2021         139         0.50           \$224,000 Progress Residential Trust FN 2034         224         0.80           £101,000 Yorkshire Building Society	\$21,000	Bank of America Var. Rate Perp. (6.3%)	22	0.08	
Bonds with no credit rating 1,863 6.66 1.24  \$400,000 American Tower Trust 3.07% 2048 396 1.41  €186,000 Arbour Clo FRN 2030 198 0.71  €238,000 ATON 3.875% 2018 257 0.92  £197,000 BUPA Finance 5% 2026 252 0.90  \$268,176 Home Partners of America Trust 1.67% 2033 266 0.95  £100,000 Old Mutual 8% 2021 139 0.50  \$224,000 Progress Residential Trust FRN 2034 224 0.80  £101,000 Yorkshire Building Society	\$275,000	Royal Bank of Scotland 5.125% 2024	272	0.97	
\$400,000 American Tower Trust 3.07% 2048 396 1.41 €186,000 Arbour Clo FRN 2030 198 0.71 €238,000 ATON 3.875% 2018 257 0.92 £197,000 BUPA Finance 5% 2026 252 0.90 \$268,176 Home Partners of America Trust 1.67% 2033 266 0.95 £100,000 Old Mutual 8% 2021 139 0.50 \$224,000 Progress Residential Trust FRN 2034 224 0.80 £101,000 Yorkshire Building Society		'B' credit rated bonds	0	0.00	1.05
€186,000 Arbour Clo FRN 2030 198 0.71 €238,000 ATON 3.875% 2018 257 0.92 £197,000 BUPA Finance 5% 2026 252 0.90 \$268,176 Home Partners of America Trust		Bonds with no credit rating	1,863	6.66	1.24
€238,000 ATON 3.875% 2018 257 0.92 £197,000 BUPA Finance 5% 2026 252 0.90 \$268,176 Home Partners of America Trust 1.67% 2033 266 0.95 £100,000 Old Mutual 8% 2021 139 0.50 \$224,000 Progress Residential Trust FRN 2034 224 0.80 £101,000 Yorkshire Building Society	\$400,000	American Tower Trust 3.07% 2048	396	1.41	
£197,000 BUPA Finance 5% 2026 252 0.90  \$268,176 Home Partners of America Trust	€186,000	Arbour Clo FRN 2030	198	0.71	
\$268,176 Home Partners of America Trust	€238,000	ATON 3.875% 2018	257	0.92	
1.67% 2033 266 0.95 £100,000 Old Mutual 8% 2021 139 0.50 \$224,000 Progress Residential Trust FRN 2034 224 0.80 £101,000 Yorkshire Building Society	£197,000	BUPA Finance 5% 2026	252	0.90	
\$224,000 Progress Residential Trust FRN 2034 224 0.80 £101,000 Yorkshire Building Society	\$268,176		266	0.95	
FRN 2034 224 0.80 £101,000 Yorkshire Building Society	£100,000	Old Mutual 8% 2021	139	0.50	
	\$224,000		224	0.80	
	£101,000		131	0.47	

at 31 December olding		2016 \$'000	2016 %	2015 %
numg	Forward currency contracts	121	0.43	0.23
€(3.223.680)	Sold for \$3,422,595		0.10	0.20
, , , ,	(expires 11.01.17)	16	0.06	
£(3,112,655)	Sold for \$3,935,626	405	0.07	
	(expires 11.01.17)	105	0.37	
(4)	Interest rate futures contracts	16	0.06	0.03
	10 Year US Treasury Note Mar 2017	3	0.01 0.01	
	5 Year US Treasury Note Mar 2017 Euro Bobl Mar 2017	28	0.01	
	Euro Bund Mar 2017	(5)	(0.02)	
	UK Long Gilt Bond Mar 2017	(23)	(0.02)	
	US Long Bond Mar 2017	11	0.04	
	US Ultra Long Treasury Bond			
	Mar 2017	0	0.00	
	Interest rate swaps	28	0.10	0.00
\$(625,000)	Pay 2.332% Receive VAR Feb 2046	28	0.10	
	Credit default swaps	56	0.20	(0.61
	Bristol-Myers Squibb Sep 2020	(3)	(0.01)	
	Freeport-McMoRan Sep 2020	(6)	(0.02)	
	Glencore Finance Europe Dec 2021	20	0.06	
	Glencore International Jun 2021	(1)	(0.01)	
	Lafargeholcim Dec 2021	0	0.00	
	Lloyds Bank Jun 2021	(3)	(0.01)	
\$(150,000)	Markit CDX North American Investment Grade Series 23 10 Year Dec 2024	(1)	(0.01)	
\$(2,050,000)	Markit CDX North American Investment Grade Series 26	(1)	(0.01)	
€(250,000)	5 Year Jun 2021 Markit iTraxx Europe Series 26	34	0.12	
<b>€</b> (300,000)	10 Year Dec 2026 Markit iTraxx Europe Series 26	(3)	(0.01)	
	5 Year Dec 2021 Markit iTraxx Europe Snr Fin Series 26	4	0.02	
	5 Year Dec 2021  Markit iTraxx Europe Xover Series 26	(1)	0.00	
(200,000)	5 Year Dec 2021	20	0.08	
\$100,000	Pfizer Sep 2020	(3)	(0.01)	
	Sky Dec 2021	4	0.02	
\$210,000	Wells Fargo Dec 2020	(5)	(0.02)	
rtfolio of invest	ments	23,839	85.28	94.20
2 498 በበበ	<b>'AAA' rated money market funds</b> [a] Northern Trust Global Fund -	2,498	8.94	2.80
	US dollar	2,498	8.94	
	Forward currency contracts for share class hedging	(134)	(0.48)	(0.10
€6,516,029	Bought for \$6,991,739 (expires 11.01.17)	(106)	(0.38)	
€(221,670)	Sold for \$236,283 (expires 11.01.17)	2	0.01	
£956,841	Bought for \$1,207,643 (expires 11.01.17)	(30)	(0.11)	
, , ,	Sold for \$97,851 (expires 11.01.17)	1	0.00	
CHF85,644	Bought for \$85,044 (expires 11.01.17)	(1)	0.00	
CHF(3,174)	Sold for \$3,149 (expires 11.01.17)	0	0.00	
tal portfolio (note t other assets /	es 2c & 2d on page 6) (liabilities)	26,203 1,751	93.74 6.26	96.90 3.10

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

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

### Financial highlights

### Fund performance

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

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

We show performance for these two share classes because:

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

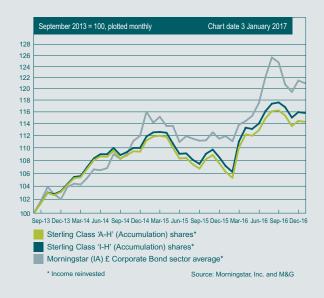
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (5), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

### Fund level performance

Fund net asset value			
as at 31 December	2016 \$'000	2015 \$'000	2014 \$'000
Fund net asset value (NAV)	27,954	21,179	23,231

### Performance since launch

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



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 04.01.16 % <sup>[a</sup>	Three years 03.01.14 7 % p.a.	Five years 03.01.12 % p.a.	Since launch % p.a.		
Euro [b]						
Class 'A-H'	+5.2	+3.1	n/a	+3.7 <sup>[c]</sup>		
Class 'C-H'	+5.7	+3.6	n/a	+4.2 [c]		
Sterling [d]						
Class 'A-H'	+6.1	+3.5	n/a	+4.1 [c]		
Class 'I-H'	+6.6	+3.9	n/a	+4.5 <sup>[c]</sup>		
Class 'R-H'	+6.3	+3.7	n/a	+4.3 [c]		
Swiss franc [b]						
Class 'A-H'	+4.6	+2.4	n/a	+3.0 [c]		
Class 'C-H'	+5.0	+2.9	n/a	+3.6 [c]		
US dollar [b]						
Class 'A'	+6.7	+3.8	n/a	+4.3 [c]		
Class 'C'	+7.3	+4.3	n/a	+4.9 [c]		

- [a] Absolute basis
- [b] Price to price with gross income reinvested.
- [c] 5 September 2013, the launch date of the fund.
- [d] Price to price with income reinvested.

### 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, comprised of operating charges and portfolio transaction costs.

### **Operating charges**

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

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

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

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

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

### Portfolio transaction costs

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

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

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

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. As the fund invests wholly in fixed interest securities no direct portfolio transaction costs are applicable. To give an indication of the indirect portfolio dealing costs the table below shows the average portfolio dealing spread.

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

Portfolio transaction costs				
as at 31 December Indirect portfolio transaction costs	<b>2016</b> %	<b>2015</b> %	<b>2014</b> %	Average [a] %
Average portfolio dealing spread	0.81	1.07	0.79	0.89

[a] Average of first three columns

### Financial highlights

### Specific share class performance

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

Euro Class 'A-H' Income share performance				
The share class was launched on 5 September	r 2013.			
for the year to 31 December Change in NAV per share	2016 Euro ¢	2015 Euro ¢	2014 Euro ¢	
Opening NAV	1,017.37	1,061.65	1,018.63	
Return before operating charges and after dire portfolio transaction costs	ect 71.90	(9.43)	79.14	
Operating charges	(13.23)	(13.14)	(13.54)	
Return after operating charges	58.67	(22.57)	65.60	
Distributions	(24.28)	(21.71)	(22.58)	
Closing NAV	1,051.76	1,017.37	1,061.65	
Direct portfolio transaction costs [a]	Euro ¢	Euro ¢	Euro ¢	
Costs before dilution adjustments	0.04	0.05	0.04	
Dilution adjustments [b]	0.00	0.00	0.00	
Total direct portfolio transaction costs	0.04	0.05	0.04	
Performance and charges	%	%	%	
Direct portfolio transaction costs	0.00	0.00	0.00	
Operating charges	1.26	1.27	1.29	
Return after operating charges	+5.77	-2.13	+6.44	
Distribution yield [c]	2.98	2.50	1.76	
Effect on yield of charges offset against capital	ıl 1.17	0.00	0.00	
Other information				
Closing NAV (\$'000)	427	161	181	
Closing NAV percentage of total fund NAV (%)	1.53	0.76	0.78	
Number of shares	38,445	14,477	14,000	
Highest share price (Euro ¢)	1,090.95	1,098.05	1,084.32	
Lowest share price (Euro ¢)	986.89	1,026.95	1,026.34	

Euro Class 'A-H' Accumulation		formance	
The share class was launched on 5 September	er 2013.		
for the year to 31 December	2016	2015	2014
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1,060.99	1,084.26	1,020.90
Return before operating charges and after dir portfolio transaction costs	rect 75.48	(9.34)	76.62
Operating charges	(14.07)	(13.93)	(13.26)
			, ,
Return after operating charges	61.41	(23.27)	63.36
Distributions	(24.53)	(22.36)	(22.82)
Retained distributions	24.53	22.36	22.82
Closing NAV	1,122.40	1,060.99	1,084.26
Direct portfolio transaction costs [a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.05	0.05	0.04
Dilution adjustments [b]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.05	0.05	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	1.27	1.27	1.25
Return after operating charges	+5.79	-2.15	+6.21
Distribution yield [c]	1.81	2.51	1.77
Effect on yield of charges offset against capit	al 0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	226	268	369
Closing NAV percentage of total fund NAV (%	6) 0.81	1.27	1.59
Number of shares	19,109	23,217	28,007
Highest share price (Euro ¢)	1,150.92	1,126.85	1,096.12
Lowest share price (Euro ¢)	1,028.90	1,063.89	1,028.68

Euro Class 'C-H' Income share p	erforma	nce	
The share class was launched on 5 Septembe	r 2013.		
for the year to 31 December Change in NAV per share	2016 Euro ¢	2015 Euro ¢	2014 Euro ¢
Opening NAV	1,014.28	1,058.75	1,018.77
Return before operating charges and after dire portfolio transaction costs	ct 72.26	(9.29)	76.84
Operating charges	(8.15)	(8.20)	(8.85)
Return after operating charges	64.11	(17.49)	67.99
Distributions	(29.11)	(26.98)	(28.01)
Closing NAV	1,049.28	1,014.28	1,058.75
Direct portfolio transaction costs [a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.05	0.05	0.04
Dilution adjustments [b]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.05	0.05	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.77	0.77	0.83
Return after operating charges	+6.32	-1.65	+6.67
Distribution yield [c]	2.98	3.01	2.25
Effect on yield of charges offset against capita	0.67	0.00	0.00
Other information			
Closing NAV (\$'000)	11	11	13
Closing NAV percentage of total fund NAV (%)	0.04	0.05	0.06
Number of shares	1,000	1,000	1,000
Highest share price (Euro ¢)	1,089.13	1,095.68	1,082.86
Lowest share price (Euro ¢)	984.49	1,023.69	1,026.53

## Financial highlights

### Specific share class performance

The share class was launched on 5 September	2013.		
for the year to 31 December Change in NAV per share	2016 Euro ¢	2015 Euro ¢	2014 Euro ¢
Opening NAV	1,072.30	1,090.62	1,022.65
Return before operating charges and after direct portfolio transaction costs	ot 76.18	(9.88)	75.75
Operating charges	(8.33)	(8.44)	(7.78)
Return after operating charges	67.85	(18.32)	67.97
Distributions	(30.33)	(28.11)	(28.42)
Retained distributions	30.33	28.11	28.42
Closing NAV	1,140.15	1,072.30	1,090.62
Direct portfolio transaction costs [a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.04	0.05	0.04
Dilution adjustments [b]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.04	0.05	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.75	0.77	0.72
Return after operating charges	+6.33	-1.68	+6.65
Distribution yield [c]	2.31	3.02	2.28
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	5,989	192	198
Closing NAV percentage of total fund NAV (%)	21.42	0.91	0.85
Number of shares	497,422	16,433	14,933
Highest share price (Euro ¢)	1,167.75	1,134.35	1,101.36
Lowest share price (Euro ¢)	1.040.48	1.073.89	1.030.49

Sterling Class 'A-H' Income share performance					
The share class was launched on 5 September	2013.				
for the year to 31 December Change in NAV per share	2016 UK p	2015 UK p	2014 UK p		
Opening NAV	102.60	106.32	101.98		
Return before operating charges and after direct portfolio transaction costs	et 8.79	(0.16)	8.05		
Operating charges	(1.36)	(1.39)	(1.39)		
Return after operating charges	7.43	(1.55)	6.66		
Distributions	(2.60)	(2.17)	(2.32)		
Closing NAV	107.43	102.60	106.32		
Direct portfolio transaction costs [a]	UK p	UK p	UK p		
Costs before dilution adjustments	0.00	0.01	0.00		
Dilution adjustments [b]	0.00	0.00	0.00		
Total direct portfolio transaction costs	0.00	0.01	0.00		
Performance and charges	%	%	%		
Direct portfolio transaction costs	0.00	0.00	0.00		
Operating charges	1.27	1.27	1.32		
Return after operating charges	+7.24	-1.46	+6.53		
Distribution yield [c]	3.03	2.55	1.70		
Effect on yield of charges offset against capital	1.17	0.00	0.00		
Other information					
Closing NAV (\$'000)	219	213	100		
Closing NAV percentage of total fund NAV (%)	0.78	1.01	0.43		
Number of shares	165,748	140,000	60,000		
Highest share price (UK p)	110.93	110.04	108.35		
Lowest share price (UK p)	99.45	103.36	102.75		

Sterling Class 'A-H' Accumulation share performance				
The share class was launched on 5 September 2013.				
for the year to 31 December Change in NAV per share	2016 UK p	2015 UK p	2014 UK p	
Opening NAV	106.46	108.47	102.23	
Return before operating charges and after direct portfolio transaction costs	9.16	(0.20)	8.08	
Operating charges	(1.43)	(1.37)	(1.39)	
Return after operating charges	7.73	(1.57)	6.69	
Distributions	(2.61)	(2.22)	(2.27)	
Retained distributions	2.09	1.78	1.82	
Closing NAV	113.67	106.46	108.47	
Direct portfolio transaction costs [a]	UK p	UK p	UK p	
Costs before dilution adjustments	0.00	0.01	0.00	
Dilution adjustments [b]	0.00	0.00	0.00	
Total direct portfolio transaction costs	0.00	0.01	0.00	
Performance and charges	%	%	%	
Direct portfolio transaction costs	0.00	0.00	0.00	
Operating charges	1.27	1.27	1.31	
Return after operating charges	+7.26	-1.45	+6.54	
Distribution yield [c]	1.85	2.55	1.71	
Effect on yield of charges offset against capital	0.00	0.00	0.00	
Other information				
Closing NAV (\$'000)	101	131	252	
Closing NAV percentage of total fund NAV (%)	0.36	0.62	1.09	
Number of shares	72,115	83,061	148,775	
Highest share price (UK p)	116.22	112.68	109.59	
Lowest share price (UK p)	103.18	106.66	103.00	

Sterling Class 'I-H' Income share performance The share class was launched on 5 September 2013.				
Opening NAV	102.66	106.40	102.02	
Return before operating charges and after direc portfolio transaction costs	t 8.74	(0.23)	8.17	
Operating charges	(0.81)	(0.83)	(0.82)	
Return after operating charges	7.93	(1.06)	7.35	
Distributions	(3.08)	(2.68)	(2.97)	
Closing NAV	107.51	102.66	106.40	
Direct portfolio transaction costs [a]	UK p	UK p	UK p	
Costs before dilution adjustments	0.00	0.01	0.00	
Dilution adjustments [b]	0.00	0.00	0.00	
Total direct portfolio transaction costs	0.00	0.01	0.00	
Performance and charges	%	%	%	
Direct portfolio transaction costs	0.00	0.00	0.00	
Operating charges	0.77	0.76	0.78	
Return after operating charges	+7.72	-1.00	+7.20	
Distribution yield [c]	3.03	3.06	2.22	
Effect on yield of charges offset against capital	0.67	0.00	0.00	
Other information				
Closing NAV (\$'000)	87	47	249	
Closing NAV percentage of total fund NAV (%)	0.31	0.22	1.07	
Number of shares	65,794	31,065	150,065	
Highest share price (UK p)	111.11	110.14	108,50	
Lowest share price (UK p)	99.55	103.45	102.79	

# Financial highlights

### Specific share class performance

for the year to 31 December Change in NAV per share	2016 UK p	2015 UK p	2014 UK p
Opening NAV	107.35	109.12	102.35
Return before operating charges and after direct		(0.44)	0.44
portfolio transaction costs	9.38	(0.41)	8.14
Operating charges	(0.90)	(0.80)	(0.80)
Return after operating charges	8.48	(1.21)	7.34
Distributions	(3.23)	(2.79)	(2.85)
Retained distributions	2.58	2.23	2.28
Closing NAV	115.18	107.35	109.12
Direct portfolio transaction costs [a]	UK p	UK p	UKp
Costs before dilution adjustments	0.01	0.01	0.00
Dilution adjustments <sup>[b]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.78	0.76	0.75
Return after operating charges	+7.90	-1.11	+7.17
Distribution yield [c]	2.35	3.06	2.21
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	636	3,124	4,304
Closing NAV percentage of total fund NAV (%)	2.28	14.75	18.53
Number of shares	448,737	1,963,496	2,527,418
Highest share price (UK p)	117.67	113.38	110.05
Lowest share price (UK p)	104.09	107.43	103 12

Sterling Class 'R-H' Income share performance					
The share class was launched on 5 September	The share class was launched on 5 September 2013.				
for the year to 31 December Change in NAV per share	2016 UK p	2015 UK p	2014 UK p		
Opening NAV	102.62	106.44	102.02		
Return before operating charges and after direct portfolio transaction costs	t 8.74	(0.31)	8.09		
Operating charges	(1.07)	(1.08)	(1.14)		
Return after operating charges	7.67	(1.39)	6.95		
Distributions	(2.84)	(2.43)	(2.53)		
Closing NAV	107.45	102.62	106.44		
Direct portfolio transaction costs [a]	UK p	UK p	UK p		
Costs before dilution adjustments	0.00	0.01	0.00		
Dilution adjustments [b]	0.00	0.00	0.00		
Total direct portfolio transaction costs	0.00	0.01	0.00		
Performance and charges	%	%	%		
Direct portfolio transaction costs	0.00	0.00	0.00		
Operating charges	1.01	1.01	1.07		
Return after operating charges	+7.47	-1.31	+6.81		
Distribution yield [c]	3.04	2.82	1.96		
Effect on yield of charges offset against capital	0.92	0.00	0.00		
Other information					
Closing NAV (\$'000)	26	15	17		
Closing NAV percentage of total fund NAV (%)	0.09	0.07	0.07		
Number of shares	20,000	10,000	10,000		
Highest share price (UK p)	111.05	110.11	108.47		
Lowest share price (UK p)	99.50	103.38	102.79		

Sterling Class 'R-H' Accumulation share performance				
The share class was launched on 5 September 2013.				
for the year to 31 December Change in NAV per share	2016 UK p	2015 UK p	2014 UK p	
Opening NAV	106.82	108.70	102.27	
Return before operating charges and after direct portfolio transaction costs	et 9.21	(0.27)	8.09	
Operating charges	(1.15)	(1.11)	(1.15)	
Return after operating charges	8.06	(1.38)	6.94	
Distributions	(2.89)	(2.50)	(2.55)	
Retained distributions	2.31	2.00	2.04	
Closing NAV	114.30	106.82	108.70	
Direct portfolio transaction costs [a]	UKp	UK p	UK p	
Costs before dilution adjustments	0.00	0.01	0.00	
Dilution adjustments [b]	0.00	0.00	0.00	
Total direct portfolio transaction costs	0.00	0.01	0.00	
Performance and charges	%	%	%	
Direct portfolio transaction costs	0.00	0.00	0.00	
Operating charges	1.02	1.01	1.08	
Return after operating charges	+7.55	-1.27	+6.79	
Distribution yield [c]	2.10	2.82	1.96	
Effect on yield of charges offset against capital	0.00	0.00	0.00	
Other information				
Closing NAV (\$'000)	14	16	17	
Closing NAV percentage of total fund NAV (%)	0.05	0.08	0.07	
Number of shares	10,000	10,000	10,000	
Highest share price (UK p)	116.85	112.91	109.80	
Lowest share price (UK p)	103.56	106.97	103.04	

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

he share class was launched on 5 September 2013

The share class was launched on 5 September 2013.				
for the year to 31 December Change in NAV per share	2016 Swiss ¢	2015 Swiss ¢	2014 Swiss ¢	
Opening NAV	1,043.37	1,080.58	1,019.83	
Return before operating charges and after dire portfolio transaction costs	ct 67.51	(23.51)	74.29	
Operating charges	(13.61)	(13.70)	(13.54)	
Return after operating charges	53.90	(37.21)	60.75	
Distributions	(23.96)	(22.03)	(22.63)	
Retained distributions	23.96	22.03	22.63	
Closing NAV	1,097.27	1,043.37	1,080.58	
Direct portfolio transaction costs [a]	Swiss ¢	Swiss ¢	Swiss ¢	
Costs before dilution adjustments	0.05	0.05	0.04	
Dilution adjustments [b]	0.00	0.00	0.00	
Total direct portfolio transaction costs	0.05	0.05	0.04	
Performance and charges	%	%	%	
Direct portfolio transaction costs	0.00	0.00	0.00	
Operating charges	1.26	1.27	1.29	
Return after operating charges	+5.17	-3.44	+5.96	
Distribution yield [c]	1.82	2.51	1.75	
Effect on yield of charges offset against capita	0.00	0.00	0.00	
Other information				
Closing NAV (\$'000)	61	175	182	
Closing NAV percentage of total fund NAV (%)	0.22	0.83	0.78	
Number of shares	5,700	16,700	16,700	
Highest share price (Swiss ¢)	1,127.17	1,115.17	1.092,72	
Lowest share price (Swiss ¢)	1,011.10	1,048.83	1,027.58	

## Financial highlights

### Specific share class performance

The share class was launched on 5 September	2013.		
for the year to 31 December Change in NAV per share	2016 Swiss ¢	2015 Swiss ¢	2014 Swiss ¢
Opening NAV	1,058.17	1,087.58	1,021.69
Return before operating charges and after direct portfolio transaction costs	ct 67.21	(21.02)	74.62
Operating charges	(8.41)	(8.39)	(8.73)
Return after operating charges	58.80	(29.41)	65.89
Distributions	(29.66)	(27.76)	(28.16)
Retained distributions	29.66	27.76	28.16
Closing NAV	1,116.97	1,058.17	1,087.58
Direct portfolio transaction costs [a]	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.05	0.05	0.04
Dilution adjustments [b]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.05	0.05	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.77	0.77	0.81
Return after operating charges	+5.56	-2.70	+6.45
Distribution yield [c]	2.32	3.02	2.25
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	20	51	53
Closing NAV percentage of total fund NAV (%)	0.07	0.24	0.23
Number of shares	1,815	4,815	4,815
Highest share price (Swiss ¢)	1,145.81	1,126.56	1,098.34
Lowest share price (Swiss ¢)	1.026.60	1.062.52	1.029.50

US dollar Class 'A' Income share performance				
The share class was launched on 8 August 2014.				
for the year to 31 December Change in NAV per share	2016 US ¢	2015 US ¢	2014 US ¢	
Opening NAV	1,034.75	1,075.24	1,084.86	
Return before operating charges and after dire portfolio transaction costs	ct 88.94	(5.36)	7.81	
Operating charges	(13.46)	(13.35)	(7.01)	
Return after operating charges	75.48	(18.71)	0.80	
Distributions	(25.08)	(21.78)	(10.42)	
Closing NAV	1,085.15	1,034.75	1,075.24	
Direct portfolio transaction costs [a]	US ¢	US ¢	US ¢	
Costs before dilution adjustments	0.04	0.05	0.02	
Dilution adjustments [b]	0.00	0.00	0.00	
Total direct portfolio transaction costs	0.04	0.05	0.02	
Performance and charges	%	%	%	
Direct portfolio transaction costs	0.00	0.00	0.00	
Operating charges	1.25	1.25	1.28	
Return after operating charges	+7.29	-1.74	+0.07	
Distribution yield [c]	3.00	2.52	1.72	
Effect on yield of charges offset against capita	1.15	0.00	0.00	
Other information				
Closing NAV (\$'000)	103	72	5	
Closing NAV percentage of total fund NAV (%)	0.37	0.34	0.02	
Number of shares	9,461	6,961	461	
Highest share price (US ¢)	1,120.07	1,111.96	1,097.16	
Lowest share price (US ¢)	1,004.05	1,042.70	1,080.04	

US dollar Class 'A' Accumulation share performance				
The share class was launched on 5 September 2013.				
for the year to 31 December Change in NAV per share	2016 US ¢	2015 US ¢	2014 US ¢	
Opening NAV	1,066.39	1,085.67	1,021.90	
Return before operating charges and after din portfolio transaction costs	ect 92.02	(5.63)	77.81	
Operating charges	(14.00)	(13.65)	(14.04)	
Return after operating charges	78.02	(19.28)	63.77	
Distributions	(25.00)	(22.23)	(22.45)	
Retained distributions	25.00	22.23	22.45	
Closing NAV	1,144.41	1,066.39	1,085.67	
Direct portfolio transaction costs [a]	US ¢	US ¢	US ¢	
Costs before dilution adjustments	0.05	0.05	0.04	
Dilution adjustments [b]	0.00	0.00	0.00	
Total direct portfolio transaction costs	0.05	0.05	0.04	
Performance and charges	%	%	%	
Direct portfolio transaction costs	0.00	0.00	0.00	
Operating charges	1.25	1.25	1.31	
Return after operating charges	+7.32	-1.78	+6.24	
Distribution yield [c]	1.85	2.51	1.72	
Effect on yield of charges offset against capit	al 0.00	0.00	0.00	
Other information				
Closing NAV (\$'000)	17,810	16,210	16,909	
Closing NAV percentage of total fund NAV (%	63.71	76.53	72.79	
Number of shares	1,556,216	1,520,103	1,557,466	
Highest share price (US ¢)	1,168.89	1,127.50	1,097.10	
Lowest share price (US ¢)	1,034.69	1,067.43	1,029.82	

US dollar Class 'C' Income share	e perform	ance			
The share class was launched on 8 August 2014.					
for the year to 31 December Change in NAV per share	2016 US ¢	2015 US ¢	2014 US ¢		
Opening NAV	1,039.30	1,079.74	1,090.09		
Return before operating charges and after dire portfolio transaction costs	ct 89.36	(5.26)	7.13		
Operating charges	(7.94)	(7.98)	(4.19)		
Return after operating charges	81.42	(13.24)	2.94		
Distributions	(30.10)	(27.20)	(13.29)		
Closing NAV	1,090.62	1,039.30	1,079.74		
Direct portfolio transaction costs [a]	US ¢	US ¢	US ¢		
Costs before dilution adjustments	0.05	0.05	0.02		
Dilution adjustments [b]	0.00	0.00	0.00		
Total direct portfolio transaction costs	0.05	0.05	0.02		
Performance and charges	%	%	%		
Direct portfolio transaction costs	0.00	0.00	0.00		
Operating charges	0.73	0.74	0.76		
Return after operating charges	+7.83	-1.23	+0.27		
Distribution yield [c]	3.02	3.03	2.22		
Effect on yield of charges offset against capita	0.65	0.00	0.00		
Other information					
Closing NAV (\$'000)	5	5	5		
Closing NAV percentage of total fund NAV (%)	0.02	0.02	0.02		
Number of shares	459	459	459		
Highest share price (US ¢)	1,126.66	1,118.02	1,102.81		
Lowest share price (US ¢)	1.009.04	1.047.26	1.084.64		

### Financial highlights

### Specific share class performance

US dollar Class 'C' Accumulatio	n share p	erformance	
The share class was launched on 5 September	er 2013.		
for the year to 31 December Change in NAV per share	2016 US ¢	2015 US ¢	2014 US ¢
Opening NAV	1,079.03	1,093.06	1,023.53
Return before operating charges and after dire portfolio transaction costs	93.26	(5.80)	78.03
Operating charges	(8.52)	(8.23)	(8.50)
Return after operating charges	84.74	(14.03)	69.53
Distributions	(31.01)	(27.97)	(28.09)
Retained distributions	31.01	27.97	28.09
Closing NAV	1,163.77	1,079.03	1,093.06
Direct portfolio transaction costs [a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.05	0.05	0.04
Dilution adjustments [b]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.05	0.05	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.75	0.74	0.78
Return after operating charges	+7.85	-1.28	+6.79
Distribution yield [c]	2.35	3.02	2.22
Effect on yield of charges offset against capital	al 0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	2,219	488	377
Closing NAV percentage of total fund NAV (%	7.94	2.30	1.62
Number of shares	190,659	45,200	34,500
Highest share price (US ¢)	1,187.59	1,136.82	1,102.76
Lowest share price (US ¢)	1,047.58	1,078.72	1,031.50

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

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

 $<sup>{\</sup>it lc}{\it l}$  Following the change in charging structure outlined on page 1, you may see variances between the comparative and current year figures.

### Financial statements and notes

### Financial statements

		20	16	20	15
for the year to 31 December		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	3		234		(1,124)
Revenue	5	801		757	
Expenses	6	(257)		(257)	
Net revenue / (expense) before taxation		544		500	
Taxation	7	(4)		(13)	
Net revenue / (expense) after taxation			540		487
Total return before distributions			774		(637)
Distributions	8		(532)		(487)
Change in net assets attributab to shareholders from investme					
activities			242		(1,124)

	20	2016		2015	
for the year to 31 December	\$'000	\$'000	\$'000	\$'000	
Opening net assets attributable to shareholders		21,179		23,231	
Amounts received on issue of shares	9,146		4,546		
Amounts paid on cancellation of shares	(3,178)		(5,957)		
		5,968		(1,411)	
Dilution adjustments		36		35	
Change in net assets attributable to shareholders from investment activities (see above)		242		(1,124)	
Retained distributions on Accumulation shares		529		448	
Closing net assets attributable to shareholders		27,954		21,179	

		2016	2015
as at 31 December		\$'000	\$'000
Assets			
Fixed assets			
Investments		26,394	20,754
Current assets			
Debtors	9	347	378
Cash and bank balances	10	1,452	325
Total assets		28,193	21,457
Liabilities			
Investment liabilities		(191)	(231)
Creditors			
Distribution payable		(9)	(13)
Other creditors	11	(39)	(34)
Total liabilities		(239)	(278)
Net assets attributable to shareholders		27,954	21,179

### 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

With effect from 1 December 2016, the distribution policy has been amended so that in determining the amount available for distribution to Income shares, the annual management charge, administration charge and the share class hedging charge are now 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 December	2016 \$'000	2015 \$'000
Non-derivative securities	266	(1,561)
Derivative contracts	(10)	340
Currency gains / (losses)	(16)	104
Transaction charges	(6)	(7)
Net capital gains / (losses)	234	(1,124)

#### 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 30.

2016 \$'000		2015 \$'000	
21,420		22,768	
18,090		21,646	
2016 \$'000	% of average NAV	2015 \$'000	% of average NAV
1	0.00	1	0.00
	%		%
	0.81		1.07
	\$'000 21,420 18,090 <b>2016</b> \$'000	\$1,420	\$000 \$000  21,420 22,768  18,090 21,646  2016 % of \$2015 \$000  1 0.00 1  %

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

#### 5 Revenue

for the year to 31 December	2016 \$'000	2015 \$'000
Derivative revenue	(32)	(117)
Interest distributions	6	1
Interest on debt securities	829	873
Share class hedging revenue	(2)	0
Total revenue	801	757

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

### Financial statements and notes

### Notes to the financial statements

### **6** Expenses

	2016	2015
for the year to 31 December	\$'000	\$'000
Payable to the ACD or associate		
Annual management charge	205	206
Administration charge	34	35
Share class hedging charge	1	1
	240	242
Payable to the Depositary or associate		
Depositary's charge (including VAT)	2	2
Other expenses		
Audit fee (including VAT)	13	11
Legal fees	2	0
Registration fees	0	(1)
Safe custody charge	0	3
	15	13
Total expenses	257	257

#### 7 Taxation

for the year to 31 December	2016 \$'000	2015 \$'000
a) Analysis of charge in the year		
Corporation tax	0	3
Withholding tax	4	13
Current double taxation relief	0	(3)
Deferred tax (note 7c)	0	0
Total taxation	4	13
b) Factors affecting taxation charge for the year		
Net revenue before taxation	544	500
Corporation tax at 20%	109	100
Effects of:		
Interest distributions	(109)	(97)
Total double taxation relief	0	(3)
Withholding tax	4	13
Total tax charge (note 7a)	4	13
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
Dravision at the and of the year	^	0

The fund has not recognised a deferred tax asset in the current financial year (2015: same).

Interest distributions have been made in respect of all distributions during the current and preceding periods. Income tax at 20% will be accounted for on shareholders' behalf to HM Revenue & Customs where applicable.

### **8 Distributions**

	20	16	2015	
for the year to 31 December Interest distributions	Inc <sup>[a]</sup> \$'000	Acc <sup>[b]</sup> \$'000	Inc <sup>[a]</sup> \$'000	Acc <sup>[b]</sup> \$'000
First interim	3	129	4	110
Second interim	3	132	4	107
Third interim	4	128	4	106
Final	5	140	3	125
Total net distributions		544		463
Income tax deducted at source		13		22
Interest distributions		557		485
Income deducted on cancellation of share	es	7		17
Income received on issue of shares		(32)		(15)
Distributions		532		487
Net revenue per statement of total return		540		487
Expenses offset against capital		1		0
Undistributed income carried forward		(9)		0
Distributions		532		487

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

#### 9 Debtors

as at 31 December	2016 \$'000	2015 \$'000
Amounts receivable on issues of shares	128	166
Debt security interest receivable	214	211
Distributions receivable	1	0
Derivative revenue receivable	2	1
Tax recoverable	2	0
Total debtors	347	378

#### 10 Cash and bank balances

as at 31 December	2016 \$'000	2015 \$'000
Amounts held at futures clearing houses and brokers	83	187
Cash held as bank balances	1,369	138
Total cash and bank balances	1,452	325

#### 11 Other creditors

as at 31 December	\$'000	\$'000
ACD's annual management charge payable	16	5
Administration charge payable	1	1
Derivative expense payable	6	15
Expenses payable	16	13
Total other creditors	39	34

### 12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2015; same).

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

### Financial statements and notes

### Notes to the financial statements

#### 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 below.

Share class	Opening 01.01.16			Closing 31.12.16
Euro	01101110	locaca	Guildonda	01112110
Class 'A-H' Income (Gross)	14,477	33,968	(10,000)	38,445
Class 'A-H' Accumulation (Gross)	23,217	5,512	(9,620)	19,109
Class 'C-H' Income (Gross)	1,000	0	0	1,000
Class 'C-H' Accumulation (Gross)	16,433	480,989	0	497,422
Sterling				
Class 'A-H' Income (Net)	140,000	60,748	(35,000)	165,748
Class 'A-H' Accumulation (Net)	83,061	0	(10,946)	72,115
Class 'I-H' Income (Net)	31,065	54,000	(19,271)	65,794
Class 'I-H' Accumulation (Net)	1,963,496	199,561	(1,714,320)	448,737
Class 'R-H' Income (Net)	10,000	10,000	0	20,000
Class 'R-H' Accumulation (Net)	10,000	0	0	10,000
Swiss franc				
Class 'A-H' Accumulation (Gross)	16,700	0	(11,000)	5,700
Class 'C-H' Accumulation (Gross)	4,815	0	(3,000)	1,815
US dollar				
Class 'A' Income (Gross)	6,961	3,500	(1,000)	9,461
Class 'A' Accumulation (Gross)	1,520,103	48,398	(12,285)	1,556,216
Class 'C' Income (Gross)	459	0	0	459
Class 'C' Accumulation (Gross)	45,200	145,459	0	190,659

### 14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %	Share class hedging charge %
Euro				
Class 'A-H'	4.00	n/a	1.00	[b]
Class 'C-H'	1.25	n/a	0.50	[b]
Sterling				
Class 'A-H'	3.00 <sup>[a]</sup>	n/a	1.00	[b]
Class 'I-H'	1.00 <sup>[a]</sup>	n/a	0.50	[b]
Class 'R-H'	1.00 <sup>[a]</sup>	n/a	0.75	[b]
Swiss franc				
Class 'A-H'	4.00	n/a	1.00	[b]
Class 'C-H'	1.25	n/a	0.50	[b]
US dollar				
Class 'A'	4.00	n/a	1.00	n/a
Class 'C'	1.25	n/a	0.50	n/a

<sup>[</sup>a] Effective 16 December 2016, the entry charge has been discounted to zero on all new investments into Sterling share classes.

### 15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 57.78% (2015: 38.59%) of the fund's shares.

#### 16 Events after the balance sheet date

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

### 17 Portfolio 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: Quoted prices for identical instruments in active markets

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 techniques using observable market data

This includes publicly traded corporate bonds and instruments which have been valued using models with observable market data inputs such as quoted prices for similar instruments, interest rates, yield curves or credit spreads. Over-the-counter instruments have also been included in the category.

#### Level 3: Valuation techniques using non-observable market data

This refers to instruments which have been valued using models with non-observable market data inputs. This includes private equity, unlisted closed-ended funds and investment analyst recommended prices where the market price is deemed to not be a true representation of fair value. However no such financial instruments were held.

as at 31 December Valuation technique	Assets 2016 \$'000	Liabilities 2016 \$'000	Assets 2015 \$'000	Liabilities 2015 \$'000
Level 1	2,238	(28)	2,928	(21)
Level 2	24,156	(163)	17,826	(210)
Level 3	0	0	0	0
	26,394	(191)	20,754	(231)

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'.

<sup>[</sup>b] This charge may vary between 0.01% and 0.055%.

### Financial statements and notes

### Notes to the financial statements

### 18 Risk management policies

General risk management policies for the fund are described in note 3 to the financial statements on pages 7 and 8.

#### 19 Market risk

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 December 2016 was 13% (2015: 13%).

The lowest, highest and average VaR calculated during the financial years ended 31 December 2016 and 31 December 2015 are disclosed in the table below. The lowest, highest and average utilisation of VaR is with reference to the limit above.

	2016	2015
for the year to 31 December	%	%
Lowest	2.21	3.28
Highest	3.64	4.87
Average	3.05	4.21

#### 20 Credit risk

as at 31 December	2016 \$'000	2015 \$'000
Investment grade securities	21,461	18,154
Below investment grade securities	294	1,609
Unrated securities	1,863	264
Other investments	2,585	496
Total	26,203	20,523

### 21 Counterparty exposure

as at 31 December 2016	Credit default swaps \$'000	Forward currency contracts \$'000	Futures \$'000	Interest rate swaps \$'000	Collateral held \$'000	Net exposure \$'000
Bank of America	(E)	0	16	0	(02)	(72)
Merrill Lynch	(5)	0		0	(83)	(72)
BNP Paribas	(3)	0	0	0	0	(3)
Citigroup	8	0	0	0	0	8
Credit Suisse	(2)	0	0	0	0	(2)
Goldman Sachs	15	0	0	0	0	15
JPMorgan	43	0	0	28	0	71
State Street Bank	0	(13)	0	0	0	(13)
Total	56	(13)	16	28	(83)	4

as at 31 December 2015	Credit default swaps \$'000	Forward currency contracts \$'000	Futures \$'000	Interest rate swaps \$'000	Collateral held \$'000	Net exposure \$'000
Bank of America	0	0	0	0	(407)	(470)
Merrill Lynch	0	0	8	0	(187)	(179)
Citigroup	(80)	0	0	0	0	(80)
Credit Suisse	(12)	0	0	0	0	(12)
Goldman Sachs	(34)	0	0	0	0	(34)
JPMorgan	(5)	0	0	0	0	(5)
State Street Bank	0	26	0	0	0	26
Total	(131)	26	8	0	(187)	(284)

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.

### 22 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 December 2016 and 31 December 2015 are disclosed in the table below

for the year to 31 December	2016 \$'000	2016 %	2015 \$'000	2015 %
Lowest	39,940	171	38,619	187
Highest	73,735	273	68,539	268
Average	45,816	200	48,641	211

### 23 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.

### 24 Interest distribution tables

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

Quarterly distribution periods						
	Start	End	Xd	Payment		
First interim	01.01.16	31.03.16	01.04.16	31.05.16		
Second interim	01.04.16	30.06.16	01.07.16	31.08.16		
Third interim	01.07.16	30.09.16	03.10.16	30.11.16		
Final	01.10.16	31.12.16	03.01.17	28.02.17		

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 net revenue 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 net revenue and equalisation. Equalisation is the average amount of revenue 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 net revenue and equalisation components.

Financial statements and notes

### Notes to the financial statements

### **24 Interest distribution tables** (continued)

Interest distributions for the year to 31 December	Gross income 2016	Income tax deducted 2016	Net income 2016	Equal- isation 2016	Distri 2016	ibution 2015
Group 1	¢	¢	¢	¢	¢	¢
First interim	6.2487	-	6.2487	-	6.2487	5.1728
Second interim	6.1675	-	6.1675	-	6.1675	5.1247
Third interim	5.7014	-	5.7014	-	5.7014	5.2296
Final	6.1658	-	6.1658	-	6.1658	6.1812
Group 2						
First interim	2.9386	-	2.9386	3.3101	6.2487	5.1728
Second interim	0.0000	-	0.0000	6.1675	6.1675	5.1247
Third interim	2.9607	-	2.9607	2.7407	5.7014	5.2296
Final	5.1857	_	5.1857	0.9801	6.1658	6.1812

Interest distributions for the year to 31 December	Gross income 2016	Income tax deducted 2016	Net income 2016	Equal- isation 2016	Distri 2016	ibution 2015
Group 1	¢	¢	¢	¢	¢	¢
First interim	6.5096	-	6.5096	-	6.5096	5.2760
Second interim	6.4705	-	6.4705	-	6.4705	5.2644
Third interim	6.0142	-	6.0142	-	6.0142	5.4188
Final	5.5317	-	5.5317	-	5.5317	6.4015
Group 2						
First interim	1.8862	-	1.8862	4.6234	6.5096	5.2760
Second interim	3.3485	-	3.3485	3.1220	6.4705	5.2644
Third interim	2.4807	-	2.4807	3.5335	6.0142	5.4188
Final	3.2974	-	3.2974	2.2343	5.5317	6.4015

Euro Class 'C-H	' Incor	ne shares				
Interest distributions for the year to 31 December	Gross income 2016	Income tax deducted 2016	Net income 2016	Equal- isation 2016	Distri 2016	ibution 2015
Group 1	¢	¢	¢	¢	¢	¢
First interim	7.5075	-	7.5075	-	7.5075	6.5079
Second interim	7.4716	-	7.4716	-	7.4716	6.4040
Third interim	7.0297	-	7.0297	-	7.0297	6.5400
Final	7.0980	-	7.0980	-	7.0980	7.5330
Group 2						
First interim	7.5075	-	7.5075	0.0000	7.5075	6.5079
Second interim	7.4716	-	7.4716	0.0000	7.4716	6.4040
Third interim	7.0297	-	7.0297	0.0000	7.0297	6.5400
Final	7.0980	-	7.0980	0.0000	7.0980	7.5330

Euro Class 'C-H' Accumulation shares								
Interest distributions for the year to 31 December	Gross income 2016	Income tax deducted 2016	Net income 2016	Equal- isation 2016	Distri 2016	ibution 2015		
Group 1	¢	¢	¢	¢	¢	¢		
First interim	7.8818	-	7.8818	-	7.8818	6.7460		
Second interim	7.9495	-	7.9495	-	7.9495	6.6822		
Third interim	7.5528	-	7.5528	-	7.5528	6.8256		
Final	6.9470	-	6.9470	-	6.9470	7.8523		
Group 2								
First interim	7.5424	-	7.5424	0.3394	7.8818	6.7460		
Second interim	0.6984	-	0.6984	7.2511	7.9495	6.6822		
Third interim	3.1580	-	3.1580	4.3948	7.5528	6.8256		
Final	2.8263	-	2.8263	4.1207	6.9470	7.8523		

Sterling Class 'A-H' Income shares								
Interest distributions for the year to 31 December	Gross income 2016	Income tax deducted 2016	Net income 2016	Equal- isation 2016	Distri 2016	ibution 2015		
Group 1	р	р	р	р	р	р		
First interim	0.6495	0.1299	0.5196	-	0.5196	0.3928		
Second interim	0.6400	0.1280	0.5120	-	0.5120	0.4088		
Third interim	0.5950	0.1190	0.4760	-	0.4760	0.4344		
Final	0.7140	0.1428	0.5712	-	0.5712	0.4968		
Group 2								
First interim	0.2749	0.0550	0.2199	0.2997	0.5196	0.3928		
Second interim	0.5586	0.1117	0.4469	0.0651	0.5120	0.4088		
Third interim	0.2655	0.0531	0.2124	0.2636	0.4760	0.4344		
Final	0.4378	0.0876	0.3502	0.2210	0.5712	0.4968		

Sterling Class 'A-H' Accumulation shares								
Interest distributions for the year to 31 December	Gross income 2016	Income tax deducted 2016	Net income 2016	Equal- isation 2016	Distri 2016	ibution 2015		
Group 1	р	р	р	р	р	р		
First interim	0.6735	0.1347	0.5388	-	0.5388	0.3976		
Second interim	0.6665	0.1333	0.5332	-	0.5332	0.4180		
Third interim	0.6235	0.1247	0.4988	-	0.4988	0.4464		
Final	0.6445	0.1289	0.5156	-	0.5156	0.5152		
Group 2								
First interim	0.3056	0.0611	0.2445	0.2943	0.5388	0.3976		
Second interim	0.2933	0.0587	0.2346	0.2986	0.5332	0.4180		
Third interim	0.3208	0.0642	0.2566	0.2422	0.4988	0.4464		
Final	0.4369	0.0874	0.3495	0.1661	0.5156	0.5152		

Sterling Class 'I-H' Income shares								
Interest distributions for the year to 31 December	Gross income 2016	Income tax deducted 2016	Net income 2016	Equal- isation 2016	Distri 2016	ibution 2015		
Group 1	р	р	р	р	р	р		
First interim	0.7750	0.1550	0.6200	-	0.6200	0.5000		
Second interim	0.7730	0.1546	0.6184	-	0.6184	0.5060		
Third interim	0.7305	0.1461	0.5844	-	0.5844	0.5412		
Final	0.8050	0.1610	0.6440	-	0.6440	0.5956		
Group 2								
First interim	0.3129	0.0626	0.2503	0.3697	0.6200	0.5000		
Second interim	0.2190	0.0438	0.1752	0.4432	0.6184	0.5060		
Third interim	0.2448	0.0490	0.1958	0.3886	0.5844	0.5412		
Final	0.3370	0.0674	0.2696	0.3744	0.6440	0.5956		

Sterling Class 'I-H' Accumulation shares								
Interest distributions for the year to 31 December	Gross income 2016	Income tax deducted 2016	Net income 2016	Equal- isation 2016	Distri 2016	ibution 2015		
Group 1	р	р	р	р	р	р		
First interim	0.8085	0.1617	0.6468	-	0.6468	0.5136		
Second interim	0.8135	0.1627	0.6508	-	0.6508	0.5290		
Third interim	0.7820	0.1564	0.6256	-	0.6256	0.5612		
Final	0.8220	0.1644	0.6576	-	0.6576	0.6300		
Group 2								
First interim	0.2190	0.0438	0.1752	0.4716	0.6468	0.5136		
Second interim	0.3659	0.0732	0.2927	0.3581	0.6508	0.5290		
Third interim	0.4208	0.0842	0.3366	0.2890	0.6256	0.5612		
Final	0.4599	0.0920	0.3679	0.2897	0.6576	0.6300		

## M&G Global Corporate Bond Fund Financial statements and notes

### Notes to the financial statements

### **24 Interest distribution tables** (continued)

Sterling Class 'R-H' Income shares								
Interest distributions for the year to 31 December	Gross income 2016	Income tax deducted 2016	Net income 2016	Equal- isation 2016	Distri 2016	ibution 2015		
Group 1	р	р	р	р	р	р		
First interim	0.7120	0.1424	0.5696	-	0.5696	0.4460		
Second interim	0.7070	0.1414	0.5656	-	0.5656	0.4612		
Third interim	0.6635	0.1327	0.5308	-	0.5308	0.4864		
Final	0.7570	0.1514	0.6056	-	0.6056	0.5528		
Group 2								
First interim	0.7120	0.1424	0.5696	0.0000	0.5696	0.4460		
Second interim	0.7070	0.1414	0.5656	0.0000	0.5656	0.4612		
Third interim	0.6635	0.1327	0.5308	0.0000	0.5308	0.4864		
Final	0.5735	0.1147	0.4588	0.1468	0.6056	0.5528		

Interest distributions for the year to 31 December	Gross income 2016	Income tax deducted 2016	Net income 2016	Equal- isation 2016	Distri 2016	ibution 2015
Group 1	р	р	р	р	р	р
First interim	0.7375	0.1475	0.5900	-	0.5900	0.4552
Second interim	0.7355	0.1471	0.5884	-	0.5884	0.4736
Third interim	0.6945	0.1389	0.5556	-	0.5556	0.5024
Final	0.7180	0.1436	0.5744	-	0.5744	0.5708
Group 2						
First interim	0.7375	0.1475	0.5900	0.0000	0.5900	0.4552
Second interim	0.7355	0.1471	0.5884	0.0000	0.5884	0.4736
Third interim	0.6945	0.1389	0.5556	0.0000	0.5556	0.5024
Final	0.7180	0.1436	0.5744	0.0000	0.5744	0.5708

Swiss franc Clas	ss 'A-H	' Accumul	ation sh	ares		
Interest distributions for the year to 31 December	Gross income 2016	Income tax deducted 2016	Net income 2016	Equal- isation 2016	Distri 2016	ibution 2015
Group 1	¢	¢	¢	¢	¢	¢
First interim	6.3031	-	6.3031	-	6.3031	5.0980
Second interim	6.3267	-	6.3267	-	6.3267	5.1779
Third interim	5.8886	-	5.8886	-	5.8886	5.4844
Final	5.4452	-	5.4452	-	5.4452	6.2674
Group 2						
First interim	6.3031	-	6.3031	0.0000	6.3031	5.0980
Second interim	6.3267	-	6.3267	0.0000	6.3267	5.1779
Third interim	5.8886	-	5.8886	0.0000	5.8886	5.4844
Final	5.4452	-	5.4452	0.0000	5.4452	6.2674

Swiss franc Class 'C-H' Accumulation shares								
Interest distributions for the year to 31 December	Gross income 2016	Income tax deducted 2016	Net income 2016	Equal- isation 2016	Distri 2016	ibution 2015		
Group 1	¢	¢	¢	¢	¢	¢		
First interim	7.5509	-	7.5509	-	7.5509	6.5424		
Second interim	7.8037	-	7.8037	-	7.8037	6.6016		
Third interim	7.3931	-	7.3931	-	7.3931	6.9128		
Final	6.9171	-	6.9171	-	6.9171	7.7036		
Group 2								
First interim	7.5509	-	7.5509	0.0000	7.5509	6.5424		
Second interim	7.8037	-	7.8037	0.0000	7.8037	6.6016		
Third interim	7.3931	-	7.3931	0.0000	7.3931	6.9128		
Final	6.9171	-	6.9171	0.0000	6.9171	7.7036		

US dollar Class 'A' Income shares								
Interest distributions for the year to 31 December	Gross income 2016	Income tax deducted 2016	Net income 2016	Equal- isation 2016	Distri 2016	ibution 2015		
Group 1	¢	¢	¢	¢	¢	¢		
First interim	6.5791	-	6.5791	-	6.5791	4.8492		
Second interim	6.3646	-	6.3646	-	6.3646	5.3020		
Third interim	5.9174	-	5.9174	-	5.9174	5.4296		
Final	6.2168	-	6.2168	-	6.2168	6.1974		
Group 2								
First interim	6.5791	-	6.5791	0.0000	6.5791	4.8492		
Second interim	6.3646	-	6.3646	0.0000	6.3646	5.3020		
Third interim	3.0979	-	3.0979	2.8195	5.9174	5.4296		
Final	6.2168	-	6.2168	0.0000	6.2168	6.1974		

Interest distributions for the year to 31 December	Gross income 2016	Income tax deducted 2016	Net income 2016	Equal- isation 2016	Distri 2016	ibution 2015
Group 1	¢	¢	¢	¢	¢	¢
First interim	6.7617	-	6.7617	-	6.7617	4.8716
Second interim	6.6040	-	6.6040	-	6.6040	5.4194
Third interim	6.1710	-	6.1710	-	6.1710	5.5308
Final	5.4680	-	5.4680	-	5.4680	6.4070
Group 2						
First interim	4.4783	-	4.4783	2.2834	6.7617	4.8716
Second interim	6.6040	-	6.6040	0.0000	6.6040	5.4194
Third interim	2.3001	-	2.3001	3.8709	6.1710	5.5308
Final	3.8192	-	3.8192	1.6488	5.4680	6.4070

US dollar Class 'C' Income shares						
Interest distributions for the year to 31 December	Gross income 2016	Income tax deducted 2016	Net income 2016	Equal- isation 2016	Distribution 2016 2015	
Group 1	¢	¢	¢	¢	¢	¢
First interim	7.7757	-	7.7757	-	7.7757	6.2440
Second interim	7.6949	-	7.6949	-	7.6949	6.7389
Third interim	7.3250	-	7.3250	-	7.3250	6.7212
Final	7.3035	-	7.3035	-	7.3035	7.4998
Group 2						
First interim	7.7757	-	7.7757	0.0000	7.7757	6.2440
Second interim	7.6949	-	7.6949	0.0000	7.6949	6.7389
Third interim	7.3250	-	7.3250	0.0000	7.3250	6.7212
Final	7.3035	-	7.3035	0.0000	7.3035	7.4998

Interest distributions for the year to 31 December	Gross income 2016	Income tax deducted 2016	Net income 2016	Equal- isation 2016	Distri 2016	ibution 2015
Group 1	¢	¢	¢	¢	¢	¢
First interim	8.1742	-	8.1742	-	8.1742	6.2820
Second interim	8.1105	-	8.1105	-	8.1105	6.8596
Third interim	7.7315	-	7.7315	-	7.7315	6.9628
Final	6.9888	-	6.9888	-	6.9888	7.8626
Group 2						
First interim	4.4539	-	4.4539	3.7203	8.1742	6.2820
Second interim	4.8640	-	4.8640	3.2465	8.1105	6.8596
Third interim	3.8824	-	3.8824	3.8491	7.7315	6.9628
Final	3.3000	-	3.3000	3.6888	6.9888	7.8626

# M&G Global Corporate Bond Fund Financial statements and notes

### M&G Investment Funds (5)

### Other regulatory disclosures

### Interest bearing assets

In accordance with the EU Savings Directive (2003/48/EC), we disclose the percentage of interest-bearing assets held.

	% of NAV
M&G Episode Macro Fund	94.03
M&G Global Corporate Bond Fund	98.68

The EU Savings Directive was abolished following the implementation of the Common Reporting Standard under Directive 2014/107/EU. Accordingly, this percentage will no longer be published for accounting periods ended on or after 1 January 2017.

### Remuneration

In line with the requirements of the Undertakings for Collective Investment in Transferable Securities (UCITS) V, the Manager is subject to a remuneration policy which is consistent with the principles outlined in SYSC19E of the FCA Handbook (UCITS Remuneration Code).

The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its staff is in line with the risk policies and objectives of the UCITS it manages. Further details of the remuneration policy applicable at an M&G Limited level can be found here: http://www.mandg.com/en/corporate/about-mg/our-people/.

Implementation of the UCITS Remuneration Code remains ongoing and will apply in full for the first time for M&G's 2017 performance year. Quantitative remuneration disclosures will be made following completion of the 2017 performance year (the relevant data/information to make these disclosures will only be available at this time).

### **Swiss investor information**

For funds registered in Switzerland we are required by FINMA to disclose the Total Expense Ratio (TER).

The TERs for M&G Episode Macro Fund are disclosed below. For M&G Global Corporate Bond Fund the TERs are the same as the Operating Charges detailed in the fund's financial highlights section.

			Total Expe	ense Ratio
		Share class	31.12.16	31.12.15
			%	%
M&G Episode Macro Fund	Euro	Class 'S-H'	s 'S-H' 1.97	1.95
		Class 'T-H'	0.95	0.95
	Sterling	Class 'S-H'	1.96	1.95
		Class 'T-H'	0.95	0.95
	Swiss franc	Class 'S-H'	1.95	1.95
		Class 'T-H'	0.95	0.95
	US dollar	Class 'S'	1.93	1.93
		Class 'T'	0.93	0.93

The TER shows the relevant annualised operating expenses of each share class from the most recent reporting period as a single percentage of the average net asset value for that share class over the same period.

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

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

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

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

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

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

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

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

**Bunds:** Fixed income securities issued by the German government.

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

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

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

**Cash equivalents:** Deposits or investments with similar characteristics to cash.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Equities: Shares of ownership in a company.

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

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

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

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

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

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

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

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

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

**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.

**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.

**Real yield:** The return of an investment, adjusted for changes in prices in an economy.

**Retail Prices Index (RPI):** A UK inflation index that measures the rate of change in prices for a basket of goods and services in the UK, including mortgage payments and council tax.

**Risk:** The chance that an investment's return will be different to what is expected. Risk includes the possibility of losing some or all of the original investment.

**Risk management:** The term used to describe the activities the fund manager undertakes to limit the risk of a loss in a fund.

**Risk premium:** The difference between the return from a risk-free asset, such as a high-quality government bond or cash, and the return from an investment in any other asset. The risk premium can be considered the 'price' or 'pay-off' for taking on increased risk. A higher risk premium implies higher risk.

**Risk-free asset:** An asset that notionally carries no risk of non-payment by the borrower such as a high-quality fixed income security issued by a government or cash.

**Risk/reward ratio:** A ratio comparing the expected returns of an investment with the amount of risk undertaken.

**Safe-haven assets:** Refers to assets that investors perceive to be relatively safe from suffering a loss in times of market turmoil.

**Security:** Financial term for a paper asset – usually a share in a company or a fixed income security also known as a bond.

**Share class:** Each M&G fund has different share classes, such as A, R and I. Each has a different level of charges and minimum investment. Details on charges and minimum investments can be found in the Key Investor Information Documents.

**Share class hedging:** Activities undertaken in respect of hedged shares to mitigate the impact on performance of exchange rate movements between the fund's currency exposure and the investor's chosen currency.

**Short position:** A way for a fund manager to express his or her view that the market might fall in value.

**Short selling:** This often refers to the practice whereby an investor sells an asset they do not own. The investor borrows the asset from someone who does own it and pays a fee. The investor must eventually return the borrowed asset by buying it in the open market. If the asset has fallen in price, the investor buys it for less than they sold it for, thus making a profit. The contrary may also occur.

**Short-dated corporate bonds:** Fixed income securities issued by companies and repaid over relatively short periods.

**Short-dated government bonds:** Fixed income securities issued by governments and repaid over relatively short periods.

**Sovereign debt:** Debt of a government. Also referred to as government bonds.

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

**Top-down investing:** An investment approach that analyses economic factors, ie surveys the 'big picture', before selecting which companies to invest in. The top-down investor will look at which industries are likely to generate the best returns in certain economic conditions and limit the search to that area.

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

Treasuries: Fixed income securities issued by the US government.

**Triple A or AAA rated:** The highest possible rating a fixed income security, also called a bond, can be assigned by credit rating agencies. Bonds that are rated AAA are perceived to have the lowest risk of default. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

**UCITS:** Stands for Undertakings for Collective Investment in Transferable Securities. This is the European regulatory framework for an investment vehicle that can be marketed across the European Union and is designed to enhance the single market in financial assets while maintaining high levels of investor protection.

**Unconstrained:** The term used to describe the mandate of a fund whereby the manager has the freedom to invest according to his or her own strategy, not being obliged to allocate capital according to the weightings of any index, for example.

**Underlying value:** The fundamental value of a company, reflecting both tangible and intangible assets, rather than the current market value.

**Underlying yield:** Refers to the income received by a managed fund, and is usually expressed annually as a percentage based on the fund's current value.

**Underweight:** If a portfolio is 'underweight' a stock, it holds a smaller proportion of that stock than the comparable index or sector.

**Unit trust:** A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

**Unit/share type:** Type of units/shares held by investors in a trust or fund (unit/share types differ by features such as whether income is to be paid out as cash or reinvested on the payment date).

**Valuation:** The worth of an asset or company based on its current price.

Volatile: When the value of a particular share, market or sector swings up and down fairly frequently and/or significantly, it is considered volatile.

**Volatility:** The degree to which a given security, fund, or index rapidly changes. It is calculated as the degree of deviation from the norm for that type of investment over a given time period. The higher the volatility, the riskier the security tends to be.

**Warrant:** A security issued by a company that gives the holder the right to buy shares in that company at a specified price and within a certain timeframe.

**Yield:** This refers to either the interest received from a fixed income security or to the dividends received from a share. It is usually expressed as a percentage based on the investment's costs, its current market value or its face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

**Yield (equity):** Refers to the dividends received by a holder of company shares and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

Yield (bonds): This refers to the interest received from a fixed income security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

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

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### Notes