



M&G Asian Fund

a sub-fund of M&G Investment Funds (1)

Interim Short Report February 2019

For the six months ended 28 February 2019

Fund information

The Authorised Corporate Director (ACD) of M&G Investment Funds (1) presents its Interim Short Report for M&G Asian Fund which contains a review of the fund's investment activities and investment performance during the period. The ACD's Interim Long Report and unaudited Financial Statements for M&G Investment Funds (1), incorporating all the sub-funds and a Glossary of terms is available free of charge either from our website at www.mandg.co.uk/reports or by calling M&G Customer Relations on 0800 390 390.

ACD

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

(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.)

Important information

Following the successful extraordinary resolution at the shareholder meeting held on 4 October 2018, the non-sterling share classes of the M&G Asian Fund merged into the M&G (Lux) Asian Fund (a sub-fund of M&G (Lux) Investment Funds 1) on 26 October 2018.

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

The investment objective and policy of the M&G Asian Fund changed on 1 March 2019.

Investment objective and policy up to 28 February 2019

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

Investment approach up to 28 February 2019

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

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

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

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

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

Investment objective from 1 March 2019

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

Investment policy from 1 March 2019

At least 80% of the fund is invested directly in equity securities and equity-related securities of companies across any sectors and market capitalisations that are incorporated, domiciled, or do most of their business in the Asia Pacific region (excluding Japan).

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

The fund may also hold cash and near cash for liquidity purposes.

Derivatives may be used for efficient portfolio management and hedging.

Investment approach from 1 March 2019

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

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

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

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

Risk profile

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

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

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



The above number:

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

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

Performance against objective

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

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

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

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

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

* For the performance of each share class, please refer to the 'Long-term performance by share class' table in the 'Fund performance' section of the Interim Long Report and unaudited Financial Statements for M&G Investment Funds (1).

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period for Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares. Calculated on a price to price basis with income reinvested.

Long-term performance

	From 03.09.18 % [a]	From 01.03.16 % p.a.	From 03.03.14 % p.a.	Since launch % p.a.
Sterling [b]				
Class 'A'	-1.2	+13.3	+8.6	+8.9 [c]
Class 'I'	-0.8	+14.2	+9.4	+9.0 [d]

[a] Absolute basis.

[b] Price to price with income reinvested.

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

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

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.

Investment performance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment activities

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

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

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

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

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

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

Outlook

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

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

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

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

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

Alastair Bruce

Fund manager

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

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

Portfolio statement			
as at Holding	28.02.19 \$'000	28.02.19 %	31.08.18 %
EQUITIES	215,240	97.99	99.08
United Kingdom	0	0.00	0.55
Australia	12,207	5.56	6.27
312,981 Downer EDI	1,659	0.76	
257,476 Iluka Resources	1,686	0.77	
1,542,239 Mesoblast	1,349	0.61	
359,077 Nufarm	1,341	0.61	
700,411 QBE Insurance	6,172	2.81	
China	63,983	29.13	30.14
10,914,000 AMVIG	2,628	1.20	
34,486 Baidu ADR	5,592	2.54	
5,704,000 China Construction Bank	5,065	2.31	
11,900,000 China Lesso	6,640	3.02	
4,578,000 China Petroleum & Chemical	3,954	1.80	
2,786,000 China Railway Signal & Communication	2,286	1.04	
2,788,000 CNOOC	4,809	2.19	
217,549 Ctrip.com International ADR	7,377	3.36	
4,839,000 Far East Horizon	5,357	2.44	
8,198,000 Greatview Aseptic Packaging	5,096	2.32	
245,812 HollySys Automation Technologies	5,226	2.38	
2,400,000 Lenovo	2,162	0.98	
3,082,860 PICC Property & Casualty	3,692	1.68	
271,700 Vtech	2,845	1.30	
2,556,156 Xinyi Solar	1,254	0.57	

Portfolio statement (continued)			
as at	28.02.19	28.02.19	31.08.18
Holding	\$'000	%	%
Hong Kong			
562,000 AIA	41,953	19.10	13.30
1,156,850 CK Hutchison	5,617	2.56	
11,564,000 Fufeng	12,298	5.60	
151,824,000 Global Brands	5,863	2.67	
2,457,500 Li-Ning	7,060	3.21	
5,252,006 PCCW	3,444	1.57	
563,599 Standard Chartered	3,151	1.43	
	4,520	2.06	
India			
569,961 ICICI Bank	7,752	3.53	2.88
143,458 McLeod Russel India	2,811	1.28	
2,393,080 NTPC	175	0.08	
	4,766	2.17	
Indonesia			
8,815,900 Bank Mandiri	4,465	2.03	1.48
	4,465	2.03	
Philippines			
14,408,000 First Pacific	16,307	7.42	4.72
333,713 GT Capital	5,818	2.65	
48,140,200 Metro Pacific Investments	6,114	2.78	
	4,375	1.99	
Singapore			
437,709 DBS	13,768	6.27	7.33
577,767 Ezion Warrant 24/04/2020	8,065	3.67	
10,728,468 Ezion Warrant 16/04/2023 ^[a]	0	0.00	
3,819,500 Japfa	0	0.00	
1,825,600 Sembcorp Industries	2,168	0.99	
	3,535	1.61	
South Korea			
121,552 Hana Financial	30,116	13.71	17.09
315,149 Samsung Electronics	4,193	1.91	
10,324 Samsung Fire & Marine Insurance	12,637	5.75	
209,495 Samsung Heavy Industries	2,768	1.26	
168,905 Shinhan Financial	1,705	0.78	
110,890 Wonik IPS	6,540	2.98	
	2,273	1.03	
Taiwan			
1,150,610 Casetek	24,689	11.24	15.32
450,000 Catcher Technology	1,802	0.82	
1,724,075 Chicony Electronics	3,422	1.55	
643,220 Delta Electronics	3,798	1.73	
307,000 eMemory Technology	3,208	1.46	
29,473 Silicon Motion Technology ADR	2,768	1.26	
807,178 Taiwan Semiconductor Manufacturing	1,247	0.57	
3,537,000 TECO Electric & Machinery	6,255	2.85	
	2,189	1.00	
Portfolio of investments	215,240	97.99	99.08

Portfolio statement (continued)			
as at	28.02.19	28.02.19	31.08.18
Holding	\$'000	%	%
CASH EQUIVALENTS			
Eire 'AAA' rated money market funds ^[b]	4,306	1.96	1.68
4,306,000 Northern Trust Global Fund - US dollar	4,306	1.96	
Total portfolio	219,546	99.95	100.76
Net other assets / (liabilities)	106	0.05	(0.76)
Net assets attributable to shareholders	219,652	100.00	100.00

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

^[a] Suspended.

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

Top ten portfolio transactions	
for the six months to 28 February 2019	
Largest purchases	\$'000
Global Brands	8,147
CK Hutchison	6,832
Ctrip.com International ADR	6,122
Metro Pacific Investments	6,077
Ophir Energy	3,145
China Lesso	2,969
GT Capital	2,886
ICICI Bank	2,784
NTPC	2,757
Standard Chartered	2,719
Other purchases	27,193
Total purchases	71,631
Largest sales	\$'000
CNOOC	9,731
Samsung Electronics	6,688
Ophir Energy	5,163
Cathay Financial	4,825
Delta Electronics	4,711
Hyundai Motor	4,707
AIA	4,264
Axis Bank	3,589
Jardine Matheson	3,571
First Pacific	3,346
Other sales	75,252
Total sales	125,847

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

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

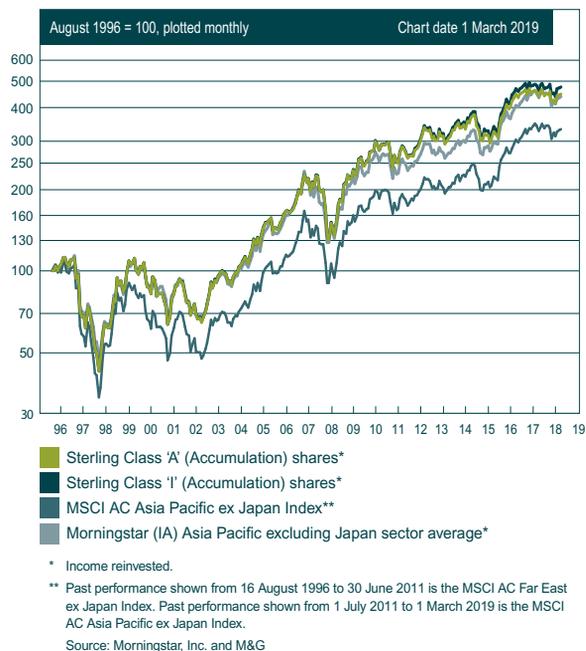
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer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

Fund level performance

Fund net asset value			
as at	28.02.19	31.08.18	31.08.17
	\$'000	\$'000	\$'000
Fund net asset value (NAV)	219,652	409,725	699,384

Performance since launch

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



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

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

Financial highlights

Fund performance

To give an indication of how the fund has performed during the period the tables below show the performance of Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

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

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

Sterling Class 'A' Accumulation share performance

The share class was launched on 14 September 1973.

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

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

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

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

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

Financial highlights

Operating charges and portfolio transaction costs

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

Operating charges

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

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

Operating charges do not include portfolio transaction costs or any entry and exit charges (also known as initial and redemption charges). The charging structures of share classes may differ, and therefore the operating charges may differ.

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

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

^[a] Average of first three columns.

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

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

Contact



Customer Relations*

0800 390 390



Write to us at:**

M&G Securities Limited

PO Box 9039

Chelmsford

CM99 2XG



Our website:

www.mandg.co.uk



Email us with queries:†

info@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.

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

† Please note that information contained within an email cannot be guaranteed as secure. We advise that you do not include any sensitive information when corresponding with M&G in this way.

M&G Securities Limited is authorised and regulated by the Financial Conduct Authority and provides investment products. The company's registered office is 10 Fenchurch Avenue, London EC3M 5AG. Registered in England number 90776.