



M&G Optimal Income Fund

Annual Long Report and audited Financial Statements
for the year ended 30 September 2016



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M&G Optimal Income Fund

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Optimal Income Fund presents its Annual Long Report and audited Financial Statements for the year ended 30 September 2016.

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

Company information

This Open-Ended Investment Company (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 Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000. The Company 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 FCA.

The Company was authorised on 17 November 2006 and the fund was launched on 8 December 2006.

The Company's principal activity is to carry on business as an 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 manager

Richard Woolnough is employed by M&G Limited which is an associate of M&G Securities Limited.

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)

Depository

National Westminster Bank Plc, Trustee & Depository 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 with effect from 1 August 2016, the M&G Optimal Income 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, and from income in the case of Accumulation shares.

This change will have no impact on the fund's investment approach. The fund's objective and policy will remain unchanged. All costs associated with introducing the change will be borne by M&G Securities Limited.

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 October 2016 the M&G Optimal Income Fund's prices for the sterling share classes are now calculated without income tax deducted.

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 Depository.

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.

M&G Optimal Income Fund

Authorised Corporate Director's Report

Investor information

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:

Raiffeisen Bank International AG,
Am Stadtpark 9, 1030 Wien, Austria

Belgian financial agent:

RBC Investor Services Belgium, Rogier Tower +10/43
Rogierplein 11 Place Rogier, 1210 Brussel, Belgium

Danish representative agent:

Nordea Bank Danmark A/S,
Issuer Services, Postboks 850, 0900 Copenhagen C, Denmark

French centralising agent:

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

German paying and information agent:

J.P. Morgan AG,
Junghofstraße 14, 60311 Frankfurt am Main, Germany

Irish facilities agent:

BNY Mellon Fund Services (Ireland) Limited,
Guild House, Guild Street, 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.,
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Luxembourg paying and information agent:

J.P. Morgan Bank Luxembourg S.A., European Bank & Business
Center, 6 c route de Trèves, 2633 Senningerberg, Luxembourg

Portuguese distributor:

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

Spanish representative:

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Calle Estafeta, No 6 Complejo Plaza de la Fuente,
La Moraleja 28109, Alcobendas, Madrid, Spain

Swedish paying agent:

Skandinaviska Enskilda Banken AB (publ),
Sergels Torg 2, 106 40 Stockholm, Sweden

Swiss paying agent:

JP Morgan Chase Bank,
National Association, Columbus, Zurich Branch,
Dreikönigstrasse 21, 8002 Zürich, Switzerland

Swiss representative:

Carnegie Fund Services S.A.,
11, rue du Général-Dufour, 1204 Genève, Switzerland

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 the fund 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.

M&G Optimal Income Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to provide a total return (the combination of income and growth of capital) to investors based on exposure to optimal income streams in investment markets.

Investment policy

The Fund aims to provide a total return (the combination of income and growth of capital) to investors through strategic asset allocation and specific stock selection. The Fund will be at least 50% invested in debt instruments, but may also invest in other assets including collective investment schemes, money market instruments, cash, near cash, deposits, equities and derivatives. Derivative instruments may be used for both investment purposes and efficient portfolio management.

Investment approach

The M&G Optimal Income Fund is a flexible bond fund, allowing investment across a broad range of fixed income assets according to where the fund manager identifies value. The investment approach begins with a top-down assessment of the macroeconomic environment, including the likely path of growth, inflation and interest rates. The results of this analysis help inform the fund's duration positioning and its allocation to the various bond asset classes. Individual credit selection is carried out in conjunction with M&G's in-house team of credit specialists, which provides bottom-up analysis of the corporate bond markets to complement the fund manager's views.

There are no restrictions on the amount of government bonds, investment grade bonds or high yield bonds that can be held within the portfolio. The fund may also invest in other assets, including cash, equities and derivatives. Derivative instruments may be used for both investment purposes and efficient portfolio management.

Risk profile

The fund is a flexible bond fund which invests in a range of fixed income securities. In addition, up to 20% of the portfolio may be invested in company shares when the fund manager believes they offer better value than bonds. The fund is therefore subject to the price volatility of global bond and stockmarkets as well as the performance of individual companies. The fund is also subject to fluctuations in currency exchange rates.

There are no restrictions on the amount of government bonds, investment grade bonds or high yield bonds that can be held within the portfolio. While government and investment grade bonds are generally highly liquid assets that are normally traded with relative ease, high yield corporate bonds are higher risk assets that could potentially experience a degree of illiquidity in times of market distress. The fund's exposure to company shares is typically through large companies, where the shares are normally traded with relative ease.

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

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

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



The above number:

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

Investment review

As at 3 October 2016, for the year ended 30 September 2016

Performance against objective

Between 1 October 2015 and 1 October 2016, the M&G Optimal Income Fund produced a positive total return (the combination of income and growth of capital) across all its share classes. ^[a]

The majority of the M&G Optimal Income Fund's holdings are split between high quality, or investment grade, corporate bonds and high yielding corporate bonds, with a smaller allocation to government bonds, as these typically provide liquidity and stability in uncertain markets.

Bonds are loans that are extended by an investor to an issuing entity – such as a company or government – in exchange for regular interest payments. Bonds issued by companies are referred to as 'corporate bonds', while those issued by governments are called 'government bonds'. 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.

M&G Optimal Income Fund

Authorised Corporate Director's Report

Investment review

Investment performance

The period in general was a challenging one for bond investors and the prices of all bond types described above saw considerable movement, driven by a complex picture of different political and macroeconomic factors. For much of the first half of the period, investors expressed their concerns for the outlook of the global economy by moving away from riskier assets into government bonds issued by core developed economies such as the US, UK and Germany, which are considered 'safe haven' assets. However, this picture was reversed in mid-February when sentiment improved and a strong rally in corporate bonds followed.

To look in more detail, at the start of the period, the mood was relatively benign and investors favoured corporate bonds over government bonds. By the end of 2015 though, sentiment had deteriorated in spite of the much-anticipated US interest rate rise. European Central Bank policy action disappointed investors and a tumbling oil price continued to weigh on investors' minds. This affected the US high yield market in particular. The US high yield market has significant exposure to the energy sector and many were concerned about the increasing likelihood that issuers would default on their commitments given the pressure posed by the prolonged period of low oil prices.

The mood darkened further in early 2016 as 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. In February, fears over banks' profitability added to existing worries over slowing global growth.

However, sentiment in bond markets reversed sharply in mid-February due to the combination of improving US economic data, sharp gains in oil prices and encouraging comments from China's central bank. Corporate bonds rallied strongly until the end of April, posting significant gains, particularly in US markets.

As is often the case, 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). Core corporate bond markets initially came under selling pressure while government bond prices rose sharply as the 'Leave' vote gathered momentum. But in the week before the vote, those losses were recouped after polls swung in favour of a 'Remain' vote. The vote to leave took investors by surprise and a huge, 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 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.

Against this backdrop, the M&G Optimal Income Fund generated a positive return across all of its share classes.

Investment activities

We adjust the positioning of the M&G Optimal Income Fund to reflect changes in our outlook regarding interest rates, credit risk (companies' ability to repay their debts) and changes in relative value among the different fixed income asset classes.

One of the key drivers of the fund's performance is the ability to reduce or increase the portfolio's sensitivity to changes in bond yields, otherwise known as 'duration'. (Bond yields refer to the interest received from a fixed income security, which is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value. Bond yields typically move in the opposite direction to bond prices.) The longer the duration, the more sensitive a bond/bond fund is to movements in interest rates.

We began the reporting period with a relatively short duration of around 2,3 years, and duration moved between 2 years and 2,5 years for the majority of the reporting period. The exceptions were in February, when we cut duration to its lowest ever level of 1,9 years in response to plunging bond yields, and late June, when we increased duration to 3,1 years in the wake of the UK's unexpected EU referendum result.

We did not make any major changes to the fund's exposure to government bonds, investment grade (higher rated) corporate bonds, or high yield bonds over the reporting period, although we made certain adjustments at times to capture where we believed the best value to lie. For example, we reduced the fund's government bond exposure in the early part of 2016 when government bond yields in a number of developed countries reached new lows, but then slightly increased this again later in the reporting period. The fund's high yield exposure rose from around 27% in October 2015 to closer to what we consider to be a neutral exposure of around one third of the portfolio, reaching around 32% by the period's end.

We continue to find value in long-dated investment grade bonds in US dollar-denominated issues, particularly in the very active new issue market. (Long-dated bonds refer to issues repaid over relatively long periods.)

We are able to invest a portion of the fund (up to 20%) in shares if we believe a company's stocks (equity) present a more attractive investment opportunity relative to its bonds. Having had virtually no exposure to equities for most of the reporting period, we added certain stocks, including Apple, Time Warner and Daimler, from July, taking the fund's exposure to around 5%.

Outlook

It will take some time before the consequences of the UK's historic decision to leave the EU are fully understood. What is certain is that the outcome changes the trajectory of the UK economy and, at least temporarily, raises questions over the future of the EU. Market volatility will also likely continue as investors express their reaction to that uncertainty. Much will depend on whether the UK remains in the single market and under what conditions, and the extent to which the remaining EU member states pull together.

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Investment review

Outlook (continued)

However, while the long-term outlook for the UK is uncertain, a confluence of factors point to a pick-up in the UK economy over the next few years. Economic indicators such as retail spending and employment look firm and monetary policy is now ultra-loose since the Bank of England's policy response to Brexit. Additionally, a weaker sterling will be favourable to exporters and manufacturers will likely increase production in the period before the UK exits the EU, which could be several years.

In the US, economic data suggests that the economy remains on track, helped by low interest rates and a lower oil price. Signs of inflation are beginning to appear and a robust labour market will continue to support this. We believe the US Federal Reserve will need to raise rates imminently to curb future inflation as monetary policy can act with a lag of up to two years.

In light of these views, we remain cautious on government bonds, which are trading at historically low yields, particularly in Europe and the UK. We believe these yields are too low in light of the firm economic environment described above. However, although we remain mindful of potential economic headwinds, we believe the outlook for developed economies will remain supportive of corporate bond prices.

Richard Woolnough

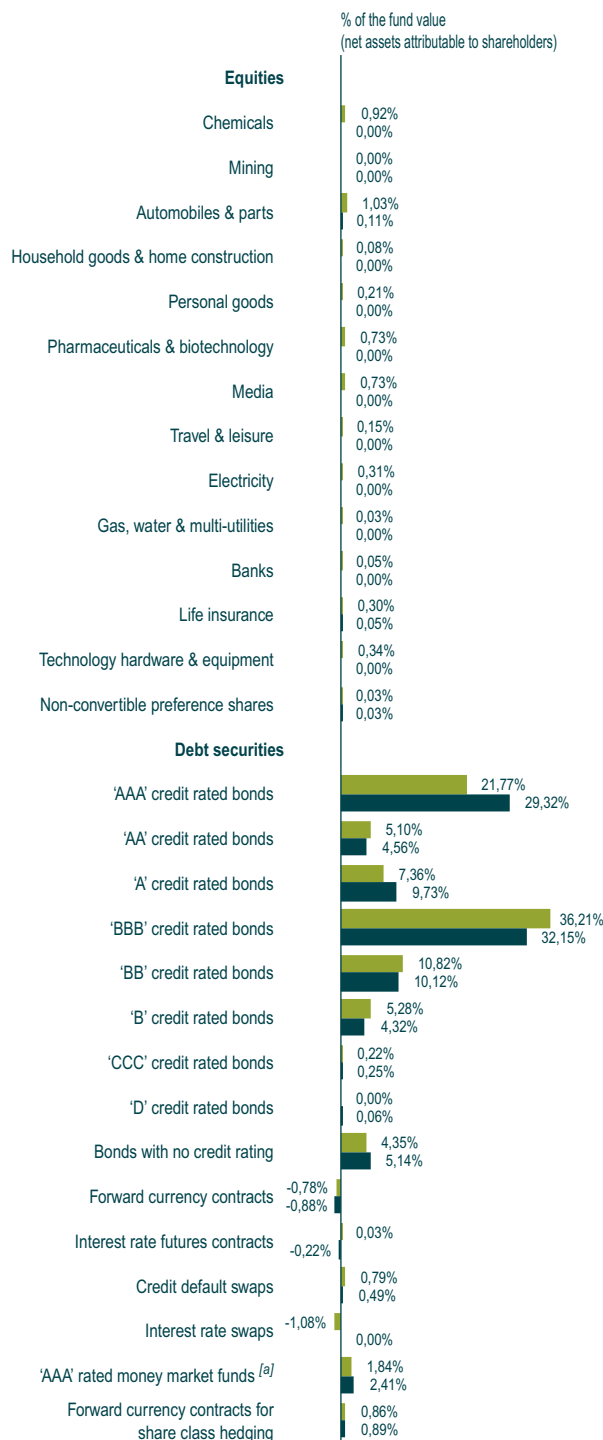
Fund manager

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.

Classification of investments



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

30 September 2016
30 September 2015

Source: M&G

M&G Optimal Income Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at 30 September Holding	2016 £'000	2016 %	2015 %
Equities	757.492	4,91	0,19
Chemicals	142.728	0,92	0,00
850.000 BASF	54.496	0,35	
600.000 Bayer	44.906	0,29	
240.000 Eastman Chemicals	12.289	0,08	
500.000 LyondellBasell	31.037	0,20	
Mining	8	0,00	0,00
16.891.144 New World Resources [a]	8	0,00	
Automobiles & parts	159.659	1,03	0,11
750.000 Bayerische Motoren Werke	46.818	0,30	
1.000.000 Daimler	52.641	0,34	
3.900.000 Ford Motor	36.011	0,23	
750.000 Magna International	24.189	0,16	
Household goods & home construction	12.368	0,08	0,00
100.000 Whirlpool	12.368	0,08	
Personal goods	32.201	0,21	0,00
250.000 LVMH	32.201	0,21	
Pharmaceuticals & biotechnology	111.938	0,73	0,00
450.000 AbbVie	21.807	0,14	
400.000 Novartis (Regd.)	24.099	0,16	
150.000 Roche Holding 'Genussscheine'	28.406	0,19	
650.000 Sanofi	37.626	0,24	
Media	112.954	0,73	0,00
560.000 Publicis Groupe	31.924	0,21	
3.300.000 Sky	29.486	0,19	
850.000 Time Warner	51.544	0,33	
Travel & leisure	23.370	0,15	0,00
6.000.000 International Consolidated Airlines Group	23.370	0,15	
Electricity	48.020	0,31	0,00
3.078.227 SSE	48.020	0,31	
Gas, water & multi-utilities	4.107	0,03	0,00
350.000 ENGIE	4.107	0,03	
Banks	7.577	0,05	0,00
200.000 BNP Paribas	7.577	0,05	
Life insurance	45.835	0,30	0,05
7.767.857 Aegon	22.265	0,15	
700.000 MetLife	23.570	0,15	
Technology hardware & equipment	51.917	0,34	0,00
600.000 Apple	51.917	0,34	
Non-convertible preference shares	4.810	0,03	0,03
3.700.000 Standard Chartered 8,25% Non-cum. Irrd. Pref.	4.810	0,03	
Debt securities	14.056.703	91,11	95,65
'AAA' credit rated bonds	3.358.321	21,77	29,32
£482.771 Alba FRN 2042 05-1A3	435	0,00	
£1.646.426 Alba FRN 2049	1.638	0,01	
£30.000.000 Bank of Scotland 4,875% 2024	38.565	0,25	
£5.727.274 Broadgate Financing FRN 2032	5.326	0,03	
£6.717.000 Dukinfield FRN 2052	6.723	0,04	
£5.997.000 European Investment Bank 3,75% 2027	7.591	0,05	
£65.000.000 European Investment Bank FRN 2021	65.037	0,42	
£50.000.000 European Investment Bank FRN 2022	49.452	0,32	
£2.612.664 First Flexible No.5 FRN 2034	2.504	0,02	

Portfolio statement (continued)

as at 30 September Holding	2016 £'000	2016 %	2015 %
'AAA' credit rated bonds (continued)			
€150.000.000 Germany (Federal Republic of) 0% 2020	132.434	0,86	
€70.000.000 Germany (Federal Republic of) 0,1% IL 2023	68.371	0,44	
€200.000.000 Germany (Federal Republic of) 0,25% 2018	174.737	1,13	
€400.000.000 Germany (Federal Republic of) 0,5% 2017	346.521	2,25	
€600.000.000 Germany (Federal Republic of) 0,5% Snr. 2017	523.053	3,39	
€300.000.000 Germany (Federal Republic of) 0,5% 2018	262.681	1,70	
€40.000.000 Germany (Federal Republic of) 0,75% 2017	34.640	0,22	
€300.000.000 Germany (Federal Republic of) 0,75% IL 2018	281.743	1,83	
€200.000.000 Germany (Federal Republic of) 1% 2018	178.254	1,16	
€300.000.000 Germany (Federal Republic of) 1,75% IL 2020	314.364	2,04	
€200.000.000 Germany (Federal Republic of) 4,25% 2018	187.291	1,21	
£37.099.000 Hawkmoor Mortgages FRN 2053	37.184	0,24	
£16.853.000 Lanark Master Issuer FRN 2054	16.910	0,11	
\$96.429.000 Microsoft 3,45% 2036	76.079	0,49	
\$25.000.000 Microsoft 3,7% 2046	19.695	0,13	
\$150.000.000 Microsoft 3,95% 2056	118.520	0,77	
\$200.000.000 Microsoft 4% 2055	159.139	1,03	
\$15.000.000 Microsoft 4,5% 2040	13.320	0,09	
\$100.000.000 Microsoft 4,75% 2055	90.022	0,58	
£11.498.690 Moorgate Funding FRN 2050 14-1	11.333	0,07	
£8.925.000 NewDay Partnership Funding FRN 2025 14-2A	8.833	0,06	
\$14.696.456 Paragon Mortgages No.14 FRN 2039 A2C	10.476	0,07	
\$5.368.112 Paragon Mortgages No.15 FRN 2039 A2C	3.802	0,03	
£2.731.217 Paragon Mortgages No.19 FRN 2041	2.733	0,02	
£11.959.000 Penarth Master Issuer FRN 2022 A	11.896	0,08	
£7.280.985 Precise Mortgage Fund No2 FRN 2047 B	7.243	0,05	
£1.789.615 Precise Mortgage Funding FRN 2047	1.777	0,01	
£4.729.917 Precise Mortgage Funding FRN 2048	4.700	0,03	
£1.285.691 Residential Mortgage Securities No. 26 FRN 2041	1.317	0,01	
£6.238.180 Residential Mortgage Securities No.28 FRN 2046 A	6.230	0,04	
£4.197.956 Resimac UK RMBS No.1 A FRN 2045	4.167	0,03	
£11.320.071 Rochester Financing No.1 FRN 2046	11.338	0,07	
£35.077.659 Slate FRN 2052	34.984	0,23	
£1.817.115 Tenterden Funding FRN 2044	1.823	0,01	
£7.458.581 THRONES Mortgages FRN 2049 A	7.395	0,05	
£9.476.749 Trinity Square FRN 2051	9.475	0,06	
£6.621.445 Warwick Finance Residential Mortgage FRN 2049	6.570	0,04	
'AA' credit rated bonds	786.476	5,10	4,56
£2.563.103 Alba FRN 2037 06-1B	2.274	0,01	
£20.000.000 Apple 3,05% 2029	22.931	0,15	
\$12.000.000 Apple 3,45% 2045	8.943	0,06	
\$40.000.000 Apple 4,65% 2046	35.719	0,23	
\$16.948.000 GE Capital International Fund 4,418% 2035	14.779	0,10	
\$1.432.000 General Electric Capital 5,875% 2038	1.488	0,01	
£208.191 General Electric Capital 6,44% 2022	236	0,00	

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Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 30 September	2016	2016	2015
Holding	£'000	%	%
'AA' credit rated bonds (continued)			
\$3,579,000 General Electric Capital 6,75% 2032	3,878	0,03	
£18,000,000 Land Securities Capital Markets Var. Rate 2025 (4,875%)	22,205	0,14	
£7,500,000 Land Securities Capital Markets Var. Rate 2026 A4 (5,391%)	9,526	0,06	
£37,000,000 Land Securities Capital Markets Var. Rate 2027 A5 (5,391%)	48,303	0,31	
£7,000,000 Land Securities Capital Markets Var. Rate 2036 (5,125%)	9,935	0,06	
€3,880,000 Paragon Mortgages No.10 FRN 2041 A2B	3,080	0,02	
£195,049 Paragon Mortgages No.10 FRN 2041 B1A	167	0,00	
£746,180 Paragon Mortgages No.11 FRN 2041 A2A	698	0,01	
€3,927,264 Paragon Mortgages No.11 FRN 2041 A2B	3,176	0,02	
€9,534,216 Paragon Mortgages No.12 FRN 2038 A2B	7,648	0,05	
€1,535,195 Paragon Mortgages No.13 FRN 2039 A2B	1,243	0,01	
\$7,958,932 Paragon Mortgages No.13 FRN 2041 A2C	5,637	0,04	
\$15,000,000 Pfizer 7,2% 2039	17,743	0,12	
\$5,000,000 Security Capital Group 7,7% 2028	5,444	0,04	
£20,326,000 Slate FRN 2051	19,734	0,13	
£20,000,000 SLM Student Loan Trust 5,15% 2039	16,862	0,11	
£14,000,000 SNCF 5,375% 2027	19,208	0,12	
£14,441,000 Towd Point Mortgage Funding FRN 2046	14,369	0,09	
£3,400,000 Toyota Motor Credit 2,413% IL 2017	4,496	0,03	
£20,000,000 Transport for London 2,25% 2022	21,762	0,14	
£200,000,000 Treasury 1% 2017	201,674	1,31	
£200,000,000 Treasury 1,75% 2017	201,004	1,30	
£5,000,000 Trinity Square 15-1 FRN 2051 'B'	4,887	0,03	
\$50,000,000 US Treasury 0,125% IL 2020	40,430	0,26	
£3,342,377 Virgil Mortgage No.1 FRN 2045	3,343	0,02	
\$5,050,000 Wal-Mart Stores 6,2% 2038	5,610	0,04	
\$2,000,000 Wal-Mart Stores 6,5% 2037	2,285	0,01	
£6,000,000 Warwick Finance Residential Mortgage FRN 2049	5,759	0,04	
	1,135,744	7,36	9,73
'A' credit rated bonds			
\$1,761,528 Air Canada 4,125% 2026	1,437	0,01	
£7,572,900 Alba FRN 2038	6,889	0,04	
£797,735 Alba FRN 2042 05-1C	683	0,00	
€18,000,000 Allianz Finance II Var. Rate 2041 (5,75%)	18,001	0,12	
€17,500,000 Allianz Var. Rate 2042 (5,625%)	17,886	0,12	
€15,000,000 Allianz Var. Rate Perp. (3,375%)	13,177	0,09	
\$15,000,000 América Móvil 6,125% 2040	13,861	0,09	
\$25,000,000 Amgenc 4,663% 2051	20,683	0,13	
\$60,000,000 Anheuser-Busch InBev 3,65% 2026	49,755	0,32	
\$36,000,000 Anheuser-Busch InBev 4,7% 2036	32,179	0,21	
€3,000,000 Aon 2,875% 2026	2,928	0,02	
€6,050,000 Aquarius Plus Investments Var. Rate 2043 (4,25%)	5,825	0,04	
£5,000,000 BG Energy Capital 5,125% 2025	6,507	0,04	
\$14,888,000 BP Capital Markets 3,017% 2027	11,672	0,08	
\$13,520,166 British Airways 4,625% 2025	11,141	0,07	
€668,133 Brunel Residential Mortgages No.1 FRN 2039 A4A	575	0,00	

Portfolio statement (continued)

as at 30 September	2016	2016	2015
Holding	£'000	%	%
'A' credit rated bonds (continued)			
\$13,893,000 Cloverie Var. Rate 2046 (5,625%)	11,527	0,07	
€19,300,000 Cloverie Var. Rate 2039 (7,5%)	19,453	0,13	
€1,000,000 Cloverie Var. Rate 2042 (6,625%)	1,095	0,01	
\$3,600,000 Comcast 4,4% 2035	3,165	0,02	
£5,600,000 Comcast 5,5% 2029	7,962	0,05	
\$6,000,000 Comcast 6,45% 2037	6,425	0,04	
\$4,500,000 Comcast 6,55% 2039	4,935	0,03	
\$3,500,000 Comcast 6,95% 2037	3,951	0,03	
\$5,783,000 Comcast Cable Communication 8,5% 2027	6,429	0,04	
€3,000,000 Demeter Investment Var. Rate 2046 (3,5%)	2,697	0,02	
£6,300,000 EDF 5,125% 2050	8,826	0,06	
\$4,200,000 EDF 5,25% 2055	3,426	0,02	
\$35,000,000 EDF 6% 2114	29,183	0,19	
£40,500,000 EDF 6% 2114	64,518	0,42	
€9,995,000 ELM Var. Rate Perp. (2,6%)	8,278	0,05	
£6,300,000 ELM Var. Rate Perp. (6,3024%)	6,921	0,04	
€995,987 E-MAC NL 2005-III FRN 2038	798	0,01	
€3,312,209 E-MAC Program FRN 2046 A2	2,564	0,02	
\$40,000,000 EMD Finance 3,25% 2025	31,478	0,20	
€23,730,000 ENGIE (formerly GDF Suez) 5,95% 2111	36,196	0,23	
£1,546,617 Eurosail-UK FRN 2045	1,471	0,01	
€1,285,840 Eurosail-UK FRN 2045 07-1NC	1,073	0,01	
£5,000,000 Friends Life 8,25% 2022	6,305	0,04	
\$21,882,000 General Electric 5% 2049	17,909	0,12	
€4,400,636 Great Hall Mortgages No.1 FRN 2038 A2B	3,644	0,02	
\$9,512,673 Great Hall Mortgages No.1 FRN 2039 AC	6,888	0,04	
£2,613,718 Greene King Finance 4,0643% 2035	2,874	0,02	
£8,242,000 Greene King Finance FRN 2033 A5	7,904	0,05	
\$1,604,461 Hawaiian Airlines 3,9% 2027	1,250	0,01	
£44,600,000 Heathrow Funding 6,75% 2028	64,914	0,42	
£3,250,000 Heathrow Funding Var. Rate 2023 (9,2%)	4,378	0,03	
£4,222,000 Heathrow Funding Var. Rate 2030 (7,075%)	6,513	0,04	
\$4,250,000 HSBC 9,125% 2021	4,126	0,03	
£8,756,000 HSBC Bank Var. Rate 2030 (5,375%)	10,099	0,07	
£5,500,000 INTU Finance 4,625% 2028	6,598	0,04	
£290,841 Landmark Mortgage Securities FRN 2038	284	0,00	
£1,647,294 Landmark Mortgage Securities FRN 2039	1,447	0,01	
£10,614,167 Landmark Mortgage Securities FRN 2044	9,586	0,06	
\$8,000,000 Legrande France 8,5% 2025	8,479	0,05	
£11,801,394 Ludgate Funding FRN 2061 (A2A)	10,623	0,07	
£6,169,953 Mansard Mortgages FRN 2049	5,741	0,04	
£2,253,168 Marble Arch Residential Securitisation No.4 FRN 2040	2,231	0,01	
€900,000 Marble Arch Residential Securitisation No.4 FRN 2040	721	0,00	
£750,000 Marstons Issuer Var. Rate 2027 (5,1576%)	766	0,00	
£2,000,000 Marstons Issuer Var. Rate 2032 (5,1774%)	2,295	0,02	
£3,509,730 Mitchells & Butlers Finance 5,574% 2030	4,118	0,03	
£1,929,250 Mitchells & Butlers Finance 5,965% 2025	2,170	0,01	
£2,777,852 Mitchells & Butlers Finance 6,013% 2030	3,335	0,02	
\$11,367,750 Mitchells & Butlers Finance FRN 2030	7,468	0,05	

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Portfolio statement (continued)

as at 30 September Holding	2016 £'000	2016 %	2015 %
'A' credit rated bonds (continued)			
£189.463 Mitchells & Butlers Finance FRN 2030 A1N	161	0,00	
£10.000.000 Mitchells & Butlers Finance FRN 2033	7.600	0,05	
£1.670.130 Money Partners No2 FRN 2039	1.576	0,01	
£1.052.946 Money Partners No2 FRN 2039 M1B	827	0,01	
£1.600.398 Money Partners No3 FRN 2039 A2A	1.493	0,01	
£1.771.298 Money Partners Securities FRN 2040	1.681	0,01	
£2.953.727 Mortgages No.6 FRN 2037	2.791	0,02	
£6.864.979 Mortgages No.7 FRN 2038 A2	6.516	0,04	
£15.000.000 Munich Re Finance Var. Rate 2028 (7,625%)	16.409	0,11	
£10.500.000 Munich Re Finance Var. Rate 2042 (6,625%)	12.409	0,08	
£26.911.000 National Grid 2,125% 2028	27.885	0,18	
£4.000.000 National Grid Electricity Transmission 3,806% IL 2020	7.133	0,05	
£2.482.945 Newgate Funding FRN 2050 A2	2.448	0,02	
£5.610.964 Newgate Funding FRN 2050 A3A	5.094	0,03	
£1.556.639 Newgate Funding FRN 2050 A4	1.482	0,01	
£1.360.831 Paragon Mortgages No.11 FRN 2041 B1A	1.175	0,01	
€8.000.000 Paragon Mortgages No.13 FRN 2039 B1B	5.849	0,04	
€1.000.000 Paragon Mortgages No.15 FRN 2039 B1B	643	0,00	
\$11.423.790 Paragon Mortgages No.7 FRN 2034 A1A	8.186	0,05	
€192.318 Preferred Residential Securities FRN 2040	165	0,00	
£2.530.000 Province of Quebec 12,25% 2020	3.470	0,02	
€2.730.600 Residential Mortgage Securities No.22 FRN 2039 A3C	2.197	0,01	
£1.408.727 RMAC 2005-Ns1 FRN 2037 A2A	1.281	0,01	
€1.576.933 RMAC 2005-Ns1 FRN 2037 A2C	1.247	0,01	
\$430.765 RMAC 2005-Nsp2 FRN 2037 A2B	305	0,00	
£2.698.041 RMAC 2006-Ns1 FRN 2044 A2A	2.445	0,02	
€2.193.075 RMAC 2006-Ns2 FRN 2044 A2C	1.726	0,01	
£29.255.318 RMAC 2006-Ns4 FRN 2044 A3A	26.496	0,17	
€1.584.832 RMAC 2006-Ns4 FRN 2044 M1C	1.176	0,01	
£4.759.328 RMAC Securities No1 FRN 2044 06-NS-3 A2a	4.279	0,03	
\$6.000.000 Shell International Finance 3,625% 2042	4.486	0,03	
\$20.000.000 Shell International Finance 4% 2046	15.872	0,10	
\$5.000.000 Shell International Finance 6,375% 2038	5.245	0,03	
£2.500.000 Slate No.1 FRN 2051	2.399	0,02	
£2.500.000 Suncorp Insurance Funding Var. Rate 2027 (6,25%)	2.516	0,02	
£9.000.000 Thames Water Utilities Cayman 7,241% 2058	9.819	0,06	
£1.250.000 Thames Water Utilities Finance 3,375% IL 2021	2.265	0,02	
£18.000.000 Thames Water Utilities Finance 6,75% 2028	27.903	0,18	
£6.000.000 UNITE (USAF) II 3,374% 2023	6.665	0,04	
£2.303.000 UNITE (USAF) II 3,921% 2030	2.687	0,02	
£10.354.000 Wells Fargo 2% 2025	10.433	0,07	
\$6.000.000 Wells Fargo 3,45% 2023	4.791	0,03	

Portfolio statement (continued)

as at 30 September Holding	2016 £'000	2016 %	2015 %
'A' credit rated bonds (continued)			
\$65.000.000 Wells Fargo 4,1% 2026	53.453	0,35	
\$30.000.000 Wells Fargo 4,125% 2023	24.831	0,16	
\$20.000.000 Wells Fargo 4,3% 2027	16.681	0,11	
£3.500.000 Wells Fargo 4,875% 2035 (formerly Wachovia 4,875% 2035)	4.430	0,03	
£50.000.000 Wells Fargo 5,25% 2023	60.861	0,39	
£5.500.000 Western Power Distribution 3,875% 2024	6.444	0,04	
£10.000.000 Western Power Distribution 5,25% 2023	12.374	0,08	
£15.000.000 Western Power Distribution 6% 2025	20.389	0,13	
\$2.000.000 Willow No.2 (Ireland) Var. Rate 2045 (4,25%)	1.501	0,01	
£2.214.000 Yorkshire Water Services 3,625% 2029	2.677	0,02	
£2.000.000 Yorkshire Water Services Odsal Finance 6,5876% 2023	2.641	0,02	
	5.586.748	36,21	32,15
'BBB' credit rated bonds			
£5.000.000 3i Group 6,875% 2023	6.492	0,04	
£5.000.000 3i Group Var Rate. 2032 (5,75%)	6.914	0,05	
£4.000.000 AA Bond Company 4,2487% 2043	4.324	0,03	
€2.500.000 ABN AMRO Bank 6,375% 2021	2.638	0,02	
\$5.000.000 Actavis Funding 3,8% 2025	4.090	0,03	
€20.000.000 Albemarle 1,875% 2021	18.229	0,12	
£22.600.000 América Móvil Var. Rate 2073 (6,375%)	24.150	0,16	
£10.000.000 Anglian Water Services 4,5% 2026	12.133	0,08	
£2.830.000 Annington Finance No.4 8,07% 2023	3.767	0,02	
£4.000.000 APT Pipelines 4,25% 2024	4.572	0,03	
\$25.000.000 AT&T 3,95% 2025	20.559	0,13	
£40.000.000 AT&T 4,25% 2043	47.595	0,31	
\$20.000.000 AT&T 4,3% 2042	15.273	0,10	
\$20.000.000 AT&T 4,35% 2045	15.351	0,10	
£58.000.000 AT&T 4,375% 2029	70.493	0,46	
\$6.000.000 AT&T 4,5% 2035	4.887	0,03	
\$188.581.000 AT&T 4,5% 2048	146.716	0,95	
\$100.237.000 AT&T 4,55% 2049	78.427	0,51	
\$25.000.000 AT&T 4,8% 2044	20.330	0,13	
£31.328.000 AT&T 4,875% 2044	41.100	0,27	
\$6.000.000 AT&T 5,15% 2042	5.082	0,03	
£7.500.000 AT&T 5,2% 2033	9.913	0,06	
\$8.369.000 AT&T 5,35% 2040	7.254	0,05	
\$34.000.000 AT&T 5,65% 2047	31.296	0,20	
\$15.000.000 AT&T 6,35% 2039	14.550	0,09	
\$13.000.000 AT&T 6,375% 2041	12.463	0,08	
£4.953.000 Aviva Var Rate 2049 (4,375%)	4.895	0,03	
£42.250.000 Aviva Var. Rate 2036 (6,125%)	47.830	0,31	
£18.000.000 Aviva Var. Rate 2041 (6,625%)	20.033	0,13	
€12.096.000 Aviva Var. Rate 2044 (3,875%)	10.646	0,07	
£18.001.000 Aviva Var. Rate 2050 (5,125%)	18.712	0,12	
£33.000.000 Aviva Var. Rate 2058 (6,875%)	40.099	0,26	
£10.000.000 Aviva Var. Rate Perp. (6,125%)	10.701	0,07	
€15.500.000 AXA Var. Rate 2047 (3,375%)	13.741	0,09	
£40.000.000 AXA Var. Rate 2054 (5,625%)	44.563	0,29	
£10.000.000 AXA Var. Rate Perp. (5,453%)	10.550	0,07	
£18.775.000 AXA Var. Rate Perp. (6,8862%)	20.989	0,14	
€19.331.110 AyT Hipotecario Mixto FRN 2041	15.744	0,10	
£19.668.000 Bank of America 2,3% 2025	19.906	0,13	
\$26.717.000 Bank of America 3,95% 2025	21.380	0,14	
\$19.940.000 Bank of America 4% 2024	16.591	0,11	
\$15.000.000 Bank of America 4% 2025	12.046	0,08	
\$30.000.000 Bank of America 4,2% 2024	24.524	0,16	
\$100.000.000 Bank of America 4,25% 2026	81.791	0,53	

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Portfolio statement (continued)			
as at 30 September Holding	2016 £'000	2016 %	2015 %
'BBB' credit rated bonds (continued)			
£16.500.000 Bank of America 5,5% 2021	19.117	0,12	
£5.000.000 Bank of America 8,125% 2028	7.217	0,05	
£7.500.000 Bank of Scotland 10,5% 2018	8.344	0,05	
£2.700.000 Bank of Scotland 6,375% 2019	3.029	0,02	
£17.600.000 Bank of Scotland 9,375% 2021	23.087	0,15	
\$4.750.000 Basell Finance 8,1% 2027	4.941	0,03	
€20.000.000 Bayer Var. Rate 2075 (3%)	17.357	0,11	
£12.500.000 BG Energy Capital Var. Rate 2072 (6,5%)	13.168	0,09	
€40.500.000 BNP Paribas 2,375% 2025	35.997	0,23	
€11.773.000 BNP Paribas 2,75% 2026	10.722	0,07	
\$10.000.000 BNP Paribas Var. Rate Perp. (7,625%)	7.849	0,05	
£7.000.000 Bouygues 5,5% 2026	9.204	0,06	
\$53.000.000 British Telecommunications Var. Rate 2030 (9,875%)	66.455	0,43	
\$10.500.000 CBS 4,85% 2042	8.515	0,06	
\$3.000.000 CBS 5,9% 2040	2.766	0,02	
\$15.000.000 Centrica 4% 2023	12.265	0,08	
€13.750.000 Channel Link Enterprises Finance FRN 2050	11.825	0,08	
\$2.696.000 Cimarex Energy 5,875% 2022	2.174	0,01	
\$31.667.000 Citigroup 3,5% 2023	25.121	0,16	
\$10.000.000 Citigroup 4% 2024	8.085	0,05	
\$35.000.000 Citigroup 4,3% 2026	28.306	0,18	
\$32.006.000 Citigroup 4,4% 2025	26.206	0,17	
\$14.955.000 Citigroup 5,5% 2025	13.114	0,08	
\$5.000.000 Citigroup 6,625% 2032	4.785	0,03	
€3.750.000 Commerzbank 4% 2026	3.218	0,02	
€5.000.000 Commerzbank 7,75% 2021	5.006	0,03	
\$12.000.000 Commerzbank 8,125% 2023	10.662	0,07	
€20.000.000 Crédit Agricole 2,625% 2027	17.852	0,12	
\$5.000.000 Crédit Agricole 4,375% 2025	3.941	0,03	
€8.000.000 Credit Agricole Var. Rate 2048 (4,75%)	6.894	0,05	
£6.758.000 CRH Finance 4,125% 2029	8.200	0,05	
£5.000.000 Daily Mail & General Trust 5,75% 2018	5.425	0,04	
£19.000.000 Daily Mail & General Trust 6,375% 2027	23.890	0,15	
\$12.000.000 Delphi 4,15% 2024	9.886	0,06	
\$6.000.000 Delphi 4,25% 2026	5.018	0,03	
\$2.000.000 Demeter Investments Var. Rate 2050 (5,75%)	1.618	0,01	
\$14.000.000 Deutsche Telekom International Finance 4,875% 2042	12.717	0,08	
\$49.000.000 Deutsche Telekom International Finance 8,75% 2030	58.823	0,38	
£10.000.000 Deutsche Telekom International Finance 8,875% 2028	17.431	0,11	
\$16.000.000 Deutsche Telekom International Finance 9,25% 2032	20.005	0,13	
\$5.000.000 Dominion Resources Var. Rate 2054 (5,75%)	4.000	0,03	
\$3.000.000 Dow Chemical 4,375% 2042	2.354	0,02	
\$7.666.000 Dow Chemical 4,625% 2044	6.282	0,04	
\$7.500.000 E.ON International Finance 6,65% 2038	7.297	0,05	
\$7.000.000 El Paso Pipeline 4,30% 2024	5.574	0,04	
€10.000.000 Elenia Finance 2,875% 2020	9.369	0,06	
€8.800.000 ELM Var. Rate Perp. (4,5%)	7.720	0,05	

Portfolio statement (continued)

as at 30 September Holding	2016 £'000	2016 %	2015 %
'BBB' credit rated bonds (continued)			
£2.000.000 Enel Finance International 5,625% 2024	2.537	0,02	
£39.500.000 Enel Finance International 5,75% 2040	55.633	0,36	
\$3.500.000 Enel Finance International 6% 2039	3.296	0,02	
\$9.450.000 Enel Finance International 6,8% 2037	9.577	0,06	
\$7.000.000 Energy Transfer Partners 4,9% 2024	5.608	0,04	
\$2.000.000 Energy Transfer Partners 4,9% 2035	1.436	0,01	
\$3.000.000 Energy Transfer Partners 6,125% 2045	2.411	0,02	
\$29.000.000 Energy Transfers Partners 4,05% 2025	22.113	0,14	
\$10.000.000 Energy Transfers Partners 5,15% 2045	7.202	0,05	
\$14.285.000 Energy Transfers Partners 6,5% 2042	11.623	0,08	
£16.000.000 ENGIE (formerly GDF Suez) Var. Rate Perp. (4,625%)	16.732	0,11	
£4.000.000 Eversholt Funding 6,697% 2035	5.796	0,04	
£6.000.000 Fidelity International 6,75% 2020	7.051	0,05	
£4.000.000 Fidelity International 7,125% 2024	5.146	0,03	
£613.947 First Flexible FRN 2034 (3,19188%)	616	0,00	
£6.000.000 FirstGroup 6,125% 2019	6.618	0,04	
£6.000.000 FirstGroup 6,875% 2024	8.002	0,05	
£5.000.000 FirstGroup 8,75% 2021	6.471	0,04	
\$3.700.000 Ford Motor Company 9,215% 2021	3.692	0,02	
\$23.920.000 Ford Motor Credit 4,389% 2026	19.847	0,13	
£3.000.000 Gatwick Funding 5,25% 2024	3.764	0,02	
£15.000.000 Gatwick Funding 6,125% 2028	20.627	0,13	
\$25.000.000 General Motors Financial 3,15% 2020	19.654	0,13	
\$29.000.000 General Motors Financial 4% 2025	22.704	0,15	
\$6.846.000 General Motors Financial 6,6% 2036	6.348	0,04	
£20.000.000 GKN Holdings 5,375% 2022	23.819	0,15	
£5.000.000 GKN Holdings 6,75% 2019	5.776	0,04	
£17.500.000 Goldman Sachs Group 4,25% 2026	20.065	0,13	
£34.000.000 Goldman Sachs Group 5,5% 2021	39.015	0,25	
\$20.100.000 Goldman Sachs Group 5,95% 2027	18.445	0,12	
£16.000.000 Goldman Sachs Group 6,875% 2038	23.154	0,15	
£9.300.000 Goldman Sachs Group 7,125% 2025	12.914	0,08	
\$2.500.000 Goodman Hong Kong 4,375% 2024	2.083	0,01	
£4.515.000 Grainger 5% 2020	4.895	0,03	
£8.000.000 H.J. Heinz Finance 6,25% 2030	11.107	0,07	
\$11.400.000 HCA Holdings 4,25% 2019	9.145	0,06	
\$20.000.000 HCA Holdings 4,5% 2027	15.446	0,10	
\$14.273.000 HCA Holdings 4,75% 2023	11.454	0,07	
\$25.727.000 HCA Holdings 5% 2024	20.923	0,14	
\$23.077.000 HCA Holdings 5,25% 2025	18.913	0,12	
\$12.500.000 HCA Holdings 5,875% 2022	10.616	0,07	
\$50.000.000 HCA Holdings 6,5% 2020	42.663	0,28	
\$15.000.000 HCP 3,4% 2025	11.429	0,07	
£10.000.000 Heathrow Funding 7,125% 2024	13.459	0,09	
£1.214.000 Hiscox Var. Rate 2045 (6,125%)	1.286	0,01	
£30.300.000 HSBC Holdings 6,75% 2028	38.758	0,25	
£10.000.000 Iberdrola Finanzas 6% 2022	12.661	0,08	
\$5.000.000 Imperial Brands Finance (formerly Imperial Tobacco Finance) 5,5% 2026	6.581	0,04	
£19.500.000 Imperial Brands Finance (formerly Imperial Tobacco Finance) 8,125% 2024	28.158	0,18	
£30.000.000 Imperial Brands Finance (formerly Imperial Tobacco Finance) Var. Rate 2022 (9%)	41.733	0,27	

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Portfolio statement (continued)

as at 30 September Holding	2016 £'000	2016 %	2015 %
'BBB' credit rated bonds (continued)			
€23.130.000 ING Bank 3,625% 2026	21.669	0,14	
\$20.000.000 ING Bank Var. Rate 2023 (4,125%)	15.799	0,10	
£14.400.000 ING Bank Var. Rate 2023 (6,875%)	15.435	0,10	
£12.000.000 InterContinental Hotels 3,875% 2022	13.485	0,09	
\$19.950.000 International Paper 3% 2027	15.381	0,10	
\$25.000.000 International Paper 4,4% 2047	19.445	0,13	
\$20.000.000 Intesa Sanpaolo 5,25% 2024	16.768	0,11	
£16.861.000 INTU Finance 4,125% 2028	19.082	0,12	
£14.500.000 Italy (Republic of) 5,25% 2034	18.534	0,12	
£64.000.000 Italy (Republic of) 6% 2028	84.032	0,54	
\$14.000.000 JPMorgan Chase 3,375% 2023	11.100	0,07	
\$110.000.000 JPMorgan Chase 3,875% 2024	89.678	0,58	
\$120.000.000 JPMorgan Chase 4,125% 2026	98.986	0,64	
\$2.000.000 Kerr-McGee 6,95% 2024	1.832	0,01	
\$15.102.000 Kinder Morgan 4,3% 2025	12.110	0,08	
\$45.000.000 Kinder Morgan 5,05% 2046	33.080	0,21	
\$40.000.000 Kinder Morgan 5,55% 2045	31.594	0,21	
\$4.000.000 Kinder Morgan 5,625% 2023	3.360	0,02	
\$2.500.000 Kinder Morgan 7,75% 2032	2.320	0,02	
\$9.917.000 Kinder Morgan Energy Partners 3,5% 2021	7.895	0,05	
\$4.898.000 Kinder Morgan Energy Partners 3,95% 2022	3.945	0,03	
\$25.600.000 Kinder Morgan Energy Partners 4,15% 2024	20.203	0,13	
\$20.000.000 Kinder Morgan Energy Partners 4,25% 2024	15.899	0,10	
\$3.500.000 Kinder Morgan Energy Partners 5,8% 2035	2.813	0,02	
\$3.000.000 Kinder Morgan Energy Partners 6,95% 2038	2.623	0,02	
\$8.800.000 Kohls 4,25% 2025	7.045	0,05	
\$35.700.000 KPN 8,375% 2030	38.763	0,25	
€20.000.000 Kraft Heinz 2,25% 2028	18.713	0,12	
£8.000.000 Kraft Heinz 4,125% 2027	9.403	0,06	
\$15.000.000 Lear 5,25% 2025	12.398	0,08	
£26.000.000 Legal & General Group Var. Rate 2041 (10%)	34.007	0,22	
£40.000.000 Legal & General Group Var. Rate 2045 (5,375%)	42.352	0,27	
£30.000.000 Legal & General Group Var. Rate 2064 (5,5%)	30.808	0,20	
£5.670.000 Legal & General Group Var. Rate Perp. (5,875%)	5.894	0,04	
£12.744.000 Lend Lease Europe 6,125% 2021	14.904	0,10	
\$14.881.000 Liberty Mutual 4,25% 2023	12.412	0,08	
€5.000.000 Liberty Mutual Group 2,75% 2026	4.649	0,03	
\$5.000.000 Lima Metro Line 2 Finance 5,875% 2034	4.267	0,03	
£7.500.000 Liverpool Victoria Friendly Society Var. Rate 2043 (6,5%)	7.434	0,05	
£25.000.000 Lloyds Bank 7,625% 2025	33.178	0,22	
£4.500.000 Lloyds Bank Var. Rate 2025 (5,75%)	4.972	0,03	
£27.000.000 Lloyds Bank 9,625% 2023	37.554	0,24	
€1.500.000 Ludgate Funding FRN 2061 (BB)	1.059	0,01	
\$6.000.000 LYB International Finance 4,875% 2044	5.004	0,03	
\$15.000.000 LyondellBasell Industries 4,625% 2055	11.283	0,07	
\$17.000.000 Marks & Spencer 7,125% 2037 144A	16.474	0,11	

Portfolio statement (continued)

as at 30 September Holding	2016 £'000	2016 %	2015 %
'BBB' credit rated bonds (continued)			
£4.000.000 McDonalds 4,125% 2054	5.239	0,03	
£12.000.000 McDonalds 5,875% 2032	17.287	0,11	
\$5.500.000 McDonalds 6,3% 2037	5.652	0,04	
\$12.000.000 McDonalds 6,3% 2038	12.330	0,08	
£72.250.000 Mexico (United Mexican States) 5,625% 2114	80.198	0,52	
\$10.000.000 Mexico (United Mexican States) 5,75% 2110	8.180	0,05	
\$12.000.000 Mizuho Finance (Cayman) 4,6% 2024	10.193	0,07	
£14.500.000 Mondelēz International 3,875% 2045	16.611	0,11	
£25.000.000 Mondelez International 4,5% 2035	30.838	0,20	
\$28.000.000 Monsanto 4,4% 2044	22.376	0,15	
\$17.000.000 Monsanto 4,7% 2064	12.490	0,08	
\$20.000.000 Morgan Stanley 3,7% 2024	16.288	0,11	
\$15.000.000 Morgan Stanley 3,875% 2024	12.394	0,08	
\$20.000.000 Morgan Stanley 3,95% 2027	16.044	0,10	
\$10.000.000 Morgan Stanley 4,1% 2023	8.174	0,05	
\$75.000.000 Morgan Stanley 4,35% 2026	62.087	0,40	
\$7.000.000 Morgan Stanley 4,875% 2022	5.977	0,04	
\$50.000.000 Morgan Stanley 5% 2025	43.182	0,28	
\$24.876.000 Motorola Solutions 4% 2024	19.319	0,13	
€5.304.000 MPT Operating Partnership 5,75% 2020	4.767	0,03	
\$11.495.000 Mylan 4,2% 2023	9.298	0,06	
\$9.823.000 Nationwide Building Society 4% 2026	7.595	0,05	
€15.000.000 Nationwide Building Society 6,75% 2020	15.506	0,10	
€1.368.525 Newgate Funding FRN 2050	910	0,01	
£5.893.000 Next 3,625% 2028	6.495	0,04	
£12.000.000 NEXT 4,375% 2026	14.056	0,09	
£38.750.000 NGG Finance Var. Rate 2073 (5,625%)	43.471	0,28	
€1.000.000 NGG Finance Var. Rate 2076 (4,25%)	926	0,01	
€15.000.000 Nielsen Norman Group Var. Rate 2044 (4,625%)	13.688	0,09	
\$5.000.000 Omnicom Group 3,65% 2024	4.105	0,03	
\$60.000.000 Orange 8,5% 2031	73.927	0,48	
€70.000.000 Orange Var. Rate Perp. (5%)	65.338	0,42	
€25.000.000 Orange Var. Rate Perp. (5,25%)	23.981	0,16	
£22.000.000 Orange Var. Rate Perp. (5,75%)	23.778	0,15	
£12.000.000 Orange Var. Rate Perp. (5,875%)	13.020	0,08	
\$3.975.000 PCA 4,5% 2023	3.369	0,02	
\$1.750.000 Pearson Funding Five 3,25% 2023	1.326	0,01	
\$17.000.000 Pearson Funding Four 3,75% 2022	13.283	0,09	
\$38.000.000 Pernod-Ricard 4,25% 2022	32.179	0,21	
\$22.000.000 Pernod-Ricard 4,45% 2022	18.758	0,12	
€10.000.000 Petróleos Mexicanos 2,75% 2027	7.624	0,05	
€4.634.000 Prologis International Funding II 2,875% 2022	4.480	0,03	
\$8.500.000 Qwest (formerly US West Communications) 6,875% 2033	6.511	0,04	
\$8.400.000 Qwest 6,75% 2021	7.208	0,05	
£16.000.000 Rabobank Nederland 4,625% 2029	18.114	0,12	
£12.000.000 Rabobank Nederland 5,25% 2027	14.400	0,09	
\$12.000.000 Reed Elsevier Capital 7,5% 2025	11.740	0,08	
\$5.717.000 Regency Energy Partners 5,875% 2022	4.860	0,03	
\$20.000.000 Reynolds American 4,45% 2025	17.266	0,11	
\$6.000.000 Reynolds American 6,15% 2043	6.152	0,04	
\$9.750.000 Reynolds American 7,25% 2037 B	10.394	0,07	
£4.772.000 RL Finance Bonds Var. Rate 2043 (6,125%)	5.197	0,03	
£13.687.000 Royal Bank of Scotland 2,5% 2023	11.855	0,08	

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Portfolio statement (continued)

as at 30 September Holding	2016 £'000	2016 %	2015 %
'BBB' credit rated bonds (continued)			
£3.989.000 RSA Insurance Var. Rate 2039 (9,375%)	4.641	0,03	
£4.500.000 Santander Var. Rate 2023 (9,625%)	5.160	0,03	
£10.000.000 Scottish Widows 5,5% 2023	10.878	0,07	
£15.000.000 Severn Trent Utilities Finance 6,25% 2029	22.622	0,15	
\$40.000.000 Soci�t� G�n�rale 5% 2024 144A	32.368	0,21	
�16.600.000 Sogecap Var. Rate Perp. (4,125%)	14.019	0,09	
�6.600.000 Southern Water Services Finance Var. Rate 2038 (4,5%)	7.394	0,05	
�19.000.000 Spain (Kingdom of) 5,25% 2029	23.738	0,15	
�15.000.000 Standard Life Var. Rate 2042 (5,5%)	16.003	0,10	
�2.000.000 Storebrand Livsforsikring Var. Rate 2043 (6,875%)	1.965	0,01	
\$14.000.000 Telef�nica (Europe) 8,25% 2030	15.758	0,10	
\$21.200.000 Telef�nica Emisiones 7,045% 2036	21.606	0,14	
\$10.000.000 Tengizchevroil 4% 2026	7.631	0,05	
�5.955.000 Teva Pharmaceutical Finance 1,25% 2023	5.300	0,03	
\$10.408.000 Teva Pharmaceutical Industries 2,8% 2023	8.059	0,05	
\$7.462.000 Teva Pharmaceutical Industries 3,15% 2026	5.796	0,04	
�43.000.000 Thames Water Utilities Cayman Var. Rate 2025 (5,375%)	44.333	0,29	
�29.000.000 Thames Water Utilities Cayman Var. Rate 2030 (5,75%)	34.845	0,23	
\$2.000.000 Time Warner 6,2% 2040	1.967	0,01	
\$5.000.000 Time Warner 6,25% 2041	4.994	0,03	
\$5.000.000 Time Warner 6,5% 2036	4.982	0,03	
\$3.000.000 Time Warner 7,625% 2031	3.287	0,02	
\$11.000.000 Time Warner 7,7% 2032	12.066	0,08	
�39.000.000 Time Warner Cable 5,25% 2042	45.921	0,30	
�28.500.000 Time Warner Cable 5,75% 2031	35.026	0,23	
�2.222.000 Transmission Finance 1,5% 2023	2.011	0,01	
\$8.136.000 Transportadora de Gas del Per� 4,25% 2028	6.504	0,04	
\$8.000.000 United Business Media 5,75% 2020	6.697	0,04	
\$5.000.000 Uruguay (Republic of) 5,1% 2050	4.001	0,03	
\$132.500.000 Verizon Communications 4,272% 2036	106.831	0,69	
\$13.000.000 Verizon Communications 4,4% 2034	10.690	0,07	
\$40.000.000 Verizon Communications 4,522% 2048	32.839	0,21	
\$285.000.000 Verizon Communications 4,672% 2055	231.315	1,50	
\$270.000.000 Verizon Communications 5,012% 2054	230.821	1,50	
\$30.000.000 Verizon Communications 5,05% 2034	26.172	0,17	
\$16.275.000 Verizon Communications 5,85% 2035	15.569	0,10	
\$20.000.000 Verizon Communications 6% 2041	19.522	0,13	
\$20.000.000 Viacom 3,875% 2024	15.895	0,10	
\$10.000.000 Viacom 4,25% 2023	8.159	0,05	
\$10.000.000 Viacom 4,375% 2043	7.080	0,05	
\$22.000.000 Viacom 4,875% 2043	15.751	0,10	
\$10.000.000 Viacom 5,85% 2043	8.727	0,06	
\$45.000.000 Vodafone Group 6,15% 2037	42.107	0,27	

Portfolio statement (continued)

as at 30 September Holding	2016 �'000	2016 %	2015 %
'BBB' credit rated bonds (continued)			
\$13.900.000 Vodafone Group 7,875% 2030	14.948	0,10	
�1.300.000 Vonovia Finance Var. Rate 2074 (4,625%)	1.183	0,01	
�8.800.000 Vonovia Finance Var. Rate Perp. (4%)	8.023	0,05	
�10.000.000 W.P. Carey 2% 2023	8.895	0,06	
\$10.000.000 W.P. Carey 4% 2025	7.682	0,05	
�7.500.000 Wales & West Utilities Finance Var. Rate 2036 (6,75%)	8.308	0,05	
�10.000.000 Walgreens Boots Alliance 2,875% 2020	10.584	0,07	
�16.666.000 Walgreens Boots Alliance 3,6% 2025	18.977	0,12	
�12.500.000 Welltower 4,5% 2034	15.024	0,10	
�3.022.000 Welltower 4,8% 2028	3.679	0,02	
\$4.750.000 Weyerhaeuser 7,375% 2032	4.947	0,03	
\$7.000.000 Williams Partners 4,875% 2023	5.454	0,04	
\$16.128.000 Williams Partners 4,875% 2024	12.576	0,08	
\$15.000.000 WPP Finance 3,75% 2024	12.329	0,08	
\$5.000.000 WPP Finance 4,75% 2021	4.328	0,03	
\$10.000.000 WPP Finance 5,625% 2043	9.246	0,06	
�4.165.000 Yorkshire Water Services Bradford Finance Var. Rate 2025 (6%)	4.266	0,03	
'BB' credit rated bonds			
�6.701.000 Adient Global Holdings 3,5% 2024	5.743	0,04	
\$1.600.000 AES 6% 2026	1.304	0,01	
\$5.000.000 AES 7,375% 2021	4.420	0,03	
�13.900.000 Arkema Var. Rate Perp. (4,75%)	12.717	0,08	
�7.795.000 Arrow Global Finance FRN 2021	6.850	0,04	
�2.000.000 Arrow Global Finance FRN 2023	1.740	0,01	
\$10.000.000 Ashland 4,75% 2022	8.002	0,05	
\$482.000 Bank of America 6,3% Perp.	401	0,00	
\$4.518.000 Bank of America Var. Rate Perp. (8,125%)	3.566	0,02	
�3.000.000 Bank of Scotland Var. Rate Perp. (7,281%)	3.610	0,02	
\$10.000.000 Barry Callebaut Services 5,5% 2023	8.466	0,05	
\$6.667.000 Cascades 5,5% 2022	5.220	0,03	
\$1.145.000 Case New Holland 7,875% 2017	939	0,01	
\$9.409.000 CCO Holdings Capital 5,125% 2023	7.527	0,05	
\$6.000.000 CCO Holdings Capital 5,125% 2023 144A	4.806	0,03	
\$4.667.000 Centene Corporation 6,125% 2024	3.886	0,03	
\$13.500.000 CenturyLink 5,8% 2022	10.687	0,07	
\$567.000 CenturyLink 6,15% 2019	471	0,00	
\$5.000.000 CenturyLink 6,45% 2021	4.121	0,03	
\$4.000.000 Centurylink 6,75% 2023	3.190	0,02	
\$4.286.000 CenturyLink 7,5% 2024	3.519	0,02	
\$27.000.000 CenturyLink 7,6% 2039	18.125	0,12	
\$5.000.000 Centurylink 7,65% 2042	3.317	0,02	
\$4.000.000 Churchill Downs 5,375% 2021	3.209	0,02	
\$5.000.000 Citigroup Var. Rate Perp. (5,95%)	3.973	0,03	
�2.900.000 CNH Industrial Finance 6,25% 2018	2.681	0,02	
\$9.742.000 Columbus International 7,375% 2021	7.915	0,05	
\$3.500.000 Community Health Systems 5,125% 2021	2.644	0,02	
\$5.333.000 Crown Americas 4,25% 2026	4.026	0,03	
�5.000.000 Crown European Holdings 4% 2022	4.683	0,03	
\$7.895.000 CSC Holdings 5,5% 2047	6.195	0,04	
�25.336.705 Delamare Finance 5,5457% 2029	26.410	0,17	
�1.500.000 Dufry Finance 4,5% 2022	1.348	0,01	
�4.708.000 Dufry Finance 4,5% 2023	4.268	0,03	
�15.800.000 EDF 5,875% Perp.	15.160	0,10	
�2.300.000 EDF Var. Rate Perp. (6%)	2.306	0,02	
\$5.000.000 EDP Finance 4,125% 2020	3.992	0,03	
\$4.667.000 EDP Finance 5,25% 2021	3.894	0,03	
\$4.750.000 Enel Var. Rate 2073 (8,75%)	4.274	0,03	
1.669.703 10,82 10,12			

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Investments

Portfolio statement (continued)

as at 30 September Holding	2016 £'000	2016 %	2015 %
'BB' credit rated bonds (continued)			
€4.000.000 Enel Var. Rate 2074 (6,5%)	3.722	0,02	
£8.000.000 Enel Var. Rate 2075 (7,75%)	8.890	0,06	
£11.884.000 Enterprise Inns 6% 2023	12.029	0,08	
£17.500.000 Enterprise Inns 6,375% 2031	17.467	0,11	
£6.680.000 Enterprise Inns 6,875% 2021	7.188	0,05	
£4.500.000 Enterprise Inns 6,875% 2025	4.545	0,03	
€7.000.000 Fiat Finance & Trade 7,375% 2018	6.638	0,04	
€4.000.000 Fiat Finance & Trade 7,75% 2016	3.450	0,02	
€5.000.000 FMC Finance VII 5,25% 2021	5.105	0,03	
\$22.000.000 Fresenius Medical Care 5,75% 2021	19.004	0,12	
\$10.000.000 Fresenius US Finance 4,25% 2021	8.129	0,05	
\$2.500.000 Frontier Communications 6,25% 2021	1.838	0,01	
\$1.500.000 Frontier Communications 7,125% 2023	1.075	0,01	
\$9.000.000 Frontier Communications 8,125% 2018	7.565	0,05	
\$4.000.000 Frontier Communications 8,5% 2020	3.323	0,02	
\$5.000.000 Frontier Communications 8,75% 2022	3.935	0,03	
\$2.500.000 Frontier Communications 9,25% 2021	2.079	0,01	
€14.600.000 Gas Natural Fenosa Var. Rate Perp. (4,125%)	12.920	0,08	
€5.388.000 Gestamp Funding Luxembourg 3,5% 2023	4.772	0,03	
€1.100.000 Greif Luxembourg Finance 7,375% 2021	1.135	0,01	
\$1.000.000 GTE Southwest 8,5% 2031	878	0,01	
\$4.838.000 Hanesbrands 4,625% 2024	3.795	0,02	
\$3.529.000 Hanesbrands 4,875% 2026	2.790	0,02	
€2.500.000 HBOS EURO Finance Var. Rate Perp. (7,627%)	2.110	0,01	
£2.189.600 HSS Financing 6,75% 2019	2.195	0,01	
€8.990.000 Iglo Foods Bondco FRN 2020	7.753	0,05	
€3.000.000 Ineos Finance 4% 2023	2.586	0,02	
€3.859.000 International Game Technology 4,125% 2020	3.530	0,02	
\$1.600.000 International Game Technology 5,625% 2020	1.307	0,01	
\$8.000.000 International Game Technology 6,25% 2022	6.526	0,04	
\$5.000.000 Intesa Sanpaolo 5,017% 2024	3.548	0,02	
€15.000.000 Intesa Sanpaolo 6,625% 2023	15.157	0,10	
£2.000.000 Iron Mountain 6,125% 2022	2.105	0,01	
£21.000.000 KPN Var. Rate 2073 (6,875%)	22.911	0,15	
\$1.000.000 L Brands 5,625% 2022	855	0,01	
€10.607.000 Lincoln Finance 6,875% 2021	9.800	0,06	
£35.370.000 Lloyds Banking Group Var. Rate Perp (7,875%)	36.589	0,24	
€20.000.000 Lloyds Banking Group Var. Rate Perp. (6,375%)	17.289	0,11	
£24.000.000 Lloyds Banking Group Var. Rate Perp. (7%)	23.616	0,15	
£36.000.000 Lloyds Banking Group Var. Rate Perp. (7,625%)	36.522	0,24	
€18.433.000 Lock 7% 2021	16.547	0,11	
€1.500.000 Ludgate Funding FRN 2061 (CB)	984	0,01	
€1.170.135 Magellan Mortgages No.4 FRN 2059 4B	769	0,00	
\$5.397.000 Metalsa 4,9% 2023	3.990	0,03	
\$12.000.000 Methanex 4,25% 2024	8.711	0,06	
\$9.000.000 Methanex 5,25% 2022	7.240	0,05	
£7.000.000 National Westminster Bank 6,5% 2021	8.152	0,05	

Portfolio statement (continued)

as at 30 September Holding	2016 £'000	2016 %	2015 %
'BB' credit rated bonds (continued)			
£20.000.000 Nationwide Building Society Var. Rate Perp. (6,875%)	18.951	0,12	
\$3.750.000 Neptune Finco 6,625% 2025	3.131	0,02	
€8.000.000 OI European Group 4,875% 2021	7.849	0,05	
€5.000.000 OI European Group 6,75% 2020	5.165	0,03	
\$3.888.000 Owens Brockway 5% 2022 144A	3.160	0,02	
\$2.000.000 Paraguay (Republic of) 4,625% 2023	1.631	0,01	
\$6.364.000 Paraguay (Republic of) 6,1% 2044	5.570	0,04	
\$7.000.000 Pertamina Persero 6,45% 2044	6.255	0,04	
\$2.250.000 Pilgrims Pride 5,75% 2025	1.788	0,01	
\$20.000.000 Portugal (Republic of) 5,125% 2024	15.383	0,10	
€3.354.000 Promontoria MCS FRN 2021	2.918	0,02	
\$3.333.000 QuintilesIMS 5% 2026	2.642	0,02	
\$5.000.000 R.R. Donnelley & Sons 6,5% 2023	3.900	0,03	
€1.950.000 Royal Bank of Scotland 4,35% 2017	1.696	0,01	
\$19.900.000 Royal Bank of Scotland 5,125% 2024	15.295	0,10	
\$35.294.000 Royal Bank of Scotland 6,1% 2023	28.604	0,19	
\$18.000.000 Royal Bank of Scotland 6,125% 2022	14.693	0,10	
€15.000.000 Royal Bank of Scotland 6,934% 2018	14.015	0,09	
€9.000.000 Royal Bank of Scotland FRN 2017	7.596	0,05	
\$6.000.000 Royal Bank of Scotland Var. Rate 2022 (9,5%)	4.770	0,03	
€20.000.000 Royal Bank of Scotland Var. Rate 2024 (3,625%)	17.045	0,11	
€16.000.000 Samvardhana Motherson 4,125% 2021	13.965	0,09	
€11.963.000 Schaeffler Verwaltung Zwei 2,75% Pik 2021	10.289	0,07	
€2.783.000 Sealed Air 4,5% 2023	2.641	0,02	
\$1.500.000 Sealed Air 5,125% 2024	1.224	0,01	
\$3.000.000 Service Corporation International 5,375% 2024	2.450	0,02	
\$6.000.000 Sirius XM Radio 5,75% 2021	4.831	0,03	
\$2.000.000 Sirius XM Radio 6% 2024	1.647	0,01	
€5.993.000 Smurfit Kappa Acquisitions 2,75% 2025	5.394	0,03	
€7.564.000 SNS 3,75% 2025	6.627	0,04	
\$1.789.000 Société Générale Var. Rate Perp. (7,875%) (Regs)	1.335	0,01	
€3.750.000 Société Générale Var. Rate Perp. (8,875%)	4.121	0,03	
\$20.461.000 Société Générale Var. Rate Perp. (7,875%) (144A)	15.242	0,10	
€2.500.000 Solvay Finance Var. Rate Perp. (4,199%)	2.218	0,01	
€12.000.000 Solvay Finance Var. Rate Perp. (5,425%)	11.094	0,07	
£5.300.000 Southern Water (Greensands) Financing 8,5% 2019	6.017	0,04	
\$1.818.000 Spectrum Brands 5,75% 2025	1.516	0,01	
£1.932.000 Spirit Issuer Var. Rate 2021 (5,86%)	1.875	0,01	
\$10.500.000 Stora Enso 7,25% 2036	8.788	0,06	
€7.671.000 TA Manufacturing 3,625% 2023	6.444	0,04	
\$5.000.000 Taylor Morrison Communities 5,25% 2021	3.982	0,03	
\$2.000.000 TEGNA 4,875% 2021 (formerly Gannett)	1.601	0,01	
\$2.000.000 TEGNA 5,5% 2024 (formerly Gannett)	1.593	0,01	
\$2.500.000 Telecom Italia 5,303% 2024	1.969	0,01	
€20.000.000 Telefónica (Europe) Var. Rate 2020 (5,875%)	18.602	0,12	
€5.000.000 Telefónica (Europe) Var. Rate Perp. (5%)	4.485	0,03	
€20.000.000 Telefónica (Europe) Var. Rate Perp. (6,5%)	18.489	0,12	
£16.300.000 Telefónica (Europe) Var. Rate Perp. (6,75%)	17.390	0,11	
\$5.000.000 Tenet Healthcare 4,375% 2021	3.843	0,02	
\$2.500.000 Tenet Healthcare 4,5% 2021	1.927	0,01	

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Portfolio statement (continued)

as at 30 September Holding	2016 £'000	2016 %	2015 %
'BB' credit rated bonds (continued)			
\$2,000,000 Tenet Healthcare 4,75% 2020	1,570	0,01	
\$10,000,000 Tenet Healthcare 6% 2020	8,129	0,05	
£9,039,219 Tesco Property Finance 2 6,0517% 2039	10,015	0,06	
£20,099,266 Tesco Property Finance 3 5,744% 2040	20,818	0,13	
£47,289,403 Tesco Property Finance 4 5,8006% 2040	48,371	0,31	
£26,698,278 Tesco Property Finance 5 5,6611% 2041	27,329	0,18	
£21,228,452 Tesco Property Finance 6 5,4111% 2044	21,425	0,14	
\$714,000 Tesoro Logistics 5,5% 2019 144A	585	0,00	
\$2,000,000 T-Mobile USA 5,25% 2018	1,570	0,01	
\$3,500,000 T-Mobile USA 6,25% 2021	2,822	0,02	
\$6,000,000 T-Mobile USA 6,464% 2019	4,717	0,03	
\$30,233,000 T-Mobile USA 6,633% 2021	24,504	0,16	
\$10,000,000 T-Mobile USA 6,731% 2022	8,101	0,05	
€10,000,000 UBS Var. Rate Perp. (5,75%)	8,851	0,06	
\$30,000,000 UBS Var. Rate Perp. (7,125%)	23,373	0,15	
\$8,000,000 United Rentals North America 5,5% 2025	6,278	0,04	
€32,500,000 Unitymedia Hessen 3,5% 2027	27,509	0,18	
€35,833,000 Unitymedia Hessen 4% 2025	31,647	0,21	
€1,000,000 Unitymedia Hessen 4,625% 2026	911	0,01	
\$15,000,000 Unitymedia Hessen 5% 2025	11,746	0,08	
€19,035,000 Unitymedia Hessen 5,125% 2023	17,187	0,11	
€7,695,000 Unitymedia Hessen 5,5% 2022	6,954	0,05	
\$12,000,000 Unitymedia Hessen 5,5% 2023	9,559	0,06	
€17,320,230 Unitymedia Hessen 5,75% 2023	15,780	0,10	
€44,000,000 Unitymedia Hessen 6,25% 2029	42,145	0,27	
\$5,000,000 UPM-Kymmene 7,45% 2027	4,762	0,03	
£30,000,000 Veolia Environnement Var. Rate Perp. (4,85%)	30,911	0,20	
\$13,333,000 VideoTron 5,375% 2024	10,748	0,07	
£45,000,000 Virgin Media Secured Finance 4,875% 2027	45,052	0,29	
£18,000,000 Virgin Media Secured Finance 5,125% 2025	18,444	0,12	
\$3,487,500 Virgin Media Secured Finance 5,375% 2021	2,781	0,02	
£15,000,000 Virgin Media Secured Finance 5,5% 2021	16,469	0,11	
£37,800,000 Virgin Media Secured Finance 5,5% 2025	38,968	0,25	
\$40,000,000 Virgin Media Secured Finance 5,5% 2025	31,476	0,20	
£34,650,000 Virgin Media Secured Finance 6% 2021	35,900	0,23	
£30,248,000 Virgin Media Secured Finance 6,25% 2029	32,296	0,21	
€20,000,000 Wind Acquisition Finance 4% 2020	17,429	0,11	
€7,000,000 Wind Acquisition Finance FRN 2020 (Regs.)	6,005	0,04	
€4,210,000 Worldpay Finance 3,75% 2022	3,887	0,03	
\$7,500,000 Wynn Las Vegas 5,375% 2022	5,991	0,04	
€15,200,000 ZF North American Capital 2,75% 2023	13,919	0,09	
\$8,000,000 ZF North American Capital 4,75% 2025	6,444	0,04	

Portfolio statement (continued)

as at 30 September Holding	2016 £'000	2016 %	2015 %
'B' credit rated bonds			
	815,492	5,29	4,32
\$12,000,000 1011778 BC ULC / New Red Finance 6% 2022	9,690	0,06	
\$6,667,000 Ahern Rentals 7,375% 2023	3,330	0,02	
€25,000,000 Altice Financing 7,25% 2022	22,632	0,15	
\$2,667,000 AmSurg Corporation 5,625% 2022	2,087	0,01	
€54,000,000 Ardagh Packaging Finance 4,25% 2022	47,406	0,31	
\$16,000,000 Avis Budget Finance 5,25% 2025	11,910	0,08	
€10,851,000 Axalta Coating System 3,75% 2025 Eur	9,173	0,06	
€4,042,000 Axalta Coating System 4,25% 2024	3,565	0,02	
€6,500,000 Bakkavor Finance 2 8,75% 2020	6,920	0,04	
€11,500,000 Belden 5,5% 2023	10,373	0,07	
€3,012,000 Bisoho SAS 5,875% 2023	2,748	0,02	
\$5,900,000 Bombardier 5,75% 2022	4,038	0,03	
\$10,000,000 Bombardier 6% 2022	6,867	0,04	
€10,000,000 Bombardier 6,125% 2021	8,385	0,05	
\$15,000,000 Bombardier 7,75% 2020	11,886	0,08	
€6,767,000 Cabot Financial 7,5% 2023	6,641	0,04	
€5,000,000 Cabot Financial FRN 2021	4,234	0,03	
£10,000,000 Cabot Financial Luxembourg 10,375% 2019	10,473	0,07	
£7,000,000 Cabot Financial Luxembourg 6,5% 2021	6,853	0,04	
£5,000,000 Cabot Financial Luxembourg 8,375% 2019	5,161	0,03	
€15,000,000 Cemex 4,375% 2023	13,177	0,09	
€15,000,000 Cemex 4,75% 2022	13,307	0,09	
\$4,545,000 Cemex 5,7% 2025	3,525	0,02	
\$16,000,000 Cemex 5,7% 2025 1A	12,373	0,08	
\$12,000,000 Cemex 6,125% 2025	9,467	0,06	
€15,000,000 Cemex Finance 4,625%	13,238	0,09	
€17,094,000 Cemex Finance 5,25% 2021	15,278	0,10	
€4,482,000 Cirsia Funding Luxembourg 5,75% 2021	4,038	0,03	
€2,178,000 Cognita Financing 7,75% 2021	2,263	0,01	
£1,000,000 CPUK Finance 7% 2042	1,058	0,01	
\$5,000,000 Davita Healthcare 5,125% 2024	3,904	0,03	
\$2,500,000 Dish DBS 5,875% 2022	1,966	0,01	
€2,565,000 EDU UK Bond Company 8,875% 2018	2,579	0,02	
€2,857,000 eircom Finance 4,25% 2022	2,492	0,02	
€4,913,000 Entertainment One 6,875% 2022	5,318	0,03	
£1,508,571 Gala Group Finance 8,875% 2018	1,550	0,01	
\$3,639,000 Halcon Resources 12% 2022	2,800	0,02	
\$4,000,000 HCA Holdings 7,75% 2022	3,531	0,02	
£5,000,000 House of Fraser Funding FRN 2020	4,540	0,03	
€8,125,000 HP Pelzer Holding 7,5% 2021	7,422	0,05	
€9,211,000 Huntsman International 5,125% 2021	8,269	0,05	
€10,000,000 Ineos Group 5,75% 2019	8,826	0,06	
£12,685,000 Intergen 7,5% 2021	10,592	0,07	
€3,002,000 Intesa Sanpaolo Var. Rate Perp. (7%)	2,379	0,02	
\$4,444,000 KB Home 7% 2021	3,688	0,02	
\$2,273,000 Kenya (Republic of) 6,875% 2024	1,721	0,01	
\$9,333,000 Kindred Healthcare 8% 2020	7,302	0,05	
\$16,667,000 Kindred Healthcare 8,75% 2023	12,825	0,08	
\$7,500,000 Level 3 Financing 5,375% 2022	6,050	0,04	
\$1,500,000 Level 3 Financing 5,375% 2024	1,199	0,01	
€23,000,000 Matterhorn Telecom 3,875% 2022	19,690	0,13	
£5,682,000 Mizzen Bondco 7% 2021	5,739	0,04	
\$7,143,000 Neptune Finco 10,875% 2025	6,454	0,04	
€9,102,000 Numericable Group 5,375% 2022	8,064	0,05	
€33,000,000 Numericable Group 5,625% 2024	29,274	0,19	
\$30,000,000 Numericable Group 6% 2022	23,607	0,15	

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Portfolio statement (continued)			
as at 30 September Holding	2016 £'000	2016 %	2015 %
'B' credit rated bonds (continued)			
\$5,000,000 Numericable Group 6,25% 2024	3,809	0,02	
€3,500,000 Paprec Holding 5,25% 2022	3,132	0,02	
€1,849,000 Paprec Holding 7,375% 2023	1,620	0,01	
\$2,500,000 Platform Specialty 6,5% 2022	1,871	0,01	
€5,000,000 Play Topco 7,75% 2020	4,381	0,03	
\$10,500,000 Reynolds Group 5,75% 2020	8,349	0,05	
€5,000,000 Royal Bank of Scotland 5,5% Perp.	4,088	0,03	
\$5,357,000 Royal Bank of Scotland Var. Rate Perp. (7,5%)	3,711	0,02	
\$5,600,000 Royal Bank of Scotland Var. Rate Perp. (8%)	4,003	0,03	
\$8,000,000 Royal Bank of Scotland Var. Rate Perp. (8,625%)	6,040	0,04	
€4,660,000 Schumann 7% 20233	3,977	0,03	
\$1,091,000 Shea Homes Funding 6,125% 2025	837	0,01	
\$16,000,000 Sprint Capital 6,875% 2028	11,433	0,07	
\$5,000,000 Sprint Capital 6,9% 2019	3,952	0,03	
\$15,000,000 Sprint Corporation 7,125% 2024	11,181	0,07	
\$8,000,000 Sprint Corporation 7,25% 2021	6,149	0,04	
\$50,000,000 Sprint Corporation 7,625% 2025	37,771	0,24	
\$43,000,000 Sprint Corporation 7,875% 2023	33,205	0,22	
\$31,500,000 Sprint Nextel 6% 2022	22,486	0,15	
€15,000,000 Telenet Finance V 6,25% 2022	13,681	0,09	
€10,040,000 Telenet Finance V 6,75% 2024	9,524	0,06	
€1,656,000 The Chemours Company 6,125% 2023	1,312	0,01	
\$10,000,000 Univision Communications 6,75% 2022	8,186	0,05	
CHF12,500,000 UPC Holding 6,75% 2023	10,636	0,07	
€3,104,000 Veritas 7,5% 2023	2,523	0,02	
€7,500,000 Virgin Media Finance 4,5% 2025	6,375	0,04	
€21,000,000 Virgin Media Finance 5,125% 2022	21,420	0,14	
€8,500,000 Virgin Media Secured Finance 6,375% 2024	8,828	0,06	
\$14,026,000 VTR Finance 6,875% 2024	11,176	0,07	
€40,000,000 Wind Acquisition Finance 7% 2021	35,910	0,23	
\$5,000,000 Windstream 6,375% 2023	3,466	0,02	
\$7,330,000 Windstream 7,5% 2023	5,363	0,03	
\$1,000,000 Windstream 7,75% 2020	783	0,01	
\$8,500,000 WPX Energy 5,25% 2024	6,074	0,04	
\$5,500,000 Yum! Brands 3,875% 2020	4,314	0,03	
\$11,000,000 Yum! Brands 3,875% 2023	8,367	0,05	
\$8,000,000 Yum! Brands 6,875% 2037	6,300	0,04	
€3,964,000 Ziggo Bond Finance 4,625% 2025	3,406	0,02	
\$2,571,000 Ziggo Bond Finance 5,875% 2025	1,976	0,01	
'CCC' credit rated bonds	34,449	0,22	0,25
\$14,000,000 Caesars Entertainment Resort Properties 8% 2020	11,127	0,07	
\$5,000,000 Calumet Specialty Products 6,5% 2021	3,172	0,02	
\$1,500,000 Community Health Systems 6,875% 2022	989	0,01	
\$10,000,000 Crimson Merger 6,625% 2022	6,750	0,04	
\$3,000,000 Denbury Resources 4,625% 2023	1,454	0,01	
\$5,000,000 Denbury Resources 5,5% 2022	2,651	0,02	
€6,500,000 Elli Finance UK 8,75% 2019	5,529	0,03	
\$5,000,000 Hexion Nova Scotia Finance 9% 2020	2,777	0,02	
'D' credit rated bonds	317	0,00	0,06
\$1,610,000 Edcon 9,5% 2018	317	0,00	

Portfolio statement (continued)

as at 30 September Holding	2016 £'000	2016 %	2015 %
Bonds with no credit rating			
	669,453	4,34	5,14
\$5,715,000 Aquarius Plus Investments 8,25% IL Perp.	4,721	0,03	
€4,500,000 Assicurazioni Generali 4,125% 2026	4,087	0,03	
€4,000,000 Assicurazioni Generali Var. Rate 2042 (7,75%)	4,030	0,03	
€14,571,000 Assicurazioni Generali Var. Rate 2047 (5,5%)	13,001	0,08	
£18,750,000 Assicurazioni Generali Var. Rate Perp. (6,269%)	18,290	0,12	
€4,762,000 ATON 3,875% 2018	4,285	0,03	
£500,000 Birmingham Airport 6,25% 2021	598	0,00	
£2,000,000 British Land 0% 2020 (British Land)	1,885	0,01	
£550,000 British Land 5,264% 2035	703	0,00	
£1,800,000 British Land 5,357% 2028	2,240	0,01	
€4,500,000 Bureau Veritas 1,125% 2023	3,917	0,03	
\$4,500,000 Chaparral Energy 7,625% 2022	2,335	0,01	
£1,000,000 Cheltenham & Gloucester 11,75% Perp.	1,894	0,01	
€41,519,167 Codere 8,25% 2015	10,871	0,07	
\$8,379,000 Codere Finance 2 PIK 5,5% 2021	6,544	0,04	
\$10,011,000 Codere Finance 2 PIK 9% 2021	7,885	0,05	
\$3,333,000 Côte d'Ivoire (Republic of) 6,375% 2028	2,687	0,02	
\$4,167,000 Cote d'Ivoire (Republic of) 5,375% 2024	3,223	0,02	
€927,944 Deco 14 Gondola FRN 2026	799	0,01	
£930,000 Delamare Finance 6,067% 2029	926	0,01	
£8,043,000 Duncan Funding FRN 2063	8,093	0,05	
€20,000,000 Eirles Two FRN 2020	293	0,00	
€7,647,000 Eurofins Scientific 4,875% Perp.	6,811	0,04	
£2,613,473 Gemgarto 2015-1 FRN 2047	2,604	0,02	
£29,000,000 Gosforth Funding FRN 2056 A2	29,156	0,19	
€13,000,000 Hammerson 1,75% 2023	11,610	0,08	
€25,000,000 Hammerson 2% 2022	22,637	0,15	
£2,500,000 Hammerson 6% 2026	3,277	0,02	
€6,100,000 Hammerson 6,875% 2020	7,301	0,05	
£2,000,000 Hammerson 7,25% 2028	2,946	0,02	
£7,500,000 Heathrow Finance 5,75% 2025	8,320	0,05	
£3,000,000 Holmes Master Issuer FRN 2054 12-3 B2	3,039	0,02	
\$4,184,100 Home Partners Of America Trust HPA 2016	3,191	0,02	
€7,000,000 Intesa Sanpaolo Var. Rate Perp. (4,75%)	5,923	0,04	
£5,000,000 J Sainsbury 2,875% Perp (J Sainsbury)	4,811	0,03	
£2,029,327 Kenrick FRN 2049 No.2	2,033	0,01	
€17,000,000 Lagardère 2% 2019	15,080	0,10	
\$3,000,000 Levi Strauss & Co. 6,875% 2022	2,453	0,02	
£50,000,000 Lloyds Bank 5,125% 2025	65,319	0,42	
£8,000,000 Lloyds Bank 1,75% 2022	8,354	0,05	
£8,000,000 Lloyds Bank 6% 2029	11,929	0,08	
€7,794,000 MAHLE 2,375% 2022	7,135	0,05	
£3,478,000 Midland Heart Capital 5,087% 2044	5,087	0,03	
£7,000,000 National Express 6,25% 2017	7,100	0,05	
£6,000,000 National Express 6,625% 2020	7,138	0,05	
€38,636 New World Resources 8% 2020	0	0,00	
£13,755,000 Old Mutual 7,875% 2025	15,564	0,10	
£34,000,000 Old Mutual 8% 2021	38,834	0,25	
£3,486,000 Orbit Group 3,5% 2045	3,950	0,03	
£2,622,000 Orbita Funding FRN 2023	2,632	0,02	
£17,000,000 Pennon Group Var. Rate Perp. (6,75%)	17,750	0,11	

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Portfolio statement (continued)			
as at 30 September Holding	2016 £'000	2016 %	2015 %
Bonds with no credit rating (continued)			
\$5,000,000 Progress Residential Trust FRN 2033 144	3,903	0,03	
£8,953,000 Segro 5,5% 2018	9,623	0,06	
£14,500,000 Segro 5,625% 2020	17,072	0,11	
£10,000,000 Segro 6,75% 2021	12,676	0,08	
£10,000,000 Segro Var. Rate 2019 (6%)	11,440	0,07	
£2,800,000 Segro Var. Rate 2022 (7%)	3,624	0,02	
\$2,000,000 Seventy Seven Energy 6,5% 2022	83	0,00	
€35,000,000 Société Générale 2,625% 2025	31,187	0,20	
\$5,000,000 Société Générale Var. Rate Perp. (6%)	3,462	0,02	
\$3,992,000 SoFi Consumer Loan 3,09% 2025	3,086	0,02	
€13,000,000 State Grid 1,25% 2022 Eur	11,475	0,07	
€4,762,194 Taurus 2013 (GMF1) FRN 2024 B	4,124	0,03	
€797,559 TDA-14 Mixto FRN 2030 A3	685	0,00	
€677,366 TDA-18 Mixto FRN 2045 A1	578	0,00	
€18,800,000 Telefónica (Europe) Var. Rate Perp. (4,2%)	16,630	0,11	
£5,347,000 TSB Bank Var. Rate 2026 (5,75%)	5,643	0,04	
€6,000,000 UPC Holding 6,375% 2022	5,476	0,04	
€6,400,000 Vilmorin & Cie 2,375% 2021	5,821	0,04	
£8,900,000 Vodafone Group 3% 2056	8,634	0,06	
£8,000,000 Westfield Stratford FRN 2024	7,940	0,05	
€21,000,000 Wm Morrison Supermarkets 3,5% 2026	22,286	0,14	
€15,000,000 Wm Morrison Supermarkets 4,625% 2023	17,187	0,11	
€25,000,000 Wm Morrison Supermarkets 4,75% 2029	28,925	0,19	
£5,050,000 Yorkshire Building Society 3,5% 21/04/2026	5,515	0,04	
£7,000,000 Yorkshire Building Society Var. Rate 2024 (4,125%)	7,087	0,05	
Forward currency contracts	(119,688)	(0,78)	(0,88)
€36,566,868 Bought for £31,343,181 (expires 19.10.16)	163	0,00	
€(5,303,495,746) Sold for £4,523,180,719 (expires 19.10.16)	(46,279)	(0,30)	
CHF17,535,968 Bought for £13,966,069 (expires 19.10.16)	(75)	0,00	
CHF(97,974,608) Sold for £76,707,809 (expires 19.10.16)	(902)	(0,01)	
\$472,215,678 Bought for £359,708,539 (expires 19.10.16)	4,449	0,03	
\$(2,268,030,910) Sold for £1,727,978,906 (expires 19.10.16)	(21,052)	(0,14)	
\$(2,543,757,074) Sold for £1,937,521,974 (expires 16.11.16)	(23,141)	(0,15)	
\$(2,856,744,524) Sold for £2,167,757,299 (expires 14.12.16)	(32,851)	(0,21)	
Interest rate futures contracts	4,147	0,03	(0,22)
(9,536) 10 Year US Treasury Notes Dec 2016	(2,206)	(0,01)	
(2,000) 5 Year US Treasury Note Dec 2016	(346)	0,00	
(11,000) UK Long Gilt Bond Dec 2016	2,473	0,01	
(8,585) US Long Bond Dec 2016	4,226	0,03	
Credit default swaps	121,215	0,79	0,49
€3,000,000 Daimler Jun 2018	(27)	0,00	
€(5,000,000) Heathrow Funding Dec 2022	(55)	0,00	
\$(200,000,000) Italy (Republic of) Jun 2021	(3,130)	(0,02)	
\$(192,000,000) Markit CDX North American High Yield Series 22 5 Year Jun 2019	10,493	0,07	

Portfolio statement (continued)

as at 30 September Holding	2016 £'000	2016 %	2015 %
Credit default swaps (continued)			
\$(548,050,000) Markit CDX North American High Yield Series 23 5 Year Dec 2019	31,701	0,21	
\$(700,000,000) Markit CDX North American High Yield Series 26 5 Year Jun 2021	27,788	0,18	
\$(275,000,000) Markit CDX North American High Yield Series 27 5 Year Dec 2021	9,384	0,06	
€200,000,000 Markit iTraxx Europe Snr Fin Series 25 5 Year Jun 2021	(549)	0,00	
€200,000,000 Markit iTraxx Europe Snr Fin Series 26 5 Year Dec 2021	52	0,00	
€(350,000,000) Markit iTraxx Europe Xover Series 25 5 Year Jun 2021	23,812	0,15	
€(300,000,000) Markit iTraxx Europe Xover Series 26 5 Year Dec 2021	20,446	0,13	
\$(50,000,000) Markit iTraxx Europe Xover Series 25 5 Year Jun 2021	1,978	0,01	
€10,000,000 Marks and Spencer Dec 2021	228	0,00	
€2,000,000 Mediobanca Jun 2018	22	0,00	
€30,000,000 RWE Jun 2020	(376)	0,00	
\$10,000,000 Turkey (Republic of) Jun 2017	(25)	0,00	
€6,000,000 Virgin Media Sep 2019	(527)	0,00	
Interest rate swaps	(167,000)	(1,08)	0,00
€25,000,000 Pay 1,5625% Receive VAR Feb 2046	(3,586)	(0,02)	
€25,000,000 Pay 1,569% Receive VAR Feb 2046	(3,630)	(0,02)	
€25,000,000 Pay 1,599% Receive VAR Feb 2046	(3,837)	(0,02)	
€75,000,000 Pay 1,61% Receive VAR Feb 2046	(11,725)	(0,08)	
€25,000,000 Pay 1,6105% Receive VAR Feb 2046	(3,911)	(0,02)	
€25,000,000 Pay 1,613% Receive VAR Feb 2046	(3,928)	(0,02)	
€50,000,000 Pay 1,62375% Receive VAR Mar 2046	(8,165)	(0,05)	
€25,000,000 Pay 1,626% Receive VAR Mar 2046	(3,998)	(0,03)	
€25,000,000 Pay 1,63% Receive VAR Mar 2046	(4,024)	(0,03)	
€50,000,000 Pay 1,659% Receive VAR Mar 2046	(8,431)	(0,05)	
€25,000,000 Pay 1,66% Receive VAR Feb 2046	(4,240)	(0,03)	
€25,000,000 Pay 1,677% Receive VAR Feb 2046	(4,353)	(0,03)	
€50,000,000 Pay 1,684% Receive VAR Mar 2046	(8,768)	(0,06)	
€50,000,000 Pay 1,686% Receive VAR Apr 2046	(8,994)	(0,06)	
€25,000,000 Pay 1,687% Receive VAR Feb 2046	(4,415)	(0,03)	
€50,000,000 Pay 1,69% Receive VAR Apr 2046	(9,457)	(0,06)	
€25,000,000 Pay 1,693% Receive VAR Feb 2046	(4,455)	(0,03)	
€50,000,000 Pay 1,696% Receive VAR Apr 2046	(9,135)	(0,06)	
€25,000,000 Pay 1,697% Receive VAR Feb 2046	(4,481)	(0,03)	
€50,000,000 Pay 1,698% Receive VAR Mar 2046	(8,953)	(0,06)	
€50,000,000 Pay 1,715% Receive VAR Mar 2046	(9,168)	(0,06)	
€50,000,000 Pay 1,72% Receive VAR Mar 2046	(9,234)	(0,06)	
€50,000,000 Pay 1,72% Receive VAR Apr 2046	(9,054)	(0,06)	
€25,000,000 Pay 1,833% Receive VAR Sep 2046	(241)	0,00	
€50,000,000 Pay 2,1975% Receive VAR Mar 2046	(3,793)	(0,02)	
€50,000,000 Pay 2,2515% Receive VAR Mar 2046	(4,321)	(0,03)	
€50,000,000 Pay 2,257% Receive VAR Mar 2046	(4,371)	(0,03)	
€50,000,000 Pay 2,2575% Receive VAR Mar 2046	(4,332)	(0,03)	
Portfolio of investments	14,652,869	94,98	95,23
'AAA' rated money market funds ^[b]	284,444	1,84	2,41
284,444,000 Northern Trust Global Fund - Sterling	284,444	1,84	
Forward currency contracts for share class hedging	131,921	0,86	0,89
€2,904,628,734 Bought for £2,446,682,064 (expires 05.10.16)	55,032	0,36	
€(24,693,832) Sold for £20,798,725 (expires 05.10.16)	(470)	0,00	
€2,789,951,732 Bought for £2,361,989,876 (expires 12.10.16)	41,363	0,27	
€(61,716,701) Sold for £52,249,730 (expires 12.10.16)	(915)	(0,01)	

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Portfolio statement (continued)			
as at 30 September	2016	2016	2015
Holding	£'000	%	%
Forward currency contracts for share class hedging (continued)			
€3.366.434.836 Bought for £2.865.556.553 (expires 19.10.16)	34.943	0,23	
€(106.367.940) Sold for £90.678.251 (expires 19.10.16)	(968)	(0,01)	
€2.820.020.342 Bought for £2.455.758.314 (expires 26.10.16)	(25.588)	(0,17)	
SGD31.857.017 Bought for £17.664.329 (expires 19.10.16)	342	0,00	
SGD(7.413.380) Sold for £4.169.762 (expires 19.10.16)	(21)	0,00	
CHF165.037.730 Bought for £128.321.994 (expires 19.10.16)	2.412	0,02	
CHF(7.195.618) Sold for £5.614.706 (expires 19.10.16)	(85)	0,00	
\$1.895.982.106 Bought for £1.434.053.604 (expires 14.12.16)	26.460	0,17	
\$(55.739.938) Sold for £42.353.521 (expires 14.12.16)	(584)	0,00	
Total portfolio (notes 2c & 2d on pages 27 & 28)	15.069.234	97,68	98,53
Net other assets / (liabilities)	357.711	2,32	1,47
Net assets attributable to shareholders	15.426.945	100,00	100,00

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

[a] Suspended on 4 May 2016.

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

M&G Optimal Income Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

- The performance of the Sterling Class 'A' (Accumulation) share is what most individuals investing directly with M&G have received. It has the highest ongoing charge of all the 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' (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.

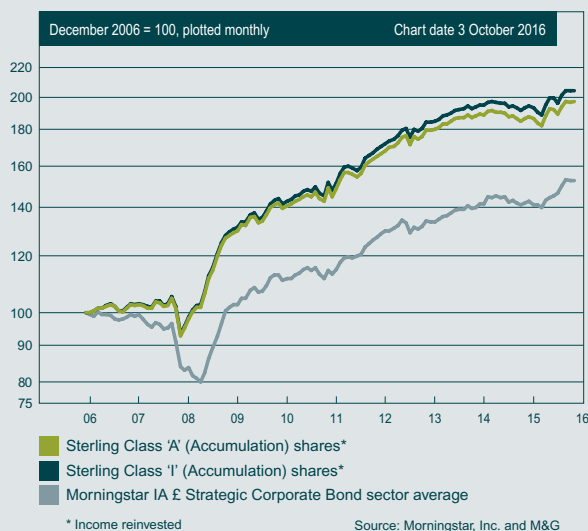
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Optimal Income Fund, which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer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

Fund level performance

Fund net asset value			
as at 30 September	2016 £'000	2015 £'000	2014 £'000
Fund net asset value (NAV)	15,426,945	18,235,013	22,843,785

Performance since launch

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



M&G Optimal Income Fund

Financial highlights

Fund performance

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

Long-term performance by share class ^[a]				
	one year 01.10.15 % ^[b]	three years 03.10.13 % p.a.	five years 03.10.11 % p.a.	since launch % p.a.
Euro ^[c]				
Class 'A-H'	+5,8	+3,5	+6,5	+7,1 ^[d]
Class 'B-H'	+5,2	n/a	n/a	+3,7 ^[e]
Class 'C-H'	+6,1	+3,9	+7,0	+7,7 ^[d]
Singapore dollar ^[c]				
Class 'A-H'	+7,3	n/a	n/a	+3,1 ^[f]
Class 'A-H M'	+7,4	n/a	n/a	+3,1 ^[f]
Class 'C-H'	+7,9	n/a	n/a	+3,6 ^[f]
Sterling ^[g]				
Class 'A'	+6,3	+3,8	+6,7	+7,1 ^[h]
Class 'I'	+6,8	+4,2	+7,1	+7,5 ^[h]
Class 'R'	+6,5	+4,0	n/a	+5,3 ^[i]
Class 'X'	+6,1	+3,6	+6,4	+6,9 ^[h]
Swiss franc ^[c]				
Class 'A-H'	+4,9	+2,9	n/a	+4,1 ^[j]
Class 'C-H'	+5,5	+3,4	n/a	+4,6 ^[j]
US dollar ^[c]				
Class 'A-H'	+6,5	+3,9	+6,9	+6,0 ^[k]
Class 'A-H M'	+6,6	n/a	n/a	+2,4 ^[f]
Class 'C-H'	+7,0	+4,4	+7,4	+6,5 ^[k]

^[a] On 2 December 2008 the M&G Optimal Income Fund de-merged from M&G Investment Funds (6) to become the M&G Optimal Income Fund.

^[b] Absolute basis.

^[c] Price to price with gross income reinvested.

^[d] 20 April 2007, the launch date of the share class.

^[e] 11 September 2015, the launch date of the share class.

^[f] 16 January 2015, the launch date of the share class.

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

^[h] 8 December 2006, the launch date of the predecessor OEIC sub-fund.

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

^[j] 28 September 2012, the launch date of the share class.

^[k] 1 October 2010, the launch date of the share class.

Operating charges and portfolio transaction costs

We explain below the payments made to meet the ongoing costs of investing and managing the fund, 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.

M&G Optimal Income Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs (continued)

Portfolio transaction costs (continued)

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 30 September	2016	2015	2014	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0,01	0,00	0,01	0,00
Taxes	0,00	0,00	0,00	0,00
Costs before dilution adjustments	0,01	0,00	0,01	0,00
Dilution adjustments ^[c]	(0,01)	0,00	0,00	(0,00)
Total direct portfolio transaction costs	0,00	0,00	0,01	0,00
as at 30 September	2016	2015	2014	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0,72	0,67	0,51	0,63

^[a] Average of first three columns.

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

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

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 12 July 2013.

for the year to 30 September	2016	2015	2014
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1.707,94	1.759,48	1.693,69
Return before operating charges and after direct portfolio transaction costs	121,87	9,66	135,29
Operating charges	(24,75)	(25,29)	(25,06)
Return after operating charges	97,12	(15,63)	110,23
Distributions	(45,89)	(35,91)	(44,44)
Closing NAV	1.759,17	1.707,94	1.759,48
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0,18	0,09	0,19
Dilution adjustments ^[b]	(0,12)	(0,01)	(0,08)
Total direct portfolio transaction costs	0,06	0,08	0,11
Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	0,01
Operating charges	1,42	1,43	1,43
Return after operating charges	+5,69	-0,89	+6,51
Distribution yield	3,46	1,85	2,48
Effect on yield of charges offset against capital	1,40	n/a	n/a
Other information			
Closing NAV (£'000)	632.664	663.419	553.312
Closing NAV percentage of total fund NAV (%)	4,10	3,64	2,42
Number of shares	41.757.012	52.639.574	40.409.408
Highest share price (Euro ¢)	1.804,07	1.807,63	1.805,04
Lowest share price (Euro ¢)	1.659,55	1.723,22	1.701,62

M&G Optimal Income Fund

Financial highlights

Specific share class performance

Euro Class 'A-H' Accumulation share performance

The share class was launched on 20 April 2007.

for the year to 30 September Change in NAV per share	2016 Euro ¢	2015 Euro ¢	2014 Euro ¢
Opening NAV	1.806,43	1.824,69	1.714,45
Return before operating charges and after direct portfolio transaction costs	130,95	8,30	135,90
Operating charges	(26,28)	(26,56)	(25,66)
Return after operating charges	104,67	(18,26)	110,24
Distributions	(44,64)	(37,30)	(45,28)
Retained distributions	44,64	37,30	45,28
Closing NAV	1.911,10	1.806,43	1.824,69
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0,19	0,09	0,19
Dilution adjustments ^[b]	(0,13)	(0,01)	(0,08)
Total direct portfolio transaction costs	0,06	0,08	0,11
Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	0,01
Operating charges	1,43	1,43	1,43
Return after operating charges	+5,79	-1,00	+6,43
Distribution yield	2,06	1,86	2,48
Effect on yield of charges offset against capital	n/a	n/a	n/a
Other information			
Closing NAV (£'000)	7.574.320	8.807.296	12.309.647
Closing NAV percentage of total fund NAV (%)	49,10	48,30	53,89
Number of shares	460.177.565	660.721.600	866.866.403
Highest share price (Euro ¢)	1.930,16	1.873,77	1.849,53
Lowest share price (Euro ¢)	1.754,78	1.806,03	1.722,71

Euro Class 'B-H' Income share performance

The share class was launched on 11 September 2015.

for the year to 30 September Change in NAV per share	2016 Euro ¢	2015 Euro ¢	2014 Euro ¢
Opening NAV	978,76	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	71,18	(11,35)	n/a
Operating charges	(19,81)	(0,92)	n/a
Return after operating charges	51,37	(12,27)	n/a
Distributions	(22,58)	(8,97)	n/a
Closing NAV	1.007,55	978,76	n/a
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0,11	0,00	n/a
Dilution adjustments ^[b]	(0,07)	0,00	n/a
Total direct portfolio transaction costs	0,04	0,00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	n/a
Operating charges	1,92	1,93	n/a
Return after operating charges	+5,25	-1,23	n/a
Distribution yield	3,46	1,35	n/a
Effect on yield of charges offset against capital	1,90	n/a	n/a
Other information			
Closing NAV (£'000)	7.814	22	n/a
Closing NAV percentage of total fund NAV (%)	0,05	0,00	n/a
Number of shares	900.419	3.001	n/a
Highest share price (Euro ¢)	1.031,89	1.000,00	n/a
Lowest share price (Euro ¢)	949,77	987,52	n/a

Euro Class 'B-H' Accumulation share performance

The share class was launched on 11 September 2015.

for the year to 30 September Change in NAV per share	2016 Euro ¢	2015 Euro ¢	2014 Euro ¢
Opening NAV	987,73	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	72,13	(11,35)	n/a
Operating charges	(20,39)	(0,92)	n/a
Return after operating charges	51,74	(12,27)	n/a
Distributions	(19,71)	(8,97)	n/a
Retained distributions	19,71	8,97	n/a
Closing NAV	1.039,47	987,73	n/a
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0,11	0,00	n/a
Dilution adjustments ^[b]	(0,07)	0,00	n/a
Total direct portfolio transaction costs	0,04	0,00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	n/a
Operating charges	1,92	1,93	n/a
Return after operating charges	+5,24	-1,23	n/a
Distribution yield	1,59	1,35	n/a
Effect on yield of charges offset against capital	n/a	n/a	n/a
Other information			
Closing NAV (£'000)	19.007	22	n/a
Closing NAV percentage of total fund NAV (%)	0,12	0,00	n/a
Number of shares	2.123.070	3.000	n/a
Highest share price (Euro ¢)	1.050,39	1.000,00	n/a
Lowest share price (Euro ¢)	958,51	987,52	n/a

Euro Class 'C-H' Income share performance

The share class was launched on 8 August 2014.

for the year to 30 September Change in NAV per share	2016 Euro ¢	2015 Euro ¢	2014 Euro ¢
Opening NAV	1.818,35	1.875,44	1.905,53
Return before operating charges and after direct portfolio transaction costs	128,75	8,00	1,22
Operating charges	(17,13)	(17,14)	(3,09)
Return after operating charges	111,62	(9,14)	(1,87)
Distributions	(56,48)	(47,95)	(28,22)
Closing NAV	1.873,49	1.818,35	1.875,44
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0,19	0,09	0,03
Dilution adjustments ^[b]	(0,13)	(0,01)	(0,01)
Total direct portfolio transaction costs	0,06	0,08	0,02
Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	0,01
Operating charges	0,92	0,93	0,93
Return after operating charges	+6,14	-0,49	-0,10
Distribution yield	3,47	2,36	2,99
Effect on yield of charges offset against capital	0,90	n/a	n/a
Other information			
Closing NAV (£'000)	46.043	44.900	8.087
Closing NAV percentage of total fund NAV (%)	0,30	0,25	0,04
Number of shares	2.853.464	3.346.323	554.100
Highest share price (Euro ¢)	1.923,83	1.929,65	1.928,40
Lowest share price (Euro ¢)	1.770,37	1.839,49	1.904,95

M&G Optimal Income Fund

Financial highlights

Specific share class performance

Euro Class 'C-H' Accumulation share performance

The share class was launched on 20 April 2007.

for the year to 30 September Change in NAV per share	2016 Euro ¢	2015 Euro ¢	2014 Euro ¢
Opening NAV	1,893.03	1,903.47	1,778.97
Return before operating charges and after direct portfolio transaction costs	134.79	7.57	141.86
Operating charges	(17.90)	(18.01)	(17.36)
Return after operating charges	116.89	(10.44)	124.50
Distributions	(56.11)	(48.89)	(56.61)
Retained distributions	56.11	48.89	56.61
Closing NAV	2,009.92	1,893.03	1,903.47
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.20	0.09	0.20
Dilution adjustments ^[b]	(0.13)	(0.01)	(0.08)
Total direct portfolio transaction costs	0.07	0.08	0.12
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.01
Operating charges	0.93	0.93	0.93
Return after operating charges	+6.17	-0.55	+7.00
Distribution yield	2.56	2.36	2.99
Effect on yield of charges offset against capital	n/a	n/a	n/a
Other information			
Closing NAV (£'000)	1,785.131	2,196.738	2,819.963
Closing NAV percentage of total fund NAV (%)	11.57	12.05	12.34
Number of shares	103,122,734	157,259,592	190,368,294
Highest share price (Euro ¢)	2,029.79	1,958.00	1,928.26
Lowest share price (Euro ¢)	1,842.59	1,892.63	1,787.55

Singapore dollar Class 'A-H' Accumulation share performance

The share class was launched on 16 January 2015.

for the year to 30 September Change in NAV per share	2016 Singapore ¢	2015 Singapore ¢	2014 Singapore ¢
Opening NAV	981.11	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	86.66	(8.84)	n/a
Operating charges	(14.28)	(10.05)	n/a
Return after operating charges	72.38	(18.89)	n/a
Distributions	(24.18)	(13.55)	n/a
Retained distributions	24.18	13.55	n/a
Closing NAV	1,053.49	981.11	n/a
Direct portfolio transaction costs ^[a]	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	0.10	0.03	n/a
Dilution adjustments ^[b]	(0.07)	0.00	n/a
Total direct portfolio transaction costs	0.03	0.03	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	n/a
Operating charges	1.42	1.42	n/a
Return after operating charges	+7.38	-1.89	n/a
Distribution yield	2.05	1.89	n/a
Effect on yield of charges offset against capital	n/a	n/a	n/a
Other information			
Closing NAV (£'000)	4.220	6.179	n/a
Closing NAV percentage of total fund NAV (%)	0.03	0.03	n/a
Number of shares	708,563	1,362,388	n/a
Highest share price (Singapore ¢)	1,063.33	1,009.68	n/a
Lowest share price (Singapore ¢)	959.86	980.91	n/a

Singapore dollar Class 'A-H M' Income share performance

The share class was launched on 16 January 2015.

for the year to 30 September Change in NAV per share	2016 Singapore ¢	2015 Singapore ¢	2014 Singapore ¢
Opening NAV	967.62	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	85.35	(9.20)	n/a
Operating charges	(14.08)	(9.96)	n/a
Return after operating charges	71.27	(19.16)	n/a
Distributions	(26.07)	(13.22)	n/a
Closing NAV	1,012.82	967.62	n/a
Direct portfolio transaction costs ^[a]	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	0.10	0.03	n/a
Dilution adjustments ^[b]	(0.07)	0.00	n/a
Total direct portfolio transaction costs	0.03	0.03	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	n/a
Operating charges	1.42	1.42	n/a
Return after operating charges	+7.37	-1.92	n/a
Distribution yield	3.44	1.89	n/a
Effect on yield of charges offset against capital	1.40	n/a	n/a
Other information			
Closing NAV (£'000)	8,506	13,512	n/a
Closing NAV percentage of total fund NAV (%)	0.05	0.07	n/a
Number of shares	1,485,519	3,020,993	n/a
Highest share price (Singapore ¢)	1,025.91	1,008.39	n/a
Lowest share price (Singapore ¢)	939.62	968.90	n/a

Singapore dollar Class 'C-H' Accumulation share performance

The share class was launched on 16 January 2015.

for the year to 30 September Change in NAV per share	2016 Singapore ¢	2015 Singapore ¢	2014 Singapore ¢
Opening NAV	984.33	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	87.45	(9.20)	n/a
Operating charges	(9.04)	(6.47)	n/a
Return after operating charges	78.41	(15.67)	n/a
Distributions	(29.41)	(16.99)	n/a
Retained distributions	29.41	16.99	n/a
Closing NAV	1,062.74	984.33	n/a
Direct portfolio transaction costs ^[a]	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	0.10	0.03	n/a
Dilution adjustments ^[b]	(0.07)	0.00	n/a
Total direct portfolio transaction costs	0.03	0.03	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	n/a
Operating charges	0.93	0.92	n/a
Return after operating charges	+7.97	-1.57	n/a
Distribution yield	2.54	2.39	n/a
Effect on yield of charges offset against capital	n/a	n/a	n/a
Other information			
Closing NAV (£'000)	40	182	n/a
Closing NAV percentage of total fund NAV (%)	0.00	0.00	n/a
Number of shares	6,597	40,029	n/a
Highest share price (Singapore ¢)	1,072.38	1,010.54	n/a
Lowest share price (Singapore ¢)	964.72	984.06	n/a

M&G Optimal Income Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Income share performance

The share class was launched on 8 December 2006.

for the year to 30 September Change in NAV per share	2016 UK p	2015 UK p	2014 UK p
Opening NAV	140,09	143,29	137,34
Return before operating charges and after direct portfolio transaction costs	11,56	1,71	11,51
Operating charges	(2,01)	(2,04)	(2,01)
Return after operating charges	9,55	(0,33)	9,50
Distributions	(3,89)	(2,87)	(3,55)
Closing NAV	145,75	140,09	143,29
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0,01	0,01	0,02
Dilution adjustments ^[b]	(0,01)	0,00	(0,01)
Total direct portfolio transaction costs	0,00	0,01	0,01
Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	0,01
Operating charges	1,41	1,41	1,41
Return after operating charges	+6,82	-0,23	+6,92
Distribution yield	3,51	1,89	2,44
Effect on yield of charges offset against capital	1,40	n/a	n/a
Other information			
Closing NAV (£'000)	226.156	539.892	780.528
Closing NAV percentage of total fund NAV (%)	1,47	2,96	3,42
Number of shares	155.166.606	385.395.778	544.711.868
Highest share price (UK p)	149,02	147,24	146,58
Lowest share price (UK p)	136,13	141,13	138,00

Sterling Class 'A' Accumulation share performance

The share class was launched on 8 December 2006.

for the year to 30 September Change in NAV per share	2016 UK p	2015 UK p	2014 UK p
Opening NAV	185,07	186,31	175,08
Return before operating charges and after direct portfolio transaction costs	15,36	2,17	14,71
Operating charges	(2,67)	(2,66)	(2,57)
Return after operating charges	12,69	(0,49)	12,14
Distributions	(4,70)	(3,74)	(4,55)
Retained distributions	3,76	2,99	3,64
Closing NAV	196,82	185,07	186,31
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0,02	0,01	0,02
Dilution adjustments ^[b]	(0,01)	0,00	(0,01)
Total direct portfolio transaction costs	0,01	0,01	0,01
Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	0,01
Operating charges	1,41	1,41	1,41
Return after operating charges	+6,86	-0,26	+6,93
Distribution yield	2,10	1,89	2,44
Effect on yield of charges offset against capital	n/a	n/a	n/a
Other information			
Closing NAV (£'000)	650.497	1.045.476	1.562.344
Closing NAV percentage of total fund NAV (%)	4,22	5,73	6,84
Number of shares	330.507.238	564.919.157	838.568.207
Highest share price (UK p)	198,72	191,43	188,75
Lowest share price (UK p)	179,84	185,03	175,91

Sterling Class 'I' Income share performance

The share class was launched on 8 December 2006.

for the year to 30 September Change in NAV per share	2016 UK p	2015 UK p	2014 UK p
Opening NAV	140,07	143,28	137,33
Return before operating charges and after direct portfolio transaction costs	11,57	1,71	11,52
Operating charges	(1,30)	(1,32)	(1,30)
Return after operating charges	10,27	0,39	10,22
Distributions	(4,48)	(3,60)	(4,27)
Closing NAV	145,86	140,07	143,28
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0,01	0,01	0,02
Dilution adjustments ^[b]	(0,01)	0,00	(0,01)
Total direct portfolio transaction costs	0,00	0,01	0,01
Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	0,01
Operating charges	0,91	0,91	0,91
Return after operating charges	+7,33	+0,27	+7,44
Distribution yield	3,50	2,40	2,94
Effect on yield of charges offset against capital	0,90	n/a	n/a
Other information			
Closing NAV (£'000)	1.366.215	1.534.306	1.719.154
Closing NAV percentage of total fund NAV (%)	8,86	8,41	7,53
Number of shares	936.630.031	1.095.418.033	1.199.857.143
Highest share price (UK p)	149,29	147,47	146,80
Lowest share price (UK p)	136,31	141,40	137,99

Sterling Class 'I' Accumulation share performance

The share class was launched on 8 December 2006.

for the year to 30 September Change in NAV per share	2016 UK p	2015 UK p	2014 UK p
Opening NAV	191,26	191,79	179,52
Return before operating charges and after direct portfolio transaction costs	15,92	2,20	15,11
Operating charges	(1,79)	(1,77)	(1,72)
Return after operating charges	14,13	0,43	13,39
Distributions	(5,84)	(4,82)	(5,60)
Retained distributions	4,67	3,86	4,48
Closing NAV	204,22	191,26	191,79
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0,02	0,01	0,02
Dilution adjustments ^[b]	(0,01)	0,00	(0,01)
Total direct portfolio transaction costs	0,01	0,01	0,01
Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	0,01
Operating charges	0,91	0,91	0,91
Return after operating charges	+7,39	+0,22	+7,46
Distribution yield	2,60	2,40	2,94
Effect on yield of charges offset against capital	n/a	n/a	n/a
Other information			
Closing NAV (£'000)	1.400.480	1.346.596	1.147.341
Closing NAV percentage of total fund NAV (%)	9,08	7,39	5,02
Number of shares	685.772.367	704.071.961	598.244.131
Highest share price (UK p)	206,15	197,39	194,24
Lowest share price (UK p)	186,13	191,22	180,37

M&G Optimal Income Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 September Change in NAV per share	2016 UK p	2015 UK p	2014 UK p
Opening NAV	108,87	111,37	106,75
Return before operating charges and after direct portfolio transaction costs	8,99	1,32	8,95
Operating charges	(1,29)	(1,30)	(1,29)
Return after operating charges	7,70	0,02	7,66
Distributions	(3,25)	(2,52)	(3,04)
Closing NAV	113,32	108,87	111,37
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0,01	0,01	0,01
Dilution adjustments ^[b]	(0,01)	0,00	(0,01)
Total direct portfolio transaction costs	0,00	0,01	0,00
Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	0,01
Operating charges	1,16	1,16	1,16
Return after operating charges	+7,07	+0,02	+7,18
Distribution yield	3,50	2,15	2,69
Effect on yield of charges offset against capital	1,15	n/a	n/a
Other information			
Closing NAV (£'000)	3.697	3.896	4.091
Closing NAV percentage of total fund NAV (%)	0,02	0,02	0,02
Number of shares	3.262.632	3.578.994	3.672.929
Highest share price (UK p)	115,92	114,53	114,01
Lowest share price (UK p)	105,88	109,79	107,25

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 September Change in NAV per share	2016 UK p	2015 UK p	2014 UK p
Opening NAV	116,20	116,76	109,50
Return before operating charges and after direct portfolio transaction costs	9,66	1,34	9,22
Operating charges	(1,38)	(1,37)	(1,33)
Return after operating charges	8,28	(0,03)	7,89
Distributions	(3,25)	(2,65)	(3,14)
Retained distributions	2,60	2,12	2,51
Closing NAV	123,83	116,20	116,76
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0,01	0,01	0,01
Dilution adjustments ^[b]	(0,01)	0,00	(0,01)
Total direct portfolio transaction costs	0,00	0,01	0,00
Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	0,01
Operating charges	1,16	1,16	1,16
Return after operating charges	+7,13	-0,03	+7,21
Distribution yield	2,35	2,15	2,69
Effect on yield of charges offset against capital	n/a	n/a	n/a
Other information			
Closing NAV (£'000)	6.994	8.194	9.973
Closing NAV percentage of total fund NAV (%)	0,04	0,04	0,04
Number of shares	5.647.628	7.051.647	8.542.281
Highest share price (UK p)	125,02	120,06	118,26
Lowest share price (UK p)	113,00	116,18	110,01

Sterling Class 'X' Income share performance

The share class was launched on 8 December 2006.

for the year to 30 September Change in NAV per share	2016 UK p	2015 UK p	2014 UK p
Opening NAV	140,00	143,21	137,26
Return before operating charges and after direct portfolio transaction costs	11,56	1,70	11,50
Operating charges	(2,37)	(2,40)	(2,36)
Return after operating charges	9,19	(0,70)	9,14
Distributions	(3,59)	(2,51)	(3,19)
Closing NAV	145,60	140,00	143,21
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0,01	0,01	0,02
Dilution adjustments ^[b]	(0,01)	0,00	(0,01)
Total direct portfolio transaction costs	0,00	0,01	0,01
Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	0,01
Operating charges	1,66	1,66	1,66
Return after operating charges	+6,56	-0,49	+6,66
Distribution yield	3,50	1,64	2,19
Effect on yield of charges offset against capital	1,65	n/a	n/a
Other information			
Closing NAV (£'000)	78.484	88.563	103.671
Closing NAV percentage of total fund NAV (%)	0,51	0,49	0,45
Number of shares	53.905.220	63.257.225	72.391.712
Highest share price (UK p)	148,78	147,02	146,36
Lowest share price (UK p)	135,95	140,90	137,92

Sterling Class 'X' Accumulation share performance

The share class was launched on 8 December 2006.

for the year to 30 September Change in NAV per share	2016 UK p	2015 UK p	2014 UK p
Opening NAV	181,72	183,28	172,59
Return before operating charges and after direct portfolio transaction costs	15,08	2,16	14,49
Operating charges	(3,09)	(3,08)	(2,99)
Return after operating charges	11,99	(0,92)	11,50
Distributions	(4,14)	(3,22)	(4,04)
Retained distributions	3,31	2,58	3,23
Closing NAV	192,88	181,72	183,28
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0,02	0,01	0,02
Dilution adjustments ^[b]	(0,01)	0,00	(0,01)
Total direct portfolio transaction costs	0,01	0,01	0,01
Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	0,01
Operating charges	1,66	1,66	1,66
Return after operating charges	+6,60	-0,50	+6,66
Distribution yield	1,86	1,64	2,19
Effect on yield of charges offset against capital	n/a	n/a	n/a
Other information			
Closing NAV (£'000)	75.557	84.803	107.155
Closing NAV percentage of total fund NAV (%)	0,49	0,47	0,47
Number of shares	39.173.748	46.665.649	58.456.625
Highest share price (UK p)	194,77	188,19	185,72
Lowest share price (UK p)	176,46	181,68	173,41

M&G Optimal Income Fund

Financial highlights

Specific share class performance

Swiss franc Class 'A-H' Income share performance

The share class was launched on 16 January 2015.

for the year to 30 September Change in NAV per share	2016 Swiss ¢	2015 Swiss ¢	2014 Swiss ¢
Opening NAV	1.096,99	1.156,86	n/a
Return before operating charges and after direct portfolio transaction costs	69,69	(26,04)	n/a
Operating charges	(15,58)	(10,98)	n/a
Return after operating charges	54,11	(37,02)	n/a
Distributions	(29,20)	(22,85)	n/a
Closing NAV	1.121,90	1.096,99	n/a

Direct portfolio transaction costs ^[a]	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0,11	0,04	n/a
Dilution adjustments ^[b]	(0,08)	0,00	n/a
Total direct portfolio transaction costs	0,03	0,04	n/a

Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	n/a
Operating charges	1,43	1,43	n/a
Return after operating charges	+4,93	-3,20	n/a
Distribution yield	3,44	1,87	n/a
Effect on yield of charges offset against capital	1,40	n/a	n/a

Other information

Closing NAV (€'000)	893	1.461	n/a
Closing NAV percentage of total fund NAV (%)	0,01	0,01	n/a
Number of shares	100.508	196.988	n/a
Highest share price (Swiss ¢)	1.150,71	1.166,36	n/a
Lowest share price (Swiss ¢)	1.062,38	1.107,42	n/a

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 30 September Change in NAV per share	2016 Swiss ¢	2015 Swiss ¢	2014 Swiss ¢
Opening NAV	1.119,62	1.138,53	1.070,78
Return before operating charges and after direct portfolio transaction costs	71,54	(2,43)	83,78
Operating charges	(16,04)	(16,48)	(16,03)
Return after operating charges	55,50	(18,91)	67,75
Distributions	(27,09)	(22,55)	(28,00)
Retained distributions	27,09	22,55	28,00
Closing NAV	1.175,12	1.119,62	1.138,53

Direct portfolio transaction costs ^[a]	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0,11	0,06	0,12
Dilution adjustments ^[b]	(0,08)	0,00	(0,05)
Total direct portfolio transaction costs	0,03	0,06	0,07

Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	0,01
Operating charges	1,43	1,43	1,43
Return after operating charges	+4,96	-1,66	+6,33
Distribution yield	2,05	1,87	2,47
Effect on yield of charges offset against capital	n/a	n/a	n/a

Other information

Closing NAV (€'000)	45.526	90.148	60.451
Closing NAV percentage of total fund NAV (%)	0,30	0,49	0,26
Number of shares	4.893.433	11.910.392	8.231.107
Highest share price (Swiss ¢)	1.187,49	1.167,47	1.153,96
Lowest share price (Swiss ¢)	1.084,10	1.119,37	1.075,96

Swiss franc Class 'C-H' Income share performance

The share class was launched on 16 January 2015.

for the year to 30 September Change in NAV per share	2016 Swiss ¢	2015 Swiss ¢	2014 Swiss ¢
Opening NAV	1.106,76	1.168,88	n/a
Return before operating charges and after direct portfolio transaction costs	71,46	(26,16)	n/a
Operating charges	(10,51)	(7,29)	n/a
Return after operating charges	60,95	(33,45)	n/a
Distributions	(34,21)	(28,67)	n/a
Closing NAV	1.133,50	1.106,76	n/a

Direct portfolio transaction costs ^[a]	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0,12	0,04	n/a
Dilution adjustments ^[b]	(0,08)	0,00	n/a
Total direct portfolio transaction costs	0,04	0,04	n/a

Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	n/a
Operating charges	0,92	0,93	n/a
Return after operating charges	+5,51	-2,86	n/a
Distribution yield	3,45	2,36	n/a
Effect on yield of charges offset against capital	0,90	0,00	n/a

Other information

Closing NAV (€'000)	6.010	3.086	n/a
Closing NAV percentage of total fund NAV (%)	0,04	0,02	n/a
Number of shares	669.753	412.494	n/a
Highest share price (Swiss ¢)	1.164,20	1.179,16	n/a
Lowest share price (Swiss ¢)	1.073,85	1.120,16	n/a

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 30 September Change in NAV per share	2016 Swiss ¢	2015 Swiss ¢	2014 Swiss ¢
Opening NAV	1.135,82	1.149,55	1.075,82
Return before operating charges and after direct portfolio transaction costs	73,47	(2,90)	84,24
Operating charges	(10,90)	(10,83)	(10,51)
Return after operating charges	62,57	(13,73)	73,73
Distributions	(33,54)	(28,56)	(33,91)
Retained distributions	33,54	28,56	33,91
Closing NAV	1.198,39	1.135,82	1.149,55

Direct portfolio transaction costs ^[a]	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0,12	0,06	0,12
Dilution adjustments ^[b]	(0,08)	0,00	(0,05)
Total direct portfolio transaction costs	0,04	0,06	0,07

Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	0,01
Operating charges	0,92	0,93	0,93
Return after operating charges	+5,51	-1,19	+6,85
Distribution yield	2,55	2,36	2,98
Effect on yield of charges offset against capital	n/a	n/a	n/a

Other information

Closing NAV (€'000)	72.848	26.438	18.904
Closing NAV percentage of total fund NAV (%)	0,47	0,14	0,08
Number of shares	7.678.121	3.443.163	2.549.287
Highest share price (Swiss ¢)	1.210,70	1.180,64	1.164,50
Lowest share price (Swiss ¢)	1.102,21	1.135,59	1.080,99

M&G Optimal Income Fund

Financial highlights

Specific share class performance

US dollar Class 'A-H' Income share performance

The share class was launched on 8 August 2014.

for the year to 30 September Change in NAV per share	2016 US ¢	2015 US ¢	2014 US ¢
Opening NAV	1,293,09	1,326,51	1,343,16
Return before operating charges and after direct portfolio transaction costs	103,41	11,36	1,39
Operating charges	(18,67)	(19,22)	(2,85)
Return after operating charges	84,74	(7,86)	(1,46)
Distributions	(34,29)	(25,56)	(15,19)
Closing NAV	1,343,54	1,293,09	1,326,51
Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	0,13	0,07	0,02
Dilution adjustments ^[b]	(0,09)	0,00	(0,01)
Total direct portfolio transaction costs	0,04	0,07	0,01
Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	0,01
Operating charges	1,43	1,43	1,43
Return after operating charges	+6,55	-0,59	-0,11
Distribution yield	3,44	1,83	2,41
Effect on yield of charges offset against capital	1,40	n/a	n/a
Other information			
Closing NAV (£'000)	60.931	1.315.498	29.795
Closing NAV percentage of total fund NAV (%)	0,39	7,22	0,13
Number of shares	5.879.099	11.885.851	3.634.339
Highest share price (US ¢)	1.375,33	1.363,52	1.358,91
Lowest share price (US ¢)	1.259,05	1.305,02	1.342,64

US dollar Class 'A-H' Accumulation share performance

The share class was launched on 1 October 2010.

for the year to 30 September Change in NAV per share	2016 US ¢	2015 US ¢	2014 US ¢
Opening NAV	1,331,90	1,340,91	1,257,19
Return before operating charges and after direct portfolio transaction costs	106,24	10,45	102,62
Operating charges	(19,39)	(19,46)	(18,90)
Return after operating charges	86,85	(9,01)	83,72
Distributions	(32,13)	(25,83)	(32,31)
Retained distributions	32,13	25,83	32,31
Closing NAV	1,418,75	1,331,90	1,340,91
Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	0,14	0,07	0,14
Dilution adjustments ^[b]	(0,09)	0,00	(0,06)
Total direct portfolio transaction costs	0,05	0,07	0,08
Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	0,01
Operating charges	1,42	1,43	1,43
Return after operating charges	+6,52	-0,67	+6,66
Distribution yield	2,05	1,83	2,41
Effect on yield of charges offset against capital	n/a	n/a	n/a
Other information			
Closing NAV (£'000)	1.067.522	101.121	1.232.731
Closing NAV percentage of total fund NAV (%)	6,92	0,55	5,40
Number of shares	97.542.216	150.118.496	148.751.398
Highest share price (US ¢)	1.431,21	1.377,95	1.358,46
Lowest share price (US ¢)	1.296,56	1.331,61	1.263,37

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

The share class was launched on 16 January 2015.

for the year to 30 September Change in NAV per share	2016 US ¢	2015 US ¢	2014 US ¢
Opening NAV	964,15	1,000,00	n/a
Return before operating charges and after direct portfolio transaction costs	76,70	(12,52)	n/a
Operating charges	(13,85)	(10,00)	n/a
Return after operating charges	62,85	(22,52)	n/a
Distributions	(25,43)	(13,33)	n/a
Closing NAV	1,001,57	964,15	n/a
Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	0,10	0,03	n/a
Dilution adjustments ^[b]	(0,07)	0,00	n/a
Total direct portfolio transaction costs	0,03	0,03	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	n/a
Operating charges	1,43	1,42	n/a
Return after operating charges	+6,52	-2,25	n/a
Distribution yield	3,44	1,86	n/a
Effect on yield of charges offset against capital	1,40	n/a	n/a
Other information			
Closing NAV (£'000)	17.620	23.233	n/a
Closing NAV percentage of total fund NAV (%)	0,11	0,13	n/a
Number of shares	2.280.655	3.662.465	n/a
Highest share price (US ¢)	1.013,99	1.008,93	n/a
Lowest share price (US ¢)	932,10	965,46	n/a

US dollar Class 'C-H' Income share performance

The share class was launched on 8 August 2014.

for the year to 30 September Change in NAV per share	2016 US ¢	2015 US ¢	2014 US ¢
Opening NAV	1,316,85	1,351,88	1,370,64
Return before operating charges and after direct portfolio transaction costs	105,94	10,49	1,90
Operating charges	(12,46)	(12,78)	(1,88)
Return after operating charges	93,48	(2,29)	0,02
Distributions	(40,61)	(32,74)	(18,78)
Closing NAV	1,369,72	1,316,85	1,351,88
Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	0,14	0,07	0,02
Dilution adjustments ^[b]	(0,09)	0,00	(0,01)
Total direct portfolio transaction costs	0,05	0,07	0,01
Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	0,01
Operating charges	0,92	0,93	0,93
Return after operating charges	+7,10	-0,17	0,00
Distribution yield	3,45	2,32	2,91
Effect on yield of charges offset against capital	0,90	n/a	n/a
Other information			
Closing NAV (£'000)	31.837	27.603	3.972
Closing NAV percentage of total fund NAV (%)	0,21	0,15	0,02
Number of shares	3.013.204	3.185.873	475.445
Highest share price (US ¢)	1.404,04	1.391,60	1.386,99
Lowest share price (US ¢)	1.284,61	1.332,42	1.370,18

M&G Optimal Income Fund

Financial highlights

Specific share class performance

US dollar Class 'C-H' Accumulation share performance

The share class was launched on 1 October 2010.

for the year to 30 September	2016	2015	2014
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1.366,78	1.369,26	1.277,20
Return before operating charges and after direct portfolio transaction costs	109,24	10,45	104,57
Operating charges	(12,97)	(12,93)	(12,51)
Return after operating charges	96,27	(2,48)	92,06
Distributions	(40,03)	(33,19)	(39,54)
Retained distributions	40,03	33,19	39,54
Closing NAV	1.463,05	1.366,78	1.369,26
Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	0,14	0,07	0,14
Dilution adjustments ^[b]	(0,10)	0,00	(0,06)
Total direct portfolio transaction costs	0,04	0,07	0,08
Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	0,01
Operating charges	0,92	0,93	0,93
Return after operating charges	+7,04	-0,18	+7,21
Distribution yield	2,54	2,32	2,91
Effect on yield of charges offset against capital	n/a	n/a	n/a
Other information			
Closing NAV (£'000)	237.933	262.429	372.666
Closing NAV percentage of total fund NAV (%)	1,54	1,44	1,63
Number of shares	21.082.338	29.182.769	44.037.703
Highest share price (US ¢)	1.475,46	1.409,02	1.386,85
Lowest share price (US ¢)	1.332,73	1.366,50	1.283,76

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

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

M&G Optimal Income Fund

Financial statements and notes

Financial statements

Statement of total return

for the year to 30 September	Note	2016		2015	
		£'000	£'000	£'000	£'000
Income					
Net capital gains / (losses)	5		2,196,007		(1,474,291)
Revenue	7	615,985		773,526	
Expenses	8	(198,140)		(292,653)	^[a]
Net revenue / (expense) before taxation		417,845		480,873	
Taxation	9	(377)		3,202	
Net revenue / (expense) after taxation			417,468		484,075
Total return before distributions			2,613,475		(990,216)
Distributions	10		(422,428)		(484,081)
Change in net assets attributable to shareholders from investment activities			2,191,047		(1,474,297)

Statement of change in net assets attributable to shareholders

for the year to 30 September	2016		2015		
	£'000	£'000	£'000	£'000	
Opening net assets attributable to shareholders		18,235,013		22,843,785	
Amounts received on issue of shares	1,238,807		3,586,653	^[a]	
Amounts paid on cancellation of shares	(6,564,988)		(7,121,665)	^[a]	
		(5,326,181)		(3,535,012)	
Dilution adjustments		21,370		23,184	^[a]
Change in net assets attributable to shareholders from investment activities (see above)		2,191,047		(1,474,297)	
Retained distributions on Accumulation shares		305,695		377,352	
Unclaimed distributions		1		1	
Closing net assets attributable to shareholders		15,426,945		18,235,013	

Balance sheet

as at 30 September	Note	2016	2015
		£'000	£'000
Assets			
Fixed assets			
Investments		15,396,406	18,195,713
Current assets			
Debtors	11	727,026	605,050
Cash and bank balances	12	335,688	250,993
Total assets		16,459,120	19,051,756
Liabilities			
Investment liabilities		(327,172)	(229,138)
Creditors			
Bank overdrafts		(33,577)	(248)
Distribution payable		(47,425)	(38,847)
Other creditors	13	(624,001)	(548,510)
Total liabilities		(1,032,175)	(816,743)
Net assets attributable to shareholders		15,426,945	18,235,013

^[a] Restated, please see note 2 to the financial statements.

Notes to the financial statements

1 Statement of compliance

The financial statements 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 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.

The fund has adopted FRS 102 and the 2014 SORP. As a result there are some presentational changes to the classification of items in the financial statements. The following presentational changes are considered to be minimal and have no impact on the total return or net asset value in either the current or prior accounting period. In the 'Statement of change in net assets attributable to shareholders', 'Dilution adjustments' are now disclosed as a separate line item and in the 'Balance sheet', 'Income tax payable' in respect of distributions is now included within the value of 'Distribution payable'.

'Dilution adjustments' totalling £21,370,000 (2015: £23,184,000) have been reclassified from 'Amounts received on issue of shares' of £(1,373,000) (2015: £7,576,000) and 'Amounts paid on cancellation of shares' of £22,743,000 (2015: £15,608,000).

Interest payable of £276,000 (2015: £194,000) has been reclassified from 'Distributions' into 'Expenses'.

Income tax payable of £12,637,000 (2015: £11,011,000) has been reclassified from 'Other creditors' into 'Distribution payable'.

b) Functional and presentational currency

The functional and presentational currency of M&G Optimal Income Fund is UK sterling.

c) Exchange rates

Transactions in currencies other than the 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 September 2016 being the last business day of the accounting period.

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Notes to the financial statements

2 Summary of significant accounting policies (continued)

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 September 2016, 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.
- Other interest income, such as 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 equity 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.
- 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.

M&G Optimal Income Fund

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Notes to the financial statements

2 Summary of significant accounting policies (continued)

f) Treatment of income and expenses (continued)

- Expenses relating to the purchase and sale of investments are treated as capital; all other expenses are treated as revenue.
- Rebates of charges from holdings in collective investment schemes are treated as revenue or capital in accordance with the underlying scheme's distribution policy.

g) Tax

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

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

Deferred tax is recognised in respect of temporary timing differences that have originated but not reversed by the balance sheet date. Deferred tax is measured on a non-discounted basis, at the average rate of tax expected to apply in the period in which it expects the deferred tax to be realised or settled. A deferred tax asset is only recognised to the extent that it is more likely than not that it 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 the 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 distribution policy in note 4, 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 fund, with specific risk disclosures set out in notes 20 to 24 in this report.

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.

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.

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3 Risk management policies (continued)

Value at Risk approach (continued)

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 Optimal Income 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.

4 Distribution policy

In determining the amount available for distribution for Income Share classes the annual management charge, administration fee and share class hedging fee (where relevant) are offset against capital, increasing the amount available for distribution whilst restraining capital performance to an equivalent extent. This change in distribution policy took effect from 1 August 2016.

5 Net capital gains / (losses)

for the year to 30 September	2016 £'000	2015 £'000
Non-derivative securities	2,430,052	(9,804)
Derivative contracts	(758,767)	(1,285,188)
Currency gains / (losses)	524,765	(179,263)
Transaction charges	(43)	(36)
Net capital gains / (losses)	2,196,007	(1,474,291)

6 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 18 and 19.

for the year to 30 September	2016 £'000	% of transaction	2015 £'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	764,033		91,302	
Commissions	354	0,05	43	0,05
Taxes	605	0,08	56	0,06
Equities after transaction costs	764,992		91,401	
Debt securities ^[a]	7,058,259		15,274,308	
Total purchases after transaction costs	7,823,251		15,365,709	
b) Sales				
Equities				
Equities before transaction costs	65,522		572,517	
Commissions	(26)	0,04	(258)	0,05
Taxes	(1)	0,00	(4)	0,00
Equities after transaction costs	65,495		572,255	
Debt securities ^[a]	12,814,788		19,745,494	
Total sales after transaction costs	12,880,283		20,317,749	
c) Direct portfolio transaction costs				
Commissions paid				
Equities	380	0,00	301	0,00
Derivatives	633	0,01	737	0,00
Total commissions paid	1,013	0,01	1,038	0,00
Taxes paid				
Equities	606	0,00	60	0,00
Total direct portfolio transaction costs ^[b]	1,619	0,01	1,098	0,00
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^[c]		0,72		0,67

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

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

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

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7 Revenue

	2016	2015
for the year to 30 September	£'000	£'000
Bank interest	620	226
Derivative revenue	33,162	16,690
Dividends from equity investments: non-taxable	2,635	6,560
Interest distributions	1,418	1,284
Interest on debt securities	576,152	747,204
Interest on withholding tax previously withheld at source	0	263
Margin interest	(18)	(265)
Stock dividends	2,016	1,564
Total revenue	615,985	773,526

8 Expenses

	2016	2015
for the year to 30 September	£'000	£'000
Payable to the ACD or associate		
Annual management charge	171,131	253,211
Administration charge	23,500	34,176
Share class hedging charge	2,181	3,501
	196,812	290,888
Payable to the Depositary or associate		
Depositary's charge (including VAT)	494	707
Other expenses		
Audit fee (including VAT)	13	8
Interest payable	276	194
Legal fees	2	(16)
Safe custody charge	538	863
Tax fees (including VAT)	5	9
	834	1,058
Total expenses	198,140	292,653

9 Taxation

	2016	2015
for the year to 30 September	£'000	£'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	390	1,784
Withholding tax recoverable: previously withheld at source	0	(4,986)
Prior year adjustment	(13)	0
Deferred tax (note 9c)	0	0
Total taxation	377	(3,202)
b) Factors affecting taxation charge for the year		
Net revenue before taxation	417,845	480,873
Corporation tax at 20%	83,569	96,175
Effects of:		
Dividends from equity investments: non-taxable	(527)	(1,312)
Stock dividends not taxable	(403)	(313)
Interest distributions	(82,614)	(94,550)
Withholding tax	390	1,784
Withholding tax recoverable: previously withheld at source	0	(4,986)
Withholding tax expensed	(25)	0
Prior year adjustment	(13)	0
Total tax charge (note 9a)	377	(3,202)
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 9a)	0	0
Provision at the end of the year	0	0

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

10 Distributions

for the year to 30 September	2016		2015	
	Inc ^[a]	Acc ^[b]	Inc ^[a]	Acc ^[b]
Interest distributions	£'000	£'000	£'000	£'000
First interim	55	n/a	n/a	n/a
Second interim	62	n/a	n/a	n/a
Third interim	71	n/a	n/a	n/a
Fourth interim	73	n/a	2	n/a
Fifth interim	82	n/a	53	n/a
Sixth interim	28,645	139,963	36,138	233,078
Seventh interim	51	n/a	59	n/a
Eighth interim	59	n/a	72	n/a
Ninth interim	74	n/a	58	n/a
Tenth interim	61	n/a	73	n/a
Eleventh Interim	104	n/a	69	n/a
Final	34,684	165,732	27,767	144,274
Total net distributions		369,716		441,643
Income tax deducted at source		24,157		24,009
Interest distributions		393,873		465,652
Income deducted on cancellation of shares		36,878		37,999
Income received on issue of shares		(8,323)		(19,570)
Distributions		422,428		484,081
Net revenue per statement of total return		417,468		484,075
Expenses offset against capital		4,964		0
Undistributed income brought forward		2		8
Undistributed income carried forward		(6)		(2)
Distributions		422,428		484,081

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

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11 Debtors

as at 30 September	2016 £'000	2015 £'000
Amounts receivable on issues of shares	15,783	6,661
Bank interest receivable	0	1
Compensation receivable	3	3
Currency deals outstanding	32,399	199,231
Debt security interest receivable	155,895	229,123
Derivative revenue receivable	2,648	2,461
Distributions receivable	74	189
Dividends receivable	225	206
Interest recoverable on overseas tax previously withheld at source	0	16
Sales awaiting settlement	515,962	163,053
Withholding tax recoverable	4,037	4,106
Total debtors	727,026	605,050

12 Cash and bank balances

as at 30 September	2016 £'000	2015 £'000
Amounts held at futures clearing houses and brokers	311,721	235,042
Cash held as bank balances	23,967	15,951
Total cash and bank balances	335,688	250,993

13 Other creditors

as at 30 September	2016 £'000	2015 £'000
ACD's annual management charge payable	8,291	8,986
Administration charge payable	1,139	1,222
Amounts payable on cancellation of shares	23,463	154,128
Currency deals outstanding	32,398	199,178
Derivative expense payable	3,033	10,267
Expenses payable	139	307
Purchases awaiting settlement	555,430	174,307
Share class hedging charge payable	108	115
Total other creditors	624,001	548,510

14 Contingent assets, liabilities and outstanding commitments

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

15 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 16 below.

Share class	Opening 01.10.15	Movements		Closing 30.09.16
		Issued	Cancelled	
Euro				
Class 'A-H' Income (Gross)	52,639,574	758,063	(11,640,625)	41,757,012
Class 'A-H' Accumulation (Gross)	660,721,600	22,908,894	(223,452,929)	460,177,565
Class 'B-H' Income (Gross)	3,001	941,493	(44,075)	900,419
Class 'B-H' Accumulation (Gross)	3,000	2,193,441	(73,371)	2,123,070
Class 'C-H' Income (Gross)	3,346,323	3,050,151	(3,543,010)	2,853,464
Class 'C-H' Accumulation (Gross)	157,259,592	12,690,430	(66,827,288)	103,122,734
Singapore dollar				
Class 'A-H' Accumulation (Gross)	1,362,388	30,049	(683,874)	708,563
Class 'A-H M' Income (Gross)	3,020,993	177,002	(1,712,476)	1,485,519
Class 'C-H' Accumulation (Gross)	40,029	1,801	(35,233)	6,597
Sterling				
Class 'A' Income (Net)	385,395,778	2,947,765	(233,176,937)	155,166,606
Class 'A' Accumulation (Net)	564,919,157	777,574	(235,189,493)	330,507,238
Class 'I' Income (Net)	1,095,418,033	100,866,342	(259,654,344)	936,630,031
Class 'I' Accumulation (Net)	704,071,961	84,947,094	(103,246,688)	685,772,367
Class 'R' Income (Net)	3,578,994	988,235	(1,304,597)	3,262,632
Class 'R' Accumulation (Net)	7,051,647	1,160,622	(2,564,641)	5,647,628
Class 'X' Income (Net)	63,257,225	557,195	(9,909,200)	53,905,220
Class 'X' Accumulation (Net)	46,665,649	958,819	(8,450,720)	39,173,748
Swiss franc				
Class 'A-H' Income (Gross)	196,988	72,952	(169,432)	100,508
Class 'A-H' Accumulation (Gross)	11,910,392	606,957	(7,623,916)	4,893,433
Class 'C-H' Income (Gross)	412,494	401,452	(144,193)	669,753
Class 'C-H' Accumulation (Gross)	3,443,163	5,386,795	(1,151,837)	7,678,121
US dollar				
Class 'A-H' Income (Gross)	11,885,851	454,711	(6,461,463)	5,879,099
Class 'A-H' Accumulation (Gross)	150,118,496	14,544,449	(67,120,729)	97,542,216
Class 'A-H M' Income (Gross)	3,662,465	753,998	(2,135,808)	2,280,655
Class 'C-H' Income (Gross)	3,185,873	2,158,724	(2,331,393)	3,013,204
Class 'C-H' Accumulation (Gross)	29,182,769	7,511,696	(15,612,127)	21,082,338

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16 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	1,25	[a]
Class 'B-H'	1,25	n/a	1,75	[a]
Class 'C-H'	1,25	n/a	0,75	[a]
Singapore dollar				
Class 'A-H'	4,00	n/a	1,25	[a]
Class 'A-H M'	4,00	n/a	1,25	[a]
Class 'C-H'	1,25	n/a	0,75	[a]
Sterling				
Class 'A'	3,00	n/a	1,25	n/a
Class 'I'	1,00	n/a	0,75	n/a
Class 'R'	1,00	n/a	1,00	n/a
Class 'X'	nil	4,50 [b]	1,50	n/a
Swiss franc				
Class 'A-H'	4,00	n/a	1,25	[a]
Class 'C-H'	1,25	n/a	0,75	[a]
US dollar				
Class 'A-H'	4,00	n/a	1,25	[a]
Class 'A-H M'	4,00	n/a	1,25	[a]
Class 'C-H'	1,25	n/a	0,75	[a]

[a] This charge may vary between 0,01% and 0,055%.

[b] The exit charge diminishes over a period of five years. Please refer to the Key Investor Information Document (KIID) in conjunction with the Important Information for Investors document.

17 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 10. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 11 and 13 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 8. 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 13.

At the balance sheet date, there were no material shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary (2015: same).

18 Events after the balance sheet date

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

19 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.

as at 30 September Valuation technique	Assets	Liabilities	Assets	Liabilities
	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Level 1	3.836.624	(2.552)	4.665.286	(41.345)
Level 2	11.559.774	(324.620)	13.530.427	(187.793)
Level 3	8	0	0	0
	15.396.406	(327.172)	18.195.713	(229.138)

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

20 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 30 September 2016 was 20% (2015: 20%).

The lowest, highest and average utilisation of the VaR calculated during the financial years ended 30 September 2016 and 30 September 2015 are disclosed in the table below.

for the year to 30 September	2016 %	2015 %
Lowest	2,43	0,93
Highest	3,50	3,53
Average	3,01	2,53

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21 Credit risk

as at 30 September	2016 £'000	2015 £'000
Investment grade securities	9,426,592	13,815,564
Below investment grade securities	2,519,961	2,688,699
Unrated securities	2,110,150	936,659
Other investments	1,012,531	525,653
Total	15,069,234	17,966,575

22 Counterparty exposure

as at 30 September 2016	Credit default swaps £'000	Forward currency contracts £'000	Futures £'000	Interest rate swaps £'000	Collateral held as cash £'000	Net exposure £'000
Bank of America						
Merrill Lynch	0	(3,283)	4,147	0	(62,395)	(61,531)
Barclays Bank	8,823	(4,204)	0	0	(2,000)	2,619
BNP Paribas	9,546	(31,892)	0	(18,402)	0	(40,748)
Citigroup	(148)	(4,574)	0	(24,034)	0	(28,756)
Credit Suisse	36,455	0	0	0	0	36,455
Deutsche Bank	(55)	0	0	0	0	(55)
Goldman Sachs	34,409	0	0	(8,165)	0	26,244
HSBC	6,815	(4,707)	0	0	0	2,108
JPMorgan	25,370	(4,119)	0	(29,006)	(247,326)	(255,081)
National Australia Bank	0	30,566	0	0	0	30,566
Royal Bank of Scotland	0	(11,276)	0	0	0	(11,276)
Standard Charter Bank	0	(4,249)	0	0	0	(4,249)
State Street Bank	0	56,418	0	0	0	56,418
UBS	0	(6,447)	0	(87,393)	0	(93,840)
Total	121,215	12,233	4,147	(167,000)	(311,721)	(341,126)

as at 30 September 2015	Credit default swaps £'000	Forward currency contracts £'000	Futures £'000	Collateral held as cash £'000	Net exposure £'000
Bank of America					
Merrill Lynch	0	0	(37,180)	(186,888)	(224,068)
Barclays Bank	8,235	8,341	0	0	16,576
BNP Paribas	9,183	20,482	0	0	29,665
Citigroup	526	(5,357)	0	0	(4,831)
Credit Suisse	38,223	5,912	0	0	44,135
Deutsche Bank	3,576	0	0	0	3,576
Goldman Sachs	(4,852)	0	0	0	(4,852)
HSBC	0	(16,049)	0	0	(16,049)
JPMorgan	30,564	(5,521)	0	(48,154)	(23,111)
National Australia Bank	0	(4,717)	0	0	(4,717)
Royal Bank of Scotland	0	(16,073)	0	0	(16,073)
State Street Bank	0	16,165	0	0	16,165
UBS	(36)	(183)	0	0	(219)
Total	85,419	3,000	(37,180)	(235,042)	(183,803)

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

23 Leverage risk

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

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

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 30 September 2016 and 30 September 2015 are disclosed in the table below.

for the year to 30 September	2016 £'000	2016 %	2015 £'000	2015 %
Lowest	39,209,820	272	50,684,259	264
Highest	71,402,445	396	106,153,911	436
Average	47,633,392	306	70,888,110	311

24 Exchange rate risk for hedged share classes

This fund contains hedged share classes. These share classes operate currency hedges designed to reduce the impact of exchange rates in certain circumstances. As a result, profit and loss on the currency hedges may impact the liquidity of the overall fund. On a day to day basis this is monitored using reporting from the outsourced provider of the hedged share class service. On an ongoing basis the size of the hedged share classes is monitored to ensure that unforeseen exchange rate volatility can be adequately managed without significantly impacting all shareholders.

25 Interest distribution tables

This fund pays both monthly and half yearly interest distributions depending on the share class. The following tables set out the distribution periods applicable.

Monthly distribution periods

	Start	End	Xd	Payment
First interim	01.10.15	31.10.15	02.11.15	31.12.15
Second interim	01.11.15	30.11.15	01.12.15	31.01.16
Third interim	01.12.15	31.12.15	04.01.16	29.02.16
Fourth interim	01.01.16	31.01.16	01.02.16	31.03.16
Fifth interim	01.02.16	29.02.16	01.03.16	30.04.16
Sixth interim	01.03.16	31.03.16	01.04.16	31.05.16
Seventh interim	01.04.16	30.04.16	03.05.16	30.06.16
Eighth interim	01.05.16	31.05.16	01.06.16	31.07.16
Ninth interim	01.06.16	30.06.16	01.07.16	31.08.16
Tenth interim	01.07.16	31.07.16	01.08.16	30.09.16
Eleventh interim	01.08.16	31.08.16	01.09.16	31.10.16
Final	01.09.16	30.09.16	03.10.16	30.11.16

Half yearly distribution periods

	Start	End	Xd	Payment
Interim	01.10.15	31.03.16	01.04.16	31.05.16
Final	01.04.16	30.09.16	03.10.16	30.11.16

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.

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25 Interest distribution tables (continued)

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 'A-H' Income shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution 2016	2015
Group 1	€	€	€	€	€	€
Interim	19,1787	-	19,1787	-	19,1787	20,0816
Final	26,7091	-	26,7091	-	26,7091	15,8256
Group 2						
Interim	9,8874	-	9,8874	9,2913	19,1787	20,0816
Final	13,0791	-	13,0791	13,6300	26,7091	15,8256

Euro Class 'A-H' Accumulation shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution 2016	2015
Group 1	€	€	€	€	€	€
Interim	20,4767	-	20,4767	-	20,4767	20,7886
Final	24,1669	-	24,1669	-	24,1669	16,5083
Group 2						
Interim	9,5669	-	9,5669	10,9098	20,4767	20,7886
Final	11,7832	-	11,7832	12,3837	24,1669	16,5083

Euro Class 'B-H' Income shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution 2016	2015
Group 1	€	€	€	€	€	€
Interim	8,9602	-	8,9602	-	8,9602	n/a
Final	13,6224	-	13,6224	-	13,6224	8,9740
Group 2						
Interim	5,2651	-	5,2651	3,6951	8,9602	n/a
Final	6,7820	-	6,7820	6,8404	13,6224	8,9740

Euro Class 'B-H' Accumulation shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution 2016	2015
Group 1	€	€	€	€	€	€
Interim	9,2418	-	9,2418	-	9,2418	n/a
Final	10,4728	-	10,4728	-	10,4728	8,9743
Group 2						
Interim	5,0501	-	5,0501	4,1917	9,2418	n/a
Final	4,4200	-	4,4200	6,0528	10,4728	8,9743

Euro Class 'C-H' Income shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution 2016	2015
Group 1	€	€	€	€	€	€
Interim	24,9092	-	24,9092	-	24,9092	26,3976
Final	31,5693	-	31,5693	-	31,5693	21,5549
Group 2						
Interim	8,8465	-	8,8465	16,0627	24,9092	26,3976
Final	21,1274	-	21,1274	10,4419	31,5693	21,5549

Euro Class 'C-H' Accumulation shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution 2016	2015
Group 1	€	€	€	€	€	€
Interim	25,9112	-	25,9112	-	25,9112	26,7963
Final	30,2017	-	30,2017	-	30,2017	22,0914
Group 2						
Interim	12,1079	-	12,1079	13,8033	25,9112	26,7963
Final	16,6944	-	16,6944	13,5073	30,2017	22,0914

Singapore dollar Class 'A-H' Accumulation shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution 2016	2015
Group 1	€	€	€	€	€	€
Interim	11,1021	-	11,1021	-	11,1021	4,0266
Final	13,0765	-	13,0765	-	13,0765	9,5198
Group 2						
Interim	10,6710	-	10,6710	0,4311	11,1021	4,0266
Final	5,6918	-	5,6918	7,3847	13,0765	9,5198

Singapore dollar Class 'A-H M' Income shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution 2016	2015
Group 1	€	€	€	€	€	€
First interim	1,4633	-	1,4633	-	1,4633	n/a
Second interim	1,6523	-	1,6523	-	1,6523	n/a
Third interim	1,9444	-	1,9444	-	1,9444	n/a
Fourth interim	1,9803	-	1,9803	-	1,9803	0,8177
Fifth interim	2,2315	-	2,2315	-	2,2315	1,3979
Sixth interim	1,8713	-	1,8713	-	1,8713	1,7857
Seventh interim	1,7452	-	1,7452	-	1,7452	1,4076
Eighth interim	2,0372	-	2,0372	-	2,0372	1,6303
Ninth interim	2,3913	-	2,3913	-	2,3913	1,3166
Tenth interim	2,0439	-	2,0439	-	2,0439	1,6483
Eleventh Interim	3,5323	-	3,5323	-	3,5323	1,7152
Final	3,1740	-	3,1740	-	3,1740	1,4968
Group 2						
First interim	1,4633	-	1,4633	0,0000	1,4633	n/a
Second interim	1,6523	-	1,6523	0,0000	1,6523	n/a
Third interim	1,6215	-	1,6215	0,3229	1,9444	n/a
Fourth interim	1,9803	-	1,9803	0,0000	1,9803	0,8177
Fifth interim	2,2315	-	2,2315	0,0000	2,2315	1,3979
Sixth interim	1,8713	-	1,8713	0,0000	1,8713	1,7857
Seventh interim	1,7452	-	1,7452	0,0000	1,7452	1,4076
Eighth interim	0,3857	-	0,3857	1,6515	2,0372	1,6303
Ninth interim	2,3913	-	2,3913	0,0000	2,3913	1,3166
Tenth interim	0,0948	-	0,0948	1,9491	2,0439	1,6483
Eleventh Interim	1,2875	-	1,2875	2,2448	3,5323	1,7152
Final	3,1740	-	3,1740	0,0000	3,1740	1,4968

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25 Interest distribution tables (continued)

Singapore dollar Class 'C-H' Accumulation shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution 2016 2015	
Group 1	¢	¢	¢	¢	¢	¢
Interim	13,5699	-	13,5699	-	13,5699	4,8451
Final	15,8395	-	15,8395	-	15,8395	12,1440
Group 2						
Interim	6,0388	-	6,0388	7,5311	13,5699	4,8451
Final	15,8395	-	15,8395	0,0000	15,8395	12,1440

Sterling Class 'A' Income shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution 2016 2015	
Group 1	p	p	p	p	p	p
Interim	1,6280	0,3256	1,3024	-	1,3024	1,2228
Final	2,2650	0,4530	1,8120	-	1,8120	1,0748
Group 2						
Interim	0,6493	0,1299	0,5194	0,7830	1,3024	1,2228
Final	1,3071	0,2614	1,0457	0,7663	1,8120	1,0748

Sterling Class 'A' Accumulation shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution 2016 2015	
Group 1	p	p	p	p	p	p
Interim	2,1520	0,4304	1,7216	-	1,7216	1,5904
Final	2,5420	0,5084	2,0336	-	2,0336	1,4008
Group 2						
Interim	1,1736	0,2347	0,9389	0,7827	1,7216	1,5904
Final	1,2894	0,2579	1,0315	1,0021	2,0336	1,4008

Sterling Class 'I' Income shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution 2016 2015	
Group 1	p	p	p	p	p	p
Interim	1,9760	0,3952	1,5808	-	1,5808	1,5144
Final	2,5085	0,5017	2,0068	-	2,0068	1,3628
Group 2						
Interim	1,0888	0,2178	0,8710	0,7098	1,5808	1,5144
Final	1,3071	0,2614	1,0457	0,9611	2,0068	1,3628

Sterling Class 'I' Accumulation shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution 2016 2015	
Group 1	p	p	p	p	p	p
Interim	2,6945	0,5389	2,1556	-	2,1556	2,0212
Final	3,1455	0,6291	2,5164	-	2,5164	1,8380
Group 2						
Interim	1,3540	0,2708	1,0832	1,0724	2,1556	2,0212
Final	1,6563	0,3313	1,3250	1,1914	2,5164	1,8380

Sterling Class 'R' Income shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution 2016 2015	
Group 1	p	p	p	p	p	p
Interim	1,4005	0,2801	1,1204	-	1,1204	1,0652
Final	1,8530	0,3706	1,4824	-	1,4824	0,9468
Group 2						
Interim	0,8885	0,1777	0,7108	0,4096	1,1204	1,0652
Final	0,8875	0,1775	0,7100	0,7724	1,4824	0,9468

Sterling Class 'R' Accumulation shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution 2016 2015	
Group 1	p	p	p	p	p	p
Interim	1,4955	0,2991	1,1964	-	1,1964	1,1164
Final	1,7530	0,3506	1,4024	-	1,4024	0,9992
Group 2						
Interim	0,8106	0,1621	0,6485	0,5479	1,1964	1,1164
Final	0,9516	0,1903	0,7613	0,6411	1,4024	0,9992

Sterling Class 'X' Income shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution 2016 2015	
Group 1	p	p	p	p	p	p
Interim	1,4585	0,2917	1,1668	-	1,1668	1,0780
Final	2,1360	0,4272	1,7088	-	1,7088	0,9264
Group 2						
Interim	0,7901	0,1580	0,6321	0,5347	1,1668	1,0780
Final	1,3369	0,2674	1,0695	0,6393	1,7088	0,9264

Sterling Class 'X' Accumulation shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution 2016 2015	
Group 1	p	p	p	p	p	p
Interim	1,8920	0,3784	1,5136	-	1,5136	1,3796
Final	2,2470	0,4494	1,7976	-	1,7976	1,1952
Group 2						
Interim	0,9421	0,1884	0,7537	0,7599	1,5136	1,3796
Final	1,3100	0,2620	1,0480	0,7496	1,7976	1,1952

Swiss franc Class 'A-H' Income shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution 2016 2015	
Group 1	¢	¢	¢	¢	¢	¢
Interim	12,2207	-	12,2207	-	12,2207	12,1758
Final	16,9751	-	16,9751	-	16,9751	10,6710
Group 2						
Interim	10,6539	-	10,6539	1,5668	12,2207	12,1758
Final	7,1874	-	7,1874	9,7877	16,9751	10,6710

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25 Interest distribution tables (continued)

Swiss franc Class 'A-H' Accumulation shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution	
					2016	2015
Group 1	¢	¢	¢	¢	¢	¢
Interim	12,4502	-	12,4502	-	12,4502	11,8830
Final	14,6349	-	14,6349	-	14,6349	10,6711
Group 2						
Interim	8,9738	-	8,9738	3,4764	12,4502	11,8830
Final	7,0195	-	7,0195	7,6154	14,6349	10,6711

Swiss franc Class 'C-H' Income shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution	
					2016	2015
Group 1	¢	¢	¢	¢	¢	¢
Interim	15,1163	-	15,1163	-	15,1163	15,0141
Final	19,0936	-	19,0936	-	19,0936	13,6568
Group 2						
Interim	4,2395	-	4,2395	10,8768	15,1163	15,0141
Final	10,2192	-	10,2192	8,8744	19,0936	13,6568

Swiss franc Class 'C-H' Accumulation shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution	
					2016	2015
Group 1	¢	¢	¢	¢	¢	¢
Interim	15,5779	-	15,5779	-	15,5779	14,8046
Final	17,9611	-	17,9611	-	17,9611	13,7574
Group 2						
Interim	6,6167	-	6,6167	8,9612	15,5779	14,8046
Final	9,2613	-	9,2613	8,6998	17,9611	13,7574

US dollar Class 'A-H' Income shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution	
					2016	2015
Group 1	¢	¢	¢	¢	¢	¢
Interim	14,4412	-	14,4412	-	14,4412	13,3433
Final	19,8471	-	19,8471	-	19,8471	12,2177
Group 2						
Interim	8,9314	-	8,9314	5,5098	14,4412	13,3433
Final	12,5090	-	12,5090	7,3381	19,8471	12,2177

US dollar Class 'A-H' Accumulation shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution	
					2016	2015
Group 1	¢	¢	¢	¢	¢	¢
Interim	14,8701	-	14,8701	-	14,8701	13,3655
Final	17,2569	-	17,2569	-	17,2569	12,4619
Group 2						
Interim	6,9187	-	6,9187	7,9514	14,8701	13,3655
Final	8,1198	-	8,1198	9,1371	17,2569	12,4619

US dollar Class 'A-H M' Income shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution	
					2016	2015
Group 1	¢	¢	¢	¢	¢	¢
First interim	1,4875	-	1,4875	-	1,4875	n/a
Second interim	1,6359	-	1,6359	-	1,6359	n/a
Third interim	1,8877	-	1,8877	-	1,8877	n/a
Fourth interim	1,9495	-	1,9495	-	1,9495	0,8286
Fifth interim	2,2328	-	2,2328	-	2,2328	1,5700
Sixth interim	1,7682	-	1,7682	-	1,7682	1,7368
Seventh interim	1,7312	-	1,7312	-	1,7312	1,4746
Eighth interim	2,0164	-	2,0164	-	2,0164	1,6262
Ninth interim	2,4417	-	2,4417	-	2,4417	1,2933
Tenth interim	2,0503	-	2,0503	-	2,0503	1,6090
Eleventh Interim	3,2323	-	3,2323	-	3,2323	1,6901
Final	2,9956	-	2,9956	-	2,9956	1,5060

Group 2

First interim	0,4282	-	0,4282	1,0593	1,4875	n/a
Second interim	1,2895	-	1,2895	0,3464	1,6359	n/a
Third interim	1,1737	-	1,1737	0,7140	1,8877	n/a
Fourth interim	1,2521	-	1,2521	0,6974	1,9495	0,8286
Fifth interim	2,2328	-	2,2328	0,0000	2,2328	1,5700
Sixth interim	0,1010	-	0,1010	1,6672	1,7682	1,7368
Seventh interim	0,6823	-	0,6823	1,0489	1,7312	1,4746
Eighth interim	1,0450	-	1,0450	0,9714	2,0164	1,6262
Ninth interim	0,0000	-	0,0000	2,4417	2,4417	1,2933
Tenth interim	0,3080	-	0,3080	1,7423	2,0503	1,6090
Eleventh Interim	1,6299	-	1,6299	1,6024	3,2323	1,6901
Final	0,3282	-	0,3282	2,6674	2,9956	1,5060

US dollar Class 'C-H' Income shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution	
					2016	2015
Group 1	¢	¢	¢	¢	¢	¢
Interim	18,0162	-	18,0162	-	18,0162	16,8846
Final	22,5900	-	22,5900	-	22,5900	15,8526
Group 2						
Interim	1,7091	-	1,7091	16,3071	18,0162	16,8846
Final	12,7146	-	12,7146	9,8754	22,5900	15,8526

US dollar Class 'C-H' Accumulation shares

Interest distributions for the year to 30 September	Gross income 2016	Income tax deducted 2016	Net income 2016	Equalisation 2016	Distribution	
					2016	2015
Group 1	¢	¢	¢	¢	¢	¢
Interim	18,6561	-	18,6561	-	18,6561	16,9512
Final	21,3787	-	21,3787	-	21,3787	16,2419
Group 2						
Interim	8,4138	-	8,4138	10,2423	18,6561	16,9512
Final	9,2974	-	9,2974	12,0813	21,3787	16,2419

M&G Optimal Income Fund

Financial statements and notes

Notes to the financial statements

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 }
L J MUMFORD } Directors

14 November 2016

M&G Optimal Income Fund

Depository's Responsibilities and Report

Statement of the Depository's Responsibilities and Report of the Depository to the Shareholders of M&G Optimal Income Fund ('the Company') for the period ended 30 September 2016

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

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

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

The Depository must ensure that:

- the Company's cashflows are properly monitored (this requirement on the Depository 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 Depository also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

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

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

Edinburgh
14 November 2016

National Westminster Bank Plc
Trustee and Depository Services

M&G Optimal Income Fund

Independent Auditor's Report

Independent Auditor's Report to the shareholders of M&G Optimal Income Fund

We have audited the financial statements of the M&G Optimal Income Fund ('the Company') for the year ended 30 September 2016 which comprise the Statement of Total Return, Statement of Change in Net Assets attributable to shareholders, Balance Sheet, and the related notes 1 to 25. 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 2, 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 investment 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.

Opinion on the financial statements

In our opinion:

- The financial statements give a true and fair view of the financial position of the Company as at 30 September 2016 and of the net revenue and the net gains on the scheme property of the Company 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
14 November 2016

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.

M&G Optimal Income Fund

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 Optimal Income Fund	94,08

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 UCITS Manager is subject to a remuneration policy which is consistent with the principles outlined in SYSC19E of the FCA Handbook (UCITS Remuneration Code).

The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its staff is in line with the risk policies and objectives of the UCITS 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).

		Total Expense Ratio	
Share class		30.09.16	30.09.15
		%	%
M&G Optimal Income Fund	Euro	Class 'A-H'	1,43
		Class 'C-H'	0,93
	Sterling	Class 'A'	1,41
		Class 'I'	0,91
	Swiss franc	Class 'A-H'	1,43
		Class 'C-H'	0,92
	US dollar	Class 'A-H'	1,42
		Class 'A-H M'	1,43
		Class 'C-H'	0,92

Glossary

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

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

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

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

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

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

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

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

Bunds: Fixed income securities issued by the German government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Distribution: Distributions represent a share in the net 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.

Glossary

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 date: The date on which declared distributions officially belong to underlying investors, rather than the fund, usually the first business day of the month.

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

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

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

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

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

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

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

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

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

Gilts: Fixed income securities issued by the UK government.

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

Hedging: A method of reducing unnecessary or unintended risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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.

Glossary

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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