

# M&G Dynamic Allocation Fund

Interim Long Report and unaudited Financial Statements  
for the six months ended 30 September 2016



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## **M&G Dynamic Allocation Fund**

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# M&G Dynamic Allocation Fund

## Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Dynamic Allocation Fund presents its Interim Long Report and unaudited Financial Statements for the six months 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 22 October 2009 and the fund was launched on 3 December 2009.

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.

### Co-fund managers

Juan Nevado & Tony Finding are 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 July 2016, the M&G Dynamic Allocation 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.

### 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.

### 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](mailto: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

# M&G Dynamic Allocation Fund

## Authorised Corporate Director's Report

### Investor information

#### 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,  
Jungthofstraße 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.,  
Via Benigno Crespi 19A - MAC 2, 20159 Milano, Italy

#### 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:

Allfunds Bank, S.A.,  
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 Dynamic Allocation Fund

## Authorised Corporate Director's Report

### Investment objective

The Fund aims to deliver positive total returns in any three year period from a flexibly managed portfolio of global assets. There is no guarantee that the Fund will achieve a positive return over this, or any other, period and investors may not recoup the original amount they invested.

### Investment policy

The Fund invests in multiple asset classes and is managed through the allocation of capital based on the fund manager's macroeconomic outlook, asset class valuations and active risk management in portfolio construction. The Fund is not managed against any market index.

Depending on the fund manager's view of market conditions and relative asset valuations, at any one time the portfolio may be diversified across asset classes, sectors, currencies and countries, or may have a high concentration in one or more of these.

The Fund seeks to participate in a variety of rising asset values; in times of severe market uncertainty, however, capital preservation will be central to the Fund's strategy. The fund manager may use derivatives strategies to create value through additional asset exposure and/or where these may help to manage portfolio risk.

Whilst the Fund aims to deliver positive total returns in any three year period there is no guarantee that this will be achieved.

The Fund may invest in a range of equities, fixed income assets and other assets, including collective investment schemes, other transferable securities, cash and near cash, deposits, warrants and money market instruments. Derivatives may also be used, for both hedging and investment purposes.

### Investment approach

The fund managers believe that the fund's highly flexible investment approach has the potential to deliver returns of 5-10% per annum on average over the medium term (that is, time periods of three to five years), with annualised volatility in those returns of between 5% and 12%. (Volatility measures 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.)

The fund will typically invest 20-60% of its assets in company shares, 0-80% in fixed income securities and up to 20% in other assets, which can include indirect exposure to property and convertibles (fixed income investments that have the right to be converted into a predetermined number of company shares). The fund managers will actively manage the fund's foreign currency exposure to seek to enhance returns. At least 30% of the fund will be held in euro assets and at least 60% will be held in a combination of US dollar, sterling and euro assets. The fund's investment strategy may involve the use of financial instruments to take short positions, that is, positions that profit from a fall in the price of an asset, or to generate leverage (gain exposure to greater investment than the net asset value of the fund).

### Risk profile

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

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

The fund adopts a flexible approach to the allocation of capital between asset classes in response to changes in economic conditions and the valuation of assets, and the managers will seek to maximise portfolio diversity wherever possible. However, in cases where the managers believe that the opportunities are limited to a few areas, there may be a higher-than-usual concentration of asset or market exposure. Such strategies may result in higher volatility of the fund's short-term performance.

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

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



The above number:

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

# M&G Dynamic Allocation Fund

## Authorised Corporate Director's Report

### Investment review

**As at 3 October 2016, for the six months ended 30 September 2016**

#### Performance against objective

Over the six months under review, the M&G Dynamic Allocation Fund delivered a positive total return (the combination of income and growth of capital) across all share classes.

Over a three-year period, the fund has achieved its aim of delivering a positive total return.<sup>[a]</sup>

#### Investment performance

Overall, the six months to the end of September was a calmer period for financial markets after the heightened uncertainty of late 2015/early 2016, and both equity (company share) and bond markets broadly delivered positive returns for the period as a whole. (Bonds are loans in the form of securities, 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.)

That is not to say that it was not at times a challenging trading environment. Most notably, there was significant market turbulence in the days and weeks preceding and following the UK's referendum on European Union membership in late June. However, on the whole, market participants were quick to shrug off initial fears over 'Brexit', as it became clear that it will be some time yet before the real long-term economic effects are known. Over the summer months, financial markets bounced back despite numerous events that would be expected to unnerve investors, including terrorist atrocities and an attempted coup in Turkey. Sentiment seemed to be supported by improving economic data in several regions, the prospect of further central bank stimulus and a better-than-expected company earnings season.

Against this fairly benign backdrop, the fund delivered a positive return over the six months to the end of September 2016, with particularly strong performance in the second half of the period. The largest gains came from the fund's exposure to equities, especially a basket of bank stocks. Exposure to banks had been increased in response to the sharp drop in share prices seen in the wake of the UK's vote to leave the European Union as investors sold their holdings. This decision was rewarded as these stocks bounced back strongly over the following months. Further gains were added by exposure to Japanese, European, UK and Asian equities, as well as holdings in corporate bonds (particularly those issued by mining companies) and some government bonds, such as those from Australia and Argentina.

On the negative side, the fund was positioned to benefit from the fall in value of government bonds issued by developed market countries such as the US, UK, Germany and Japan, and these positions hurt performance as most global bond markets rose over the six months.

### Investment activities

We undertook a number of changes over the six-month review period in response to movements in the prices of various assets. Within the bonds allocation, we bought new holdings in Argentinian and Colombian government bonds, which we believed were offering good value and attractive prospective returns. Meanwhile, we closed the fund's holding in Brazilian government bonds. These bonds had served the fund well, in terms of performance, adding another source of diversified returns. However, by May these assets had become less attractively valued, having rallied since the start of the year.

Overall equity exposure at the end of the period was similar to at the start. However, we were very tactical within the equity allocation during the period. Equity markets saw sharp declines following the UK's vote to leave the European Union. However, we felt this was likely to be a short-term overreaction as it will take some time for any real economic consequences to be felt, particularly in regions not directly affected. Therefore, we increased equity exposure in areas away from the 'eye of the storm', including selected Asian markets and US banks. We have liked banks for some time, believing them to be unjustifiably cheap as a result of the lingering perception of banks as the protagonists of the 2008 Global Financial Crisis. We think banks are run and regulated quite differently today and investors are being overly fearful when valuing these stocks. As such, we already held a basket of bank stocks and when we saw them become even cheaper, we took the opportunity to add more.

This proved to be a good decision as equity markets recovered quickly from the initial drop in prices over the summer months. However, whenever positions work strongly in our favour like this, we must maintain discipline and remember that we only want to be holding assets in the portfolio that are offering good value and therefore are priced to deliver future attractive returns. After these tactical equity positions had worked well in a short period of time, we thought it prudent to trim them back towards the level held by the fund before the period of 'Brexit' turbulence.

### Outlook

For now, equities in quite a few regions still seem to be far more attractively valued than bonds. So-called 'safe-haven' bonds, such as those issued by developed market governments, tend to be popular assets when investors feel nervous. We believe investors remain overly pessimistic and sensitive to short-term events and market turbulence as a result of their memory of the trauma of 2008. In our view, the world is a very different place today and although we are still in a fairly mediocre global growth environment, we do not believe another global recession is a likely scenario at present.

Looking at the evidence available in terms of trends in economic data for much of the world, we believe backing the attractive prices we are being offered to hold equities today versus the expensive levels we are being asked to pay for developed market government bonds, seems the most sensible approach. Furthermore, we have begun to sense a shift in stance from global policymakers such as central banks and politicians, as they seem to be accepting that they have reached the

# M&G Dynamic Allocation Fund

## Authorised Corporate Director's Report

### Investment review

#### Outlook (continued)

limit of what can be achieved through the massive bond-buying programmes (quantitative easing) they have engaged in since 2008 in an attempt to support their economies. Therefore, expecting bonds to continue delivering the sort of strong returns they have in recent years, from current overpriced levels, seems rather risky.

#### Juan Nevado & Tony Finding

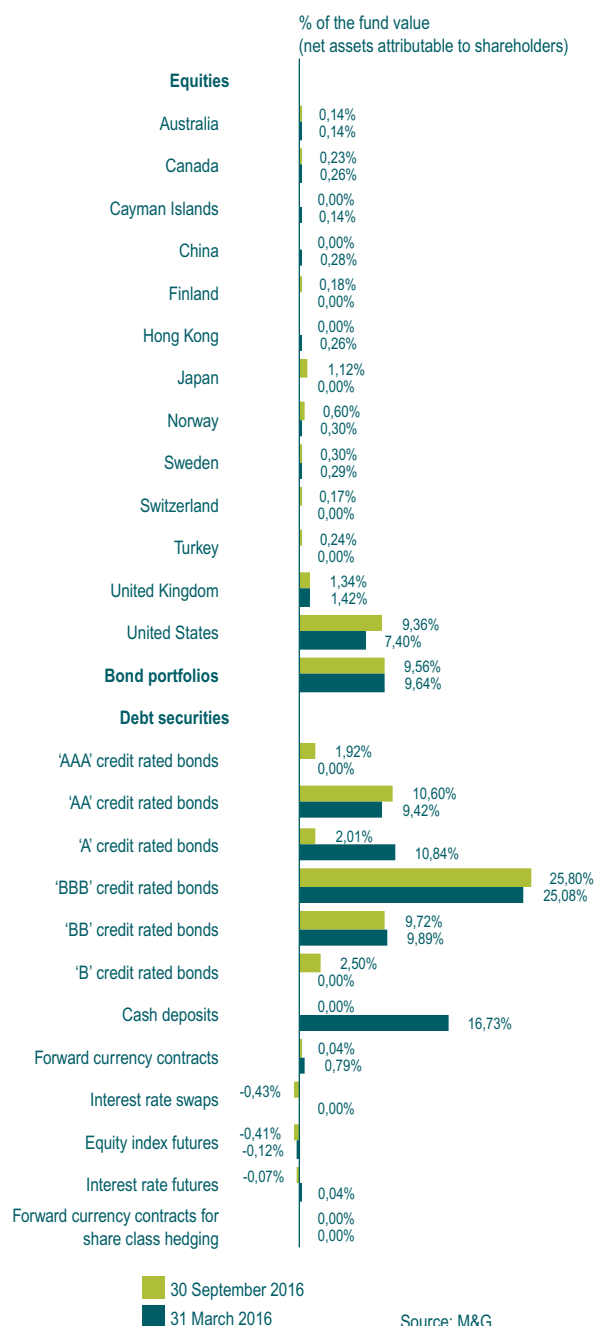
Co-fund managers

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

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

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

### Classification of investments





# M&G Dynamic Allocation Fund

## Authorised Corporate Director's Report

### Investments

#### Portfolio statement

as at Holding	30.09.16 €'000	30.09.16 %	31.03.16 %
<b>Equities</b>	<b>382.103</b>	<b>13,68</b>	<b>10,49</b>
<b>Australia</b>	<b>3.916</b>	<b>0,14</b>	<b>0,14</b>
4.970.464 ADX Energy	17	0,00	
4.316.309 Karoon Gas Australia	3.899	0,14	
<b>Canada</b>	<b>6.509</b>	<b>0,23</b>	<b>0,26</b>
4.736.520 Africa Oil	6.509	0,23	
<b>Cayman Islands</b>	<b>0</b>	<b>0,00</b>	<b>0,14</b>
<b>China</b>	<b>0</b>	<b>0,00</b>	<b>0,28</b>
<b>Finland</b>	<b>5.049</b>	<b>0,18</b>	<b>0,00</b>
996.935 Nokia	5.049	0,18	
<b>Hong Kong</b>	<b>0</b>	<b>0,00</b>	<b>0,26</b>
<b>Japan</b>	<b>31.303</b>	<b>1,12</b>	<b>0,00</b>
1.750.700 Mitsubishi UFJ Financial Group	7.827	0,28	
5.285.400 Mizuho Financial Group	7.885	0,28	
270.500 Sumitomo Mitsui Financial Group	8.095	0,29	
259.000 Sumitomo Mitsui Trust Holdings	7.496	0,27	
<b>Norway</b>	<b>16.759</b>	<b>0,60</b>	<b>0,30</b>
1.235.324 Det Norske OLJ	16.759	0,60	
<b>Sweden</b>	<b>8.408</b>	<b>0,30</b>	<b>0,29</b>
519.410 Lundin Petroleum	8.408	0,30	
<b>Switzerland</b>	<b>4.722</b>	<b>0,17</b>	<b>0,00</b>
163.604 ams AG	4.722	0,17	
<b>Turkey</b>	<b>6.687</b>	<b>0,24</b>	<b>0,00</b>
2.424.551 Sabanci Holdings	6.687	0,24	
<b>United Kingdom</b>	<b>37.316</b>	<b>1,34</b>	<b>1,42</b>
1.204.930 Genel Energy	1.343	0,05	
42.838.519 Lloyds Banking Group	26.889	0,96	
4.045.966 Ophir Energy	3.500	0,13	
1.986.684 Tullow Oil	5.584	0,20	
<b>United States</b>	<b>261.434</b>	<b>9,36</b>	<b>7,40</b>
8.300 Alphabet A	5.964	0,21	
8.000 Amazon	5.940	0,21	
502.265 American Express	28.507	1,02	
2.046.117 Bank of America	27.764	1,00	
784.827 Bank of New York Mellon	27.450	0,98	
681.011 Citigroup	27.930	1,00	
853.400 Cobalt International Energy	940	0,03	
155.200 Criteo ADR	4.864	0,17	
50.900 Facebook	5.839	0,21	
69.000 IPG Photonics	5.037	0,18	
481.124 JPMorgan Chase	28.286	1,01	
1.022.253 Kosmos Energy	5.851	0,21	
103.700 Luxoft	4.775	0,17	
327.334 Mastercard	29.497	1,06	
114.200 Microsoft	5.870	0,21	
67.700 NXP Semiconductors	5.832	0,21	
206.500 Sabre	5.212	0,19	
1.297.200 Vimpelcom ADR	4.055	0,15	
694.716 Wells Fargo	27.608	0,99	
219.500 Yandex N.V.	4.213	0,15	

#### Portfolio statement (continued)

as at Holding	30.09.16 €'000	30.09.16 %	31.03.16 %
<b>Bond portfolios</b>	<b>266.917</b>	<b>9,56</b>	<b>9,64</b>
36.154.853 M&G Global Convertibles Fund Sterling Class 'A' (Accumulation)	83.592	3,00	
3.100.255 M&G Global Floating Rate High Yield Fund Euro Class 'C-H' (Accumulation)	32.211	1,15	
33.310.356 M&G Global High Yield Bond Fund Sterling Class 'X' (Accumulation)	47.773	1,71	
861.627 M&G Total Return Credit Investment Fund Euro Class 'A' (Accumulation)	95.124	3,41	
275.000 SPDR S&P Barclays 10 Year US Corporate Bond Fund ETF	8.217	0,29	
<b>Debt securities</b>	<b>1.466.824</b>	<b>52,55</b>	<b>55,23</b>
<b>'AAA' credit rated bonds</b>	<b>53.667</b>	<b>1,92</b>	<b>0,00</b>
AUD60.510.000 Australia (Govt. of) 4,5% 2033	53.667	1,92	
<b>'AA' credit rated bonds</b>	<b>295.853</b>	<b>10,60</b>	<b>9,42</b>
\$12.411.000 American Tower Trust 3,07% 2048	11.579	0,41	
\$30.424.000 US Treasury 0% 2016 (6 Oct)	27.249	0,98	
\$14.626.700 US Treasury 0% 2016 (15 Dec)	13.097	0,47	
\$57.674.800 US Treasury 0% 2016 (22 Dec)	51.634	1,85	
\$66.282.600 US Treasury 0% 2016 (29 Dec)	59.330	2,13	
\$130.904.400 US Treasury 1% 2046 (15 Feb)	132.964	4,76	
<b>'A' credit rated bonds</b>	<b>55.925</b>	<b>2,01</b>	<b>10,84</b>
\$13.512.000 Amgen 4,663% 2051	12.996	0,47	
\$10.047.000 Burlington Northern Santa Fe 4,55% 2044	10.491	0,38	
\$10.500.000 Georgia-Pacific 3,6% 2025	10.040	0,36	
\$4.688.000 Intel 4,9% 2045	5.056	0,18	
\$17.964.000 Rio Tinto Finance 3,75% 2025	17.342	0,62	
<b>'BBB' credit rated bonds</b>	<b>720.296</b>	<b>25,80</b>	<b>25,08</b>
\$10.484.000 Actavis Funding 3,8% 2025	9.957	0,36	
\$11.431.000 AT&T 4,5% 2048	10.325	0,37	
\$7.695.000 AT&T 6,375% 2041	8.566	0,31	
\$5.966.000 Bank of America 4,25% 2026	5.666	0,20	
\$17.904.000 BHP Billiton Finance Var. Rate 2075 (6,75%)	18.080	0,65	
COP182.874.000.000 Colombia (Republic of) 7,50% 2026	58.396	2,09	
\$10.186.000 CVS Health 5,3% 2043	11.385	0,41	
\$6.908.000 Dow Chemical 9,4% 2039	10.132	0,36	
\$9.408.000 Enel Finance International 6,8% 2037	11.071	0,40	
\$7.630.000 Energy Transfers Partners 4,05% 2025	6.755	0,24	
\$13.429.000 Exelon Generation 5,6% 2042	12.667	0,45	
\$10.951.000 Ford Motor Company 6,625% 2028	12.357	0,44	
\$19.889.000 Glencore Finance Europe 4,625% 2024	18.122	0,65	
\$10.245.000 Goldman Sachs Group 6,75% 2037	11.774	0,42	
\$13.850.000 JPMorgan Chase 4,125% 2026	13.265	0,47	
\$13.231.000 Kinder Morgan Energy Partners 6,95% 2038	13.432	0,48	
\$16.113.000 Kohlss 5,55% 2045	14.193	0,51	
\$9.736.000 KPN 8,375% 2030	12.274	0,44	
\$11.035.000 Kraft Foods Group 6,875% 2038	13.725	0,49	
\$4.021.000 Marks & Spencer 7,125% 2037	4.524	0,16	
MXN2.660.268.700 Mexico (United Mexican States) 7,75% 2042	140.285	5,03	
MXN1.517.342.200 Mexico (United Mexican States) 8% 2023	77.921	2,79	
\$11.464.000 Monsanto 4,4% 2044	10.637	0,38	
\$11.389.000 Morgan Stanley 5% 2025	11.421	0,41	
\$12.028.000 Mylan 5,4% 2043	11.609	0,41	
\$13.569.000 Owens Corning 4,2% 2022	13.025	0,47	
\$15.033.000 Perrigo Finance 4,9% 2044	13.493	0,48	



# M&G Dynamic Allocation Fund

## Authorised Corporate Director's Report

### Investments

#### Portfolio statement (continued)

as at Holding	30.09.16 €'000	30.09.16 %	31.03.16 %
<b>'BBB' credit rated bonds (continued)</b>			
PLN237.948.000 Poland (Republic of) 2,5% 2026	53.101	1,90	
\$5.775.000 Qwest 6,75% 2021	5.754	0,21	
\$62.663.000 South Africa (Republic of) 4,3% 2028	55.857	2,00	
€23.141.000 Spain (Kingdom of) 4,4% 2023	29.544	1,06	
\$8.870.000 Time Warner Cable 7,3% 2038	10.196	0,37	
\$8.920.000 Weyerhaeuser 7,375% 2032	10.787	0,39	
<b>'BB' credit rated bonds</b>	<b>271.287</b>	<b>9,72</b>	<b>9,89</b>
\$20.033.000 Anglo American Capital 4,875% 2025	18.192	0,65	
\$25.837.000 Freeport McMoRan Copper & Gold 5,45% 2043	18.513	0,66	
IDR440.112.000.000 Indonesia (Republic of) 8,375% 2024	32.546	1,17	
€64.376.000 Portugal (Republic of) 4,75% 2019	70.831	2,54	
€117.870.000 Portugal (Republic of) 4,8% 2020	131.205	4,70	
<b>'B' credit rated bonds</b>	<b>69.796</b>	<b>2,50</b>	<b>0,00</b>
\$37.843.000 Argentina 6,875% 2021	36.868	1,32	
\$23.567.000 Argentina 7,5% 2026	23.802	0,85	
\$9.980.000 Yum! Brands 6,875% 2037	9.126	0,33	
<b>Cash deposits</b>	<b>431.219</b>	<b>15,45</b>	<b>16,73</b>
€113.321.254 BNP (0,46)% 2016	113.321	4,06	
€256.839.798 HSBC (0,4)% 2016	256.840	9,20	
€61.058.061 Rabobank (0,55)% 2016	61.058	2,19	
<b>Forward currency contracts</b>	<b>869</b>	<b>0,04</b>	<b>0,79</b>
AUD(165.969.736) Sold for €112.737.776 (expires 23.11.16)	(43)	0,00	
CAD(9.473.043) Sold for €6.450.566 (expires 23.11.16)	18	0,00	
INR2.057.713.547 Bought for \$30.415.658 (expires 23.11.16)	201	0,01	
¥(17.221.808.815) Sold for €152.632.167 (expires 22.11.16)	192	0,01	
MXN(1.743.992.438) Sold for €78.441.799 (expires 23.11.16)	(676)	(0,02)	
NOK(147.620.643) Sold for €15.891.129 (expires 23.11.16)	(489)	(0,02)	
RUB2.000.751.603 Bought for \$30.834.256 (expires 23.11.16)	347	0,01	
SGD(131.888.517) Sold for €86.836.173 (expires 23.11.16)	435	0,02	
SEK(86.752.569) Sold for €9.057.880 (expires 23.11.16)	43	0,00	
CHF(61.277.668) Sold for €56.318.280 (expires 23.11.16)	(45)	0,00	
TL101.064.892 Bought for €29.989.582 (expires 23.11.16)	(225)	(0,01)	
£103.642.099 Bought for €120.589.788 (expires 23.11.16)	(410)	(0,01)	
\$92.980.639 Bought for CNY622.219.928 (expires 21.04.17)	219	0,01	
\$90.341.353 Bought for CNY607.825.660 (expires 12.05.17)	(189)	(0,01)	
\$7.850.337 Bought for CNY53.617.804 (expires 29.09.17)	(105)	0,00	
\$33.717.814 Bought for €30.008.200 (expires 23.11.16)	124	0,00	
\$(1.456.869.915) Sold for €1.303.390.062 (expires 23.11.16)	1.450	0,05	
\$42.570.325 Bought for KRW47.570.209.235 (expires 23.11.16)	(546)	(0,02)	
\$61.026.019 Bought for PHP2.937.487.427 (expires 23.11.16)	476	0,02	
\$218.126.088 Bought for TWD6.824.816.288 (expires 23.11.16)	92	0,00	

#### Portfolio statement (continued)

as at Holding	30.09.16 €'000	30.09.16 %	31.03.16 %
<b>Interest rate swaps</b>			
JPY3.156.500.000 Pay 0,467% Receive VAR Sep 2046	(175)	(0,01)	
JPY3.164.000.000 Pay 0,4975% Receive VAR Sep 2046	(373)	(0,01)	
\$23.000.000 Pay 1,0925% Receive VAR Jul 2046	(532)	(0,02)	
\$155.000.000 Pay 1,655% Receive VAR Aug 2046	3.116	0,11	
\$76.000.000 Pay 1,793% Receive VAR Jul 2046	(276)	(0,01)	
\$30.000.000 Pay 1,8% Receive VAR Jul 2046	(165)	(0,01)	
\$90.000.000 Pay 1,837% Receive VAR Jul 2046	(1.243)	(0,04)	
\$150.500.000 Pay 2,1325% Receive VAR Apr 2046	(12.306)	(0,44)	
<b>Equity index futures</b>	<b>(11.501)</b>	<b>(0,41)</b>	<b>(0,12)</b>
11.902 BIST 30 Oct 2016	(514)	(0,02)	
664 CAC 40 Euro Oct 2016	(289)	(0,01)	
527 DAX Index Dec 2016	(4.888)	(0,18)	
1.961 EURO STOXX 50 Index Dec 2016	(912)	(0,03)	
1.210 FTSE 100 Index Dec 2016	2.694	0,10	
965 FTSE MIB Index Dec 2016	(3.125)	(0,11)	
941 IBEX 35 Index Oct 2016	(2.049)	(0,08)	
1.518 KOSPI 200 Index Dec 2016	(1.216)	(0,04)	
2.806 MSCI Taiwan Index Oct 2016	(402)	(0,01)	
(484) S&P 500 Index Dec 2016	2.434	0,09	
1.544 TOPIX Index Dec 2016	(3.234)	(0,12)	
<b>Interest rate futures</b>	<b>(1.895)</b>	<b>(0,07)</b>	<b>0,04</b>
(93) 10 Year Japan Government Bond Dec 2016	(497)	(0,02)	
(2.320) 10 Year US Treasury Note Dec 2016	(581)	(0,02)	
(588) Euro BTP Dec 2016	113	0,00	
(384) Euro Bund Dec 2016	(584)	(0,02)	
(138) Euro BuxlDec 2016	(615)	(0,02)	
(891) UK Long Gilt Bond Dec 2016	269	0,01	
<b>Portfolio of investments</b>	<b>2.522.582</b>	<b>90,37</b>	<b>92,80</b>
<b>Forward currency contracts for share class hedging</b>			
CHF534.034 Bought for €487.852 (expires 19.10.16)	3	0,00	
CHF(4.857) Sold for €4.437 (expires 19.10.16)	0	0,00	
£744.699 Bought for €875.140 (expires 19.10.16)	(11)	0,00	
\$11.472.373 Bought for €10.205.536 (expires 19.10.16)	63	0,00	
<b>Total portfolio</b>	<b>2.522.637</b>	<b>90,37</b>	<b>92,80</b>
<b>Net other assets / (liabilities)</b>	<b>268.816</b>	<b>9,63</b>	<b>7,20</b>
<b>Net assets attributable to shareholders</b>	<b>2.791.453</b>	<b>100,00</b>	<b>100,00</b>

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

#### Portfolio transactions

for the six months to 30 September	2016 €'000	2015 €'000
<b>Portfolio transactions</b>		
Total purchases	965.993	1.747.500
Total sales	977.387	573.375

# M&G Dynamic Allocation Fund

## Financial highlights

### Fund performance

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

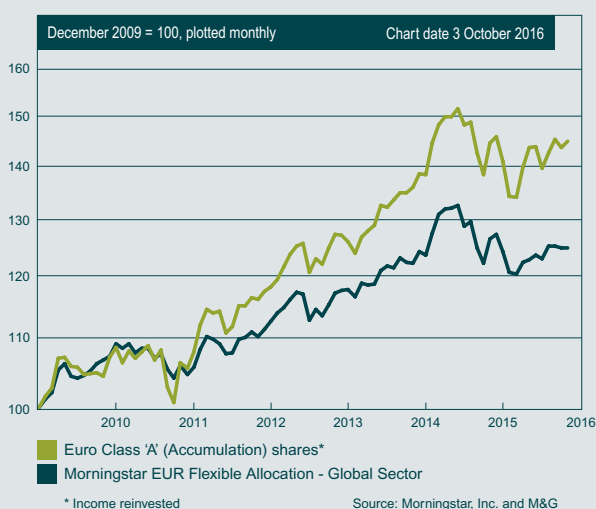
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Dynamic Allocation Fund, which is available free of charge either from our website at [www.mandg.co.uk/prospectuses](http://www.mandg.co.uk/prospectuses)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

### Fund level performance

Fund net asset value			
as at	30.09.16 €'000	31.03.16 €'000	31.03.15 €'000
Fund net asset value (NAV)	2.791.453	2.694.144	1.901.284

### Performance since launch

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



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

Long-term performance by share class				
	six months 01.04.16 % <sup>[a]</sup>	three years 03.10.13 % p.a.	five years 03.10.11 % p.a.	since launch % p.a.
<b>Euro<sup>[b]</sup></b>				
Class 'A'	+4,1	+5,1	+7,6	+5,6 <sup>[c]</sup>
Class 'B'	+3,9	+4,6	n/a	+4,6 <sup>[d]</sup>
Class 'C'	+4,5	+6,0	+8,5	+6,5 <sup>[c]</sup>
<b>Sterling<sup>[b]</sup></b>				
Class 'I-H'	+5,0	n/a	n/a	+5,0 <sup>[e]</sup>
<b>Swiss franc<sup>[b]</sup></b>				
Class 'A-H'	+3,8	n/a	n/a	-3,1 <sup>[f]</sup>
Class 'C-H'	+4,2	n/a	n/a	-2,3 <sup>[f]</sup>
<b>US dollar<sup>[b]</sup></b>				
Class 'A-H'	+4,7	n/a	n/a	-1,9 <sup>[f]</sup>
Class 'C-H'	+5,2	n/a	n/a	-1,1 <sup>[f]</sup>

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 3 December 2009, the launch date of the fund.

[d] 26 July 2013, the launch date of the share class.

[e] 14 December 2015, the launch date of the share class. Absolute basis.

[f] 5 June 2015, the launch date of the share class.

# M&G Dynamic Allocation Fund

## Financial highlights

### Fund performance

### Operating charges and portfolio transaction costs

We explain below the payments made to meet the ongoing costs of investing and managing the fund, 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.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated.

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

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

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

#### Portfolio transaction costs

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

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

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

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

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

#### Portfolio transaction costs

	Six months to 30.09.16	Year to 31.03.16	Year to 31.03.15	Average <sup>[a]</sup>
	%	%	%	%
<b>Direct portfolio transaction costs <sup>[b]</sup></b>				
Broker commission	0,03	0,02	0,02	0,03
Taxes	0,01	0,01	0,02	0,01
Costs before dilution adjustments	0,04	0,03	0,04	0,04
Dilution adjustments <sup>[c]</sup>	0,00	(0,01)	(0,02)	(0,01)
<b>Total direct portfolio transaction costs</b>	<b>0,04</b>	<b>0,02</b>	<b>0,02</b>	<b>0,03</b>
<b>as at</b>	<b>30.09.16</b>	<b>31.03.16</b>	<b>31.03.15</b>	<b>Average <sup>[a]</sup></b>
<b>Indirect portfolio transaction costs</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Average portfolio dealing spread	0,37	0,59	0,34	0,43

<sup>[a]</sup> Average of first three columns.

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

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

# M&G Dynamic Allocation Fund

## Financial highlights

### Specific share class performance

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

#### Euro Class 'A' Income share performance

The share class was launched on 12 July 2013.

	Six months to 30.09.16 Euro ¢	Year to 31.03.16 Euro ¢	Year to 31.03.15 Euro ¢
<b>Change in NAV per share</b>			
Opening NAV	1.389,98	1.501,19	1.279,85
Return before operating charges and after direct portfolio transaction costs	52,18	(78,33)	247,38
Operating charges	(13,37)	(27,22)	(26,04)
Return after operating charges	38,81	(105,55)	221,34
Distributions	(9,03)	(5,66)	nil
Closing NAV	1.419,76	1.389,98	1.501,19

<b>Direct portfolio transaction costs <sup>[a]</sup></b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0,28	0,41	0,61
Dilution adjustments <sup>[b]</sup>	(0,02)	(0,21)	(0,29)
Total direct portfolio transaction costs	0,26	0,20	0,32

<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs	0,04	0,02	0,02
Operating charges	1,91	1,92	1,92
Return after operating charges	+2,79	-7,03	+17,29
Historic yield	2,36	0,43	0,01
Effect on yield of charges offset against capital	1,91	n/a	n/a

#### Other information

Closing NAV (€000)	174.908	178.399	96.687
Closing NAV percentage of total fund NAV (%)	6,27	6,63	5,09
Number of shares	12.319.554	12.834.689	6.440.661
Highest share price (Euro ¢)	1.465,28	1.538,79	1.508,85
Lowest share price (Euro ¢)	1.268,18	1.268,18	1.276,98

#### Euro Class 'A' Accumulation share performance

The share class was launched on 3 December 2009.

	Six months to 30.09.16 Euro ¢	Year to 31.03.16 Euro ¢	Year to 31.03.15 Euro ¢
<b>Change in NAV per share</b>			
Opening NAV	1.396,82	1.502,19	1.280,57
Return before operating charges and after direct portfolio transaction costs	51,83	(77,97)	247,89
Operating charges	(12,79)	(27,40)	(26,27)
Return after operating charges	39,04	(105,37)	221,62
Distributions	(2,39)	(5,87)	nil
Retained distributions	2,39	5,87	nil
Closing NAV	1.435,86	1.396,82	1.502,19

<b>Direct portfolio transaction costs <sup>[a]</sup></b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0,27	0,41	0,61
Dilution adjustments <sup>[b]</sup>	(0,02)	(0,21)	(0,29)
Total direct portfolio transaction costs	0,25	0,20	0,32

<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs	0,04	0,02	0,02
Operating charges	1,91	1,92	1,93
Return after operating charges	+2,79	-7,01	+17,31
Historic yield	0,51	0,40	0,00
Effect on yield of charges offset against capital	n/a	n/a	n/a

#### Other information

Closing NAV (€000)	1.614.506	1.623.886	1.243.898
Closing NAV percentage of total fund NAV (%)	57,84	60,27	65,42
Number of shares	112.441.701	116.255.819	82.805.823
Highest share price (Euro ¢)	1.467,29	1.539,84	1.509,81
Lowest share price (Euro ¢)	1.272,28	1.272,28	1.277,53

#### Euro Class 'B' Accumulation share performance

The share class was launched on 26 July 2013.

	Six months to 30.09.16 Euro ¢	Year to 31.03.16 Euro ¢	Year to 31.03.15 Euro ¢
<b>Change in NAV per share</b>			
Opening NAV	1.115,52	1.204,63	1.031,95
Return before operating charges and after direct portfolio transaction costs	41,81	(61,53)	198,92
Operating charges	(12,90)	(27,58)	(26,24)
Return after operating charges	28,91	(89,11)	172,68
Distributions	nil	(0,42)	nil
Retained distributions	nil	0,42	nil
Closing NAV	1.144,43	1.115,52	1.204,63

<b>Direct portfolio transaction costs <sup>[a]</sup></b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0,22	0,33	0,49
Dilution adjustments <sup>[b]</sup>	(0,02)	(0,16)	(0,23)
Total direct portfolio transaction costs	0,20	0,17	0,26

<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs	0,04	0,02	0,02
Operating charges	2,41	2,42	2,40
Return after operating charges	+2,59	-7,40	+16,73
Historic yield	0,04	0,04	0,00
Effect on yield of charges offset against capital	n/a	n/a	n/a

#### Other information

Closing NAV (€000)	117.304	128.187	85.598
Closing NAV percentage of total fund NAV (%)	4,20	4,76	4,50
Number of shares	10.250.039	11.491.273	7.105.713
Highest share price (Euro ¢)	1.173,27	1.234,59	1.210,94
Lowest share price (Euro ¢)	1.016,59	1.016,59	1.029,35

# M&G Dynamic Allocation Fund

## Financial highlights

### Specific share class performance

#### Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

	Six months to 30.09.16 Euro ¢	Year to 31.03.16 Euro ¢	Year to 31.03.15 Euro ¢
<b>Change in NAV per share</b>			
Opening NAV	1,452,16	1,568,33	1,359,22
Return before operating charges and after direct portfolio transaction costs	55,35	(84,92)	224,15
Operating charges	(8,91)	(13,60)	(8,47)
Return after operating charges	46,44	(98,52)	215,68
Distributions	(11,67)	(17,65)	(6,57)
Closing NAV	1,486,93	1,452,16	1,568,33

	Euro ¢	Euro ¢	Euro ¢
<b>Direct portfolio transaction costs <sup>[a]</sup></b>			
Costs before dilution adjustments	0,40	0,42	0,42
Dilution adjustments <sup>[b]</sup>	(0,03)	(0,21)	(0,20)
Total direct portfolio transaction costs	0,37	0,21	0,22

	%	%	%
<b>Performance and charges</b>			
Direct portfolio transaction costs	0,04	0,02	0,02
Operating charges	0,91	0,92	0,91
Return after operating charges	+3,20	-6,28	+15,87
Historic yield	2,14	1,21	0,44
Effect on yield of charges offset against capital	0,91	n/a	n/a

<b>Other information</b>			
Closing NAV (€'000)	50,905	20,853	11,152
Closing NAV percentage of total fund NAV (%)	1,82	0,77	0,59
Number of shares	3,423,475	1,435,988	711,116
Highest share price (Euro ¢)	1,532,68	1,608,11	1,577,83
Lowest share price (Euro ¢)	1,326,10	1,326,10	1,337,38

#### Euro Class 'C' Accumulation share performance

The share class was launched on 3 December 2009.

	Six months to 30.09.16 Euro ¢	Year to 31.03.16 Euro ¢	Year to 31.03.15 Euro ¢
<b>Change in NAV per share</b>			
Opening NAV	1,476,33	1,575,38	1,331,45
Return before operating charges and after direct portfolio transaction costs	54,21	(85,28)	257,28
Operating charges	(6,85)	(13,77)	(13,35)
Return after operating charges	47,36	(99,05)	243,93
Distributions	(8,51)	(17,80)	(8,72)
Retained distributions	8,51	17,80	8,72
Closing NAV	1,523,69	1,476,33	1,575,38

	Euro ¢	Euro ¢	Euro ¢
<b>Direct portfolio transaction costs <sup>[a]</sup></b>			
Costs before dilution adjustments	0,31	0,43	0,64
Dilution adjustments <sup>[b]</sup>	(0,03)	(0,22)	(0,30)
Total direct portfolio transaction costs	0,28	0,21	0,34

	%	%	%
<b>Performance and charges</b>			
Direct portfolio transaction costs	0,04	0,02	0,02
Operating charges	0,91	0,92	0,94
Return after operating charges	+3,21	-6,29	+18,32
Historic yield	1,24	1,20	0,44
Effect on yield of charges offset against capital	n/a	n/a	n/a

<b>Other information</b>			
Closing NAV (€'000)	822,377	724,817	463,949
Closing NAV percentage of total fund NAV (%)	29,46	26,90	24,40
Number of shares	53,972,751	49,095,909	29,450,002
Highest share price (Euro ¢)	1,555,90	1,615,30	1,583,07
Lowest share price (Euro ¢)	1,343,18	1,343,18	1,328,69

#### Sterling Class 'I-H' Income share performance

The share class was launched on 14 December 2015.

	Six months to 30.09.16 UK p	Year to 31.03.16 UK p	Year to 31.03.15 UK p
<b>Change in NAV per share</b>			
Opening NAV	99,53	100,00	n/a
Return before operating charges and after direct portfolio transaction costs	4,20	0,61	n/a
Operating charges	(0,47)	(0,32)	n/a
Return after operating charges	3,73	0,29	n/a
Distributions	(0,81)	(0,76)	n/a
Closing NAV	102,45	99,53	n/a

	UK p	UK p	UK p
<b>Direct portfolio transaction costs <sup>[a]</sup></b>			
Costs before dilution adjustments	0,02	0,01	n/a
Dilution adjustments <sup>[b]</sup>	0,00	(0,01)	n/a
Total direct portfolio transaction costs	0,02	0,00	n/a

	%	%	%
<b>Performance and charges</b>			
Direct portfolio transaction costs	0,04	0,02	n/a
Operating charges	0,92	0,97	n/a
Return after operating charges	+3,75	+0,29	n/a
Historic yield	2,23	0,43	n/a
Effect on yield of charges offset against capital	0,92	n/a	n/a

<b>Other information</b>			
Closing NAV (€'000)	24	25	n/a
Closing NAV percentage of total fund NAV (%)	0,00	0,00	n/a
Number of shares	20,000	20,000	n/a
Highest share price (UK p)	105,10	101,46	n/a
Lowest share price (UK p)	90,61	90,61	n/a

#### Sterling Class 'I-H' Accumulation share performance

The share class was launched on 14 December 2015.

	Six months to 30.09.16 UK p	Year to 31.03.16 UK p	Year to 31.03.15 UK p
<b>Change in NAV per share</b>			
Opening NAV	100,25	100,00	n/a
Return before operating charges and after direct portfolio transaction costs	4,45	0,57	n/a
Operating charges	(0,73)	(0,32)	n/a
Return after operating charges	3,72	0,25	n/a
Distributions	(0,59)	(0,76)	n/a
Retained distributions	0,59	0,76	n/a
Closing NAV	103,97	100,25	n/a

	UK p	UK p	n/a
<b>Direct portfolio transaction costs <sup>[a]</sup></b>			
Costs before dilution adjustments	0,03	0,01	n/a
Dilution adjustments <sup>[b]</sup>	0,00	(0,01)	n/a
Total direct portfolio transaction costs	0,03	0,00	n/a

	%	%	%
<b>Performance and charges</b>			
Direct portfolio transaction costs	0,04	0,02	n/a
Operating charges	0,92	0,97	n/a
Return after operating charges	+3,71	+0,25	n/a
Historic yield	1,31	0,39	n/a
Effect on yield of charges offset against capital	n/a	n/a	n/a

<b>Other information</b>			
Closing NAV (€'000)	835	25	n/a
Closing NAV percentage of total fund NAV (%)	0,03	0,00	n/a
Number of shares	692,018	20,010	n/a
Highest share price (UK p)	106,08	101,46	n/a
Lowest share price (UK p)	90,88	90,88	n/a



# M&G Dynamic Allocation Fund

## Financial highlights

### Specific share class performance

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

The share class was launched on 5 June 2015.

Change in NAV per share	Six months to 30.09.16 Swiss ¢	Year to 31.03.16 Swiss ¢	Year to 31.03.15 Swiss ¢
Opening NAV	925,99	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	34,66	(58,05)	n/a
Operating charges	(10,72)	(15,96)	n/a
Return after operating charges	23,94	(74,01)	n/a
Distributions	(1,49)	(3,92)	n/a
Retained distributions	1,49	3,92	n/a
Closing NAV	949,93	925,99	n/a

Direct portfolio transaction costs <sup>[a]</sup>	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0,22	0,24	n/a
Dilution adjustments <sup>[b]</sup>	0,00	(0,12)	n/a
Total direct portfolio transaction costs	0,22	0,12	n/a

Performance and charges	%	%	%
Direct portfolio transaction costs	0,04	0,02	n/a
Operating charges	1,93	1,95	n/a
Return after operating charges	+2,59	-7,40	n/a
Historic yield	0,47	0,41	n/a
Effect on yield of charges offset against capital	n/a	n/a	n/a

#### Other information

Closing NAV (€'000)	54	53	n/a
Closing NAV percentage of total fund NAV (%)	0,00	0,00	n/a
Number of shares	6.218	6.218	n/a
Highest share price (Swiss ¢)	976,22	1.011,62	n/a
Lowest share price (Swiss ¢)	844,88	845,00	n/a

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

The share class was launched on 5 June 2015.

Change in NAV per share	Six months to 30.09.16 Swiss ¢	Year to 31.03.16 Swiss ¢	Year to 31.03.15 Swiss ¢
Opening NAV	931,90	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	33,57	(60,49)	n/a
Operating charges	(5,81)	(7,61)	n/a
Return after operating charges	27,76	(68,10)	n/a
Distributions	(5,29)	(11,30)	n/a
Retained distributions	5,29	11,30	n/a
Closing NAV	959,66	931,90	n/a

Direct portfolio transaction costs <sup>[a]</sup>	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0,25	0,24	n/a
Dilution adjustments <sup>[b]</sup>	(0,02)	(0,12)	n/a
Total direct portfolio transaction costs	0,23	0,12	n/a

Performance and charges	%	%	%
Direct portfolio transaction costs	0,04	0,02	n/a
Operating charges	0,93	0,96	n/a
Return after operating charges	+2,98	-6,81	n/a
Historic yield	1,24	1,21	n/a
Effect on yield of charges offset against capital	n/a	n/a	n/a

#### Other information

Closing NAV (€'000)	424	255	n/a
Closing NAV percentage of total fund NAV (%)	0,02	0,01	n/a
Number of shares	48.057	29.950	n/a
Highest share price (Swiss ¢)	980,27	1.012,55	n/a
Lowest share price (Swiss ¢)	849,56	850,00	n/a

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

The share class was launched on 5 June 2015.

Change in NAV per share	Six months to 30.09.16 US ¢	Year to 31.03.16 US ¢	Year to 31.03.15 US ¢
Opening NAV	930,43	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	42,19	(49,09)	n/a
Operating charges	(10,35)	(16,35)	n/a
Return after operating charges	31,84	(65,44)	n/a
Distributions	(6,01)	(4,13)	n/a
Closing NAV	956,26	930,43	n/a

Direct portfolio transaction costs <sup>[a]</sup>	US ¢	US ¢	US ¢
Costs before dilution adjustments	0,22	0,25	n/a
Dilution adjustments <sup>[b]</sup>	(0,02)	(0,12)	n/a
Total direct portfolio transaction costs	0,20	0,13	n/a

Performance and charges	%	%	%
Direct portfolio transaction costs	0,04	0,02	n/a
Operating charges	1,93	1,95	n/a
Return after operating charges	+3,42	-6,54	n/a
Historic yield	2,33	1,20	n/a
Effect on yield of charges offset against capital	1,93	n/a	n/a

#### Other information

Closing NAV (€'000)	804	431	n/a
Closing NAV percentage of total fund NAV (%)	0,03	0,02	n/a
Number of shares	93.857	52.700	n/a
Highest share price (US ¢)	981,63	1.013,35	n/a
Lowest share price (US ¢)	846,74	847,00	n/a

#### US dollar Class 'A-H' Accumulation share performance

The share class was launched on 5 June 2015.

Change in NAV per share	Six months to 30.09.16 US ¢	Year to 31.03.16 US ¢	Year to 01.04.15 US ¢
Opening NAV	933,61	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	44,45	(50,16)	n/a
Operating charges	(12,49)	(16,23)	n/a
Return after operating charges	31,96	(66,39)	n/a
Distributions	(1,51)	(4,13)	n/a
Retained distributions	1,51	4,13	n/a
Closing NAV	965,57	933,61	n/a

Direct portfolio transaction costs <sup>[a]</sup>	US ¢	US ¢	US ¢
Costs before dilution adjustments	0,26	0,25	n/a
Dilution adjustments <sup>[b]</sup>	(0,02)	(0,12)	n/a
Total direct portfolio transaction costs	0,24	0,13	n/a

Performance and charges	%	%	%
Direct portfolio transaction costs	0,04	0,02	n/a
Operating charges	1,93	1,96	n/a
Return after operating charges	+3,42	-6,64	n/a
Historic yield	0,47	0,43	n/a
Effect on yield of charges offset against capital	n/a	n/a	n/a

#### Other information

Closing NAV (€'000)	4.431	2.759	n/a
Closing NAV percentage of total fund NAV (%)	0,16	0,10	n/a
Number of shares	512.405	336.175	n/a
Highest share price (US ¢)	985,34	1.013,44	n/a
Lowest share price (US ¢)	848,84	849,00	n/a

# M&G Dynamic Allocation Fund

## Financial highlights

### Specific share class performance

#### US dollar Class 'C-H' Income share performance

The share class was launched on 5 June 2015.

	Six months to 30.09.16 US ¢	Year to 31.03.16 US ¢	Year to 01.04.15 US ¢
<b>Change in NAV per share</b>			
Opening NAV	928,57	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	39,99	(52,01)	n/a
Operating charges	(4,42)	(8,13)	n/a
Return after operating charges	35,57	(60,14)	n/a
Distributions	(7,44)	(11,29)	n/a
Closing NAV	956,70	928,57	n/a
<b>Direct portfolio transaction costs <sup>[a]</sup></b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0,19	0,23	n/a
Dilution adjustments <sup>[b]</sup>	(0,02)	(0,12)	n/a
Total direct portfolio transaction costs	0,17	0,11	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs	0,04	0,02	n/a
Operating charges	0,93	0,98	n/a
Return after operating charges	+3,83	-6,01	n/a
Historic yield	2,12	1,21	n/a
Effect on yield of charges offset against capital	0,93	n/a	n/a
<b>Other information</b>			
Closing NAV (€'000)	9	8	n/a
Closing NAV percentage of total fund NAV (%)	0,00	0,00	n/a
Number of shares	1.000	1.000	n/a
Highest share price (US ¢)	980,99	1.012,78	n/a
Lowest share price (US ¢)	845,67	846,00	n/a

#### US dollar Class 'C-H' Accumulation share performance

The share class was launched on 5 June 2015.

	Six months to 30.09.16 US ¢	Year to 31.03.16 US ¢	Year to 01.04.15 US ¢
<b>Change in NAV per share</b>			
Opening NAV	938,93	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	43,25	(53,56)	n/a
Operating charges	(6,56)	(7,51)	n/a
Return after operating charges	36,69	(61,07)	n/a
Distributions	(5,39)	(11,31)	n/a
Retained distributions	5,39	11,31	n/a
Closing NAV	975,62	938,93	n/a
<b>Direct portfolio transaction costs <sup>[a]</sup></b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0,29	0,25	n/a
Dilution adjustments <sup>[b]</sup>	(0,02)	(0,13)	n/a
Total direct portfolio transaction costs	0,27	0,12	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs	0,04	0,02	n/a
Operating charges	0,92	1,00	n/a
Return after operating charges	+3,91	-6,11	n/a
Historic yield	1,22	0,43	n/a
Effect on yield of charges offset against capital	n/a	n/a	n/a
<b>Other information</b>			
Closing NAV (€'000)	4.872	14.446	n/a
Closing NAV percentage of total fund NAV (%)	0,17	0,54	n/a
Number of shares	557.523	1.750.365	n/a
Highest share price (US ¢)	995,21	1.014,42	n/a
Lowest share price (US ¢)	852,62	853,00	n/a

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

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



# M&G Dynamic Allocation Fund

## Financial statements and notes

### Financial statements

#### Statement of total return

for the six months to 30 September	2016		2015	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		69.176		(241.943)
Revenue	33.774		26.661	
Expenses	(22.530)		(21.203)	
Interest payable	(1.616)		(253)	
Net revenue / (expense) before taxation	9.628		5.205	
Taxation	(1.813)		(1.219)	
Net revenue / (expense) after taxation		7.815		3.986
<b>Total return before distributions</b>		<b>76.991</b>		<b>(237.957)</b>
Distributions		(8.614)		(4.178)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>68.377</b>		<b>(242.135)</b>

#### Statement of change in net assets attributable to shareholders

for the six months to 30 September	2016		2015	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		2.694.144		1.901.284
Amounts received on issue of shares	302.290		1.177.130 <sup>[a]</sup>	
Amounts paid on cancellation of shares	(281.373)		(83.175) <sup>[a]</sup>	
		20.917		1.093.955
Dilution adjustments		729		1.690 <sup>[a]</sup>
Change in net assets attributable to shareholders from investment activities (see above)		68.377		(242.135)
Retained distributions on Accumulation shares		7.286		4.265
<b>Closing net assets attributable to shareholders</b>		<b>2.791.453</b>		<b>2.759.059</b>

The opening net assets attributable to shareholders for 2016 differs to the closing position in 2015 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

#### Balance sheet

as at	30 September 2016	31 March 2016
	€'000	€'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	2.559.352	2.528.922
<b>Current assets</b>		
Debtors	27.239	25.469
Cash and bank balances	324.620	629.779
<b>Total assets</b>	<b>2.911.211</b>	<b>3.184.170</b>
<b>Liabilities</b>		
Investment liabilities	(36.715)	(28.782)
<b>Creditors</b>		
Distribution payable	(1.280)	(381)
Other creditors	(81.763)	(460.863)
<b>Total liabilities</b>	<b>(119.758)</b>	<b>(490.026)</b>
<b>Net assets attributable to shareholders</b>	<b>2.791.453</b>	<b>2.694.144</b>

<sup>[a]</sup> Restated, please see notes to the financial statements.

### Notes to the financial statements

#### Accounting policies

The interim financial statements have been prepared on the same basis as the audited annual financial statements for the year ended 31 March 2016. They are prepared in accordance with the historical cost convention, as modified by the revaluation of investments, 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).

'Dilution adjustments' totalling €729,000 (2015: €1,690,000) have been reclassified from 'Amounts received on issue of shares' of €483,000 (2015: €1,610,000) and 'Amounts paid on cancellation of shares' of €246,000 (2015: €80,000).

#### 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 Dynamic Allocation 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 Dynamic Allocation Fund	85,13

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.

### Swiss investor information

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

For this fund the TERs are the same as the Operating Charges disclosed in the fund's financial highlights section.

# 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.

# Glossary

**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.

**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.

# Glossary

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

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

**Investment Association (IA):** The UK trade body that represents fund managers. It works with investment managers, liaising with government on matters of taxation and regulation, and also aims to help investors understand the industry and the investment options available to them.

**Issuer:** An entity that sells securities, such as fixed income securities and company shares.

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

**Issuer:** An entity that sells securities, such as fixed income securities and company shares.

**Leverage:** When referring to a company, leverage is the level of a company's debt in relation to its assets. A company with significantly more debt than capital is considered to be leveraged. It can also refer to a fund that borrows money or uses derivatives to magnify an investment position.

**Liquidity:** A company is considered highly liquid if it has plenty of cash at its disposal. A company's shares are considered highly liquid if they can be easily bought or sold since large amounts are regularly traded.

**Long position:** Refers to ownership of a security held in the expectation that the security will rise in value.

**Macroeconomic:** Refers to the performance and behaviour of an economy at the regional or national level. Macroeconomic factors such as economic output, unemployment, inflation and investment are key indicators of economic performance. Sometimes abbreviated to 'macro'.

**Maturity:** The length of time until the initial investment amount of a fixed income security is due to be repaid to the holder of the security.

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

**Monetary easing:** When central banks lower interest rates or buy securities on the open market to increase the money in circulation.

**Monetary policy:** A central bank's regulation of money in circulation and interest rates.

**Monetary tightening:** When central banks raise interest rates or sell securities on the open market to decrease the money in circulation.

**Morningstar™:** A provider of independent investment research, including performance statistics and independent fund ratings.

**Near cash:** Deposits or investments with similar characteristics to cash.

**Net asset value (NAV):** A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.

**Open-ended investment company (OEIC):** A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

**Options:** Financial contracts that offer the right, but not the obligation, to buy or sell an asset at a given price on or before a given date in the future.

**Over-the-counter (OTC):** Whereby financial assets are traded directly between two parties. This is in contrast to exchange trading, which is carried out through exchanges set up specifically for the purpose of trading. OTC is also known as off-exchange trading.

**Overweight:** If a fund is 'overweight' a stock, it holds a larger proportion of that stock than the comparable index or sector.

**Payment date:** The date on which distributions will be paid by the fund to investors, usually the last business day of the month.

**Physical assets:** An item of value that has tangible existence, for example, cash, equipment, inventory or real estate. Physical assets can also refer to securities, such as company shares or fixed income securities.

**Portfolio transaction cost:** The cost of trading, such as brokerage, clearing, exchange fees and bid-offer spread as well as taxes such as stamp duty.

**Principal:** The face value of a fixed income security, which is the amount due back to the investor by the borrower when the security reaches the end of its life.

**Private placement:** An offer of sale of securities to a relatively small number of investors selected by the company, generally investment banks, mutual funds, insurance companies or pension funds.

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

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

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

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

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

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

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

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



# Glossary

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

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

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

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

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

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

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

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

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

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

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

**Treasuries:** Fixed income securities issued by the US government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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