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## **M&G Investment Funds (12)**

Interim Long Report and unaudited Financial Statements  
for the six months ended 31 July 2018

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# M&G Investment Funds (12)

## Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (12) presents its Interim Long Report and unaudited Financial Statements for the six months ended 31 July 2018.

The unaudited financial statements of M&G Investment Funds (12) and the investment report and unaudited financial statements and notes of the sub-fund are presented in their individual sections of this report as set out in the contents page.

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

### Company information

M&G Investment Funds (12) is an umbrella Open-Ended Investment Company (OEIC) and contains one sub-fund, hereinafter referred to as 'fund' in the rest of this report. This fund is a UCITS (Undertakings for Collective Investment in Transferable Securities) scheme as defined in the Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA). This OEIC is an Investment Company with Variable Capital (ICVC) incorporated under the Open-Ended Investment Companies Regulations 2001. It is authorised and regulated by the FCA under the Financial Services and Markets Act 2000.

The Company was authorised on 2 November 2011 and the fund was launched on 17 February 2012.

The Company's principal activity is to carry on business as an OEIC. The Company is structured as an umbrella company, and different funds may be established by the ACD from time to time with the agreement of the Depositary and approval from the FCA.

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

### Fund manager

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

**M&G Global Recovery Fund**  
David Williams

### 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

Margaret Ammon\*, G N Cotton, N M Donnelly, P R Jelfs,  
G W MacDowall, L J Mumford

\* Appointed 26 July 2018.

### 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

DST Financial Services Europe Ltd,  
DST House, St. Nicholas Lane, Basildon, Essex SS15 5FS, UK  
(Authorised and regulated by the Financial Conduct Authority)

### Depositary

NatWest Trustee & Depositary Services Limited, Drummond House,  
1 Redheughs Avenue, Edinburgh EH12 9RH, UK  
(Authorised and regulated by the Financial Conduct Authority)

### Independent auditor

Ernst & Young LLP  
Atria One, 144 Morrison Street, Edinburgh EH3 8EX, UK

### Important information

On 28 September 2018, the Depositary changed from National Westminster Bank Plc to NatWest Trustee & Depositary Services Limited.

# M&G Investment Funds (12)

## Authorised Corporate Director's Report

### Investor information

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

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

M&G Securities Limited,  
PO Box 9039, Chelmsford CM99 2XG, UK

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

Telephone: 0800 390 390 (UK only)

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

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

M&G Securities Limited,  
c/o RBC I&TS, 14, Porte de France, L-4360 Esch-sur-Alzette,  
Grand Duchy of Luxembourg

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: +352 2605 9944

Email: csmandg@rbc.com

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

#### Austrian paying and information agent:

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

#### Belgian financial agent:

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

#### Danish representative agent:

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

#### French centralising agent:

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

#### German information agent:

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

#### Greek paying agent and distributor:

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

#### Irish facilities agent:

Société Générale S.A., Dublin Branch,  
3rd Floor IFSC House – The IFSC, Dublin 1, Ireland

#### Italian paying agents:

Allfunds Bank, S.A.,  
Via Santa Margherita 7, 20121 Milano, Italy

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

Banca Sella Holding S.p.A.,  
Piazza Gaudenzio Sella 1, 13900 Biella, Italy

BNP PARIBAS Securities Services,  
Piazza Lina Bo Bardi 3, 20124 Milano, Italy

CACEIS Bank Luxembourg,  
Milan Branch, Piazza Cavour 2, 20121 Milano, Italy

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

State Street Bank S.p.A.,  
Via Ferrante Aporti 10, 20125 Milano, Italy

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

#### Luxembourg paying and information agent:

Société Générale Bank & Trust S.A.,  
Centre opérationnel, 28-32, place de la Gare, 1616 Luxembourg,  
Grand Duchy of Luxembourg

#### Portuguese distributor:

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

#### Spanish representative:

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

#### Swedish paying agent:

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

#### Swiss paying agent and representative:

Société Générale, Paris, Zurich Branch,  
Talacker 50, 8021 Zurich, Switzerland

# M&G Investment Funds (12)

## Authorised Corporate Director's Report

### Authorised Corporate Director's Responsibilities

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

### 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

13 September 2018

# M&G Investment Funds (12)

## Financial statements and notes

The financial statements for M&G Investment Funds (12) comprise the individual financial statements for the fund and the notes below.

### Notes to the financial statements

#### Accounting policies

The interim financial statements have been prepared on the same basis as the audited financial statements for the year ended 31 January 2018. They are prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014.

# M&G Global Recovery Fund

## Authorised Corporate Director's Report

### Investment objective

The fund aims to maximise long term capital growth. Income is not a consideration.

### Investment policy

The fund predominantly invests in a global range of equities issued by companies which, at the time of investment, the manager believes are out of favour with the market or whose future prospects are not fully recognised by the market. Derivatives may be used for investment and efficient portfolio management purposes, including hedging. The fund may also invest in other transferable securities, warrants, money market instruments, deposits, cash, near cash and collective investment schemes.

### Investment approach

The M&G Global Recovery Fund seeks to deliver long-term capital growth through investment in companies and stockmarkets around the world. The fund manager focuses on companies that have experienced difficulties but where a good management team is making a coherent effort to improve the shareholder returns of the business and where the stockmarket has overlooked the value of the businesses' assets. This approach means the fund manager is prepared to take a contrarian view and consider areas that are out of favour with other investors, seeking to exploit the market's inefficiency in pricing companies experiencing business challenges. Company management meetings and visits, as well as fundamental industry and financial research, are used to identify stocks for inclusion within the portfolio. The fund manager takes a long-term approach to investment, aiming to have a holding period of at least three to five years, and seeks opportunities across different geographies and industries to create a diversified portfolio.

### Risk profile

The fund invests globally in the shares of listed companies and is, therefore, subject to the price volatility of the global stockmarket and the performance of individual companies. The fund's focus is on companies that are out of favour with the market, and these stocks could potentially experience a degree of illiquidity in times of market distress. However, the fund is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. The fund also invests in the shares of smaller companies, which can be more unpredictable and difficult to buy and sell. Diversification across industries and market capitalisation is therefore 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.

### Investment review

**As at 1 August 2018, for the six months ended 31 July 2018**

#### Performance against objective

Between 1 February 2018 (the start of the review period) and 1 August 2018, the M&G Global Recovery Fund produced a positive total return (the combination of income and growth of capital) from the sterling share class, but negative returns from the US dollar and euro share classes. However, the fund's returns in all share classes were behind that of a comparator index, the MSCI ACWI Index. Over the six months, returns for the index were 5.6%, -2.7% and 4.0% in sterling, US dollars and euros, respectively.

The fund aims to deliver growth of capital over the long term (five years or more) by investing at least 80% of the portfolio in a range of shares in companies from around the world that are out of favour with the stockmarket, and where we believe a good management team is making concerted efforts to turn the business around. The fund has achieved this objective with a positive performance in terms of total return across all its share classes over five years and since launch.\*

\* 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.

#### Investment performance

So far, 2018 has been marked by a return of volatility after a period of relative calm in 2017. Initially, this was partly associated with a greater level of uncertainty around monetary policy in the major economies of the world as central banks, led by the US Federal Reserve, begin the process of withdrawing the stimulus put in place after the 2008/09 financial crisis and normalising interest rates after a decade of 'emergency' low levels. To this end, the Fed raised interest rates twice over the six months (the Bank of England followed suit with a quarter-point rise in early August). More recently, ongoing volatility has also been attributed to the various economic and geopolitical developments that have taken place. Most prominent have been the boost to corporate earnings from President Trump's tax cuts, offset by a rise in protectionism as the US disputes its trading terms with other countries such as China and Europe. Concerns about the impact on global growth, which has been moderating, and signs of a slowdown in China, have depressed metal prices. Conversely, the oil price temporarily breached US\$80, its highest level since 2014, due to

# M&G Global Recovery Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment performance (continued)

collapsing production in Venezuela and US sanctions reimposed on Iran. In addition, after a weaker trend in 2017, the US dollar has strengthened this year in response to the Fed raising interest rates in the wake of surging US economic growth.

In sterling terms, boosted by the move in the dollar and supported by robust corporate earnings on the back of President Trump's fiscal boost, US equities (company shares) finished the six-month period ahead of the rest of the major regional markets by some margin. However, in local currency terms, UK equities ended the period ahead, after performing strongly through April and May, driven by the multinationals that dominate the UK market, on the back of the lift to their US earnings from the currency trend. However, the UK was increasingly affected by concerns about a no-deal Brexit in March next year, with the negotiations conducted by a divided minority Conservative government dependent upon the DUP to stay in power. The dollar's ascent, worries about moderating global growth and the prospect of a trade war led Asian and emerging markets to underperform. The advent of slower growth also acted as a restraint on European markets. A rise in populism on the Continent added to the unease, highlighted by the election of a Eurosceptic government in Italy causing a temporary flare-up in fixed income, or bond, markets in May as investors were reminded about the debt crisis that enveloped the eurozone in 2011.

In terms of sectors, market trends were mixed with cyclical areas such as technology, energy, retailing, transportation and real estate in favour, along with stocks with more defensive attributes such as healthcare and utilities. On the other hand, financials, industrials ex transportation and materials lagged, as did consumer staples and telecommunications.

Against this backdrop, the fund registered a small positive return in sterling terms over the six-month review period, while in dollars and euros the returns were negative. Stock selection was the main reason the fund trailed the comparator index, the MSCI ACWI, over the period, whereas country and sector allocation added value.

Amongst the largest detractors was the healthcare sector. This was principally due to holdings in two biotech stocks, London-listed Hutchison China MediTech and Australian-listed Medical Developments International. Hutchison China MediTech continues to make good progress by broadening and deepening its research and development pipeline. However, given the considerable share price performance towards the end of 2017, the shares have lagged so far this year. Medical Developments International's shares have also consolidated this year after a strong 2017, on expectations of the success of the company's Pentrox pain management international expansion. Colloquially known as the 'green whistle', Pentrox is commonly carried by accident and emergency teams in Australia, parts of Asia, Europe and the UK, and is a very effective alternative to opioid-based drugs.

Another large detractor was the consumer discretionary sector, which was mainly due to the fund's holding in Pandora, a Denmark-listed jeweller. The market overreacted to a warning of tough trading by the company. However, the brand remains strong with Pandora, which is seen as a good operator, having excellent control over inventory and third-party distributors.

Elsewhere, rising oil prices affected two of the fund's airline holdings, Malaysian low-cost carrier AirAsia and US carrier American Airlines, while the threat of tariffs weighed on the performance of the world's largest car manufacturer, Volkswagen. Aside from these, notably, cruise operator Carnival was affected by a downgrade to its forecast second-half results; but we took a relaxed view, given the company tends to be conservative in its guidance, and the strength of the US economy allied with low unemployment suggest cruises will remain in demand.

The principal positive contributors were to be found in the materials, energy and food retailing sectors. Foremost amongst these was Australian-listed Mineral Commodities, which was the subject of bid rumours. More importantly, the miner has made good progress with its titanium mining concession in South Africa and has had some positive initial results from a graphite mine in Australia the company is developing. US-listed Anadarko Petroleum and Kosmos Energy, as well as BP, added value in the energy sector, benefiting from the rise in the oil price; furthermore, BP announced a 2.5% increase in the dividend, the first for four years, together with a share buyback programme over the next year worth around 4% of the company's market capitalisation. In the food retailing sector, US supermarket chain SuperValu was the subject of a takeover approach from US-listed food distributor United Natural Foods. In addition, it was not all disappointing news in the healthcare sector, as two other biotech stocks, Australian-listed Mesoblast and US-listed Athersys, added materially to returns as both companies announced that they had licensed third parties to develop and commercialise their stem cell products.

#### Investment activities

We made three new purchases for the fund over the review period: Australian-listed brick-laying robot manufacturer Fastbrick Robotics and financial technology firm Afterpay Touch, along with Singapore-listed multinational transport operator ComfortDelgro.

Fastbrick Robotics has developed a precision technology incorporated in a robot that can build residential homes in one day. This is a revolution in construction that will both simplify and bring down the costs of building new houses at a time when many countries are struggling with housing shortages.

Brought to the market two years ago, Afterpay Touch offers the consumer an alternative method of purchasing goods without resorting to credit cards. The target market is millennials, who are notoriously wary of incurring credit card debt. Afterpay Touch enables a purchaser to pay for their items in four equal instalments over two months, at no additional cost. Retailers like this arrangement because it increases their sale conversion rates and at the same time monitors consumers' creditworthiness – if they don't pay, they are shut out from the system. The company has two million users in Australia, has also been launched in New Zealand and more recently the US. We bought into the shares at an attractive price when they experienced some volatility due to adverse media attention about potential regulation, which we do not regard to be an issue.

ComfortDelgro provides transportation services in Singapore and is growing its presence around the world. The company has been perceived to be under threat from Uber in its domestic taxi market and the stock derated, although only one division was under pressure. The fall in the share price ignored a healthy balance sheet and cashflow, plus an attractive dividend.



# M&G Global Recovery Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment activities (continued)

Aside from SuperValu, which was sold into the bid from United Natural Foods, another holding that exited the portfolio over the six months was the US-listed Brunswick Corporation, a manufacturer of leisure craft and marine engines. The mini-conglomerate had been held in the portfolio since 2012, after it had run into cashflow problems during the global financial crisis when the market for its products dried up. Since then, the company has been restored to health and made some disposals to refocus the business, which it is splitting into two. As we had made a substantial return and the shares had reached fair value, we decided this was an opportune time to move on, as the new entities would be too small individually for inclusion in the portfolio.

In other activity, we have been taking profits in some of our better performing holdings, such as Kosmos Energy and BP, to manage the fund's energy position, as well as gold miners St Barbara and Midas Gold – the latter announced a collaboration with Barrick Gold, the world's largest gold miner – and in the healthcare sector GW Pharmaceuticals and Pfizer. The proceeds have been used to add to holdings in companies at the start of the recovery process, such as Advance Auto Parts, Global Brands, Allergan and Bank of Ireland.

#### Outlook

We believe there is substantial value in the fund, that it is cheap relative to the market and that it is well placed to perform going forward, particularly as interest rates normalise and investors reappraise risk. Despite the lacklustre performance over the six months, we are encouraged by the number of companies in the portfolio delivering on their recovery strategy, with operational improvements to come in many.

Ours is a long-term approach to investment. We allow the management teams of companies that we back sufficient time to take the action required to return the business to health, and that means we have to be patient and keep our nerve. It is quite normal for such companies to suffer temporary setbacks as they move through the process of improvement. Equally, it can take time for other investors to recognise the value in the company or begin to reward the management for the improvements they have made.

#### David Williams

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.

### Investments

#### Portfolio statement

as at Holding	31.07.18 \$'000	31.07.18 %	31.01.18 %
<b>EQUITIES</b>	<b>442,028</b>	<b>100.23</b>	<b>100.65</b>
<b>United Kingdom</b>	<b>57,517</b>	<b>13.04</b>	<b>17.27</b>
1,250,000 African Minerals <sup>[a]</sup>	0	0.00	
215,000 Belmond	2,408	0.54	
1,400,000 BP	10,523	2.39	
70,000 GW Pharmaceuticals ADR	9,325	2.11	
252,050 Hutchison China Meditech <sup>[b]</sup>	15,792	3.58	
18,500,000 International Petroleum <sup>[a]</sup>	0	0.00	
1,551,636 IWG	6,170	1.40	
103,786 Izodia <sup>[a]</sup>	0	0.00	
546,906 Kenmare Resources	1,562	0.35	
1,245 Kenmare Resources wts. 2019	0	0.00	
894,398 KSK Power Ventur <sup>[a]</sup>	0	0.00	
1,200,000 OPG Power Ventures <sup>[b]</sup>	246	0.06	
225,000 Prudential <sup>[c]</sup>	5,375	1.22	
2,038,775 Tullow Oil	6,116	1.39	
<b>Denmark</b>	<b>11,064</b>	<b>2.51</b>	<b>3.13</b>
156,000 Pandora	11,064	2.51	
<b>Finland</b>	<b>4,880</b>	<b>1.11</b>	<b>1.11</b>
1,084,398 Technopolis	4,880	1.11	
<b>France</b>	<b>8,338</b>	<b>1.89</b>	<b>1.87</b>
45,000 Fnac Darty	4,090	0.93	
185,000 Veolia Environnement	4,248	0.96	
<b>Germany</b>	<b>20,274</b>	<b>4.60</b>	<b>5.31</b>
350,000 Commerzbank	3,801	0.86	
285,000 MagForce	1,647	0.37	
195,000 ThyssenKrupp	5,229	1.19	
54,000 Volkswagen Pref.	9,597	2.18	
<b>Ireland</b>	<b>10,879</b>	<b>2.47</b>	<b>1.93</b>
17,900 Adient	874	0.20	
26,000 Allergan	4,784	1.08	
376,667 Bank of Ireland	3,214	0.73	
42,363,876 Ormonde Mining	2,007	0.46	
<b>Netherlands</b>	<b>3,858</b>	<b>0.87</b>	<b>1.46</b>
82,000 Aperam	3,858	0.87	
<b>Switzerland</b>	<b>11,400</b>	<b>2.59</b>	<b>2.51</b>
294,319 Arbonia	5,023	1.14	
103,000 Garmin	6,377	1.45	
<b>United States</b>	<b>183,076</b>	<b>41.51</b>	<b>39.25</b>
25,000 Advance Auto Parts	3,516	0.80	
125,000 Ally Financial	3,420	0.78	
117,000 American Airlines	4,558	1.03	
107,000 Anadarko Petroleum	7,887	1.79	
4,200,000 Athersys	7,896	1.79	
90,000 Carnival	5,286	1.20	
550,000 Cherokee	231	0.05	
200,000 Citigroup	14,456	3.28	
158,598 Citizen Financial Group	6,355	1.44	
155,000 eBay	5,219	1.18	
375,053 GameStop	5,510	1.25	
1,079,172 Gurnet Point Capital	647	0.15	
90,000 Hain Celestial Group	2,575	0.58	
300,000 Hewlett-Packard Enterprise	4,632	1.05	
280,267 HP	6,471	1.47	
500,000 Hutchison China MediTech ADR	16,290	3.69	
140,000 ILG	4,782	1.08	
794,401 J.C. Penney	1,946	0.44	
177,000 Johnson Controls	6,457	1.46	

# M&G Global Recovery Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement (continued)			
as at Holding	31.07.18 \$'000	31.07.18 %	31.01.18 %
<b>United States (continued)</b>			
550,000 Kosmos Energy	4,224	0.96	
261,878 Mattel	4,075	0.92	
117,000 Microsoft	12,328	2.80	
97,907 Paypal Holdings	8,067	1.83	
285,000 Pfizer	11,001	2.50	
54,000 Polaris Industries	5,602	1.27	
65,000 Stericycle	4,514	1.02	
85,000 Tapestry	4,040	0.92	
159,639 Wells Fargo	9,323	2.11	
280,000 Western Union	5,628	1.28	
180,000 Weyerhaeuser REIT	6,140	1.39	
<b>Canada</b>	<b>23,337</b>	<b>5.29</b>	<b>5.27</b>
500,000 DuSolo Fertilizers wts. 2018	0	0.00	
6,146,336 Fengro Industries	471	0.11	
390,000 First Quantum Minerals	5,715	1.29	
11,585,000 Midas Gold	8,080	1.83	
1,400,000 NexGen Energy	2,682	0.61	
120,000 Nutrien	6,389	1.45	
<b>Japan</b>	<b>7,855</b>	<b>1.78</b>	<b>1.47</b>
150,600 Sony	7,855	1.78	
<b>Australia</b>	<b>49,879</b>	<b>11.31</b>	<b>8.31</b>
209,800 Afterpay Touch Group	2,205	0.50	
7,489,641 Bionomics	2,611	0.59	
69,845,718 FAR	6,477	1.47	
20,000,000 Fastbrick Robotics	2,671	0.61	
2,585,044 IPH	9,378	2.13	
253,744 MC Mining <sup>[b]</sup>	67	0.01	
1,817,245 Medical Developments International	6,255	1.42	
3,559,396 Mesoblast	4,938	1.12	
450,000 Mesoblast ADR	3,186	0.72	
35,808,750 Mineral Commodities	5,844	1.33	
2,000,000 St. Barbara	6,098	1.38	
3,342,105 White Energy Company	149	0.03	
<b>China</b>	<b>1,088</b>	<b>0.25</b>	<b>0.21</b>
450,000 Kingsoft	1,088	0.25	
<b>Hong Kong</b>	<b>21,153</b>	<b>4.80</b>	<b>4.75</b>
110,250,000 China Financial Services	8,428	1.91	
11,500,000 Genting Hong Kong	1,905	0.43	
65,000,000 Global Brands Group	3,685	0.84	
6,750,000 Li & Fung	2,279	0.52	
550,065 Standard Chartered	4,856	1.10	
<b>India</b>	<b>593</b>	<b>0.13</b>	<b>0.15</b>
643,041 Great Eastern Energy GDR	593	0.13	
<b>Malaysia</b>	<b>11,604</b>	<b>2.63</b>	<b>3.31</b>
13,250,000 AirAsia	11,604	2.63	
<b>New Zealand</b>	<b>2,858</b>	<b>0.65</b>	<b>0.46</b>
90,000 Xero	2,858	0.65	
<b>Singapore</b>	<b>2,330</b>	<b>0.53</b>	<b>0.52</b>
1,350,000 ComfordDelGro	2,330	0.53	
<b>United Arab Emirates</b>	<b>6,768</b>	<b>1.53</b>	<b>1.62</b>
300,000 DP World	6,768	1.53	

### Portfolio statement (continued)

as at Holding	31.07.18 \$'000	31.07.18 %	31.01.18 %
<b>South Africa</b>			
375,000 MTN Group	3,277	0.74	0.74
<b>Portfolio of investments</b>	<b>442,028</b>	<b>100.23</b>	<b>100.65</b>
<b>Net other assets / (liabilities)</b>	<b>(1,024)</b>	<b>(0.23)</b>	<b>(0.65)</b>
<b>Net assets attributable to shareholders</b>	<b>441,004</b>	<b>100.00</b>	<b>100.00</b>

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

[a] Suspended.

[b] AIM quoted.

[c] Related party to the fund.

### Top ten portfolio transactions

for the six months to 31 July 2018

	\$'000
<b>Largest purchases</b>	<b>\$'000</b>
IPH	3,336
Fastbrick Robotics	2,715
Medical Developments International	2,308
ComfortDelGro	2,273
Advance Auto Parts	2,058
Nutrien	1,271
Afterpay Touch Group	1,138
Allergan	879
Global Brands Group	757
Veolia Environnement	721
Other purchases	3,267
<b>Total purchases</b>	<b>20,723</b>
<b>Largest sales</b>	<b>\$'000</b>
Brunswick	6,614
BP	3,701
St. Barbara	3,324
SuperValu	2,812
Weyerhaeuser REIT	2,495
AirAsia	2,238
Microsoft	1,818
PostNL	1,722
Tapestry	1,702
Kosmos Energy	1,673
Other sales	9,991
<b>Total sales</b>	<b>38,090</b>

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

# M&G Global Recovery Fund

## Financial highlights

### Fund performance

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

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

We show performance for these two share classes because:

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

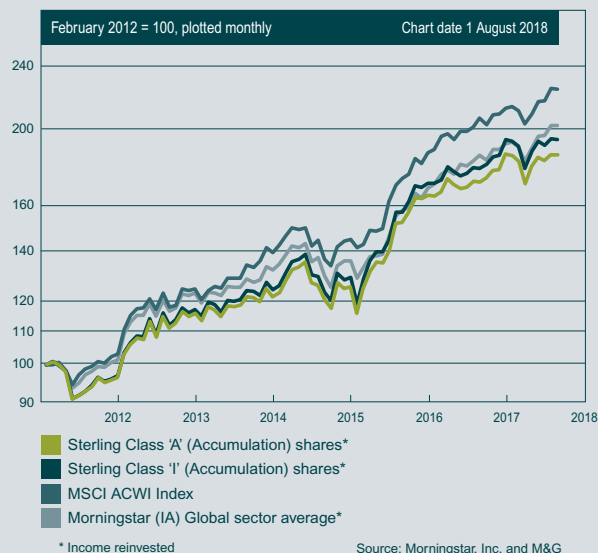
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (12), which is available free of charge either from our website at [www.mandg.co.uk/prospectuses](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

### Fund level performance

Fund net asset value			
as at	31.07.18 \$'000	31.01.18 \$'000	31.01.17 \$'000
Fund net asset value (NAV)	441,004	489,612	408,115

### 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.



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 01.02.18 % [a]	Three years 03.08.15 % p.a.	Five years 01.08.13 % p.a.	Since launch % p.a.
<b>Euro [b]</b>				
Class 'A'	-1.1	n/a	n/a	+5.0 [c]
Class 'C'	-0.7	n/a	n/a	+6.1 [c]
<b>Sterling [d]</b>				
Class 'A'	+0.7	+13.6	+9.8	+10.0 [e]
Class 'I'	+1.1	+14.4	+10.7	+10.8 [e]
Class 'R'	+1.0	+14.1	+10.4	+12.7 [f]
<b>US dollar [b]</b>				
Class 'A'	-7.1	n/a	n/a	+7.8 [c]
Class 'C'	-6.6	n/a	n/a	+8.9 [c]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 6 November 2015, the launch date of the share class.

[d] Price to price with income reinvested.

[e] 17 February 2012, the launch date of the fund.

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

# M&G Global Recovery 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, 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.

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 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](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

### Portfolio transaction costs

	Six months to 31.07.18	Year to 31.01.18	Year to 31.01.17	Average <sup>[a]</sup>
<b>Direct portfolio transaction costs <sup>[b]</sup></b>	%	%	%	%
Broker commission	0.01	0.01	0.04	0.02
Taxes	0.01	0.01	0.01	0.01
Costs before dilution adjustments	0.02	0.02	0.05	0.03
Dilution adjustments <sup>[c]</sup>	(0.01)	(0.01)	(0.02)	(0.01)
<b>Total direct portfolio transaction costs</b>	<b>0.01</b>	<b>0.01</b>	<b>0.03</b>	<b>0.02</b>
<b>as at</b>	<b>31.07.18</b>	<b>31.01.18</b>	<b>31.01.17</b>	<b>Average <sup>[a]</sup></b>
<b>Indirect portfolio transaction costs</b>	%	%	%	%
Average portfolio dealing spread	0.68	0.57	0.64	0.63

<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. Please see the section above this table for an explanation of dilution adjustments.

# M&G Global Recovery 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.

Historic yields for the current period are calculated as at 10 August 2018.

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

The share class was launched on 6 November 2015.

	Six months to 31.07.18 Euro ¢	Year to 31.01.18 Euro ¢	Year to 31.01.17 Euro ¢
<b>Change in NAV per share</b>			
Opening NAV	1,156.24	1,051.49	842.85
Return before operating charges and after direct portfolio transaction costs	(2.14)	125.81	227.83
Operating charges	(10.84)	(21.06)	(19.19)
Return after operating charges	(12.98)	104.75	208.64
Distributions	(0.49)	(1.79)	(0.89)
Retained distributions	0.49	1.79	0.89
Closing NAV	1,143.26	1,156.24	1,051.49
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.11	0.23	0.63
Dilution adjustments <sup>[a]</sup>	(0.04)	(0.07)	(0.20)
Total direct portfolio transaction costs	0.07	0.16	0.43
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.03
Operating charges	1.93	1.93	1.94
Return after operating charges	-1.12	+9.96	+24.75
Historic yield	0.04	0.17	0.08
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	83	89	66
Closing NAV percentage of total fund NAV (%)	0.02	0.02	0.02
Number of shares	6,222	6,222	5,822
Highest share price (Euro ¢)	1,179.44	1,196.72	1,081.60
Lowest share price (Euro ¢)	1,056.01	1,005.97	771.42

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

The share class was launched on 6 November 2015.

	Six months to 31.07.18 Euro ¢	Year to 31.01.18 Euro ¢	Year to 31.01.17 Euro ¢
<b>Change in NAV per share</b>			
Opening NAV	1,182.27	1,064.46	844.71
Return before operating charges and after direct portfolio transaction costs	(2.07)	128.12	228.97
Operating charges	(5.38)	(10.31)	(9.22)
Return after operating charges	(7.45)	117.81	219.75
Distributions	(6.25)	(11.22)	(6.75)
Retained distributions	6.25	11.22	6.75
Closing NAV	1,174.82	1,182.27	1,064.46
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.11	0.24	0.63
Dilution adjustments <sup>[a]</sup>	(0.04)	(0.07)	(0.20)
Total direct portfolio transaction costs	0.07	0.17	0.43
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.03
Operating charges	0.94	0.93	0.93
Return after operating charges	-0.63	+11.07	+26.01
Historic yield	0.91	1.03	0.62
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	32,179	44	34
Closing NAV percentage of total fund NAV (%)	7.30	0.01	0.01
Number of shares	2,334,000	3,000	3,000
Highest share price (Euro ¢)	1,210.48	1,223.39	1,094.17
Lowest share price (Euro ¢)	1,081.66	1,024.25	773.40

#### Sterling Class 'A' Income share performance

The share class was launched on 17 February 2012.

	Six months to 31.07.18 UK p	Year to 31.01.18 UK p	Year to 31.01.17 UK p
<b>Change in NAV per share</b>			
Opening NAV	179.51	162.73	115.34
Return before operating charges and after direct portfolio transaction costs	2.11	22.87	50.18
Operating charges	(1.47)	(2.87)	(2.45)
Return after operating charges	0.64	20.00	47.73
Distributions	(1.75)	(3.22)	(0.34)
Closing NAV	178.40	179.51	162.73
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.02	0.04	0.08
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.01)	(0.02)
Total direct portfolio transaction costs	0.01	0.03	0.06
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.03
Operating charges	1.68	1.68	1.69
Return after operating charges	+0.36	+12.29	+41.38
Historic yield	1.81	1.96	1.35
Effect on yield of charges offset against capital	1.65	1.65	1.65
<b>Other information</b>			
Closing NAV (\$'000)	382,442	466,589	398,630
Closing NAV percentage of total fund NAV (%)	86.72	95.29	97.68
Number of shares	162,860,323	183,553,229	196,584,248
Highest share price (UK p)	183.81	187.02	168.46
Lowest share price (UK p)	163.18	160.71	108.79

# M&G Global Recovery Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'A' Accumulation share performance

The share class was launched on 17 February 2012.

	Six months to 31.07.18 UK p	Year to 31.01.18 UK p	Year to 31.01.17 UK p
<b>Change in NAV per share</b>			
Opening NAV	185.10	164.72	116.49
Return before operating charges and after direct portfolio transaction costs	2.17	23.31	50.72
Operating charges	(1.51)	(2.93)	(2.49)
Return after operating charges	0.66	20.38	48.23
Distributions	(0.31)	(0.54)	(0.31)
Retained distributions	0.31	0.54	0.31
Closing NAV	185.76	185.10	164.72
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.02	0.04	0.09
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.01)	(0.03)
Total direct portfolio transaction costs	0.01	0.03	0.06
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.03
Operating charges	1.68	1.68	1.69
Return after operating charges	+0.36	+12.37	+41.40
Historic yield	0.19	0.32	0.19
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	901	1,088	742
Closing NAV percentage of total fund NAV (%)	0.20	0.22	0.18
Number of shares	368,316	415,118	361,622
Highest share price (UK p)	189.52	191.30	170.49
Lowest share price (UK p)	168.26	162.68	109.88

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

The share class was launched on 17 February 2012.

	Six months to 31.07.18 UK p	Year to 31.01.18 UK p	Year to 31.01.17 UK p
<b>Change in NAV per share</b>			
Opening NAV	182.12	163.85	115.94
Return before operating charges and after direct portfolio transaction costs	2.17	23.14	50.56
Operating charges	(0.83)	(1.62)	(1.37)
Return after operating charges	1.34	21.52	49.19
Distributions	(1.78)	(3.25)	(1.28)
Closing NAV	181.68	182.12	163.85
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.02	0.04	0.08
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.01)	(0.02)
Total direct portfolio transaction costs	0.01	0.03	0.06
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.03
Operating charges	0.93	0.93	0.93
Return after operating charges	+0.74	+13.13	+42.43
Historic yield	1.80	1.95	1.40
Effect on yield of charges offset against capital	0.90	0.90	0.90
<b>Other information</b>			
Closing NAV (\$'000)	3,288	3,807	2,348
Closing NAV percentage of total fund NAV (%)	0.75	0.78	0.57
Number of shares	1,374,815	1,476,274	1,150,148
Highest share price (UK p)	186.98	189.70	170.01
Lowest share price (UK p)	165.77	161.83	109.41

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

The share class was launched on 17 February 2012.

	Six months to 31.07.18 UK p	Year to 31.01.18 UK p	Year to 31.01.17 UK p
<b>Change in NAV per share</b>			
Opening NAV	193.28	170.71	119.82
Return before operating charges and after direct portfolio transaction costs	2.29	24.27	52.33
Operating charges	(0.88)	(1.70)	(1.44)
Return after operating charges	1.41	22.57	50.89
Distributions	(1.04)	(1.85)	(1.07)
Retained distributions	1.04	1.85	1.07
Closing NAV	194.69	193.28	170.71
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.02	0.04	0.10
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.01)	(0.03)
Total direct portfolio transaction costs	0.01	0.03	0.07
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.03
Operating charges	0.93	0.93	0.93
Return after operating charges	+0.73	+13.22	+42.47
Historic yield	0.91	1.05	0.61
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	4,666	4,402	1,922
Closing NAV percentage of total fund NAV (%)	1.06	0.90	0.47
Number of shares	1,820,600	1,608,248	903,361
Highest share price (UK p)	198.43	199.73	176.64
Lowest share price (UK p)	175.92	168.61	113.06

#### Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.07.18 UK p	Year to 31.01.18 UK p	Year to 31.01.17 UK p
<b>Change in NAV per share</b>			
Opening NAV	195.84	176.64	125.06
Return before operating charges and after direct portfolio transaction costs	2.32	25.06	54.46
Operating charges	(1.13)	(2.36)	(1.85)
Return after operating charges	1.19	22.70	52.61
Distributions	(1.91)	(3.50)	(1.03)
Closing NAV	195.12	195.84	176.64
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.02	0.04	0.09
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.01)	(0.03)
Total direct portfolio transaction costs	0.01	0.03	0.06
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.03
Operating charges	1.18	1.18	1.19
Return after operating charges	+0.61	+12.85	+42.07
Historic yield	1.80	1.95	1.38
Effect on yield of charges offset against capital	1.15	1.15	1.15
<b>Other information</b>			
Closing NAV (\$'000)	1,433	1,214	78
Closing NAV percentage of total fund NAV (%)	0.32	0.25	0.02
Number of shares	557,875	437,699	35,248
Highest share price (UK p)	200.89	204.00	183.13
Lowest share price (UK p)	178.18	174.46	118.00

# M&G Global Recovery Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 31.07.18 UK p	Year to 31.01.18 UK p	Year to 31.01.17 UK p
<b>Change in NAV per share</b>			
Opening NAV	204.43	181.06	127.41
Return before operating charges and after direct portfolio transaction costs	2.42	25.83	55.66
Operating charges	(1.18)	(2.46)	(2.01)
Return after operating charges	1.24	23.37	53.65
Distributions	(0.84)	(1.58)	(0.72)
Retained distributions	0.84	1.58	0.72
Closing NAV	205.67	204.43	181.06
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.02	0.04	0.11
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.01)	(0.03)
Total direct portfolio transaction costs	0.01	0.03	0.08
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.03
Operating charges	1.18	1.18	1.19
Return after operating charges	+0.61	+12.91	+42.11
Historic yield	0.68	0.84	0.39
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	15,937	12,298	4,232
Closing NAV percentage of total fund NAV (%)	3.61	2.51	1.03
Number of shares	5,886,761	4,248,093	1,875,512
Highest share price (UK p)	209.70	211.26	187.37
Lowest share price (UK p)	186.00	178.83	120.20

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

The share class was launched on 6 November 2015.

	Six months to 31.07.18 US ¢	Year to 31.01.18 US ¢	Year to 31.01.17 US ¢
<b>Change in NAV per share</b>			
Opening NAV	1,353.62	1,052.09	847.77
Return before operating charges and after direct portfolio transaction costs	(80.27)	312.35	213.69
Operating charges	(5.91)	(10.82)	(9.37)
Return after operating charges	(86.18)	301.53	204.32
Distributions	(6.74)	(12.38)	(6.83)
Retained distributions	6.74	12.38	6.83
Closing NAV	1,267.44	1,353.62	1,052.09
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0.12	0.25	0.64
Dilution adjustments <sup>[a]</sup>	(0.05)	(0.07)	(0.20)
Total direct portfolio transaction costs	0.07	0.18	0.44
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.03
Operating charges	0.93	0.93	0.94
Return after operating charges	-6.37	+28.66	+24.10
Historic yield	0.95	0.99	0.64
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	38	41	32
Closing NAV percentage of total fund NAV (%)	0.01	0.01	0.01
Number of shares	3,000	3,000	3,000
Highest share price (US ¢)	1,351.51	1,378.51	1,073.84
Lowest share price (US ¢)	1,221.42	1,054.09	806.18

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

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

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

The share class was launched on 6 November 2015.

	Six months to 31.07.18 US ¢	Year to 31.01.18 US ¢	Year to 31.01.17 US ¢
<b>Change in NAV per share</b>			
Opening NAV	1,323.96	1,039.36	845.88
Return before operating charges and after direct portfolio transaction costs	(78.44)	306.72	212.75
Operating charges	(11.96)	(22.12)	(19.27)
Return after operating charges	(90.40)	284.60	193.48
Distributions	(0.57)	(1.99)	(0.97)
Retained distributions	0.57	1.99	0.97
Closing NAV	1,233.56	1,323.96	1,039.36
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0.12	0.24	0.63
Dilution adjustments <sup>[a]</sup>	(0.05)	(0.07)	(0.20)
Total direct portfolio transaction costs	0.07	0.17	0.43
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.03
Operating charges	1.93	1.94	1.94
Return after operating charges	-6.83	+27.38	+22.87
Historic yield	0.05	0.16	0.09
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	37	40	31
Closing NAV percentage of total fund NAV (%)	0.01	0.01	0.01
Number of shares	3,000	3,000	3,000
Highest share price (US ¢)	1,321.87	1,348.57	1,061.00
Lowest share price (US ¢)	1,192.62	1,041.12	804.09

# M&G Global Recovery Fund

## Financial statements and notes

### Financial statements

#### Statement of total return

for the six months to 31 July	2018		2017	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		(33,358)		38,370
Revenue	4,967		5,362	
Expenses	(3,663)		(3,484)	
Net revenue / (expense) before taxation	1,304		1,878	
Taxation	(406)		(416)	
Net revenue / (expense) after taxation		898		1,462
<b>Total return before distributions</b>		<b>(32,460)</b>		<b>39,832</b>
Distributions		(4,208)		(4,595)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(36,668)</b>		<b>35,237</b>

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

for the six months to 31 July	2018		2017	
	\$'000	\$'000	\$'000	\$'000
<b>Opening net assets attributable to shareholders</b>		<b>489,612</b>		<b>408,115</b>
Amounts received on issue of shares	42,283		2,053	
Amounts paid on cancellation of shares	(54,558)		(15,995)	
		(12,275)		(13,942)
Dilution adjustments		71		51
Change in net assets attributable to shareholders from investment activities (see above)		(36,668)		35,237
Retained distributions on Accumulation shares		263		22
Unclaimed distributions		1		0
<b>Closing net assets attributable to shareholders</b>		<b>441,004</b>		<b>429,483</b>

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

#### Balance sheet

as at	31 July 2018	31 January 2018
	\$'000	\$'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	442,028	492,803
<b>Current assets</b>		
Debtors	318	7,746
Cash and bank balances	2,994	0
<b>Total assets</b>	<b>445,340</b>	<b>500,549</b>
<b>Liabilities</b>		
<b>Creditors</b>		
Bank overdrafts	0	(398)
Distribution payable	(3,805)	(3,785)
Other creditors	(531)	(6,754)
<b>Total liabilities</b>	<b>(4,336)</b>	<b>(10,937)</b>
<b>Net assets attributable to shareholders</b>	<b>441,004</b>	<b>489,612</b>

### Notes to the financial statements

#### Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 4.

#### Distribution policy

In determining the amount available for distribution to Income shares, the annual management charge and administration charge are offset against capital, increasing the amount available for distribution whilst restraining capital performance to an equivalent extent.

Marginal tax relief has not been taken into account in respect of expenses offset against capital.

In determining the amount available for distribution, ordinary stock dividends have been transferred to capital, reducing the amount available.



# M&G Investment Funds (12)

## Other regulatory disclosures

### 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 under 'Performance and charges'.

# Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Distribution:** Distributions represent a share in the 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.

# Glossary

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

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

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

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

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

**Equities:** Shares of ownership in a company.

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

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

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

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

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

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

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

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

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

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

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

**Gilts:** Fixed income securities issued by the UK government.

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

**Hedging:** A method of reducing unnecessary or unintended risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**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.

# Glossary

**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.

**Ongoing Charge Figure:** The Ongoing Charge Figure includes charges for the following items: management of the fund (also known as Annual Management Charge), administration services, services provided by external parties which include depository, custody and audit, as well as incorporating the ongoing charge figure from funds held in the portfolio (taking into account any rebates).

**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.

**Preference shares:** Preference shares are a loan to a company that may be traded in the same way as ordinary shares, but generally have a higher yield and pay dividends on fixed dates. Preference shares have varying characteristics as to the treatment of the principal and the dividend payment, which includes ranking them above ordinary shares when it comes to dividend payments.

**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.

**Property Expense Ratio (PER):** Property expenses are the operating expenses that relate to the management of the property assets in the portfolio. These include: insurance and rates, rent review and lease renewal costs and maintenance and repairs, but not improvements. They depend on the level of activity taking place within the fund. The Property Expense Ratio is the ratio of property expenses to the fund's net asset value.

**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.

# Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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