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M&G Investment Funds (4)

Interim Long Report and unaudited Financial Statements
for the six months ended 30 April 2019

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M&G Investment Funds (4)

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (4) presents its Interim Long Report and unaudited Financial Statements for the six months ended 30 April 2019.

The unaudited financial statements of M&G Investment Funds (4) and the investment report and unaudited financial statements and notes of each 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 (4) is an umbrella Open-Ended Investment Company (OEIC) and contains four sub-funds, hereinafter referred to as 'funds' in the rest of this report. Each fund is a non-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 20 February 2002 and was launched on 20 June 2002. The M&G Sustainable Multi Asset Fund was launched on 14 February 2019.

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. The funds are operated separately and the assets of each fund are managed in accordance with the investment objective and policy applicable to that fund.

As at 30 April 2019, none of the funds held shares of the other funds within this OEIC.

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

Fund managers

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

M&G Episode Allocation Fund

Tony Finding & Juan Nevado

M&G Episode Growth Fund

Jenny Rodgers & Eric Lonergan

M&G Managed Growth Fund

David Fishwick

M&G Sustainable Multi Asset Fund

Maria Municchi

ACD

M&G Securities Limited,
10 Fenchurch Avenue, London EC3M 5AG, 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

M Ammon, G N Cotton, C Dobson (non executive director),
N M Donnelly, P R Jelfs, M McGrade (non executive director),
L J Mumford

Investment manager

M&G Investment Management Limited,
10 Fenchurch Avenue, London EC3M 5AG, 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 14 February 2019, the M&G Sustainable Multi Asset Fund was launched as a sub-fund of M&G Investment Funds (4).

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

M&G Investment Funds (4)

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.

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 each of the funds 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 N COTTON
L J MUMFORD } Directors

14 June 2019

M&G Investment Funds (4)

Financial statements and notes

Notes to the financial statements

The financial statements for M&G Investment Funds (4) comprise the individual financial statements for each fund and the notes below.

Accounting policies

The interim financial statements have been prepared on the same basis as the audited financial statements for the year ended 31 October 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 Investment Funds (4)

Financial statements and notes

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M&G Episode Allocation Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to deliver a total return (the combination of capital growth and income) of at least 5% per annum above the 3-month GBP LIBOR rate, before any charges are taken, over any five-year period.

There is no guarantee that the fund will achieve a positive return over five years, or any other, period, and investors may not get back the original amount they invested.

Investment policy

The fund is a multi-asset fund that invests across a range of asset classes, including equities, fixed income securities, convertibles, cash and near cash. Exposure to these assets may be gained either directly or indirectly via collective investment schemes or derivatives. The fund may also invest indirectly via collective investment schemes or derivatives in other asset classes such as property and gold.

The currency exposure of the fund will be actively managed, seeking to enhance returns, with a minimum of 30% of the fund exposed to sterling and a minimum of 60% in developed market currencies (including sterling).

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

Investment approach

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

The fund seeks to manage risk by investing globally across multiple asset classes, sectors, currencies and countries. The fund will typically invest 20-60% of its assets in equities and convertibles, 30-75% in fixed income securities or cash, and up to 20% in other assets. These allocations reflect the net exposure of the portfolio.

The fund will typically take investment positions at index or sector level, but it may also take positions in individual shares or bonds. The fund's investment strategy may involve the use of derivatives to take long or short positions.

Risk profile

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

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

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

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

The following table shows the risk number associated with the fund and is based on 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 May 2019, for the six months ended 30 April 2019

Performance against objective

Between 1 November 2018 (the start of the review period) and 1 May 2019, the M&G Episode Allocation Fund produced a positive total return (the combination of income and growth of capital) which was above 3-month LIBOR + 5.0% across all of its share classes. The fund's returns were also ahead of the average return of its peer group, the IA Mixed Investment 20-60% Sector.

The fund's objective is to achieve a total return of at least 5% per annum above the 3-month GBP LIBOR rate, before any charges are taken, over any five-year period. LIBOR is the rate at which banks borrow money from each other. Over five years, the fund has met its objective; the annualised five-year return before any charges was 7.1% versus three-month LIBOR + 5.0% of 5.6%.*

* 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.

M&G Episode Allocation Fund

Authorised Corporate Director's Report

Investment review

Investment performance

It was a case of contrasting fortunes for financial markets during the period under review. The last two months of 2018 – November and December – were particularly challenging. Risk assets such as global equities (company shares) fell out of favour with investors because of fears of an economic slowdown and tensions surrounding trade tariffs between the US and China. Concerns that US interest rates would continue to rise added to the volatility and put pressure on the price of many assets. In fact, December was notably gloomy for virtually all asset classes, with even US equities – generally robust until now – sold off by investors.

The new year triggered stronger demand for risk assets, however. This led to higher prices in areas such as European and Asian equities and the fund's basket of diversified global equities did well as a result. The main reason for this turnaround in investor sentiment was the easing of expectations that US interest rates would rise in the coming months. The US Federal Reserve cautioned against being too hasty with rate hikes in its January meeting, which set the tone for many other central banks to voice similar 'dovish' statements in the months that followed.

Of the few laggards that detracted from fund performance during the period under review, a small loss was incurred in our allocation to Turkish equities. This market suffered from bouts of risk aversion during the six months, as uncertainty over fiscal and monetary policies unsettled investors. Exposure to Japanese equities also dragged on returns, mostly in December, as doubts about a lack of economic growth and below-par company earnings dampened investor sentiment.

Contributions from the fund's bond positions were positive, particularly among emerging market issuers. (Bonds are loans that are extended by an investor to an issuer – such as a company or government – usually in exchange for regular interest payments. Bonds issued by companies are referred to as 'corporate bonds', while those issued by governments are called 'government bonds'.) Mexican and South African government bonds added to fund performance during the period because emerging market debt typically performs well in an environment of low US interest rates.

Holdings in corporate bonds issued by UK mining companies provided a small source of positive returns, while the fund's exposure to convertible bonds detracted slightly. A holding in the M&G Property Portfolio, a UK commercial property fund, weighed on returns as investors generally saw the lack of progress in Brexit negotiations as a negative for 'bricks and mortar' in 2019.

Investment activities

December 2018 was the only time within the six-month period under review when we made any tactical changes. We switched the fund's holding in short-dated Mexican government bonds into the same bonds but with 30-year tenures. This is because bonds with longer tenures typically pay a higher interest rate, or yield, to the investor. However, by holding longer dated bonds, there is a greater risk that higher inflation could reduce the value of payments, and also the greater risk that higher overall interest rates could cause the bond's price to fall. In this context, we think the risks in Mexico of both higher inflation and higher interest rates are fairly low.

The fund's pro-equity positioning was unchanged over the six months (and remains close to the 60% maximum equity allocation). However, 'no change' is an active decision, given the temptation to make small portfolio adjustments often on the back of lots of 'noise' and short-term volatility in the market. We are more inclined to make more significant shifts in asset allocation should valuations change more materially, as we did in October 2018 when the price of equities fell sharply.

Outlook

We continue to have a broad pro-equity bias in our portfolio, preferring Asian and European equities. Outside equities, we still favour long positions in emerging market government bonds, select corporate bonds, and peripheral government bond issuers such as Italy.

Investors are generally pessimistic about global growth, which means equity markets still have further scope to rise, should we see even a modest lift in sentiment. For instance, Asian economies with strong links to China have yet to show a material turnaround in their fortunes, despite China's recent stimulus measures. By contrast, bank lending in China showed an unexpected rise in transactions in March, which we believe bodes well for efforts to shore up its sluggish economy.

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

Tony Finding & Juan Nevado

Co-fund managers

Employees 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.

M&G Episode Allocation Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at Holding	30.04.19 £'000	30.04.19 %	31.10.18 ^[a] %
EQUITIES	47,987	8.80	6.45
United Kingdom	4,130	0.76	0.61
UK equities	4,130	0.76	0.61
6,500,004 Lloyds Banking	4,130	0.76	
Europe	13,123	2.41	2.18
European equities	13,123	2.41	2.18
648,860 Bank of Ireland	3,223	0.59	
906,285 CaixaBank	2,205	0.41	
1,374,990 Intesa Sanpaolo	2,777	0.51	
216,112 Sberbank of Russia ADR	2,393	0.44	
236,883 UniCredit	2,525	0.46	
North America	25,854	4.74	4.64
North American equities	25,854	4.74	4.64
28,780 American Express	2,582	0.47	
164,658 Bank of America	3,894	0.71	
72,493 Bank of New York Mellon	2,752	0.51	
85,159 Citigroup	4,649	0.85	
52,701 JP Morgan Chase	4,704	0.86	
90,000 Methanex	3,794	0.70	
93,775 Wells Fargo	3,479	0.64	
Other	4,880	0.89	(0.98)
Other equity futures	4,880	0.89	(0.98)
81 DAX Index Jun 2019	1,223	0.22	
483 EURO STOXX 50 Index Jun 2019	974	0.18	
296 FTSE 100 Index Jun 2019	888	0.17	
149 FTSE MIB Index Jun 2019	930	0.17	
105 Hang Seng Index May 2019	(14)	0.00	
257 Hang Seng China Enterprise Index May 2019	(96)	(0.02)	
174 IBEX 35 Index May 2019	65	0.01	
340 KOSPI 200 Index Jun 2019	500	0.09	
313 MSCI Singapore Index May 2019	68	0.01	
463 MSCI Taiwan Index May 2019	(93)	(0.02)	
28 S&P 500 E-Mini Index Jun 2019	203	0.04	
463 TOPIX Index Jun 2019	232	0.04	
EQUITY PORTFOLIOS	71,320	13.09	12.04
United Kingdom	29,396	5.40	4.57
7,176,137 M&G Recovery Fund Sterling Class 'C' (Accumulation) ^{[b] [c]}	29,396	5.40	
Europe	2,245	0.41	0.32
2,850,882 Lyxor MSCI Greece ETF	2,245	0.41	
Asia Pacific (ex Japan)	7,353	1.35	1.04
609,438 db x-trackers MSCI Indonesia Swap ETF	7,353	1.35	
Other	32,326	5.93	6.11
502,484 iShares Core MSCI World ETF	22,260	4.09	
640,104 iShares MSCI Turkey ETF	7,204	1.32	
1,319,182 M&G Global Dividend Fund ^{[b] [c]}	2,862	0.52	
FIXED INCOME	351,182	64.47	67.64
United Kingdom	70,203	12.88	12.06
UK Government bonds	65,542	12.02	11.33
£35,400,000 UK Treasury 0% 20/05/2019	35,386	6.49	
£30,200,000 UK Treasury 0% 08/07/2019	30,156	5.53	
UK investment grade corporate bonds	4,661	0.86	0.73
\$5,777,000 Anglo American Capital 4.875% 14/05/2025	4,661	0.86	

Portfolio statement (continued)

as at Holding	30.04.19 £'000	30.04.19 %	31.10.18 ^[a] %
Europe	30,592	5.62	4.76
European Government bonds	30,592	5.62	4.76
€36,200,000 Italy (Republic of) 2% 01/02/2028	30,592	5.62	
North America	184,175	33.81	39.41
North American Government bonds	175,073	32.14	37.96
MXN610,000,000 Mexico (United Mexican States) 8% 07/11/2047	23,249	4.27	
\$59,200,000 US Treasury 0% 09/05/2019	45,474	8.35	
\$16,600,000 US Treasury 0% 16/05/2019	12,745	2.34	
\$16,800,000 US Treasury 0% 23/05/2019	12,892	2.37	
\$38,750,000 US Treasury 0% 10/10/2019	29,463	5.41	
\$38,750,000 US Treasury 0% 17/10/2019	29,449	5.40	
\$28,700,000 US Treasury 0% 24/10/2019	21,801	4.00	
North American investment grade corporate bonds	4,611	0.85	0.74
\$5,800,000 Glencore Funding 4.625% 29/04/2024	4,611	0.85	
North American below investment grade corporate bonds	4,491	0.82	0.71
\$6,603,000 Freeport-McMoRan 5.45% 15/03/2043	4,491	0.82	
Global	25,373	4.66	4.68
Global fixed income funds ^{[b] [c]}	25,373	4.66	4.68
2,281,450 M&G Global Convertibles Fund Sterling Class 'A' (Accumulation)	4,592	0.84	
9,136,258 M&G Global High Yield Bond Fund Sterling Class 'X' (Accumulation)	12,333	2.27	
72,210 M&G Total Return Credit Investment Fund Sterling Class 'C' (Accumulation)	8,448	1.55	
Other	40,839	7.50	6.73
Other Government bonds	33,533	6.16	5.56
\$6,842,000 Argentina (Republic of) 6.875% 26/01/2027	3,806	0.70	
BRL34,790,000 Brazil (Federal Republic of) 10% 01/01/2023	7,149	1.31	
ZAR344,000,000 South Africa (Republic of) 8.5% 31/01/2037	16,643	3.06	
\$8,628,000 Turkey (Republic of) 6.125% 24/10/2028	5,935	1.09	
Other investment grade corporate bonds	7,306	1.34	1.17
\$4,320,000 BHP Billiton Finance Var. Rate 2075 6.75% 19/10/2075	3,722	0.68	
\$4,473,000 Rio Tinto Finance 3.75% 15/06/2025	3,584	0.66	
PROPERTY	39,374	7.23	6.65
United Kingdom ^{[b] [c]}	39,374	7.23	6.65
3,436,039 M&G Property Portfolio Sterling Class 'I' (Income)	39,374	7.23	
CURRENCY	(1,510)	(0.28)	0.51
Forward currency contracts	(1,510)	(0.28)	0.51
€(69,653,621) Sold for £60,716,636 (expires 17.05.19)	664	0.12	
¥594,147,349 Bought for £4,124,331 (expires 17.05.19)	(20)	0.00	
KRW9,373,455,992 Bought for \$8,270,429 (expires 21.06.19)	(177)	(0.03)	
CHF(12,431,924) Sold for £9,562,192 (expires 17.05.19)	182	0.03	
TRY105,004,333 Bought for £14,428,112 (expires 17.05.19)	(1,035)	(0.19)	
\$(259,610,762) Sold for £198,256,074 (expires 17.05.19)	(1,124)	(0.21)	
Portfolio of investments	508,353	93.31	93.29

M&G Episode Allocation Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at Holding	30.04.19 £'000	30.04.19 %	31.10.18 ^[a] %
CASH EQUIVALENTS	23,372	4.29	1.40
'AAA' rated money market funds ^[d]	23,372	4.29	1.40
23,372,000 Northern Trust Global Fund - Sterling	23,372	4.29	
Total portfolio	531,725	97.60	94.69
Net other assets / (liabilities)	13,091	2.40	5.31
Net assets attributable to shareholders	544,816	100.00	100.00

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

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

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

^[c] Related parties.

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

Portfolio transactions		
for the six months to 30 April	2019	2018
Portfolio transactions	£'000	£'000
Total purchases	397,989	665,070
Total sales	471,694	400,333

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

M&G Episode Allocation Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

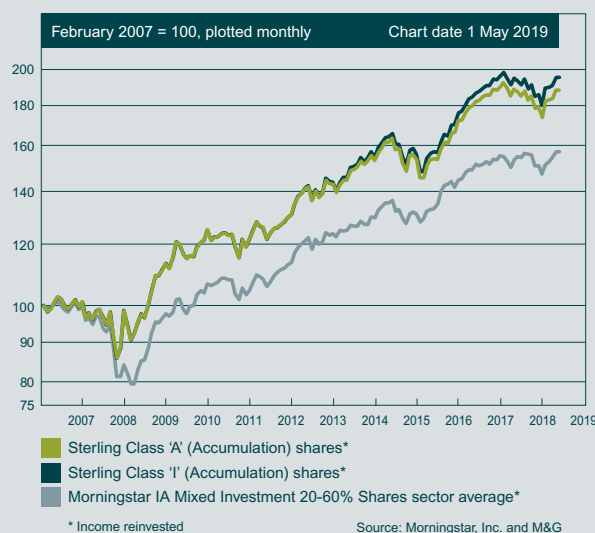
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (4), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	30.04.19 £'000	31.10.18 £'000	31.10.17 £'000
Fund net asset value (NAV)	544,816	609,767	550,233

Performance since launch

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



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

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

Long-term performance by share class

	Six months 01.11.18 % [a]	Three years 03.05.16 % p.a.	Five years 01.05.14 % p.a.	Since launch % p.a.
Sterling [b]				
Class 'A'	+5.5	+7.5	+5.4	+5.3 [c]
Class 'I'	+5.8	+8.2	+6.0	+6.8 [d]
Class 'PP'	n/a	n/a	n/a	+0.3 [e]
Class 'R'	+5.7	+7.9	+5.8	+6.6 [d]
Class 'X'	+5.5	+7.5	+5.4	+5.3 [c]

[a] Absolute basis.

[b] Price to price with income reinvested.

[c] 16 February 2007, the launch date of the fund.

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

[e] 8 April 2019, the launch date of the share class. Not annualised.

M&G Episode Allocation Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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 or by calling M&G Customer Relations.

Portfolio transaction costs

	Six months to 30.04.19	Year to 31.10.18	Year to 31.10.17	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.01	0.01	0.01	0.01
Taxes	0.01	0.01	0.00	0.00
Costs before dilution adjustments	0.02	0.02	0.01	0.01
Dilution adjustments ^[c]	0.01	0.00	0.00	0.00
Total direct portfolio transaction costs	0.03	0.02	0.01	0.01
as at	30.04.19	31.10.18	31.10.17	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.58	0.50	0.43	0.50

^[a] Average of first three columns.

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

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

M&G Episode Allocation Fund

Financial highlights

Specific share class performance

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

Historic yields for the current period are calculated as at 10 May 2019.

Sterling Class 'A' Income share performance

The share class was launched on 16 February 2007.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	136.37	147.87	133.27
Return before operating charges and after direct portfolio transaction costs	8.46	(5.80)	19.99
Operating charges	(1.14)	(2.35)	(2.36)
Return after operating charges	7.32	(8.15)	17.63
Distributions	(1.94)	(3.35)	(3.03)
Closing NAV	141.75	136.37	147.87
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.01
Dilution adjustments ^[a]	(0.01)	0.00	(0.01)
Total direct portfolio transaction costs	0.00	0.03	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.01
Operating charges	1.59	1.61	1.64
Return after operating charges	+5.37	-5.51	+13.23
Historic yield	2.74	2.43	2.05
Effect on yield of charges offset against capital	1.50	1.50	1.50
Other information			
Closing NAV (£'000)	24,414	23,824	26,986
Closing NAV percentage of total fund NAV (%)	4.48	3.90	4.91
Number of shares	17,223,279	17,470,632	18,249,873
Highest share price (UK p)	143.78	152.31	149.09
Lowest share price (UK p)	131.61	136.08	129.90

Sterling Class 'A' Accumulation share performance

The share class was launched on 16 February 2007.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	177.65	188.23	166.10
Return before operating charges and after direct portfolio transaction costs	11.06	(7.56)	25.10
Operating charges	(1.49)	(3.02)	(2.97)
Return after operating charges	9.57	(10.58)	22.13
Distributions	(1.22)	(1.52)	(1.12)
Retained distributions	1.22	1.52	1.12
Closing NAV	187.22	177.65	188.23
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.04	0.01
Dilution adjustments ^[a]	(0.01)	0.00	(0.01)
Total direct portfolio transaction costs	0.00	0.04	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.01
Operating charges	1.59	1.61	1.64
Return after operating charges	+5.39	-5.62	+13.32
Historic yield	1.21	0.85	0.60
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	165,734	152,423	129,924
Closing NAV percentage of total fund NAV (%)	30.42	25.00	23.61
Number of shares	88,521,794	85,800,043	69,023,967
Highest share price (UK p)	188.61	193.87	188.99
Lowest share price (UK p)	171.45	176.14	161.91

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	1,290.75	1,389.12	1,242.59
Return before operating charges and after direct portfolio transaction costs	79.31	(56.99)	184.93
Operating charges	(5.93)	(11.89)	(12.14)
Return after operating charges	73.38	(68.88)	172.79
Distributions	(17.45)	(29.49)	(26.26)
Closing NAV	1,346.68	1,290.75	1,389.12
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.31	0.07
Dilution adjustments ^[a]	(0.06)	(0.03)	(0.05)
Total direct portfolio transaction costs	0.04	0.28	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.01
Operating charges	0.84	0.86	0.89
Return after operating charges	+5.69	-4.96	+13.91
Historic yield	2.58	2.26	1.89
Effect on yield of charges offset against capital	0.75	0.75	0.75
Other information			
Closing NAV (£'000)	37,183	74,319	83,636
Closing NAV percentage of total fund NAV (%)	6.82	12.19	15.20
Number of shares	2,761,084	5,757,820	6,020,748
Highest share price (UK p)	1,365.41	1,432.80	1,400.01
Lowest share price (UK p)	1,246.80	1,287.39	1,211.28

M&G Episode Allocation Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	1,462.83	1,540.63	1,351.36
Return before operating charges and after direct portfolio transaction costs	90.18	(64.55)	202.56
Operating charges	(6.76)	(13.25)	(13.29)
Return after operating charges	83.42	(77.80)	189.27
Distributions	(14.48)	(21.64)	(17.99)
Retained distributions	14.48	21.64	17.99
Closing NAV	1,546.25	1,462.83	1,540.63
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.11	0.35	0.07
Dilution adjustments ^[a]	(0.07)	(0.03)	(0.05)
Total direct portfolio transaction costs	0.04	0.32	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.01
Operating charges	0.84	0.86	0.89
Return after operating charges	+5.70	-5.05	+14.01
Historic yield	1.81	1.47	1.17
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	297,776	340,028	287,826
Closing NAV percentage of total fund NAV (%)	54.66	55.76	52.31
Number of shares	19,257,904	23,244,607	18,682,329
Highest share price (UK p)	1,557.72	1,589.05	1,546.81
Lowest share price (UK p)	1,413.02	1,450.31	1,317.31

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(0.89)	n/a	n/a
Operating charges	(0.14)	n/a	n/a
Return after operating charges	(1.03)	n/a	n/a
Distributions	(0.48)	n/a	n/a
Retained distributions	0.48	n/a	n/a
Closing NAV	98.97	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	n/a	n/a
Dilution adjustments ^[a]	0.00	n/a	n/a
Total direct portfolio transaction costs	0.01	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	n/a	n/a
Operating charges	0.59*	n/a	n/a
Return after operating charges	-1.03	n/a	n/a
Historic yield	1.55	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (£'000)	736	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.13	n/a	n/a
Number of shares	744,041	n/a	n/a
Highest share price (UK p)	100.40	n/a	n/a
Lowest share price (UK p)	99.33	n/a	n/a

* The operating charges shown is an estimate of the charges, as the share class has not been in existence for a full financial year.

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	127.39	137.44	123.25
Return before operating charges and after direct portfolio transaction costs	7.83	(5.56)	18.40
Operating charges	(0.75)	(1.51)	(1.53)
Return after operating charges	7.08	(7.07)	16.87
Distributions	(1.75)	(2.98)	(2.68)
Closing NAV	132.72	127.39	137.44
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.01
Dilution adjustments ^[a]	(0.01)	0.00	0.00
Total direct portfolio transaction costs	0.00	0.03	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.01
Operating charges	1.09	1.11	1.14
Return after operating charges	+5.56	-5.14	+13.69
Historic yield	2.63	2.32	1.94
Effect on yield of charges offset against capital	1.00	1.00	1.00
Other information			
Closing NAV (£'000)	2,548	2,375	2,221
Closing NAV percentage of total fund NAV (%)	0.47	0.39	0.40
Number of shares	1,919,489	1,864,132	1,616,299
Highest share price (UK p)	134.61	141.70	138.54
Lowest share price (UK p)	123.01	127.08	120.14

M&G Episode Allocation 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 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	144.69	152.71	134.21
Return before operating charges and after direct portfolio transaction costs	7.71	(6.33)	20.18
Operating charges	(0.85)	(1.69)	(1.68)
Return after operating charges	6.86	(8.02)	18.50
Distributions	(1.29)	(1.84)	(1.49)
Retained distributions	1.29	1.84	1.49
Closing NAV	151.55	144.69	152.71
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.01
Dilution adjustments ^[a]	(0.01)	0.00	(0.01)
Total direct portfolio transaction costs	0.00	0.03	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.01
Operating charges	1.09	1.11	1.14
Return after operating charges	+4.74	-5.25	+13.78
Historic yield	1.61	1.26	0.98
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	2,678	2,517	1,022
Closing NAV percentage of total fund NAV (%)	0.49	0.41	0.19
Number of shares	1,767,128	1,739,064	669,220
Highest share price (UK p)	153.93	157.42	153.31
Lowest share price (UK p)	139.72	143.46	130.82

Sterling Class 'X' Income share performance

The share class was launched on 16 February 2007.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	136.45	147.96	133.35
Return before operating charges and after direct portfolio transaction costs	8.74	(5.80)	20.01
Operating charges	(1.14)	(2.36)	(2.36)
Return after operating charges	7.60	(8.16)	17.65
Distributions	(1.94)	(3.35)	(3.04)
Closing NAV	142.11	136.45	147.96
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.01
Dilution adjustments ^[a]	(0.01)	0.00	(0.01)
Total direct portfolio transaction costs	0.00	0.03	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.01
Operating charges	1.59	1.61	1.64
Return after operating charges	+5.57	-5.52	+13.24
Historic yield	2.74	2.43	2.05
Effect on yield of charges offset against capital	1.50	1.50	1.50
Other information			
Closing NAV (£'000)	10,384	10,766	14,101
Closing NAV percentage of total fund NAV (%)	1.91	1.77	2.56
Number of shares	7,307,313	7,890,136	9,530,489
Highest share price (UK p)	143.87	152.40	149.18
Lowest share price (UK p)	131.69	136.16	129.98

Sterling Class 'X' Accumulation share performance

The share class was launched on 16 February 2007.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	177.82	188.41	166.24
Return before operating charges and after direct portfolio transaction costs	11.49	(7.57)	25.13
Operating charges	(1.49)	(3.02)	(2.96)
Return after operating charges	10.00	(10.59)	22.17
Distributions	(1.22)	(1.52)	(1.15)
Retained distributions	1.22	1.52	1.15
Closing NAV	187.82	177.82	188.41
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.04	0.01
Dilution adjustments ^[a]	(0.01)	0.00	(0.01)
Total direct portfolio transaction costs	0.00	0.04	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.01
Operating charges	1.59	1.61	1.64
Return after operating charges	+5.62	-5.62	+13.34
Historic yield	1.21	0.85	0.60
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	3,363	3,515	4,517
Closing NAV percentage of total fund NAV (%)	0.62	0.58	0.82
Number of shares	1,790,422	1,976,583	2,397,526
Highest share price (UK p)	188.80	194.06	189.15
Lowest share price (UK p)	171.61	176.32	162.05

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

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

M&G Episode Allocation Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 30 April	2019		2018	
	£'000	£'000	£'000	£'000
Income				
Net capital gains / (losses)		24,833		(2,087)
Revenue	8,329		6,216	
Expenses	(2,781)		(2,919)	
Net revenue / (expense) before taxation	5,548		3,297	
Taxation	(944)		(509)	
Net revenue / (expense) after taxation		4,604		2,788
Total return before distributions		29,437		701
Distributions		(4,999)		(3,367)
Change in net assets attributable to shareholders from investment activities		24,438		(2,666)

Statement of change in net assets attributable to shareholders

for the six months to 30 April	2019		2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		609,767		550,233
Amounts received on issue of shares	25,986		57,792	
Amounts paid on cancellation of shares	(119,660)		(9,656)	
		(93,674)		48,136
Dilution adjustments		352		109
Change in net assets attributable to shareholders from investment activities (see above)		24,438		(2,666)
Retained distributions on Accumulation shares		3,933		2,207
Closing net assets attributable to shareholders		544,816		598,019

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	30 April 2019	31 October 2018
	£'000	£'000
Assets		
Fixed assets		
Investments	510,912	575,481
Current assets		
Debtors	2,971	9,519
Cash and bank balances	17,395	34,397
Cash equivalents	23,372	8,563
Total assets	554,650	627,960
Liabilities		
Investment liabilities	(2,559)	(6,683)
Creditors		
Overdrawn positions at futures clearing houses and collateral manager	(5,315)	(8,681)
Distribution payable	(497)	(682)
Other creditors	(1,463)	(2,147)
Total liabilities	(9,834)	(18,193)
Net assets attributable to shareholders	544,816	609,767

Notes to the financial statements

Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 3.

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.

M&G Episode Growth Fund

Authorised Corporate Director's Report

Investment objective

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

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

Investment policy

The fund is a multi-asset fund that invests across a range of asset classes, including equities, fixed income securities, convertibles, cash and near cash. Exposure to these assets may be gained either directly or indirectly via collective investment schemes or derivatives. The fund may also invest indirectly via collective investment schemes or derivatives in other asset classes such as property and gold.

The currency exposure of the fund will be actively managed, seeking to enhance returns, with a minimum of 25% of the fund exposed to sterling and a minimum of 50% in developed market currencies (including sterling).

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

Investment approach

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

The fund seeks to manage risk by investing globally across multiple asset classes, sectors, currencies and countries. The fund will typically invest 40-85% of its assets in equities and convertibles, 15-50% in fixed income securities and cash, and up to 10% in other assets. These allocations reflect the net exposure of the portfolio.

The fund will typically take investment positions at index or sector level, but it may also take positions in individual shares or bonds. The fund's investment strategy may involve the use of derivatives to take long or short positions.

Risk profile

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

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

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

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

The following table shows the risk number associated with the fund and is based on 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 May 2019, for the six months ended 30 April 2019

Performance against objective

Between 1 November 2018 (the start of the review period) and 1 May 2019, the M&G Episode Growth Fund delivered a positive total return (the combination of income and growth of capital) across all of its share classes*. Over this period, the fund was ahead of its comparative index, which returned 6.0%. The comparative index, made up of two thirds global company shares (as measured by the MSCI ACWI Index) and one third global bonds (as measured by the Bloomberg Barclays Global Aggregate Index), was introduced at the end of August 2018 when the fund's objective and policy were changed.

The fund's returns were also ahead of the average return of its peer group, the IA Mixed Investment 40-85% Sector.

* 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.

M&G Episode Growth Fund

Authorised Corporate Director's Report

Investment review

Investment performance

It was a case of contrasting fortunes for financial markets during the period under review. The last two months of 2018 – November and December – were particularly challenging. Risk assets like global equities (company shares) fell out of favour with investors because of fears of an economic slowdown and tensions surrounding trade tariffs between the US and China. Concerns that US interest rates would continue to rise added to the volatility and put pressure on the price of many assets. In fact, December was notably gloomy for virtually all asset classes, with even US equities – generally robust until now – sold off by investors.

The new year triggered stronger demand for risk assets, however. This led to higher prices in areas such as European and Asian equities and the fund's basket of diversified global equities did well as a result. The main reason for this turnaround in investor sentiment was the easing of expectations that US interest rates would rise in the coming months. The US Federal Reserve cautioned against being too hasty with rate hikes in its January meeting, which set the tone for many other central banks to voice similar 'dovish' statements in the months that followed.

Of the few laggards which detracted from fund performance during the period under review, a small loss was incurred through our allocation to Canadian equities – principally from our holding in methanol producer Methanex. Exposure to Japanese equities also dragged on returns, mostly in December, as doubts about a lack of economic growth and below-par company earnings dampened investor sentiment.

Contributions from the fund's bond positions were positive, particularly emerging market issuers. (Bonds are loans that are extended by an investor to an issuer – such as a company or government – usually in exchange for regular interest payments. Bonds issued by companies are referred to as 'corporate bonds', while those issued by governments are called 'government bonds'.) Mexican and Indonesian government bonds added to fund performance during the period because emerging market debt can typically perform well in an environment of low US interest rates.

Pleasingly, exposure to Italian government bonds (we added these to the fund in May 2018) was an important source of positive return in the period. These bonds have continued to outperform in the face of some challenging conditions for the Italian economy and also the political environment generally.

Investment activities

We were fairly active in making changes to the portfolio in the review period, mainly taking profits on some of our equity holdings following a strong rally in prices. For example, we reduced the exposure to selected banks in January, and a month later, sold the shares we held in a mining company. In April, and in response to gains in UK and Russian stockmarkets, we reduced our positions in these risk assets. The fund remains skewed towards equities, however, with about 74% of assets invested across a range of stockmarkets.

Within bonds, we added a small 'short' position on German bunds, with the view that yields on German government debt were far too low – and therefore prices too high. (Yields refer to the interest received from a fixed income security and are usually expressed annually as a percentage based on the investment's cost, its current market value or its face value. Bond prices move inversely to their yields.) We saw the movement in yields as the outcome of investors' behaviour being broadly inconsistent with the fundamentals of the German economy and Europe overall (that is, still growing). By taking a short position, we are expecting that the price of these bonds will fall in the future.

Outlook

Despite market volatility and heightened pessimism – which has abated in recent months as investors' mood has lightened – we continue to believe that large parts of the global equity universe, particularly Asian and European stockmarkets, are still attractively valued compared to most developed market government bonds. The fact that we concluded the first quarter of 2019 by initiating a short position on German bunds demonstrates the view that negative/low-yielding Western bonds offer little prospect of positive real returns (returns above the inflation rate) in the current environment.

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

Jenny Rodgers & Eric Lonergan

Co-fund managers

Employees 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.

M&G Episode Growth Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at Holding	30.04.19 £'000	30.04.19 %	31.10.18 ^[a] %
EQUITIES	523,273	58.77	80.44
Equity portfolios	300,567	33.75	54.06
United Kingdom ^[b] ^[c]	78,991	8.87	16.10
13,220,596 M&G Recovery Fund Sterling Class 'C' (Accumulation)	54,156	6.08	
6,939,925 M&G Smaller Companies Fund	24,835	2.79	
France	0	0.00	3.00
United States	10,325	1.16	1.14
68,183 Invesco Financials S&P US Select Sector ETF	10,325	1.16	
Luxembourg	0	0.00	1.62
Japan ^[b] ^[c]	34,910	3.92	4.46
32,830,000 M&G Japan Fund	17,377	1.95	
3,696,000 M&G Japan Smaller Companies Fund	17,533	1.97	
Asia pacific ^[b] ^[c]	36,852	4.14	3.85
2,532,690 M&G Asian Fund	36,852	4.14	
South Korea	39,900	4.48	4.52
1,253,432 iShares MSCI Korea ETF	39,900	4.48	
Turkey	15,982	1.79	2.56
1,420,003 iShares MSCI Turkey ETF	15,982	1.79	
China	0	0.00	7.32
Other	83,607	9.39	9.49
388,511 Invesco EURO STOXX Optimised Banks ETF	19,690	2.21	
13,138,935 M&G Global Dividend Fund ^[b] ^[c]	28,510	3.20	
10,027,450 M&G Pan European Select Smaller Companies Fund ^[b] ^[c]	35,407	3.98	
Equities	218,617	24.56	26.67
United Kingdom	13,913	1.57	1.63
18,173,367 Lloyds Banking	11,547	1.30	
3,304,000 VPC Specialty Lending Investments	2,366	0.27	
Ireland	7,811	0.88	1.04
1,572,329 Bank of Ireland	7,811	0.88	
Italy	39,661	4.46	4.18
2,750,211 Banco BPM	5,034	0.57	
9,118,720 Intesa Sanpaolo	18,416	2.07	
1,521,111 UniCredit	16,211	1.82	
Spain	7,879	0.88	1.09
3,728,630 Bankia	7,879	0.88	
United States	103,871	11.66	11.53
10,061 Alphabet	10,017	1.13	
6,637 Amazon.com	9,891	1.11	
50,407 Apple	7,927	0.89	
452,900 Bank of America	10,711	1.20	
263,600 Bank of New York Mellon	10,005	1.12	
195,800 Citigroup	10,690	1.20	
75,002 Facebook	11,229	1.26	
123,600 JP Morgan Chase	11,031	1.24	
300,400 Methanex	12,664	1.42	
261,600 Wells Fargo	9,706	1.09	
Japan	22,840	2.56	3.08
1,287,800 Mitsubishi UFJ Financial	4,888	0.55	
4,708,200 Mizuho Financial	5,640	0.63	
218,200 Sumitomo Mitsui Financial	6,058	0.68	
234,500 Sumitomo Mitsui Trust	6,254	0.70	

Portfolio statement (continued)

as at Holding	30.04.19 £'000	30.04.19 %	31.10.18 ^[a] %
Australia	0	0.00	0.79
Russia	22,642	2.55	3.33
57,909 LUKOIL ADR	3,796	0.43	
56,330 Magnit GDR	602	0.07	
94,543 Mail.Ru GDR	1,697	0.19	
175,668 Mobile TeleSystems ADR	1,056	0.12	
1,135,631 Sberbank of Russia ADR	12,574	1.41	
101,711 Yandex	2,917	0.33	
Equity derivatives	4,089	0.46	(0.29)
Equity index futures	4,089	0.46	(0.29)
50 DAX Index Jun 2019	758	0.08	
294 EURO STOXX 50 Index Jun 2019	593	0.07	
481 FTSE MIB Index Jun 2019	3,002	0.34	
1,153 HSCEI Index Jun 2019	(430)	(0.05)	
208 IBEX 35 Index May 2019	77	0.01	
177 TOPIX Index Jun 2019	89	0.01	
FIXED INCOME	340,604	38.26	14.03
Bond portfolios	10,225	1.15	1.13
Other ^[c]	10,225	1.15	1.13
1,226,000 M&G (Lux) Emerging Markets Hard Currency Bond Fund Euro Class 'CI' (Accumulation)	10,225	1.15	
Government bonds	329,806	37.05	12.90
United Kingdom	213,134	23.94	0.00
28,785,000 UK Treasury 0% (20 May)	28,773	3.23	
30,178,000 UK Treasury 0% (17 Jun)	30,126	3.38	
35,500,000 UK Treasury 0% (08 Jul)	35,448	3.98	
35,600,000 UK Treasury 0% (05 Aug)	35,527	3.99	
29,270,000 UK Treasury 0% (07 Oct)	29,169	3.28	
54,287,000 UK Treasury 0% (14 Oct)	54,091	6.08	
Italy	45,667	5.13	5.00
52,488,000 Italy (Republic of) 3.45% 01/03/2048	45,667	5.13	
Mexico	37,626	4.23	4.13
929,290,600 Mexico (United Mexican States) 8% 07/12/2023	37,626	4.23	
Indonesia	19,208	2.16	2.03
359,143,000,000 Indonesia (Republic of) 8.25% 15/05/2036	19,208	2.16	
Turkey	14,171	1.59	1.74
128,044,727 Turkey (Republic of) 9.4% 08/07/2020	14,171	1.59	
Debt derivatives	573	0.06	0.00
Interest rate futures	573	0.06	0.00
(210) EURO BUXL 30 Years Bond Futures Jun 2019	573	0.06	
CURRENCY	1,818	0.20	(0.47)
Forward currency contracts	1,818	0.20	(0.47)
AUD(15,266,617) Sold for £8,339,720 (expires 17.05.19)	67	0.02	
AUD(5,976,603) Sold for £3,256,566 (expires 12.07.19)	23	0.00	
CAD(2,805,913) Sold for £1,605,895 (expires 12.07.19)	5	0.00	
€23,742,891 Bought for £20,466,719 (expires 17.05.19)	3	0.00	
€(70,682,897) Sold for £61,484,645 (expires 17.05.19)	545	0.06	
€(47,900,698) Sold for £41,430,479 (expires 12.07.19)	53	0.01	
HKD12,847,034 Bought for \$1,646,675 (expires 13.03.20)	(1)	0.00	

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Investments

Portfolio statement (continued)			
as at Holding	30.04.19 £'000	30.04.19 %	31.10.18 ^[a] %
Forward currency contracts (continued)			
¥(2,173,412,133) Sold for £15,086,948 (expires 17.05.19)	75	0.01	
¥(1,761,516,524) Sold for £12,137,934 (expires 12.07.19)	(49)	(0.01)	
RUB1,045,845,272 Bought for \$16,014,797 (expires 12.07.19)	50	0.01	
SGD(13,927,750) Sold for £7,891,805 (expires 17.05.19)	29	0.00	
SGD(2,210,087) Sold for £1,245,287 (expires 12.07.19)	0	0.00	
CHF(2,923,229) Sold for £2,242,039 (expires 12.07.19)	31	0.00	
\$61,728,521 Bought for KRW69,550,644,817 (expires 17.05.19)	1,656	0.19	
\$27,357,790 Bought for KRW30,998,291,656 (expires 12.07.19)	574	0.06	
\$26,150,020 Bought for £19,977,106 (expires 17.05.19)	106	0.01	
\$51,714,223 Bought for HKD403,029,005 (expires 13.03.20)	61	0.01	
\$8,249,948 Bought for TWD254,057,156 (expires 17.05.19)	16	0.00	
\$6,835,356 Bought for TWD210,071,009 (expires 12.07.19)	4	0.00	
\$19,969,775 Bought for CNY134,795,984 (expires 13.03.20)	(1)	0.00	
\$2,782,850 Bought for PHP146,252,704 (expires 12.07.19)	(6)	0.00	
\$4,838,629 Bought for PHP255,467,496 (expires 17.05.19)	(45)	(0.01)	
\$3,065,565 Bought for RUB207,040,574 (expires 17.05.19)	(109)	(0.01)	
\$17,151,402 Bought for RUB1,128,139,286 (expires 12.07.19)	(148)	(0.02)	
\$(47,425,802) Sold for £36,083,809 (expires 12.07.19)	(233)	(0.03)	
\$(239,435,575) Sold for £182,997,515 (expires 17.05.19)	(888)	(0.10)	
Portfolio of investments	865,695	97.23	94.00
CASH EQUIVALENTS	0	0.00	3.77
'AAA' rated money market funds ^[d]	0	0.00	3.77
Total portfolio	865,695	97.23	97.77
Net other assets / (liabilities)	24,704	2.77	2.23
Net assets attributable to shareholders	890,399	100.00	100.00

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

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

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

^[c] Related parties.

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

Portfolio transactions

for the six months to 30 April	2019 £'000	2018 £'000
Portfolio transactions		
Total purchases	417,005	142,948
Total sales	398,351	131,217

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

M&G Episode Growth 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.

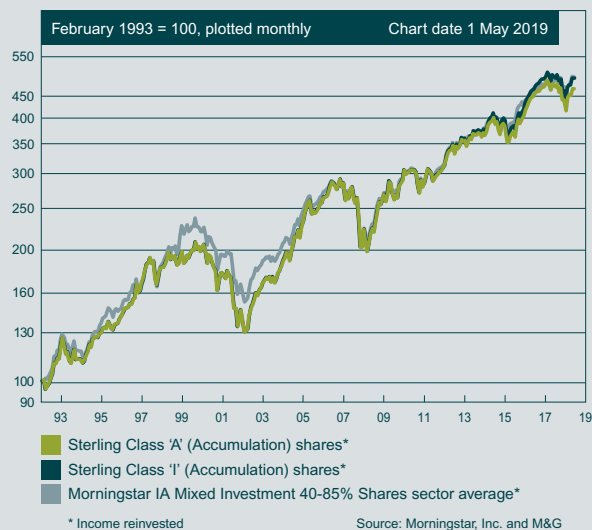
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (4), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	30.04.19 £'000	31.10.18 £'000	31.10.17 £'000
Fund net asset value (NAV)	890,399	854,877	969,437

Performance since launch

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



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

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 01.11.18 % [a]	Three years 03.05.16 % p.a.	Five years 01.05.14 % p.a.	Since launch % p.a.
Sterling [b]				
Class 'A'	+6.5	+8.9	+5.5	+7.9 [c]
Class 'C'	+7.2	+10.2	+6.9	+7.4 [d]
Class 'I'	+6.9	+9.7	+6.3	+7.9 [e]
Class 'PP'	n/a	n/a	n/a	+0.7 [f]
Class 'R'	+6.8	+9.5	+6.1	+7.7 [e]
Class 'X'	+6.5	+8.9	+5.5	+6.3 [g]

[a] Absolute basis.

[b] Price to price with income reinvested.

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

[d] 16 June 2011, the launch date of the share class.

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

[f] 8 April 2019, the launch date of the share class. Not annualised.

[g] 26 February 1993, the end of the initial offer period of the predecessor unit trust.

M&G Episode Growth 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.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated.

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

	Six months to 30.04.19	Year to 31.10.18	Year to 31.10.17	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.02	0.02	0.05	0.03
Taxes	0.00	0.01	0.01	0.01
Costs before dilution adjustments	0.02	0.03	0.06	0.04
Dilution adjustments ^[c]	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.03	0.06	0.04
as at	30.04.19	31.10.18	31.10.17	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.08	0.12	0.11	0.10

^[a] Average of first three columns.

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

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

M&G Episode Growth 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 May 2019.

Sterling Class 'A' Income share performance

The share class was launched on 1 October 2002.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	54.77	60.73	52.64
Return before operating charges and after direct portfolio transaction costs	4.38	(3.28)	10.56
Operating charges	(0.50)	(1.08)	(1.04)
Return after operating charges	3.88	(4.36)	9.52
Distributions	(0.71)	(1.60)	(1.43)
Closing NAV	57.94	54.77	60.73
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.03
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.02	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.06
Operating charges	1.73	1.81	1.79
Return after operating charges	+7.08	-7.18	+18.09
Historic yield	3.03	2.88	2.37
Effect on yield of charges offset against capital	1.66	1.66	1.66

Other information

	30.04.19	31.10.18	31.10.17
Closing NAV (£'000)	219,990	210,542	250,154
Closing NAV percentage of total fund NAV (%)	24.71	24.63	25.80
Number of shares	379,654,065	384,401,684	411,892,011
Highest share price (UK p)	58.75	63.38	61.16
Lowest share price (UK p)	51.33	54.32	51.29

Sterling Class 'A' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	78.63	84.86	71.79
Return before operating charges and after direct portfolio transaction costs	6.32	(4.71)	14.49
Operating charges	(0.72)	(1.52)	(1.42)
Return after operating charges	5.60	(6.23)	13.07
Distributions	(0.39)	(0.87)	(0.67)
Retained distributions	0.39	0.87	0.67
Closing NAV	84.23	78.63	84.86
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.05
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.02	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.06
Operating charges	1.73	1.81	1.79
Return after operating charges	+7.12	-7.34	+18.21
Historic yield	1.33	1.10	0.79
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (£'000)	54,565	42,404	44,001
Closing NAV percentage of total fund NAV (%)	6.13	4.96	4.54
Number of shares	64,780,672	53,929,963	51,849,542
Highest share price (UK p)	84.84	88.57	84.86
Lowest share price (UK p)	73.69	77.23	69.95

Sterling Class 'C' Income share performance

Sterling Class 'C' shares are not generally available to all investors.

The share class was launched on 16 June 2011.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	60.88	66.53	56.83
Return before operating charges and after direct portfolio transaction costs	4.82	(3.82)	11.30
Operating charges	(0.09)	(0.19)	(0.18)
Return after operating charges	4.73	(4.01)	11.12
Distributions	(0.73)	(1.64)	(1.42)
Closing NAV	64.88	60.88	66.53
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.04
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.02	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.06
Operating charges	0.23	0.31	0.29
Return after operating charges	+7.77	-6.03	+19.57
Historic yield	2.81	2.66	2.19
Effect on yield of charges offset against capital	0.16	0.16	0.16
Other information			
Closing NAV (£'000)	13,936	13,280	13,963
Closing NAV percentage of total fund NAV (%)	1.56	1.55	1.44
Number of shares	21,481,360	21,812,609	20,987,238
Highest share price (UK p)	65.71	69.67	66.98
Lowest share price (UK p)	57.16	60.34	55.39

M&G Episode Growth Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	1,354.67	1,489.59	1,280.30
Return before operating charges and after direct portfolio transaction costs	107.72	(82.81)	256.04
Operating charges	(6.52)	(13.96)	(13.32)
Return after operating charges	101.20	(96.77)	242.72
Distributions	(16.82)	(38.15)	(33.43)
Closing NAV	1,439.05	1,354.67	1,489.59
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.16	0.43	0.83
Dilution adjustments ^[a]	0.00	(0.07)	(0.05)
Total direct portfolio transaction costs	0.16	0.36	0.78
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.06
Operating charges	0.88	0.96	0.94
Return after operating charges	+7.47	-6.50	+18.96
Historic yield	2.93	2.77	2.29
Effect on yield of charges offset against capital	0.81	0.81	0.81
Other information			
Closing NAV (£'000)	44,137	43,569	49,315
Closing NAV percentage of total fund NAV (%)	4.96	5.10	5.09
Number of shares	3,066,983	3,216,203	3,310,621
Highest share price (UK p)	1,458.22	1,557.87	1,500.06
Lowest share price (UK p)	1,270.91	1,342.96	1,247.75

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	1,552.94	1,663.67	1,397.43
Return before operating charges and after direct portfolio transaction costs	123.92	(95.04)	280.93
Operating charges	(7.49)	(15.69)	(14.69)
Return after operating charges	116.43	(110.73)	266.24
Distributions	(13.61)	(30.44)	(25.08)
Retained distributions	13.61	30.44	25.08
Closing NAV	1,669.37	1,552.94	1,663.67
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.19	0.48	0.92
Dilution adjustments ^[a]	0.00	(0.08)	(0.05)
Total direct portfolio transaction costs	0.19	0.40	0.87
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.06
Operating charges	0.88	0.96	0.94
Return after operating charges	+7.50	-6.66	+19.05
Historic yield	2.13	1.94	1.56
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (£'000)	52,221	55,169	46,664
Closing NAV percentage of total fund NAV (%)	5.86	6.45	4.81
Number of shares	3,128,184	3,552,534	2,804,861
Highest share price (UK p)	1,681.14	1,739.91	1,664.34
Lowest share price (UK p)	1,456.95	1,525.23	1,361.88

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	0.87	n/a	n/a
Operating charges	(0.13)	n/a	n/a
Return after operating charges	0.74	n/a	n/a
Distributions	(0.46)	n/a	n/a
Retained distributions	0.46	n/a	n/a
Closing NAV	100.74	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	n/a	n/a
Dilution adjustments ^[a]	0.00	n/a	n/a
Total direct portfolio transaction costs	0.02	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	n/a	n/a
Operating charges	0.63*	n/a	n/a
Return after operating charges	+0.74	n/a	n/a
Historic yield	1.87	n/a	n/a
Effect on yield of charges offset against capital	0.01	n/a	n/a
Other information			
Closing NAV (£'000)	384	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.04	n/a	n/a
Number of shares	380,937	n/a	n/a
Highest share price (UK p)	101.43	n/a	n/a
Lowest share price (UK p)	99.87	n/a	n/a

* The operating charges shown is an estimate of the charges, as the share class has not been in existence for a full financial year.

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	133.98	147.62	127.13
Return before operating charges and after direct portfolio transaction costs	10.68	(8.16)	25.42
Operating charges	(0.78)	(1.67)	(1.60)
Return after operating charges	9.90	(9.83)	23.82
Distributions	(1.69)	(3.81)	(3.33)
Closing NAV	142.19	133.98	147.62
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.04	0.08
Dilution adjustments ^[a]	0.00	(0.01)	0.00
Total direct portfolio transaction costs	0.02	0.03	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.06
Operating charges	1.08	1.16	1.14
Return after operating charges	+7.38	-6.66	+18.74
Historic yield	2.97	2.81	2.35
Effect on yield of charges offset against capital	1.01	1.01	1.01
Other information			
Closing NAV (£'000)	7,370	6,518	2,711
Closing NAV percentage of total fund NAV (%)	0.83	0.76	0.28
Number of shares	5,183,714	4,864,877	1,836,597
Highest share price (UK p)	144.10	154.31	148.67
Lowest share price (UK p)	125.67	132.84	123.90

M&G Episode Growth 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 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	153.65	164.82	138.71
Return before operating charges and after direct portfolio transaction costs	12.29	(9.29)	27.91
Operating charges	(0.90)	(1.88)	(1.80)
Return after operating charges	11.39	(11.17)	26.11
Distributions	(1.22)	(2.72)	(2.15)
Retained distributions	1.22	2.72	2.15
Closing NAV	165.04	153.65	164.82
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.05	0.09
Dilution adjustments ^[a]	0.00	(0.01)	(0.01)
Total direct portfolio transaction costs	0.02	0.04	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.06
Operating charges	1.08	1.16	1.14
Return after operating charges	+7.41	-6.78	+18.82
Historic yield	1.96	1.73	1.39
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (£'000)	36,482	33,030	9,144
Closing NAV percentage of total fund NAV (%)	4.10	3.87	0.94
Number of shares	22,105,602	21,497,305	5,547,674
Highest share price (UK p)	166.21	172.35	164.96
Lowest share price (UK p)	144.12	150.91	135.18

Sterling Class 'X' Income share performance

The share class was launched on 26 February 1993.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	54.61	60.55	52.48
Return before operating charges and after direct portfolio transaction costs	4.37	(3.27)	10.53
Operating charges	(0.50)	(1.08)	(1.03)
Return after operating charges	3.87	(4.35)	9.50
Distributions	(0.71)	(1.59)	(1.43)
Closing NAV	57.77	54.61	60.55
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.03
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.02	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.06
Operating charges	1.73	1.81	1.79
Return after operating charges	+7.09	-7.18	+18.10
Historic yield	3.03	2.88	2.37
Effect on yield of charges offset against capital	1.66	1.66	1.66
Other information			
Closing NAV (£'000)	461,314	450,365	553,485
Closing NAV percentage of total fund NAV (%)	51.81	52.68	57.10
Number of shares	798,497,186	824,721,229	914,086,787
Highest share price (UK p)	58.57	63.19	60.98
Lowest share price (UK p)	51.18	54.16	51.14

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

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

M&G Episode Growth Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 30 April	2019		2018	
	£'000	£'000	£'000	£'000
Income				
Net capital gains / (losses)		55,254		14,571
Revenue	11,509		10,136	
Expenses	(6,446)		(7,397)	
Net revenue / (expense) before taxation	5,063		2,739	
Taxation	(348)		(188)	
Net revenue / (expense) after taxation		4,715		2,551
Total return before distributions		59,969		17,122
Distributions		(10,192)		(9,034)
Change in net assets attributable to shareholders from investment activities		49,777		8,088

Statement of change in net assets attributable to shareholders

for the six months to 30 April	2019		2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		854,877		969,437
Amounts received on issue of shares	38,743		58,574	
Amounts paid on cancellation of shares	(53,949)		(65,057)	
		(15,206)		(6,483)
Dilution adjustments		4		38
Change in net assets attributable to shareholders from investment activities (see above)		49,777		8,088
Retained distributions on Accumulation shares		936		571
Unclaimed distributions		11		3
Closing net assets attributable to shareholders		890,399		971,654

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	30 April 2019	31 October 2018
	£'000	£'000
Assets		
Fixed assets		
Investments	867,605	814,221
Current assets		
Debtors	6,475	3,836
Cash and bank balances	35,002	26,721
Cash equivalents	0	32,251
Total assets	909,082	877,029
Liabilities		
Investment liabilities	(1,910)	(10,677)
Creditors		
Overdrawn positions at futures clearing houses and collateral manager	(9,728)	(2,783)
Distribution payable	(4,858)	(6,974)
Other creditors	(2,187)	(1,718)
Total liabilities	(18,683)	(22,152)
Net assets attributable to shareholders	890,399	854,877

Notes to the financial statements

Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 3.

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.

M&G Managed Growth Fund

Authorised Corporate Director's Report

Investment objective

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

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

Investment policy

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

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

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

Investment approach

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

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

Risk profile

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

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

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



The above number:

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

Investment review

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

Performance against objective

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

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

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

M&G Managed Growth Fund

Authorised Corporate Director's Report

Investment review

Investment performance

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

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

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

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

Investment activities

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

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

Outlook

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

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

David Fishwick

Fund manager

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

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

M&G Managed Growth Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at Holding	30.04.19 £'000	30.04.19 %	31.10.18 [a] %
EQUITY PORTFOLIOS			
United Kingdom [b] [c]			
61,666,771 M&G Episode Macro Fund Sterling 'SH' (Accumulation)	85,698	10.62	
7,617,393 M&G Positive Impact Fund	8,312	1.03	
28,231,285 M&G Recovery Fund Sterling Class 'C' (Income)	40,583	5.03	
United States			
552,838 Invesco Financials S&P US Select Sector ETF	83,713	10.38	
1,315,592 M&G North American Dividend Fund [b] [c]	28,306	3.51	
58,080,773 M&G North American Value Fund [b] [c]	77,613	9.62	
Japan [b] [c]			
131,616,278 M&G Japan Fund	69,665	8.63	9.95
Asia pacific [b] [c]			
3,494,712 M&G Asian Fund	50,850	6.30	5.81
Other [b] [c]			
1,993,791 M&G (Lux) Global Target Return Fund Euro Class 'CI' (Accumulation)	17,334	2.15	
2,736,737 M&G (Lux) Pan European Dividend Fund Euro 'CI' (Accumulation)	43,448	5.39	
4,761,281 M&G (Lux) Pan European Select Fund Euro Class 'A' (Accumulation)	86,080	10.67	
864,441 M&G (Lux) Sustainable Allocation Fund Euro 'CI' (Accumulation)	7,808	0.97	
25,836,530 M&G Global Emerging Markets Fund	69,237	8.58	
2,280,285 M&G Global Recovery Fund Euro Class 'C' (Accumulation)	22,865	2.83	
17,691,758 M&G Global Select Fund	74,914	9.29	
4,256,997 M&G Global Themes Fund	39,333	4.87	
CURRENCY			
Forward currency contracts			
AUD(12,014,327) Sold for £6,563,086 (expires 17.05.19)	52	0.01	
DKK(183,505,867) Sold for £21,442,659 (expires 16.05.19)	246	0.03	
€(38,229,297) Sold for £33,324,245 (expires 17.05.19)	365	0.05	
€(33,167,239) Sold for £28,675,267 (expires 12.07.19)	25	0.00	
¥(2,894,424,592) Sold for £20,091,925 (expires 17.05.19)	100	0.01	
¥(2,100,095,984) Sold for £14,470,956 (expires 12.07.19)	(58)	(0.01)	
CHF(11,540,220) Sold for £8,876,325 (expires 17.05.19)	169	0.02	
CHF(6,568,871) Sold for £5,038,150 (expires 12.07.19)	69	0.01	
THB64,470,135 Bought for \$2,064,366 (expires 17.05.19)	(34)	0.00	
\$12,842,015 Bought for TWD395,469,854 (expires 17.05.19)	24	0.00	
\$2,343,257 Bought for TWD72,015,305 (expires 12.07.19)	1	0.00	
\$(27,276,227) Sold for £20,850,197 (expires 17.05.19)	(98)	(0.01)	
\$(83,234,579) Sold for £63,330,104 (expires 12.07.19)	(407)	(0.05)	
Portfolio of investments	806,213	99.93	100.04

Portfolio statement (continued)

as at Holding	30.04.19 £'000	30.04.19 %	31.10.18 [a] %
Portfolio of investments	806,213	99.93	100.04
Net other assets / (liabilities)	567	0.07	(0.04)
Net assets attributable to shareholders	806,780	100.00	100.00

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

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

[c] Related parties.

Top portfolio transactions

for the six months to 30 April 2019

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

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

M&G Managed Growth 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 (4), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	30.04.19 £'000	31.10.18 £'000	31.10.17 £'000
Fund net asset value (NAV)	806,780	782,891	968,434

Performance since launch

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



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

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 01.11.18 % [a]	Three years 03.05.16 % p.a.	Five years 01.05.14 % p.a.	Since launch % p.a.
Sterling [b]				
Class 'A'	+4.8	+14.6	+9.0	+9.9 [c]
Class 'C'	+5.4	+15.6	+10.1	+16.9 [d]
Class 'I'	+5.1	+15.0	+9.5	+8.5 [e]
Class 'PP'	n/a	n/a	n/a	+0.7 [f]
Class 'R'	+5.0	+14.7	+9.2	+8.3 [e]
Class 'X'	+5.0	+14.7	+9.2	+8.3 [g]

[a] Absolute basis.

[b] Price to price with income reinvested.

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

[d] 21 June 2012, the launch date of the share class.

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

[f] 8 April 2019, the launch date of the share class. Not annualised.

[g] 28 October 1994, the end of the initial offer period of the predecessor unit trust.

M&G Managed Growth 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.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated.

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

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

^[a] Average of first three columns.

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

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

M&G Managed Growth 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 May 2019.

Sterling Class 'A' Income share performance

The share class was launched on 1 October 2002.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	104.63	110.72	96.01
Return before operating charges and after direct portfolio transaction costs	6.29	(1.86)	18.61
Operating charges	(0.92)	(1.89)	(1.80)
Return after operating charges	5.37	(3.75)	16.81
Distributions	(0.61)	(2.34)	(2.10)
Closing NAV	109.39	104.63	110.72
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.70	1.70	1.72
Return after operating charges	+5.13	-3.39	+17.51
Historic yield	2.14	2.20	1.90
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (£'000)	62,772	59,530	72,236
Closing NAV percentage of total fund NAV (%)	7.78	7.60	7.46
Number of shares	57,383,888	56,897,945	65,240,872
Highest share price (UK p)	110.11	116.92	112.49
Lowest share price (UK p)	96.39	104.33	92.44

Sterling Class 'A' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	118.70	122.60	103.98
Return before operating charges and after direct portfolio transaction costs	7.24	(1.80)	20.57
Operating charges	(1.04)	(2.10)	(1.95)
Return after operating charges	6.20	(3.90)	18.62
Distributions	0.00	(0.86)	(0.76)
Retained distributions	0.00	0.86	0.76
Closing NAV	124.90	118.70	122.60
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.70	1.70	1.72
Return after operating charges	+5.22	-3.18	+17.91
Historic yield	0.71	0.71	0.62
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	32,204	31,990	36,002
Closing NAV percentage of total fund NAV (%)	3.99	4.09	3.72
Number of shares	25,783,100	26,951,068	29,364,496
Highest share price (UK p)	125.03	129.56	122.75
Lowest share price (UK p)	109.38	116.50	100.12

Sterling Class 'C' Income share performance

Sterling Class 'C' shares are not generally available to all investors.

The share class was launched on 21 June 2012.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	107.60	112.35	96.15
Return before operating charges and after direct portfolio transaction costs	6.34	(2.30)	18.40
Operating charges	(0.14)	(0.22)	(0.23)
Return after operating charges	6.20	(2.52)	18.17
Distributions	(0.55)	(2.23)	(1.97)
Closing NAV	113.25	107.60	112.35
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.20	0.20	0.22
Return after operating charges	+5.76	-2.24	+18.90
Historic yield	1.98	2.04	1.76
Effect on yield of charges offset against capital	0.15	0.15	0.15
Other information			
Closing NAV (£'000)	135,003	132,094	241,667
Closing NAV percentage of total fund NAV (%)	16.73	16.87	24.96
Number of shares	119,204,111	122,761,058	215,092,523
Highest share price (UK p)	113.92	118.99	114.05
Lowest share price (UK p)	99.31	107.20	92.58

M&G Managed Growth Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	1,507.01	1,583.06	1,362.86
Return before operating charges and after direct portfolio transaction costs	89.80	(29.73)	262.44
Operating charges	(7.64)	(15.07)	(14.38)
Return after operating charges	82.16	(44.80)	248.06
Distributions	(7.75)	(31.25)	(27.86)
Closing NAV	1,581.42	1,507.01	1,583.06
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.04
Dilution adjustments ^[a]	0.00	(0.01)	(0.01)
Total direct portfolio transaction costs	0.00	0.00	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.95	0.95	0.97
Return after operating charges	+5.45	-2.83	+18.20
Historic yield	1.99	2.04	1.76
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (£'000)	51,369	49,208	54,435
Closing NAV percentage of total fund NAV (%)	6.37	6.29	5.62
Number of shares	3,248,282	3,265,239	3,438,572
Highest share price (UK p)	1,590.81	1,674.05	1,607.04
Lowest share price (UK p)	1,389.63	1,501.46	1,312.22

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

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

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	0.92	n/a	n/a
Operating charges	(0.13)	n/a	n/a
Return after operating charges	0.79	n/a	n/a
Distributions	(0.13)	n/a	n/a
Retained distributions	0.13	n/a	n/a
Closing NAV	100.79	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	n/a	n/a
Dilution adjustments ^[a]	0.00	n/a	n/a
Total direct portfolio transaction costs	0.00	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	n/a	n/a
Operating charges	0.79*	n/a	n/a
Return after operating charges	+0.79	n/a	n/a
Historic yield	0.99	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (£'000)	71	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.01	n/a	n/a
Number of shares	70,921	n/a	n/a
Highest share price (UK p)	100.89	n/a	n/a
Lowest share price (UK p)	99.52	n/a	n/a

* The operating charges shown is an estimate of the charges, as the share class has not been in existence for a full financial year.

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	150.06	158.00	136.32
Return before operating charges and after direct portfolio transaction costs	8.97	(2.87)	26.32
Operating charges	(0.95)	(1.90)	(1.82)
Return after operating charges	8.02	(4.77)	24.50
Distributions	(0.81)	(3.17)	(2.82)
Closing NAV	157.27	150.06	158.00
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.20	1.20	1.22
Return after operating charges	+5.34	-3.02	+17.97
Historic yield	2.03	2.08	1.78
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (£'000)	4,146	3,870	1,765
Closing NAV percentage of total fund NAV (%)	0.51	0.49	0.18
Number of shares	2,636,148	2,579,278	1,117,196
Highest share price (UK p)	158.24	166.99	160.41
Lowest share price (UK p)	138.33	149.54	131.25

M&G Managed Growth 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 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	162.35	167.44	141.89
Return before operating charges and after direct portfolio transaction costs	9.69	(3.07)	27.38
Operating charges	(1.02)	(2.02)	(1.83)
Return after operating charges	8.67	(5.09)	25.55
Distributions	0.00	(1.50)	(1.22)
Retained distributions	0.00	1.50	1.22
Closing NAV	171.02	162.35	167.44
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.20	1.20	1.22
Return after operating charges	+5.34	-3.04	+18.01
Historic yield	0.89	0.91	0.73
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	37,135	33,609	7,771
Closing NAV percentage of total fund NAV (%)	4.60	4.29	0.80
Number of shares	21,713,771	20,702,347	4,641,147
Highest share price (UK p)	171.20	176.98	167.64
Lowest share price (UK p)	149.65	159.34	136.62

Sterling Class 'X' Income share performance

The share class was launched on 28 October 1994.

	Six months to 30.04.19 UK p	Year to 31.10.18 UK p	Year to 31.10.17 UK p
Change in NAV per share			
Opening NAV	104.22	110.29	95.63
Return before operating charges and after direct portfolio transaction costs	6.28	(1.83)	18.58
Operating charges	(0.92)	(1.88)	(1.79)
Return after operating charges	5.36	(3.71)	16.79
Distributions	(0.62)	(2.36)	(2.13)
Closing NAV	108.96	104.22	110.29
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.70	1.70	1.72
Return after operating charges	+5.14	-3.36	+17.56
Historic yield	2.16	2.23	1.93
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (£'000)	410,107	403,172	484,209
Closing NAV percentage of total fund NAV (%)	50.84	51.50	50.00
Number of shares	376,375,648	386,864,680	439,039,995
Highest share price (UK p)	109.69	116.47	112.07
Lowest share price (UK p)	96.02	103.93	92.07

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

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

M&G Managed Growth Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 30 April	2019		2018	
	£'000	£'000	£'000	£'000
Income				
Net capital gains / (losses)		41,977		7,660
Revenue	4,470		5,605	
Expenses	(4,892)		(5,598)	
Net revenue / (expense) before taxation	(422)		7	
Taxation	0		0	
Net revenue / (expense) after taxation		(422)		7
Total return before distributions		41,555		7,667
Distributions		(3,758)		(4,965)
Change in net assets attributable to shareholders from investment activities		37,797		2,702

Statement of change in net assets attributable to shareholders

for the six months to 30 April	2019		2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		782,891		968,434
Amounts received on issue of shares	20,393		47,580	
Amounts paid on cancellation of shares	(34,394)		(166,472)	
		(14,001)		(118,892)
Dilution adjustments		7		15
Change in net assets attributable to shareholders from investment activities (see above)		37,797		2,702
Retained distributions on Accumulation shares		84		94
Unclaimed distributions		2		2
Closing net assets attributable to shareholders		806,780		852,355

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	30 April 2019	31 October 2018
	£'000	£'000
Assets		
Fixed assets		
Investments	806,810	787,153
Current assets		
Debtors	774	465
Cash and bank balances	4,571	10,574
Total assets	812,155	798,192
Liabilities		
Investment liabilities	(597)	(3,923)
Creditors		
Distribution payable	(3,609)	(10,228)
Other creditors	(1,169)	(1,150)
Total liabilities	(5,375)	(15,301)
Net assets attributable to shareholders	806,780	782,891

Notes to the financial statements

Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 3.

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.

M&G Managed Growth Fund

Financial statements and notes

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M&G Sustainable Multi Asset Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to provide a total return (the combination of capital growth and income) of 4 to 8% per annum over any five-year period, net of the ongoing charges figure. The fund aims to provide this return while considering environmental, social and governance (ESG) factors.

There is no guarantee that the fund will achieve a positive return over five years or any other period and investors may not get back the original amount they invested.

Investment policy

The fund is a multi-asset fund that invests across a range of asset classes, including equities, fixed income securities, convertibles, cash and near cash. Exposure to these assets may be gained either directly or indirectly, via collective investment schemes or derivatives. The fund may also invest indirectly in other asset classes such as property and gold.

The fund invests in assets that meet the fund manager's ESG criteria or that have a positive societal impact, through addressing the world's major social and environmental challenges. Between 10% and 30% of the portfolio is invested in positive impact assets. All selected securities meet the fund manager's assessment of ESG or impact criteria through the use of third party ESG information and/or proprietary analysis.

In addition, the fund aims to exclude securities issued by:

- Companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour rights, the environment and anti-corruption; and
- Companies involved in the production of tobacco, alcohol, adult entertainment, controversial weapons, thermal coal, or the provision of gambling services.

Indirect investments are not subject to the same ESG restrictions as securities held directly. The fund manager will assess the suitability of such investments relative to the fund's investment objective. If a derivative does not satisfy the fund's ESG requirements, the fund may only invest via the instrument to take advantage of short-term market movements.

The currency exposure of the fund will be actively managed, seeking to enhance returns, with a minimum of 70% of the fund exposed to sterling.

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

Investment approach

The fund's approach to sustainable investment is through flexible asset allocation, whilst investing in securities issued by companies or governments that uphold high standards of environmental, social and governance behaviour. In addition, the fund maintains a core holding of assets that have a positive societal impact through addressing the world's major social and environmental challenges.

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

The fund seeks to manage risk by investing globally across multiple asset classes, sectors, currencies and countries. The fund will typically invest 20-60% of its assets in equities and convertibles, 20-80% in fixed income securities or cash, and up to 20% in other assets. These allocations reflect the net exposure of the portfolio. The fund's annualised volatility is expected to be between 4% and 7%, over any five-year period.

Risk profile

The fund invests globally in a broad range of assets, whilst considering environmental, social and governance (ESG) factors. The fund's investments can include company shares (equities), fixed income securities (bonds), currencies and other assets such as property shares and convertible bonds. The fund is, therefore, subject to the price volatility of global financial and currency markets.

The fund's approach to investment is through flexible asset allocation, implemented by investing in securities of companies or governments that uphold high standards of ESG or positive impact behaviour. The fund allocates capital between different types of assets in response to changes in economic conditions and the valuation of assets. The manager will seek to build a highly diversified portfolio wherever possible.

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

The following table shows the risk number associated with the fund and is based on 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.

M&G Sustainable Multi Asset Fund

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Investment review

For the period from 14 February 2019 to 1 May 2019

The fund primarily holds a combination of equities (company shares) and bonds. Bonds may be government bonds, those issued by governments, or corporate bonds, those issued by companies and any bond held may have a credit rating that is either investment grade or high yield (below investment grade). The government bonds held by the fund may include some that are issued by emerging market governments. The fund may also hold bonds issued by supranational or quasi-government institutions, an example of which would be the International Bank for Reconstruction and Development.

The fund may also hold green bonds, (bonds where the proceeds of their sale are dedicated to sustainable activities), and green infrastructure assets. It may hold convertible bonds, which are bonds that may be converted into a prescribed number of company shares at the holder's discretion, and may also hold collective investment vehicles, such as other funds, as well as cash and derivatives.

The level of fund returns, and their variability over any given period, are influenced by the allocation to and selection of the different asset classes, such as equities and bonds. The fund's asset class-level exposures are determined through a top-down asset allocation approach – meaning we look at the economic and other factors forming the big picture before selecting the securities to invest in. Most potential individual holdings are then identified via an evaluation process that assesses the environmental, social and governance (ESG) factors of individual candidate securities that are considered to carry appropriate risk/return characteristics.

In addition to ESG-screened securities, the fund also has a dedicated core allocation to assets (stocks, bonds or funds) that are expected to deliver a positive impact towards achieving against one or more of the United Nations Sustainable Development Goals.

At the beginning of May, the fund's main positioning includes a preference for equities, where we see better value overall, over bonds. Within that, we believe that technology stocks and bank stocks offer good value and hold baskets of shares in European, Japanese and US banks. We think the government bond sector, particularly in core Europe, is unattractive and prefer peripheral European markets such as Italy and Spain over low-yielding Germany and the UK. Emerging market government bonds do offer attractive value in our view, along with their currencies. Of the corporate bonds held, the fund has a combined total of approximately 2.5% in five green bonds. The fund holds investments in funds dedicated to infrastructure in renewable energy and wind power. Holdings such as these also represent assets that are expected to provide positive impacts.

Maria Municchi 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	30.04.19 £'000	30.04.19 %
EQUITIES	5,628	52.10
United Kingdom	375	3.47
UK equities	375	3.47
15,853 DS Smith	57	0.53
74,888 Greencoat UK Wind	106	0.98
11,225 Legal & General	32	0.29
10,344 Marks & Spencer	30	0.28
13,154 Sainsbury (J)	29	0.27
4,629 Segro REIT	31	0.29
3,899 Travis Perkins	55	0.51
3,603 WPP	35	0.32
Europe	1,828	16.92
European equities	1,828	16.92
4,858 Abn Amro Group	87	0.81
420 ALK-Abello	55	0.51
3,765 Assicurazioni Generali	56	0.52
7,226 Autogrill	54	0.50
107,734 Banco de Sabadell	96	0.89
22,980 Banco Santander	89	0.82
8,574 Bankinter	53	0.49
18,198 BBVA	84	0.78
2,240 BNP Paribas	92	0.85
566 Capgemini	53	0.49
2,634 CIE Automotive	57	0.53
1,145 Daimler	57	0.53
868 Danone	54	0.50
10,951 Enel	52	0.48
839 Fresenius Medical Care	54	0.50
72,351 Greencoat Renewables	69	0.64
2,461 Grifols	52	0.48
2,286 Inditex	52	0.48
8,917 ING	88	0.81
45,897 Intesa Sanpaolo	93	0.86
962 KBC	55	0.51
119 Kering	54	0.50
227 Lonza	54	0.50
284 Münchener Rückversicherungs-Gesellschaft	54	0.50
13,047 Natixis	59	0.55
1,306 Novo Nordisk	49	0.45
886 Ørsted	52	0.48
852 Schneider Electric	55	0.51
7,762 Telefónica	49	0.45
North America	1,027	9.51
North American equities	1,027	9.51
833 Agilent Technologies	49	0.45
57 Alphabet	57	0.53
598 American Express	54	0.50
605 Apple	95	0.88
1,227 Bank of New York Mellon	47	0.43
151 BlackRock	56	0.52
532 Bright Horizons Family Solutions	53	0.49
936 Comerica	57	0.53
5,565 Hannon Armstrong Sustainable Infrastructure Capital REIT	114	1.06
1,848 Johnson Controls International	53	0.49
4,423 KeyCorp	60	0.55
438 M&T Bank	57	0.53
603 Microsoft	60	0.56
530 PNC Financial Services	56	0.52

M&G Sustainable Multi Asset Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at Holding	30.04.19 £'000	30.04.19 %	
North American equities (continued)			
757 Quest Diagnostics	56	0.52	
833 Republic Services	52	0.48	
280 UnitedHealth	51	0.47	
Japan	1,321	12.23	
Japan equities			
24,373 Chiba Bank	98	0.91	
4,380 Daiwa House Industry	94	0.87	
3,961 Honda Motor	85	0.79	
1,270 Horiba	59	0.55	
21,915 Mitsubishi UFJ Financial	83	0.77	
2,757 Murata Manufacturing	113	1.05	
13,719 Obayashi	103	0.95	
7,501 ORIX	81	0.75	
12,465 Panasonic	88	0.81	
24,837 Resona	80	0.74	
8,355 Sekisui Chemical	103	0.95	
13,130 Shizuoka Bank	77	0.71	
3,801 Sumitomo Mitsui Financial	106	0.98	
3,768 Sumitomo Mitsui Trust	100	0.93	
896 West Japan Railway	51	0.47	
Asia pacific (ex Japan)	811	7.51	
Asia Pacific equities			
6,752 AIA	53	0.49	
33,000 ASE Technology	59	0.55	
8,027 Brambles	52	0.48	
47,000 Cathay Financial	52	0.48	
65,837 China Everbright International	49	0.45	
150,000 E.Sun Financial	95	0.88	
1,788 Hankook Tire	47	0.44	
678 HDFC Bank ADR	60	0.56	
2,043 LG	98	0.91	
802 SK Telecom	130	1.20	
18,000 Taiwan Semiconductor Manufacturing	116	1.07	
Other	266	2.46	
Other equities			
3,079 Bank of Georgia	53	0.49	
21,442 Kroton Educacional	41	0.38	
94,994 Renewables Infrastructure	117	1.08	
13,472 Sanlam	55	0.51	
FIXED INCOME	4,191	38.79	
Europe			
European Government bonds			
€537,000 Italy (Republic of) 2.7% 01/03/2047	414	3.83	
€206,000 Spain (Kingdom of) 2.9% 31/10/2046	207	1.92	
Europe investment grade corporate bonds			
\$64,000 EDF 3.625% 13/10/2025	50	0.46	
\$65,000 KFW 2% 30/11/2021	49	0.45	
North America	2,100	19.44	
North American Government bonds			
\$264,100 US Treasury 2.75% 15/02/2028	207	1.91	
\$1,934,900 US Treasury 2.75% 15/08/2042	1,446	13.39	
North American investment grade corporate bonds			
\$64,000 Apple 2.85% 23/02/2023	49	0.45	
\$64,000 Bank of America 3.5% 17/05/2022	50	0.46	
IDR2,620,000,000 Inter-American Development Bank 7.875% 14/03/2023	142	1.32	

Portfolio statement (continued)

as at Holding	30.04.19 £'000	30.04.19 %	
North America investment grade corporate bonds (continued)			
\$270,000 International Bank for Reconstruction and Development 2.5% 22/11/2027	206	1.91	
Global	206	1.91	
Global fixed income funds [a] [b]			
\$25,190 M&G (Lux) Global Hight Yield ESG Bond Fund US dollar 'CI' (Accumulation)	206	1.91	
Other	1,165	10.78	
Other Government bonds			
BRL1,000,000 Brazil (Federal Republic of) 10% 01/01/2023	205	1.90	
CLP83,000,000 Chile (Republic of) 5.5% 05/08/2020	96	0.89	
COP335,800,000 Colombia (Republic of) 10% 24/07/2024	94	0.87	
MXN7,690,000 Mexico (United Mexican States) 8.5% 18/11/2038	312	2.89	
PEN389,000 Peru (Republic of) 6.95% 12/08/2031	102	0.94	
ZAR8,198,871 South Africa (Republic of) 6.25% 31/03/2036	320	2.96	
Other investment grade corporate bonds	50	0.46	
\$62,000 Fibria Overseas Finance 5.5% 17/01/2027	50	0.46	
Other interest rate futures			
(3) Euro Buxl Jun 2019	(13)	(0.12)	
(2) UK Long Gilt Bond Jun 2019	(1)	(0.01)	
CURRENCY	118	1.09	
Forward currency contracts			
\$387,659 Bought for KRW435,709,493 (expires 17.05.19)	11	0.10	
\$406,752 Bought for TWD12,515,748 (expires 17.05.19)	1	0.01	
€44,186 Bought for £38,068 (expires 17.05.19)	0	0.00	
¥5,021,446 Bought for £34,004 (expires 17.05.19)	1	0.01	
DKK(1,268,257) Sold for £149,983 (expires 16.05.19)	3	0.03	
€(2,835,355) Sold for £2,494,764 (expires 17.05.19)	50	0.46	
HKD(997,763) Sold for £99,004 (expires 17.05.19)	1	0.01	
¥(171,176,876) Sold for £1,209,022 (expires 17.05.19)	27	0.25	
\$(4,675,043) Sold for £3,614,938 (expires 17.05.19)	24	0.22	
Portfolio of investments	9,937	91.98	
Total portfolio	9,937	91.98	
Net other assets / (liabilities)	866	8.02	
Net assets attributable to shareholders	10,803	100.00	
All securities are on an official stock exchange listing except where referenced.			
[a] All holdings in M&G collective investment schemes are in Sterling Class 'A' (Income) shares unless otherwise stated.			
[b] Related parties.			
Portfolio transactions			
for the period to 30 April		2019	
Portfolio transactions		£'000	
Total purchases		10,147	
Total sales		460	

M&G Sustainable Multi Asset Fund

Financial highlights

Fund performance

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

The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (4), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value	
	2019
as at 30 April	£'000
Fund net asset value (NAV)	10,803

Performance since launch

As the fund has not yet operated for a 12 month period, the performance since launch graph and long-term performance figures have not been calculated.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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 or by calling M&G Customer Relations.

Portfolio transaction costs	
for the period to 30 April	2019
Direct portfolio transaction costs ^[a]	%
Broker commission	0.04
Taxes	0.07
Costs before dilution adjustments	0.11
Dilution adjustments ^[b]	(0.11)
Total direct portfolio transaction costs	0.00
as at	30.04.19
Indirect portfolio transaction costs	%
Average portfolio dealing spread	0.14

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

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

M&G Sustainable Multi Asset 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 May 2019.

Sterling Class 'A' Income share performance

The share class was launched on 20 February 2019.

for the period to 30 April Change in NAV per share	2019 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	2.81
Operating charges	(0.34)
Return after operating charges	2.47
Distributions	(0.70)
Closing NAV	101.77
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.06
Dilution adjustments ^[a]	(0.26)
Total direct portfolio transaction costs	(0.20)
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.00
Operating charges	1.52*
Return after operating charges	+2.47
Historic yield	3.45
Effect on yield of charges offset against capital	1.50
Other information	
Closing NAV (£'000)	66
Closing NAV percentage of total fund NAV (%)	0.61
Number of shares	65,140
Highest share price (UK p)	102.81
Lowest share price (UK p)	99.17

* The operating charges shown is an estimate of the charges, as the share class has not been in existence for a full financial year.

Sterling Class 'A' Accumulation share performance

The share class was launched on 20 February 2019.

for the period to 30 April Change in NAV per share	2019 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	2.79
Operating charges	(0.32)
Return after operating charges	2.47
Distributions	(0.43)
Retained distributions	0.43
Closing NAV	102.47
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.06
Dilution adjustments ^[a]	(0.24)
Total direct portfolio transaction costs	(0.18)
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.00
Operating charges	1.53*
Return after operating charges	+2.47
Historic yield	1.92
Effect on yield of charges offset against capital	0.00
Other information	
Closing NAV (£'000)	41
Closing NAV percentage of total fund NAV (%)	0.38
Number of shares	40,271
Highest share price (UK p)	102.81
Lowest share price (UK p)	99.17

* The operating charges shown is an estimate of the charges, as the share class has not been in existence for a full financial year.

Sterling Class 'I' Income share performance

The share class was launched on 20 February 2019.

for the period to 30 April Change in NAV per share	2019 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	2.75
Operating charges	(0.17)
Return after operating charges	2.58
Distributions	(0.68)
Closing NAV	101.90
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.06
Dilution adjustments ^[a]	(0.24)
Total direct portfolio transaction costs	(0.18)
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.00
Operating charges	0.78*
Return after operating charges	+2.58
Historic yield	3.44
Effect on yield of charges offset against capital	0.75
Other information	
Closing NAV (£'000)	29
Closing NAV percentage of total fund NAV (%)	0.27
Number of shares	28,221
Highest share price (UK p)	102.92
Lowest share price (UK p)	99.19

* The operating charges shown is an estimate of the charges, as the share class has not been in existence for a full financial year.

M&G Sustainable Multi Asset Fund

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Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 20 February 2019.

for the period to 30 April Change in NAV per share	2019 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	2.76
Operating charges	(0.18)
Return after operating charges	2.58
Distributions	(0.54)
Retained distributions	0.54
Closing NAV	102.58
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.06
Dilution adjustments ^[a]	(0.25)
Total direct portfolio transaction costs	(0.19)
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.00
Operating charges	0.78*
Return after operating charges	+2.58
Historic yield	2.66
Effect on yield of charges offset against capital	0.00
Other information	
Closing NAV (£'000)	72
Closing NAV percentage of total fund NAV (%)	0.67
Number of shares	69,778
Highest share price (UK p)	102.92
Lowest share price (UK p)	99.19

* The operating charges shown is an estimate of the charges, as the share class has not been in existence for a full financial year.

Sterling Class 'L' Income share performance

The share class was launched on 20 February 2019.

for the period to 30 April Change in NAV per share	2019 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	2.74
Operating charges	(0.12)
Return after operating charges	2.62
Distributions	(0.67)
Closing NAV	101.95
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.06
Dilution adjustments ^[a]	(0.24)
Total direct portfolio transaction costs	(0.18)
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.00
Operating charges	0.54*
Return after operating charges	+2.62
Historic yield	3.44
Effect on yield of charges offset against capital	0.50
Other information	
Closing NAV (£'000)	21
Closing NAV percentage of total fund NAV (%)	0.19
Number of shares	20,700
Highest share price (UK p)	102.96
Lowest share price (UK p)	99.20

* The operating charges shown is an estimate of the charges, as the share class has not been in existence for a full financial year.

Sterling Class 'L' Accumulation share performance

The share class was launched on 20 February 2019.

for the period to 30 April Change in NAV per share	2019 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	2.71
Operating charges	(0.09)
Return after operating charges	2.62
Distributions	(0.58)
Retained distributions	0.58
Closing NAV	102.62
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.04
Dilution adjustments ^[a]	(0.18)
Total direct portfolio transaction costs	(0.14)
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.00
Operating charges	0.53*
Return after operating charges	+2.62
Historic yield	2.91
Effect on yield of charges offset against capital	0.00
Other information	
Closing NAV (£'000)	10,488
Closing NAV percentage of total fund NAV (%)	97.08
Number of shares	10,220,600
Highest share price (UK p)	102.96
Lowest share price (UK p)	99.20

* The operating charges shown is an estimate of the charges, as the share class has not been in existence for a full financial year.

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the period to 30 April Change in NAV per share	2019 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	0.27
Operating charges	(0.06)
Return after operating charges	0.21
Distributions	(0.57)
Retained distributions	0.57
Closing NAV	100.21
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.06
Dilution adjustments ^[a]	(0.08)
Total direct portfolio transaction costs	(0.02)
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.00
Operating charges	0.57*
Return after operating charges	+0.21
Historic yield	2.85
Effect on yield of charges offset against capital	0.00
Other information	
Closing NAV (£'000)	20
Closing NAV percentage of total fund NAV (%)	0.19
Number of shares	20,000
Highest share price (UK p)	100.54
Lowest share price (UK p)	99.87

* The operating charges shown is an estimate of the charges, as the share class has not been in existence for a full financial year.

M&G Sustainable Multi Asset Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Income share performance

The share class was launched on 20 February 2019.

for the period to 30 April Change in NAV per share	2019 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	2.77
Operating charges	(0.22)
Return after operating charges	2.55
Distributions	(0.69)
Closing NAV	101.86
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.06
Dilution adjustments ^[a]	(0.24)
Total direct portfolio transaction costs	(0.18)
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.00
Operating charges	1.03*
Return after operating charges	+2.55
Historic yield	3.44
Effect on yield of charges offset against capital	1.00
Other information	
Closing NAV (£'000)	21
Closing NAV percentage of total fund NAV (%)	0.19
Number of shares	20,300
Highest share price (UK p)	102.88
Lowest share price (UK p)	99.18

* The operating charges shown is an estimate of the charges, as the share class has not been in existence for a full financial year.

Sterling Class 'R' Accumulation share performance

The share class was launched on 20 February 2019.

for the period to 30 April Change in NAV per share	2019 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	2.78
Operating charges	(0.23)
Return after operating charges	2.55
Distributions	(0.51)
Retained distributions	0.51
Closing NAV	102.55
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.06
Dilution adjustments ^[a]	(0.25)
Total direct portfolio transaction costs	(0.19)
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.00
Operating charges	1.03*
Return after operating charges	+2.55
Historic yield	2.41
Effect on yield of charges offset against capital	0.00
Other information	
Closing NAV (£'000)	45
Closing NAV percentage of total fund NAV (%)	0.42
Number of shares	43,745
Highest share price (UK p)	102.89
Lowest share price (UK p)	99.18

* The operating charges shown is an estimate of the charges, as the share class has not been in existence for a full financial year.

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

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

M&G Sustainable Multi Asset Fund

Financial statements and notes

Financial statements

Statement of total return

for the period to 30 April	2019	
	£'000	£'000
Income		
Net capital gains / (losses)		275
Revenue	82	
Expenses	(4)	
Net revenue / (expense) before taxation	78	
Taxation	(11)	
Net revenue / (expense) after taxation		67
Total return before distributions		342
Distributions		(66)
Change in net assets attributable to shareholders from investment activities		276

Statement of change in net assets attributable to shareholders

for the period to 30 April	2019	
	£'000	£'000
Amounts received on issue of shares	20,777	
Amounts paid on cancellation of shares	(10,326)	
		10,451
Dilution adjustments		16
Change in net assets attributable to shareholders from investment activities (see above)		276
Retained distributions on Accumulation shares		60
Closing net assets attributable to shareholders		10,803

Balance sheet

as at	30 April 2019
	£'000
Assets	
Fixed assets	
Investments	9,951
Current assets	
Debtors	10,754
Cash and bank balances	512
Total assets	21,217
Liabilities	
Investment liabilities	(14)
Creditors	
Distribution payable	(1)
Other creditors	(10,399)
Total liabilities	(10,414)
Net assets attributable to shareholders	10,803

Notes to the financial statements

Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 3.

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.

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.

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, i.e. 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, i.e. 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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Notes

