



M&G Managed Growth Fund

a sub-fund of M&G Investment Funds (4)

Interim Short Report April 2019

For the six months ended 30 April 2019

The Authorised Corporate Director (ACD) of M&G Investment Funds (4) presents its Interim Short Report for M&G Managed Growth 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 (4), 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

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(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

On 8 April 2019, the Sterling Class 'PP' (Accumulation) shares were launched across all four sub-funds of M&G Investment Funds (4).

Investment objective

The fund aims to deliver a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of a composite index comprising 85% global equities and 15% global bonds*, over any five-year period.

* As measured by the MSCI ACWI Index and Bloomberg Barclays Global Aggregate Index, respectively.

Investment policy

The fund is a multi-asset fund that invests at least 70% of its assets in other collective investment schemes in order to gain exposure to assets from anywhere in the world, including equities, fixed income, convertibles, cash, or near cash. The fund may also invest directly in these assets.

In aggregate, the fund will invest at least 70% of its assets in equities, either directly or via collective investment schemes.

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

Investment approach

The fund manager's investment views are mainly implemented by investing in other funds. This will typically be via M&G's own funds, but the fund may also invest in funds managed by other companies where appropriate in order to best reflect the fund manager's investment views.

The fund manager has a flexible top-down approach to the allocation of capital between different types of assets in response to changes in economic conditions and asset values. This approach combines in-depth research to work out the value of assets over the medium to long term, with analysis of market reactions to events to identify investment opportunities. In particular, the fund manager seeks to respond when asset prices move away from a reasonable sense of 'fair' long-term value due to the market's reaction to events.

Risk profile

The fund is exposed to company shares directly and through other funds that invest in company shares. It is, therefore, subject to the price volatility of the global stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

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

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



The above number:

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

As at 1 May 2019, for the six months ended 30 April 2019

Performance against objective

Between 1 November 2018 (the start of the review period) and 1 May 2019, the M&G Managed Growth Fund delivered a positive total return (the combination of capital growth and income) across all share classes. Over this period, the fund lagged its comparative index, which returned 6.7%. The comparative index is a blend of 85% MSCI ACWI Index and 15% Bloomberg Barclays Global Aggregate Index, and was introduced in August 2018, when the fund's objective and policy were changed.

Over five years and since launch, the fund has delivered a positive total return across all share classes.*

* 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 (4).

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				
	Six months 01.11.18 % ^[a]	Three years 03.05.16 % p.a.	Five years 01.05.14 % p.a.	Since launch % p.a.
Sterling ^[b]				
Class 'A'	+4.8	+14.6	+9.0	+9.9 ^[c]
Class 'I'	+5.1	+15.0	+9.5	+8.5 ^[d]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

^[c] 1 October 2002, the launch date of the share class.

^[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

The fund delivered a positive return during the review period, although most of the outperformance came in the first quarter of 2019, when the appetite for risk assets picked up. For much of 2018, global equities (company shares, which offer investors ownership stakes in companies) were out of favour with investors because of fears of an economic slowdown and tensions surrounding trade tariffs between the US and China. Concerns that US interest rates would continue to rise added to the volatility and put pressure on the price of many assets. In fact, the last few weeks of 2018 were notably gloomy for virtually all asset classes, and even US equities – generally robust until now – were sold off by investors.

However, the new year triggered stronger demand for risk assets. This led to higher prices in areas such as US, European and Asian equities, and the fund's holdings of the M&G North American Dividend Fund, the M&G North American Value Fund, the M&G Pan European Select Fund and the M&G Asian Fund did well as a result. The main reason for this turnaround in investor sentiment was the easing of expectations that US interest rates would rise in the coming months. The US Federal Reserve cautioned against being too hasty with rate hikes in its January meeting, setting the tone for other central banks to voice similar 'dovish' statements in the months that followed. Emerging market equities also benefited from this change in sentiment from the Fed, and our holding of the M&G Global Emerging Markets Fund was a source of return.

The fund's exposure to Japanese equities, which comes from investing in the M&G Japan Fund, detracted in the period. Many of the losses stemmed from the end of 2018, when investors sold Japanese companies because of concerns that rising trade tensions between China and the US could impact Japan's key export market.

We have some modest exposure to bonds via the M&G Episode Macro Fund, which is a multi-asset fund that reflects our global macroeconomic outlook. (Bonds are loans in the form of a security, usually issued by a government – government bonds – or company – corporate bonds – which normally pay a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.) The M&G Episode Macro Fund's exposure to emerging market government bonds, and some 'short' positions in developed market bonds (where we benefit if the bond prices fall), were sources of positive return in the period.

Investment activities

The portfolio is currently weighted towards global equities, particularly those in Europe and Asia, on the view that asset prices in those regions are attractively valued and have scope to outperform other asset classes over the medium term. Our exposure to US equities comes via the M&G North American Value Fund and the Source Financials S&P US Sector Fund, an exchange-traded fund with banking and insurance company exposure. We find US financials to be better value than many other US sectors, such as consumer and technology.

There were no material changes to the fund's holdings during the review period. Its largest holdings include the M&G Global Select Fund and M&G Pan European Select Fund, based on our assessment that the fund managers will continue to identify attractive opportunities to invest in companies capable of generating sustainable value.

Outlook

Despite market volatility and heightened pessimism – which has abated in recent months as investors' mood has lightened – we continue to believe that large parts of the global equity universe, particularly Asian and European stockmarkets, are still attractively valued compared to most developed market government bonds.

Meanwhile, major central banks have turned more accommodative in their monetary policies, in light of slower economic growth and softer inflation so far in 2019. First, the US Federal Reserve indicated that it would be patient with future interest rate hikes. This was followed by other central banks such as the European Central Bank and recently the Bank of Japan and Bank of Canada stating that low interest rates were going to carry on for longer. We believe this is good news for all asset classes.

David Fishwick

Fund manager

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

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

Portfolio statement			
as at Holding	30.04.19 £'000	30.04.19 %	31.10.18 ^[a] %
EQUITY PORTFOLIOS			
United Kingdom ^{[b] [c]}			
61,666,771 M&G Episode Macro Fund Sterling 'SH' (Accumulation)	805,759	99.87	100.41
7,617,393 M&G Positive Impact Fund	85,698	10.62	
28,231,285 M&G Recovery Fund Sterling Class 'C' (Income)	8,312	1.03	
	40,583	5.03	
United States			
552,838 Invesco Financials S&P US Select Sector ETF	189,632	23.51	23.67
1,315,592 M&G North American Dividend Fund ^{[b] [c]}	83,713	10.38	
58,080,773 M&G North American Value Fund ^{[b] [c]}	28,306	3.51	
	77,613	9.62	
Japan ^{[b] [c]}			
131,616,278 M&G Japan Fund	69,665	8.63	9.95
	69,665	8.63	
Asia pacific ^{[b] [c]}			
3,494,712 M&G Asian Fund	50,850	6.30	5.81
	50,850	6.30	
Other ^{[b] [c]}			
1,993,791 M&G (Lux) Global Target Return Fund Euro Class 'CI' (Accumulation)	361,019	44.75	45.48
2,736,737 M&G (Lux) Pan European Dividend Fund Euro 'CI' (Accumulation)	17,334	2.15	
4,761,281 M&G (Lux) Pan European Select Fund Euro Class 'A' (Accumulation)	43,448	5.39	
864,441 M&G (Lux) Sustainable Allocation Fund Euro 'CI' (Accumulation)	86,080	10.67	
25,836,530 M&G Global Emerging Markets Fund	7,808	0.97	
2,280,285 M&G Global Recovery Fund Euro Class 'C' (Accumulation)	69,237	8.58	
17,691,758 M&G Global Select Fund	22,865	2.83	
4,256,997 M&G Global Themes Fund	74,914	9.29	
	39,333	4.87	
CURRENCY			
Forward currency contracts			
AUD(12,014,327) Sold for £6,563,086 (expires 17.05.19)	454	0.06	(0.37)
DKK(183,505,867) Sold for £21,442,659 (expires 16.05.19)	454	0.06	(0.37)
€(38,229,297) Sold for £33,324,245 (expires 17.05.19)	52	0.01	
€(33,167,239) Sold for £28,675,267 (expires 12.07.19)	246	0.03	
¥(2,894,424,592) Sold for £20,091,925 (expires 17.05.19)	365	0.05	
¥(2,100,095,984) Sold for £14,470,956 (expires 12.07.19)	25	0.00	
	100	0.01	
	(58)	(0.01)	

Portfolio statement (continued)			
as at Holding	30.04.19 £'000	30.04.19 %	31.10.18 %
Forward currency contracts (continued)			
CHF(11,540,220) Sold for £8,876,325 (expires 17.05.19)		169	0.02
CHF(6,568,871) Sold for £5,038,150 (expires 12.07.19)		69	0.01
THB64,470,135 Bought for \$2,064,366 (expires 17.05.19)		(34)	0.00
\$12,842,015 Bought for TWD395,469,854 (expires 17.05.19)		24	0.00
\$2,343,257 Bought for TWD72,015,305 (expires 12.07.19)		1	0.00
\$(27,276,227) Sold for £20,850,197 (expires 17.05.19)		(98)	(0.01)
\$(83,234,579) Sold for £63,330,104 (expires 12.07.19)		(407)	(0.05)
Portfolio of investments	806,213	99.93	100.04
Portfolio of investments	806,213	99.93	100.04
Net other assets / (liabilities)	567	0.07	(0.04)
Net assets attributable to shareholders	806,780	100.00	100.00

^[a] The portfolio has been reclassified to more appropriately reflect how the fund is managed. 31.10.18 comparatives have been restated to reflect this.

^[b] All holdings in M&G collective investment schemes are in Sterling Class 'A' (Income) shares unless otherwise stated.

^[c] Related parties.

Top portfolio transactions	
for the six months to 30 April 2019	
Purchases ^[a]	£'000
M&G Pan European Dividend Fund	41,963
M&G (Lux) Sustainable Allocation Fund Euro Class 'CI' (Accumulation)	7,628
M&G Positive Impact Fund	7,520
Total purchases	57,111
Sales ^[a]	£'000
M&G Pan European Dividend Fund	42,542
M&G Global Select Fund	19,025
M&G North American Value Fund	3,792
M&G Episode Macro Fund Sterling Class 'S-H' (Accumulation)	1,915
M&G Japan Fund	1,903
M&G (Lux) Pan European Select Fund Euro Class 'A' (Accumulation)	1,890
Total sales	71,067

^[a] All holdings in M&G collective investment schemes are in Sterling Class 'A' (Income) shares unless otherwise stated.

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 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.

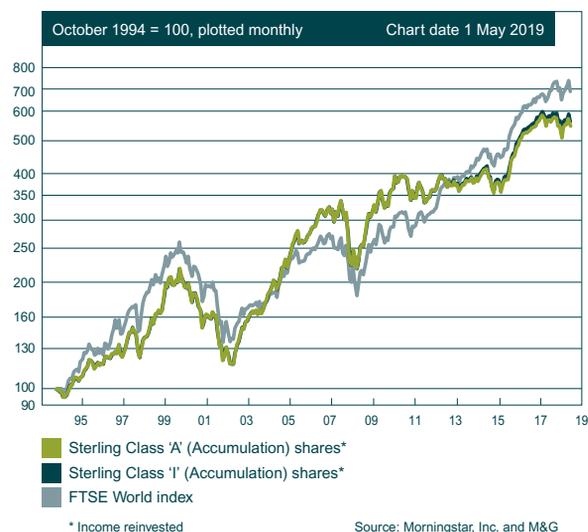
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (4), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer 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 (4), 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			
	30.04.19	31.10.18	31.10.17
as at	£'000	£'000	£'000
Fund net asset value (NAV)	806,780	782,891	968,434

Performance since launch

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



The fund's Sterling Class 'I' (Accumulation) shares were launched on 3 August 2012. Performance data shown prior to this date is that of the fund's Sterling Class 'X' (Income) 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 current period are calculated as at 10 May 2019.

Sterling Class 'A' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	118.70	122.60	103.98
Return before operating charges and after direct portfolio transaction costs	7.24	(1.80)	20.57
Operating charges	(1.04)	(2.10)	(1.95)
Return after operating charges	6.20	(3.90)	18.62
Distributions	0.00	(0.86)	(0.76)
Retained distributions	0.00	0.86	0.76
Closing NAV	124.90	118.70	122.60
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.70	1.70	1.72
Return after operating charges	+5.22	-3.18	+17.91
Historic yield	0.71	0.71	0.62
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (£'000)	32,204	31,990	36,002
Closing NAV percentage of total fund NAV (%)	3.99	4.09	3.72
Number of shares	25,783,100	26,951,068	29,364,496
Highest share price (UK p)	125.03	129.56	122.75
Lowest share price (UK p)	109.38	116.50	100.12

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	1,644.60	1,692.88	1,431.77
Return before operating charges and after direct portfolio transaction costs	97.91	(32.12)	276.24
Operating charges	(8.34)	(16.16)	(15.13)
Return after operating charges	89.57	(48.28)	261.11
Distributions	(1.96)	(19.50)	(16.26)
Retained distributions	1.96	19.50	16.26
Closing NAV	1,734.17	1,644.60	1,692.88
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.05
Dilution adjustments ^[a]	0.00	(0.01)	(0.01)
Total direct portfolio transaction costs	0.00	0.00	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.95	0.95	0.97
Return after operating charges	+5.45	-2.85	+18.24
Historic yield	1.14	1.17	0.96
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	73,973	69,418	70,349
Closing NAV percentage of total fund NAV (%)	9.17	8.87	7.26
Number of shares	4,265,642	4,220,955	4,155,571
Highest share price (UK p)	1,735.96	1,790.10	1,694.83
Lowest share price (UK p)	1,516.41	1,614.10	1,378.59

^[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 depositary, 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 30.04.19	Year to 31.10.18	Year to 31.10.17	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.00	0.00	0.00	0.00
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.00	0.00	0.00	0.00
Dilution adjustments ^[c]	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00	0.00
as at	30.04.19	31.10.18	31.10.17	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.02	0.02	0.02	0.02

^[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



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** 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.

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