



# M&G Investment Funds (12)

Interim Long Report and unaudited Financial Statements  
for the six months ended 31 July 2016



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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 2016.

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

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)

#### Depositary

National Westminster Bank Plc, Trustee & Depositary 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

# M&G Investment Funds (12)

## Authorised Corporate Director's Report

### 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 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 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

#### 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

# 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 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 Investment Funds (12)

## Financial statements and notes

The financial statements for M&G Investment Funds (12) comprise the individual financial statements for each 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 annual financial statements for the year ended 31 January 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).

### 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 September 2016

# 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 changed during this period. From 31 January 2016 to 17 June 2016 the risk number was 5.

### Investment review

**As at 1 August 2016, for the six months ended 31 July 2016**

#### Performance against objective

The M&G Global Recovery Fund aims to deliver growth of capital 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, where the fund manager believes a good management team is making concerted efforts to turn the business around. The fund achieved this objective as it produced a positive total return (the combination of income and growth of capital) across all share classes between 1 February 2016 (the start of the review period) and 1 August 2016.<sup>[a]</sup> The fund's returns in all share classes exceeded that of a comparative index, the MSCI AC World Index. (Over the six months, returns for the index were 9,5%, 22,3% and 12,3% in euros, sterling and US dollars, respectively.)

#### Investment performance

Investors entered 2016 with the same 'risk-off' mindset that characterised markets at the tail-end of 2015 as fears over further deterioration of growth in China, declining oil prices and mixed economic data in the US and Europe depressed confidence. However, there was a marked turnaround from mid-February as sentiment became more positive and stockmarkets rallied strongly. This positive mood, supported by rising commodity prices and a weaker dollar, persisted until early June when sentiment turned more nervous as the dominant theme became the UK's pending referendum on membership of the European Union (EU). The announcement on 24 June that the electorate had voted to leave (so-called 'Brexit') sent stockmarkets into a tailspin. This proved short-lived, however, with most markets rebounding strongly and remaining surprisingly resilient for the remainder of the review period.

Against this backdrop, the fund outperformed its comparative index, the MSCI AC World Index, over the six-month review period, suffering only a very temporary setback in the post-Brexit fallout. Stock selection was the key driver of performance on the fund, notably in the US and Canada and at a sector level, in materials. Over half of the top 10 contributors to performance were from the North American region and included real estate investment trust (REIT) Weyerhaeuser and miner Midas Gold. St Barbara and First Quantum Minerals in the materials sector were the top two performers on the fund over the six months.

# M&G Global Recovery Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment performance (continued)

We were particularly pleased to see that stock selection was such a strong driver of performance over the period. We take a distinctive contrarian approach to stock-specific investment on the fund, seeking out mispriced risk as we look for struggling companies with 'special potential'.

Our holdings in basic materials added the most to performance, notably Australian gold miner St Barbara and copper miner First Quantum Minerals. Both these companies have benefited from strong performance and management action that has calmed market fears over balance sheet strength. Additionally, a weaker Australian dollar has been beneficial as has a stronger gold price for St Barbara. St Barbara continues to report excellent production levels, while First Quantum has been focusing on the development of its mines in Panama and Zambia.

Also in the mining sector, Canadian-listed Midas Gold is developing a gold project in Idaho, Wyoming, in an area in need of environmental repair. The company is committed to using mining as a means to improve the existing environmental conditions at site. A substantial investment from a private investor has enabled Midas to take the project to the next level and to apply for the necessary development permits. The company has a strong management team and we can see substantial potential from the current position.

In other sectors, REIT Weyerhaeuser, regional airline AirAsia and cannabinoid medicine developer GW Pharmaceuticals were all in the fund's 10 leading performers. Weyerhaeuser is a REIT that specialises in forestry products with the majority of its assets in the US. The company recently acquired the Plum Creek Timber Company – the original holding in the fund. The acquisition is already generating significant operational savings as Weyerhaeuser streamlines its operations and looks to sell off non-key businesses. Additionally, the improving US housing market should be beneficial as it is a main driver of demand for Weyerhaeuser's timberlands and wood products.

Shares in AirAsia, the region's largest budget airline group, recovered well following positive earnings results, increasing passenger numbers and a bolster to the balance sheet by the company's founders. A weaker US dollar and a lower oil price were also supportive. Management's focus on operational improvements also began to bear fruit.

Meanwhile, in the healthcare sector, GW Pharmaceuticals announced positive results for the first two out of four Phase Three trials to come this year for its cannabinoid treatment Epidiolex for severe childhood epilepsy. Given the strength of the data, the treatment is expected to receive approval from the US Food and Drug Administration in 2017. We believe it will continue to be a significant contributor to performance over the next couple of years as it moves into commercial production of this latest drug.

Turning to the detractors, with the exception of GW Pharmaceuticals, holdings in the healthcare sector detracted the most from performance, including Hutchison China MediTech (Chi-Med), a subsidiary of C.K. Hutchison, and Innocoll. Chi-Med is a healthcare group based primarily in China. The company continues to make good progress by broadening and deepening its drug research & development (R&D) pipeline through its Innovation Platform. Chi-Med's distribution business in China generates significant cashflow that helps to fund its

R&D and the company is successfully transitioning into a fully-fledged pharmaceutical business. However, this transformation, which included a US\$36 million innovation investment programme and a listing on the NASDAQ market in the US, affected profits for the first half of 2016, temporarily weakening the share price. We are supportive of Chi-Med's strategy to list on NASDAQ and believe the company is in a strong position for future growth.

Innocoll is a global speciality pharmaceutical company that develops topical and implantable/surgical products. The company has products in late stage development: XaraColl for treatment of post-operative pain and Cogenzia for treatment of diabetes foot infections. The shares came under pressure despite broadly positive results from two pivotal clinical trials, after a poorly handled share placing which raised US\$40 million. We increased our holding through the share placing and are confident that Innocoll is now in a good position for future growth supported by positive clinical data and cash in the business.

Elsewhere, in the retail sector, Hong Kong-listed Global Brands struggled after sell-side brokers cut their earnings forecasts for the company, citing demand weakness in the US apparel market. While investment in licences and brands could hit profits in the near term, we remain optimistic on Global Brands' long-term growth potential.

#### Investment activities

We take a long-term approach to investment and aim to have a holding period of at least three to five years in order to allow the management teams of the companies that we back sufficient time to take the action required to return the business to health. For this reason, portfolio turnover tends to be low. However, the challenges experienced by the global economy in recent years have presented us with many exciting investment opportunities – companies that have got into difficulties or are going through a period of change and have been shunned or overlooked by other investors. Importantly, we believe each has the potential to resolve their issues, with a management team able to apply a rational strategy to turn the business around and, hopefully, improve returns for the company's shareholders.

We made six new purchases for the fund over the six-month period, including Swiss window manufacturer AFG, US vacation rental and ownership company Interval Leisure and Technopolis, a real estate company based in Finland. AFG's long-term plan is to be a leading European window manufacturer and to this end, management is implementing a business strategy to transfer production from four sites in Switzerland to lower-cost locations. With two of the five largest central European PVC window production sites and one of the five largest wood/wood-aluminium production sites in central Europe, the group aims to capitalise on this scale and low-cost production footprint to press home its competitive advantage and become a European leader in its sector.

Interval Leisure is a provider of vacation experiences, encompassing a portfolio of leisure businesses from exchange and vacation rental to vacation ownership. The company is growing through acquisitions, the most recent being Vistana Signature Experiences, a leading developer, owner and operator of high-end vacation ownership resorts. Vistana owns the exclusive global master licence to the Westin and Sheraton brands in vacation ownership, making this a transformational deal for Interval Leisure and the second-largest provider globally of timeshare properties. The company has diversified revenue streams, significant growth opportunities with over US\$6.7 billion of embedded sales value of inventory and a strong balance sheet and cashflow profile.



# M&G Global Recovery Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment activities (continued)

Technopolis has a property portfolio primarily focused on offices and geographically tilted towards Finland. The company primarily owns and manages existing assets that generate cashflow alongside further greenfield development. The company's portfolio has a steady occupancy track record of around 95%, as it has a large proportion of temporary flexible office space in its portfolio which is available on short-term lets.

Since we will only hold a maximum of 100 stocks in the portfolio, we generally have to sell something when we find a new turnaround candidate. We sold five holdings on the fund over the six-month period, including biotech company Gilead Sciences and electronics retailer Best Buy. Both had performed well for the fund.

Gilead discovers, develops and commercialises innovative medicines in areas of unmet medical need, with a primary focus on antiviral diseases such as HIV and HCV, oncology, and cardiovascular and respiratory conditions. The company has been a very strong performer on the fund for a number of years. Historically, Gilead's main focus had been its HIV franchise; however, over the past few years the company has made huge scientific breakthroughs in a treatment for Hepatitis C, leading to a transformation in the profile of the company. With the shares having performed strongly, we decided to realise the profit.

The management of Best Buy has been very successful over the past three years, achieving cost savings alongside the implementation of its omnichannel sales strategy and partnerships with Samsung, Microsoft and Sony for concessions space in the stores. This has led to a recovery in the share price which we believe fairly reflects the strong competition in the US retail environment.

#### Outlook

We are pleased with the fund's performance over the period as a number of our investments have made demonstrable progress which has been rewarded by the market with share price rises.

This is a long-term approach to investment and we allow the management teams of companies that we back sufficient time to take the action required to return their businesses to health. That means we have to be patient and keep our nerve. It is pleasing to see other investors recognise the value in such companies and reward the management teams for the improvements they have made. However, markets remain volatile and we are aware of the risks that uncertainties may represent to some of our investments going through turnarounds.

#### David Williams

Fund manager

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

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

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

### Investments

#### Portfolio statement

as at Holding	31.07.16 \$'000	31.07.16 %	31.01.16 %
<b>Australia</b>	<b>17.142</b>	<b>4,57</b>	<b>5,35</b>
4.532.927 Bionomics	1.004	0,27	
23.529.412 FAR	1.378	0,37	
1.750.000 Mesoblast	1.445	0,39	
450.000 Mesoblast ADR	1.899	0,51	
640.857 Metals X	782	0,21	
35.808.750 Mineral Commodities	3.629	0,96	
354.726 Silex Systems	79	0,02	
3.000.000 St Barbara	6.780	1,80	
3.342.105 White Energy Company	146	0,04	
<b>Canada</b>	<b>16.494</b>	<b>4,40</b>	<b>1,28</b>
36.296.694 DuSolo Fertilizers	827	0,22	
5.000.000 DuSolo Fertilizers wts. 2018	0	0,00	
782.481 First Quantum Minerals	6.735	1,80	
10.624.850 Midas Gold	8.315	2,22	
1.190.475 Midas Gold wts. 2017	389	0,10	
3.000.000 Mood Media	228	0,06	
<b>Denmark</b>	<b>16.513</b>	<b>4,41</b>	<b>7,28</b>
128.000 Pandora	16.513	4,41	
<b>Eire</b>	<b>1.247</b>	<b>0,33</b>	<b>0,00</b>
6.000.000 Bank of Ireland	1.247	0,33	
<b>Finland</b>	<b>2.139</b>	<b>0,57</b>	<b>0,00</b>
500.000 Technopolis Oyj	2.139	0,57	
<b>France</b>	<b>6.034</b>	<b>1,61</b>	<b>1,79</b>
100.378 Groupe Fnac	6.034	1,61	
<b>Germany</b>	<b>19.993</b>	<b>5,34</b>	<b>5,37</b>
350.000 Commerzbank	2.293	0,61	
68.000 Fresenius Medical Care	6.113	1,63	
175.000 MagForce	895	0,24	
195.000 ThyssenKrupp	4.439	1,19	
45.000 Volkswagen Pref.	6.253	1,67	
<b>Hong Kong</b>	<b>24.108</b>	<b>6,43</b>	<b>6,93</b>
87.250.000 China Financial Services	6.635	1,77	
39.000.000 Global Brands Group	3.419	0,91	
967.492 HSBC Holdings	6.292	1,68	
6.750.000 Li & Fung	3.376	0,90	
550.065 Standard Chartered	4.386	1,17	
<b>India</b>	<b>229</b>	<b>0,06</b>	<b>0,07</b>
643.041 Great Eastern Energy GDR	229	0,06	
<b>Italy</b>	<b>601</b>	<b>0,16</b>	<b>0,38</b>
1.745.400 Banca Monte dei Paschi di Siena	601	0,16	
<b>Japan</b>	<b>8.861</b>	<b>2,37</b>	<b>2,32</b>
153.600 Sony	4.872	1,30	
90.000 Takeda Pharmaceutical	3.989	1,07	
<b>Malaysia</b>	<b>10.077</b>	<b>2,69</b>	<b>1,59</b>
14.000.000 AirAsia	10.077	2,69	
<b>Netherlands</b>	<b>7.819</b>	<b>2,09</b>	<b>2,42</b>
115.000 Aperam	4.789	1,28	
800.000 PostNL	3.030	0,81	
<b>Singapore</b>	<b>3.105</b>	<b>0,83</b>	<b>1,10</b>
11.500.000 Genting Hong Kong	3.105	0,83	
<b>Switzerland</b>	<b>9.918</b>	<b>2,65</b>	<b>1,57</b>
160.000 AFG Arbonia-Forster-Holding AG	2.423	0,65	
140.000 Garmin	7.495	2,00	
<b>United Arab Emirates</b>	<b>5.070</b>	<b>1,35</b>	<b>1,61</b>
300.000 DP World	5.070	1,35	

# M&G Global Recovery Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement (continued)				
as at Holding	31.07.16 \$'000	31.07.16 %	31.01.16 %	
<b>United Kingdom</b>				
1.250.000 African Minerals <sup>[a]</sup>	0	0,00		
1.896.736 BP	10.638	2,84		
5.574.887 Coal of Africa <sup>[b]</sup>	257	0,07		
85.000 GW Pharmaceuticals ADR	8.012	2,14		
575.000 Hutchison China MediTech <sup>[b]</sup>	14.018	3,74		
18.500.000 International Petroleum <sup>[a]</sup>	0	0,00		
103.786 Izodia <sup>[a]</sup>	0	0,00		
546.906 Kenmare Resources	1.586	0,42		
249.014 Kenmare Resources wts. 2019	0	0,00		
894.398 KSK Power Ventur	978	0,26		
425.000 Nostrum Oil & Gas	1.666	0,44		
1.200.000 OPG Power Ventures <sup>[b]</sup>	885	0,24		
42.363.876 Ormonde Mining <sup>[b]</sup>	977	0,26		
340.000 Prudential <sup>[c]</sup>	5.957	1,59		
1.400.000 Regus	5.537	1,48		
1.350.000 Tullow Oil	3.455	0,92		
<b>United States</b>				
105.000 AbbVie	6.792	1,81		
140.000 American Airlines	5.086	1,36		
77.000 Anadarko Petroleum	4.109	1,10		
1.975.000 Athersys	4.325	1,15		
108.000 Brunswick	5.325	1,42		
120.000 Carnival	5.581	1,49		
135.000 Citizen Financial Group	3.029	0,81		
100.000 Coach	4.280	1,14		
95.000 eBay	2.960	0,79		
305.000 GameStop	9.510	2,54		
90.000 Hain Celestial Group	4.746	1,27		
280.000 Hewlett-Packard Enterprise	5.684	1,52		
340.000 HP	4.736	1,26		
905.339 Innocoll	4.626	1,23		
125.000 Interval Leisure Group	2.239	0,60		
575.000 J.C. Penney	5.451	1,45		
600.000 Kosmos Energy	3.288	0,88		
225.000 Mattel	7.436	1,98		
190.000 Microsoft	10.678	2,85		
95.000 Paypal Holdings	3.535	0,94		
70.500 PepsiCo	7.625	2,03		
335.000 Pfizer	12.284	3,28		
110.000 Principal Financial Group	4.919	1,31		
615.000 SuperValu	2.854	0,76		
130.000 Sysco	6.737	1,80		
150.000 Tyco International	6.809	1,82		
160.000 Wells Fargo	7.698	2,06		
315.000 Western Union	6.360	1,70		
272.000 Weyerhaeuser	8.802	2,35		
100.000 Yahoo	3.851	1,03		
<b>Portfolio of investments</b>	<b>374.671</b>	<b>99,99</b>	<b>99,89</b>	

### Portfolio statement (continued)

as at Holding	31.07.16 \$'000	31.07.16 %	31.01.16 %
<b>'AAA' rated money market funds <sup>[d]</sup></b>			
377.000 Northern Trust Global Fund - Sterling	497	0,13	0,46
<b>Total portfolio</b>	<b>375.168</b>	<b>100,12</b>	<b>100,35</b>
<b>Net other assets / (liabilities)</b>	<b>(466)</b>	<b>(0,12)</b>	<b>(0,35)</b>
<b>Net assets attributable to shareholders</b>	<b>374.702</b>	<b>100,00</b>	<b>100,00</b>

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

<sup>[a]</sup> Suspended.

<sup>[b]</sup> AIM quoted.

<sup>[c]</sup> Related party to the fund.

<sup>[d]</sup> Uncommitted surplus cash is placed into 'AAA' rated money market funds with the aim of reducing counterparty risk.

### Top ten portfolio transactions

for the six months to 31 July 2016

Largest purchases		\$'000
Innocoll		3.589
Global Brands Group		2.673
Technopolis Oyj		2.017
Interval Leisure Group		1.898
AFG Arbonia-Forster-Holding AG		1.792
Bank of Ireland		1.671
Midas Gold		1.537
FAR		1.522
Kenmare Resources		1.495
Volkswagen Pref.		1.342
Other purchases		7.990
<b>Total purchases</b>		<b>27.526</b>
Largest sales		\$'000
St Barbara		11.764
Bang & Olufsen 'B'		4.097
Best Buy		3.119
Pandora		3.100
First Quantum Minerals		2.309
Gilead Sciences		2.190
LeapFrog Enterprises		1.600
Sysco		1.541
Hain Celestial Group		1.044
PepsiCo		944
Other sales		7.097
<b>Total sales</b>		<b>38.805</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 share classes. Performance is shown after deduction of this charge. All investors in the fund therefore received this performance or better.
- The performance of the Sterling Class 'I' (Accumulation) share is the most appropriate to compare with the average performance of the fund's comparative sector. It is the share class used by the Investment Association in the calculation of the comparative sector's average performance. This share class is available for direct investment with M&G subject to minimum investment criteria, or via third parties who may charge additional fees. The performance shown takes the deduction of the ongoing charge for this share class into account but it does not take account of charges applied by any other party through which you may have invested.

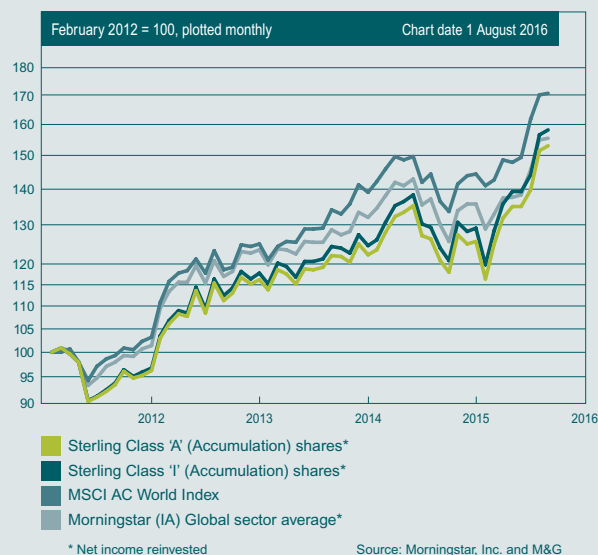
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (12), which is available free of charge either from our website at [www.mandg.co.uk/prospectuses](http://www.mandg.co.uk/prospectuses)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

### Fund level performance

Fund net asset value			
	31.07.16	31.01.16	31.01.15
as at	\$'000	\$'000	\$'000
Fund net asset value (NAV)	374.702	323.209	382.984

### Performance since launch

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



To give an indication of the long-term 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 01.02.16 % [a]	Three years 01.08.13 % p.a.	Five years 01.08.11 % p.a.	Since launch % p.a.
<b>Euro [b]</b>				
Class 'A'	+15,6	n/a	n/a	-0,3 [c]
Class 'C'	+16,1	n/a	n/a	+0,4 [c]
<b>Sterling [b]</b>				
Class 'A'	+28,7	+9,7	n/a	+10,0 [d]
Class 'I'	+29,2	+10,5	n/a	+10,8 [d]
Class 'R'	+29,1	+10,2	n/a	+13,8 [e]
<b>US dollar [b]</b>				
Class 'A'	+18,7	n/a	n/a	+2,3 [c]
Class 'C'	+19,3	n/a	n/a	+3,0 [c]

[a] Absolute basis.

[b] Price to price with net income reinvested.

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

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

[e] 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, 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.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit.

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

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

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

#### Portfolio transaction costs

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

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

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 31.07.16 %	Year to 31.01.16 %	Year to 31.01.15 %	Average <sup>[a]</sup> %
<b>Direct portfolio transaction costs <sup>[b]</sup></b>				
Broker commission	0,04	0,06	0,04	0,05
Taxes	0,02	0,01	0,01	0,01
Costs before dilution adjustments	0,06	0,07	0,05	0,06
Dilution adjustments <sup>[c]</sup>	(0,01)	(0,01)	(0,01)	(0,01)
<b>Total direct portfolio transaction costs</b>	<b>0,05</b>	<b>0,06</b>	<b>0,04</b>	<b>0,05</b>
<b>as at</b>	<b>31.07.16</b>	<b>31.01.16</b>	<b>31.01.15</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	0,57	0,74	0,47	0,59

<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 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.

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

The share class was launched on 6 November 2015.

	Six months to 31.07.16	Year to 31.01.16	Year to 31.01.15
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	842,85	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	158,90	(153,11)	n/a
Operating charges	(8,96)	(4,04)	n/a
Return after operating charges	149,94	(157,15)	n/a
Closing NAV	992,79	842,85	n/a
Retained distributions	0,89	0,00	n/a
<b>Direct portfolio transaction costs <sup>[a]</sup></b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0,24	0,15	n/a
Dilution adjustments <sup>[b]</sup>	(0,03)	(0,02)	n/a
Total direct portfolio transaction costs	0,21	0,13	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs	0,05	0,06	n/a
Operating charges	1,93	1,88 <sup>[c]</sup>	n/a
Return after operating charges	+17,79	-15,72	n/a
Historic yield	0,09	0,00	n/a
Effect on yield of charges offset against capital	n/a	n/a	n/a
<b>Other information</b>			
Closing NAV (\$'000)	33	28	n/a
Closing NAV percentage of total fund NAV (%)	0,01	0,01	n/a
Number of shares	3.000	3.000	n/a
Highest share price (Euro ¢)	995,04	1.007,47	n/a
Lowest share price (Euro ¢)	771,42	818,00	n/a

<sup>[c]</sup> As the share class was not in existence for the full period on 31.01.16, 1,94% is a more reliable estimate of the 31.01.16 ongoing charges.

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

The share class was launched on 6 November 2015.

	Six months to 31.07.16	Year to 31.01.16	Year to 31.01.15
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	844,71	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	159,57	(153,32)	n/a
Operating charges	(4,35)	(1,97)	n/a
Return after operating charges	155,22	(155,29)	n/a
Closing NAV	999,93	844,71	n/a
Retained distributions	5,45	0,00	n/a
<b>Direct portfolio transaction costs <sup>[a]</sup></b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0,24	0,15	n/a
Dilution adjustments <sup>[b]</sup>	(0,03)	(0,02)	n/a
Total direct portfolio transaction costs	0,21	0,13	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs	0,05	0,06	n/a
Operating charges	0,93	0,92	n/a
Return after operating charges	+18,38	-15,53	n/a
Historic yield	0,53	0,93	n/a
Effect on yield of charges offset against capital	n/a	n/a	n/a
<b>Other information</b>			
Closing NAV (\$'000)	33	28	n/a
Closing NAV percentage of total fund NAV (%)	0,01	0,01	n/a
Number of shares	3.000	3.000	n/a
Highest share price (Euro ¢)	1.002,09	1.007,44	n/a
Lowest share price (Euro ¢)	773,40	820,20	n/a

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

The share class was launched on 17 February 2012.

	Six months to 31.07.16	Year to 31.01.16	Year to 31.01.15
Change in NAV per share	UK p	UK p	UK p
Opening NAV	115,34	122,53	113,02
Return before operating charges and after direct portfolio transaction costs	36,06	(4,88)	11,69
Operating charges	(1,11)	(2,11)	(1,99)
Return after operating charges	34,95	(6,99)	9,70
Distributions	(0,31)	(0,20)	(0,19)
Closing NAV	149,98	115,34	122,53
<b>Direct portfolio transaction costs <sup>[a]</sup></b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0,03	0,09	0,06
Dilution adjustments <sup>[b]</sup>	0,00	(0,01)	(0,01)
Total direct portfolio transaction costs	0,03	0,08	0,05
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs	0,05	0,06	0,04
Operating charges	1,68	1,67	1,68
Return after operating charges	+30,30	-5,70	+8,58
Historic yield	0,20	0,18	0,15
Effect on yield of charges offset against capital	n/a	n/a	n/a
<b>Other information</b>			
Closing NAV (\$'000)	370.604	320.441	381.521
Closing NAV percentage of total fund NAV (%)	98,90	99,14	99,62
Number of shares	187.502.579	194.217.954	206.440.136
Highest share price (UK p)	150,25	137,50	125,25
Lowest share price (UK p)	108,79	113,01	109,67

# 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 31.07.16 UK p	Year to 31.01.16 UK p	Year to 31.01.15 UK p
<b>Change in NAV per share</b>			
Opening NAV	116,49	123,56	113,78
Return before operating charges and after direct portfolio transaction costs	36,43	(4,94)	11,78
Operating charges	(1,12)	(2,13)	(2,00)
Return after operating charges	35,31	(7,07)	9,78
Closing NAV	151,80	116,49	123,56
Retained distributions	0,31	0,21	0,19
<b>Direct portfolio transaction costs <sup>[a]</sup></b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0,03	0,09	0,06
Dilution adjustments <sup>[b]</sup>	0,00	(0,01)	(0,01)
Total direct portfolio transaction costs	0,03	0,08	0,05
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs	0,05	0,06	0,04
Operating charges	1,68	1,67	1,67
Return after operating charges	+30,31	-5,72	+8,60
Historic yield	0,20	0,18	0,15
Effect on yield of charges offset against capital	n/a	n/a	n/a
<b>Other information</b>			
Closing NAV (\$'000)	641	448	502
Closing NAV percentage of total fund NAV (%)	0,17	0,14	0,13
Number of shares	320.514	268.647	268.891
Highest share price (UK p)	151,76	138,65	126,30
Lowest share price (UK p)	109,88	114,14	110,60

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

The share class was launched on 17 February 2012.

	Six months to 31.07.16 UK p	Year to 31.01.16 UK p	Year to 31.01.15 UK p
<b>Change in NAV per share</b>			
Opening NAV	115,94	123,07	113,23
Return before operating charges and after direct portfolio transaction costs	36,34	(4,92)	11,74
Operating charges	(0,62)	(1,17)	(1,11)
Return after operating charges	35,72	(6,09)	10,63
Distributions	(0,83)	(1,04)	(0,79)
Closing NAV	150,83	115,94	123,07
<b>Direct portfolio transaction costs <sup>[a]</sup></b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0,03	0,09	0,06
Dilution adjustments <sup>[b]</sup>	0,00	(0,01)	(0,01)
Total direct portfolio transaction costs	0,03	0,08	0,05
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs	0,05	0,06	0,04
Operating charges	0,93	0,93	0,93
Return after operating charges	+30,81	-4,95	+9,39
Historic yield	0,77	0,93	0,71
Effect on yield of charges offset against capital	n/a	n/a	n/a
<b>Other information</b>			
Closing NAV (\$'000)	2.275	1.674	662
Closing NAV percentage of total fund NAV (%)	0,61	0,52	0,17
Number of shares	1.144.579	1.009.268	356.615
Highest share price (UK p)	151,62	138,34	125,79
Lowest share price (UK p)	109,41	113,94	110,06

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

The share class was launched on 17 February 2012.

	Six months to 31.07.16 UK p	Year to 31.01.16 UK p	Year to 31.01.15 UK p
<b>Change in NAV per share</b>			
Opening NAV	119,82	126,15	115,30
Return before operating charges and after direct portfolio transaction costs	37,54	(5,13)	11,99
Operating charges	(0,64)	(1,20)	(1,14)
Return after operating charges	36,90	(6,33)	10,85
Closing NAV	156,72	119,82	126,15
Retained distributions	0,86	1,07	0,80
<b>Direct portfolio transaction costs <sup>[a]</sup></b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0,04	0,09	0,06
Dilution adjustments <sup>[b]</sup>	(0,01)	(0,01)	(0,01)
Total direct portfolio transaction costs	0,03	0,08	0,05
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs	0,05	0,06	0,04
Operating charges	0,93	0,92	0,93
Return after operating charges	+30,80	-5,02	+9,41
Historic yield	0,77	0,93	0,70
Effect on yield of charges offset against capital	n/a	n/a	n/a
<b>Other information</b>			
Closing NAV (\$'000)	941	395	223
Closing NAV percentage of total fund NAV (%)	0,25	0,12	0,06
Number of shares	455.384	230.679	117.500
Highest share price (UK p)	156,68	141,76	128,76
Lowest share price (UK p)	113,06	117,38	112,67

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

The share class was launched on 3 August 2012.

	Six months to 31.07.16 UK p	Year to 31.01.16 UK p	Year to 31.01.15 UK p
<b>Change in NAV per share</b>			
Opening NAV	125,06	132,76	122,15
Return before operating charges and after direct portfolio transaction costs	39,15	(5,33)	12,64
Operating charges	(0,84)	(1,59)	(1,50)
Return after operating charges	38,31	(6,92)	11,14
Distributions	(0,70)	(0,78)	(0,53)
Closing NAV	162,67	125,06	132,76
<b>Direct portfolio transaction costs <sup>[a]</sup></b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0,04	0,09	0,07
Dilution adjustments <sup>[b]</sup>	(0,01)	(0,01)	(0,01)
Total direct portfolio transaction costs	0,03	0,08	0,06
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs	0,05	0,06	0,04
Operating charges	1,19	1,17	1,17
Return after operating charges	+30,63	-5,21	+9,12
Historic yield	0,55	0,65	0,48
Effect on yield of charges offset against capital	n/a	n/a	n/a
<b>Other information</b>			
Closing NAV (\$'000)	91	143	74
Closing NAV percentage of total fund NAV (%)	0,02	0,04	0,02
Number of shares	42.248	80.199	37.000
Highest share price (UK p)	163,33	149,12	135,59
Lowest share price (UK p)	118,00	122,74	118,66

# 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 31.07.16 UK p	Year to 31.01.16 UK p	Year to 31.01.15 UK p
<b>Change in NAV per share</b>			
Opening NAV	127,41	134,50	123,33
Return before operating charges and after direct portfolio transaction costs	39,90	(5,46)	12,78
Operating charges	(0,87)	(1,63)	(1,61)
Return after operating charges	39,03	(7,09)	11,17
Closing NAV	166,44	127,41	134,50
Retained distributions	0,72	0,79	0,54
<b>Direct portfolio transaction costs <sup>[a]</sup></b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0,04	0,11	0,09
Dilution adjustments <sup>[b]</sup>	(0,01)	(0,02)	(0,02)
Total direct portfolio transaction costs	0,03	0,09	0,07
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs	0,05	0,06	0,04
Operating charges	1,16	1,17	1,24
Return after operating charges	+30,63	-5,27	+9,06
Historic yield	0,55	0,64	0,52
Effect on yield of charges offset against capital	n/a	n/a	n/a
<b>Other information</b>			
Closing NAV (\$'000)	22	2	2
Closing NAV percentage of total fund NAV (%)	0,01	0,00	0,00
Number of shares	10.214	1.000	1.000
Highest share price (UK p)	166,38	151,06	137,42
Lowest share price (UK p)	120,20	124,82	120,30

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

The share class was launched on 6 November 2015.

	Six months to 31.07.16 US ¢	Year to 31.01.16 US ¢	Year to 31.01.15 US ¢
<b>Change in NAV per share</b>			
Opening NAV	847,77	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	178,17	(150,27)	n/a
Operating charges	(4,48)	(1,96)	n/a
Return after operating charges	173,69	(152,23)	n/a
Closing NAV	1.021,46	847,77	n/a
Retained distributions	5,57	0,00	n/a
<b>Direct portfolio transaction costs <sup>[a]</sup></b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0,25	0,15	n/a
Dilution adjustments <sup>[b]</sup>	(0,03)	(0,02)	n/a
Total direct portfolio transaction costs	0,22	0,13	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs	0,05	0,06	n/a
Operating charges	0,93	0,92	n/a
Return after operating charges	+20,49	-15,22	n/a
Historic yield	0,53	0,93	n/a
Effect on yield of charges offset against capital	n/a	n/a	n/a
<b>Other information</b>			
Closing NAV (\$'000)	31	25	n/a
Closing NAV percentage of total fund NAV (%)	0,01	0,01	n/a
Number of shares	3.000	3.000	n/a
Highest share price (US ¢)	1.033,93	1.000,00	n/a
Lowest share price (US ¢)	806,18	822,00	n/a

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

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

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

The share class was launched on 6 November 2015.

	Six months to 31.07.16 US ¢	Year to 31.01.16 US ¢	Year to 31.01.15 US ¢
<b>Change in NAV per share</b>			
Opening NAV	845,88	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	177,54	(150,08)	n/a
Operating charges	(9,24)	(4,04)	n/a
Return after operating charges	168,30	(154,12)	n/a
Closing NAV	1.014,18	845,88	n/a
Retained distributions	0,97	0,00	n/a
<b>Direct portfolio transaction costs <sup>[a]</sup></b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0,25	0,15	n/a
Dilution adjustments <sup>[b]</sup>	(0,03)	(0,02)	n/a
Total direct portfolio transaction costs	0,22	0,13	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs	0,05	0,06	n/a
Operating charges	1,93	1,90 <sup>[c]</sup>	n/a
Return after operating charges	+19,90	-15,41	n/a
Historic yield	0,09	0,00	n/a
Effect on yield of charges offset against capital	n/a	n/a	n/a
<b>Other information</b>			
Closing NAV (\$'000)	31	25	n/a
Closing NAV percentage of total fund NAV (%)	0,01	0,01	n/a
Number of shares	3.000	3.000	n/a
Highest share price (US ¢)	1.028,00	1.000,00	n/a
Lowest share price (US ¢)	804,09	820,20	n/a

<sup>[c]</sup> As the share class was not in existence for the full period on 31.01.16, 1,95% is a more reliable estimate of the 31.01.16 ongoing charges.

# M&G Global Recovery Fund

## Financial statements and notes

### Financial statements

#### Statement of total return

for the six months to 31 July	2016		2015	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		63,082		20,690
Revenue	4,361		4,805	
Expenses	(3,008)		(3,364) <sup>[a]</sup>	
Net revenue / (expense) before taxation	1,353		1,441	
Taxation	(331)		(344)	
Net revenue / (expense) after taxation		1,022		1,097
<b>Total return before distributions</b>		<b>64,104</b>		<b>21,787</b>
Distributions		(812)		(663)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>63,292</b>		<b>21,124</b>

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

for the six months to 31 July	2016		2015	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		323,209		382,984
Amounts received on issue of shares	1,406		1,296 <sup>[a]</sup>	
Amounts paid on cancellation of shares	(13,261)		(14,113) <sup>[a]</sup>	
		(11,855)		(12,817)
Dilution adjustments		49		44 <sup>[a]</sup>
Change in net assets attributable to shareholders from investment activities (see above)		63,292		21,124
Retained distributions on Accumulation shares		7		2
Unclaimed distributions		0		1
<b>Closing net assets attributable to shareholders</b>		<b>374,702</b>		<b>391,338</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	31 July 2016	31 January 2016
	\$'000	\$'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	375,168	324,346
<b>Current assets</b>		
Debtors	705	1,379
Cash and bank balances	330	235
<b>Total assets</b>	<b>376,203</b>	<b>325,960</b>
<b>Liabilities</b>		
<b>Creditors</b>		
Bank overdrafts	(43)	0
Distribution payable	(772)	(6)
Other creditors	(686)	(2,745)
<b>Total liabilities</b>	<b>(1,501)</b>	<b>(2,751)</b>
<b>Net assets attributable to shareholders</b>	<b>374,702</b>	<b>323,209</b>

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

### Notes to the financial statements

#### Accounting policies

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

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

'Dilution adjustments' totalling \$49,000 (2015: \$44,000) have been reclassified from 'Amounts received on issue of shares' of \$(6,000) (2015: \$(2,000)) and 'Amounts paid on cancellation of shares' of \$55,000 (2015: \$46,000).

Interest payable of \$nil (2015: \$1,000) has been reclassified from 'Distributions' into 'Expenses'.



# M&G Investment Funds (12)

## Other regulatory disclosures

### Interest bearing assets

In accordance with the EU Savings Directive (2003/48/EC), we are required to disclose the percentage of interest-bearing assets held.

	% of NAV
M&G Global Recovery Fund	0,22

### 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.

**Distribution:** Distributions represent a share in the net income of the fund and are paid out to Income Shareholders or reinvested for Accumulation Shareholders at set times of the year (monthly, quarterly, half-yearly or annually). They may either be in the form of interest distributions or dividend distributions.

# Glossary

**Distribution yield:** Expresses the amount that is expected to be distributed by the fund over the next 12 months as a percentage of the share price as at a certain date. It is based on the expected gross income less the ongoing charges.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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