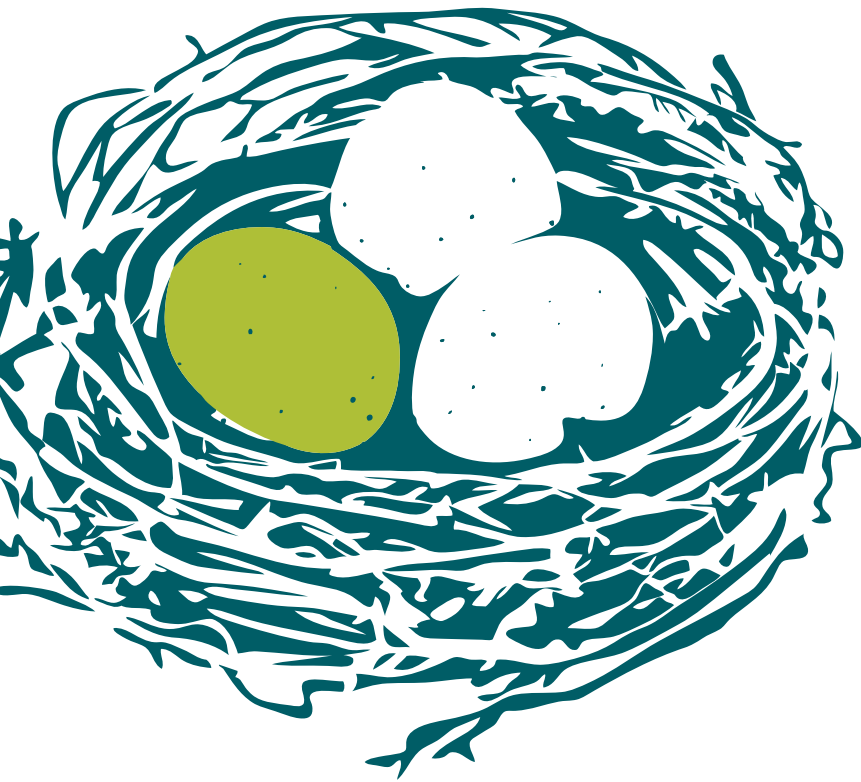




# M&G Investment Funds (9)

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



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# M&G Investment Funds (9)

## Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (9) presents its Interim Long Report and unaudited Financial Statements for the six months ended 30 September 2016.

The unaudited financial statements of M&G Investment Funds (9) and the investment report and unaudited financial statements and notes of the sub-fund are presented in their individual sections of this report as set out in the contents page.

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

### Company information

M&G Investment Funds (9) is an umbrella Open-Ended Investment Company (OEIC) and contains one sub-fund, hereinafter referred to as 'fund' in the rest of this report. This fund is a UCITS (Undertakings for Collective Investment in Transferable Securities) scheme as defined in the Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA). This OEIC is an Investment Company with Variable Capital (ICVC) incorporated under the Open-Ended Investment Companies Regulations 2001. It is authorised and regulated by the FCA under the Financial Services and Markets Act 2000.

The Company was authorised on 26 August 2010 and the fund was launched on 16 September 2010.

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

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

#### Fund manager

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

**M&G European Inflation Linked Corporate Bond Fund**  
Jim Leaviss

#### ACD

M&G Securities Limited,  
Laurence Pountney Hill, London EC4R 0HH, UK  
Telephone: 0800 390 390 (UK only)  
(Authorised and regulated by the Financial Conduct Authority. M&G Securities Limited is a member of the Investment Association and of the Tax Incentivised Savings Association.)

#### Directors of the ACD

W J Nott (Chief Executive),  
G N Cotton, P R Jelfs, G W MacDowall, L J Mumford

#### Investment manager

M&G Investment Management Limited,  
Laurence Pountney Hill, London EC4R 0HH, UK  
Telephone: +44 (0)20 7626 4588  
(Authorised and regulated by the Financial Conduct Authority)

#### Registrar

International Financial Data Services (UK) Limited,  
IFDS House, St. Nicholas Lane, Basildon, Essex SS15 5FS, UK  
(Authorised and regulated by the Financial Conduct Authority)

#### Depositary

National Westminster Bank Plc, Trustee & Depositary Services,  
Younger Building, 3 Redheughs Avenue, Edinburgh EH12 9RH, UK  
(Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority)

#### Independent auditor

Ernst & Young LLP  
Ten George Street, Edinburgh EH2 2DZ, UK

### Important information

Please note that with effect from 1 December 2016, the M&G European Inflation Linked Corporate Bond Fund will be taking the annual management charge, administration charge and, where relevant, the share class hedging charge from capital in the case of Income shares, and from income in the case of Accumulation shares.

This change will have no impact on the fund's investment approach. The fund's objective and policy will remain unchanged. All costs associated with introducing the change will be borne by M&G Securities Limited.

### Investor information

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

# M&G Investment Funds (9)

## Authorised Corporate Director's Report

### Investor information

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

M&G International Investments Limited,  
mainBuilding, Taunusanlage 19, 60325 Frankfurt am Main, Germany  
Please remember to quote your name and M&G client reference and sign any written communication to M&G. Failure to provide this will affect your ability to transact with us.

Telephone: +49 69 1338 6767  
Email: iocs@mandg.co.uk

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

#### Austrian paying and information agent:

Raiffeisen Bank International AG,  
Am Stadtpark 9, 1030 Wien, Austria

#### Belgian financial agent:

RBC Investor Services Belgium, Rogier Tower +10/43  
Rogierplein 11 Place Rogier, 1210 Brussel, Belgium

#### Danish representative agent:

Nordea Bank Danmark A/S,  
Issuer Services, Postboks 850, 0900 Copenhagen C, Denmark

#### French centralising agent:

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

#### German paying and information agent:

J.P. Morgan AG,  
Jungthofstraße 14, 60311 Frankfurt am Main, Germany

#### Irish facilities agent:

BNY Mellon Fund Services (Ireland) Limited,  
Guild House, Guild Street, IFSC, Dublin 1, Ireland

#### Italian paying agents:

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

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

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

BNP PARIBAS Securities Services,  
Via Ansperto 5, 20123 Milano, Italy

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

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

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

#### Luxembourg paying and information agent:

J.P. Morgan Bank Luxembourg S.A., European Bank & Business  
Center, 6 c route de Trèves, 2633 Senningerberg, Luxembourg

#### Portuguese distributor:

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

#### Spanish representative:

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

#### Swedish paying agent:

Skandinaviska Enskilda Banken AB (publ),  
Sergels Torg 2, 106 40 Stockholm, Sweden

#### Swiss paying agent:

JP Morgan Chase Bank,  
National Association, Columbus, Zurich Branch,  
Dreikönigstrasse 21, 8002 Zürich, Switzerland

#### Swiss representative:

Carnegie Fund Services S.A.,  
11, rue du Général-Dufour, 1204 Genève, Switzerland

## Authorised Corporate Director's Responsibilities

The Authorised Corporate Director (ACD) is required to prepare annual and interim long and short reports for the Company. The ACD must ensure that the financial statements, contained in the Long Report, for the fund are prepared in accordance with the Investment Association Statement of Recommended Practice for Financial Statements of UK Authorised Funds (SORP) and UK Financial Reporting Standards, and give a true and fair view of the net revenue or expenses and net capital gains or losses for the accounting period, and the financial position at the end of that period.

The ACD is required to keep proper accounting records, and to manage the Company in accordance with the Collective Investment Schemes sourcebook, as issued (and amended) by the FCA, the Instrument of Incorporation and the Prospectus, and to take reasonable steps for the prevention and detection of fraud or other irregularities.

# M&G Investment Funds (9)

## Financial statements and notes

### Notes to the financial statements

#### Accounting policies

The interim financial statements have been prepared on the same basis as the audited annual financial statements for the year ended 31 March 2016. They are prepared in accordance with the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014 (2014 SORP).

Amendments to FRS 102 'Fair value hierarchy disclosures' effective for annual periods beginning on or after 1 January 2017 have been early adopted. These amendments improve the consistency of fair value disclosures for financial instruments with those required by EU-adopted IFRS (International Financial Reporting Standards).

### Directors' statement

This report has been prepared in accordance with the requirements of the Collective Investment Schemes sourcebook, as issued and amended by the Financial Conduct Authority.

G W MACDOWALL }  
L J MUMFORD } Directors

14 November 2016

# M&G Investment Funds (9)

Financial statements and notes

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# M&G European Inflation Linked Corporate Bond Fund

## Authorised Corporate Director's Report

### Investment objective

The fund aims to protect the value of capital and income from inflation by generating a return consistent with or greater than European inflation over a rolling three to five year period. There is no guarantee that the Fund will achieve its objective over this, or any other, period. The income distributions and the value of your investment may rise and fall and investors may not recoup the original amount they invested.

### Investment policy

The fund invests mainly in investment grade corporate bonds, including inflation-linked corporate bonds, floating rate notes (including asset backed securities) and other fixed income instruments (including bonds not linked to inflation). Derivatives may be used in pursuit of the fund objective and for efficient portfolio management purposes. Corporate bond exposure may be achieved either directly or by investing in a combination of assets, including government securities and credit derivatives. Inflation strategies may, at times, result in a return profile different to that of corporate bonds not linked to inflation. If deemed appropriate by the investment manager, the associated currency risks may be hedged.

The fund may also invest in other assets including collective investment schemes, other transferable securities and debt instruments (including high yield debt, convertible and preference stocks), cash and near cash, deposits, warrants and money market instruments.

### Investment approach

The M&G European Inflation Linked Corporate Bond Fund invests in a range of fixed interest securities that should perform well when inflation is high or rising. The fund will be mainly exposed to investment grade credit but can also invest in inflation-linked government bonds, floating rate notes (FRNs), senior secured loans, conventional corporate and government bonds, cash and derivatives such as credit default swaps (CDS). The fund manager may also form assets out of a combination of government bonds and derivatives, whose returns behave in a similar way to inflation-linked corporate bonds. The aim of the fund is to provide returns that are consistent with or exceed inflation, as measured by the Eurostat Eurozone Harmonised Index of Consumer Prices (HICP) over a rolling three- to five-year period.

### Risk profile

The fund invests in fixed interest assets that would be expected to perform well in an inflationary environment, such as inflation-linked bonds issued by companies and governments. It is therefore subject to the price volatility of the global bond market as well as the performance of individual issuers.

The fund's focus is on investment grade, or high-quality corporate bonds, which are securities that are normally traded with relative ease. The fund's exposure to index-linked bonds may be achieved either directly or by investing in a combination of assets, including government securities and credit 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.

Portfolio diversification is key in managing liquidity and default risks as well as 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 Euro Class 'A' shares.



The above number:

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

### Investment review

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

#### Performance against objective

Between 1 April 2016 (the start of the review period) and 3 October 2016, the M&G European Inflation Linked Corporate Bond Fund delivered a modest positive total return (capital performance with net income reinvested) across the different share classes. This compares with the change in European inflation, as measured by the Harmonised Index of Consumer Prices (HICP), which was +0,5% over the six-month period. The fund seeks to match or exceed European inflation over a rolling three- to five-year period. In this regard, the fund's performance was mixed; it underperformed over three years but outperformed over five years. <sup>[a]</sup>

#### Investment performance

The fund invests in a range of instruments that can help to mitigate the potentially damaging effects of inflation. It is mainly invested in inflation-linked bonds issued by high-quality companies, where both the value of the loan and the interest payments are adjusted in line with inflation until they mature. Bonds are loans that are extended by

# M&G European Inflation Linked Corporate Bond Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment performance (continued)

an investor to an issuing entity – such as a company or government – 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'.

The six months under review were a positive period for corporate bond markets. Improved economic data in the US and China, coupled with the announcement of further stimulus measures from the Bank of England and the European Central Bank, ensured sentiment was well supported throughout the period. European inflation-linked bonds, however, underperformed conventional bonds as the market lowered its outlook for future inflation.

The fund delivered a positive total return over the review period, helped by its significant exposure to high-quality companies. However, the fund's low sensitivity to movements in interest rates meant it saw little benefit from the sharp decline in European government bond yields, which fell to record lows following the UK's surprise decision to leave the European Union. (Bond yields refer to the interest received from a fixed income security, which is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value. Bond yields typically move in the opposite direction to bond prices.)

#### Investment activities

We invested in a wide range of businesses over the six-month period, buying issues from names such as German cable operator Unitymedia, paper-based global packaging company Smurfit Kappa, and Dukinfield, a AAA rated UK residential mortgage-backed security (RMBS). We currently see good value in a number of US financials and we took the opportunity to purchase attractively priced issues from names such as Bank of America and JP Morgan. We also purchased a number of bonds in the European financial space, including issues from Lloyds, UBS and Santander. In terms of sales, we closed our positions in German automaker BMW and Deutsche Telekom.

Within the government bond portion of the portfolio, we made additional purchases of inflation-linked German government bonds which are due to mature over the next two to four years. We believe these short-dated instruments are pricing in too little inflation over the next few years and consequently represent good value. We also reduced our exposure to Spanish and Italian inflation-linked government bonds, while adding some US inflation-linked government bonds where we think they represent better relative value.

The fund's sensitivity to movement in interest rates, otherwise known as duration was kept at low levels throughout the period as we see little value in government bond yields and believe these assets could be vulnerable to a sell-off if inflation picks up.

As at the end of the review period, the fund continued to be predominantly invested in inflation-linked bonds issued by high-quality companies. As well as offering an attractive additional income over government bonds, we believe the prices of corporate bonds should be well supported given the favourable economic environment, robust company balance sheets and accommodative policy from central banks in the developed economies.

### Outlook

European inflation edged higher over the period, with the Harmonised Index of Consumer Prices (HICP) rising to 0,4% in September, compared with 0,0% in March. Despite this modest uptick, inflation expectations for the region fell back, with the market still pricing in very low levels of inflation over the short to medium term. For those of the view that the eurozone is not about to enter a recession, we believe this could mark an attractive entry point to be adding inflation-linked exposure.

We think corporate bonds continue to look good value despite their relatively strong performance over the past six months. In our view, fundamentals for the market remain sound given the relative strength of company balance sheets, while favourable economic conditions and accommodative central bank policy should offer solid support. We see especially good value in the US corporate bond market, where we believe the favourable economic backdrop and attractive pick-up in yield has created some compelling opportunities.

However, we continue to see little value in government bonds. We maintain our view that interest rates in the US are unjustifiably low given the relatively healthy economic environment and the strength of the labour market. As a result, we continue to favour bonds with a very short time until maturity due to their limited sensitivity to changes in interest rates.

By focusing on inflation-linked bonds issued by highly rated companies that are due to be repaid in a relatively short period of time, we think the fund is well placed to benefit from any pick-up in European inflation over the medium term, while its low sensitivity to movements in interest rates should minimise the impact of any future rise in government bond yields.

#### Jim Leaviss

Fund manager

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

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

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

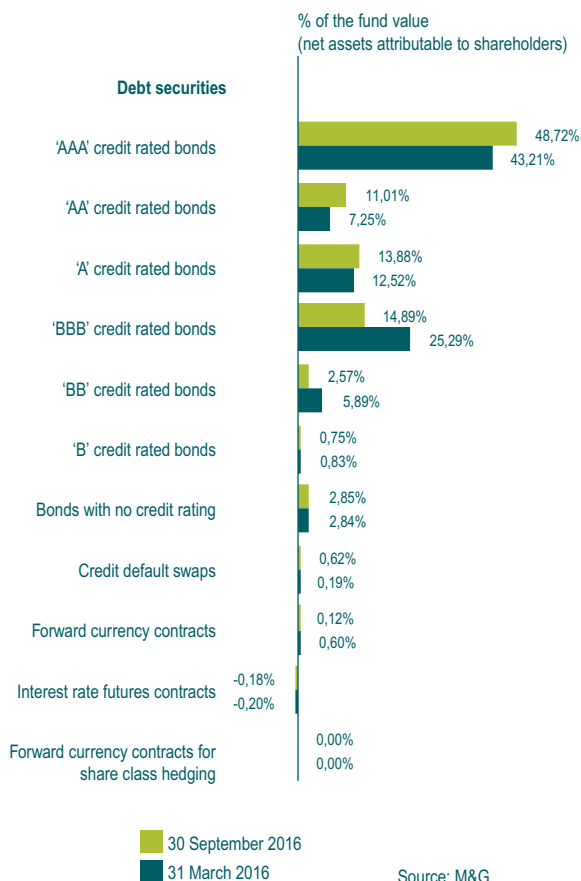


# M&G European Inflation Linked Corporate Bond Fund

## Authorised Corporate Director's Report

### Investments

#### Classification of investments



#### Portfolio statement

as at Holding	30.09.16 €'000	30.09.16 %	31.03.16 %
<b>Debt securities</b>	<b>49.108</b>	<b>94,67</b>	<b>97,83</b>
<b>'AAA' credit rated bonds</b>	<b>25.273</b>	<b>48,72</b>	<b>43,21</b>
£134.000 Dukinfield FRN 2052	156	0,30	
€300.000 Germany (Federal Republic of) 0,1% IL 2023	340	0,66	
€50.000 Germany (Federal Republic of) 0,1% IL 2026	57	0,11	
€50.000 Germany (Federal Republic of) 0,1% IL 2046	67	0,13	
€50.000 Germany (Federal Republic of) 0,5% IL 2030	62	0,12	
€12.000.000 Germany (Federal Republic of) 0,75% IL 2018	13.085	25,22	
€9.000.000 Germany (Federal Republic of) 1,75% IL 2020	10.950	21,11	
\$558.376 Paragon Mortgages No.14 FRN 2039 A2C	462	0,89	
£83.896 Thrones FRN 2050	94	0,18	
<b>'AA' credit rated bonds</b>	<b>5.714</b>	<b>11,01</b>	<b>7,25</b>
€1.750.000 Réseau Ferré de France 2,45% IL 2023	2.592	4,99	
£850.000 Toyota Motor Credit 2,413% IL 2017	1.305	2,52	
\$1.000.000 US Treasury 0,125% IL 2018	943	1,82	
\$900.000 US Treasury 0,625% IL 2024	874	1,68	
<b>'A' credit rated bonds</b>	<b>7.200</b>	<b>13,88</b>	<b>12,52</b>
£506.000 Anglian Water Services 4,125% IL 2020	1.107	2,13	
\$115.000 Anheuser-Busch Inbev 0% 2021	105	0,20	
€409.000 Anheuser-Busch Inbev FRN 0,449% 2020	414	0,79	
£300.000 Eddystone Finance FRN 2021	335	0,64	
£600.000 National Grid Electricity Transmission 2,983% IL 2018	1.118	2,16	
£475.000 National Grid Electricity Transmission 3,806% IL 2020	983	1,89	
£382.593 Nationwide Building Society 3,875% IL 2021	1.447	2,79	
£91.000 Rabobank Nederland 2,25% IL 2022	164	0,32	
\$407.504 RMAC 2005-Nsp2 FRN 2037 A2B	335	0,65	
€200.000 Santander FRN 2020	201	0,39	
£100.000 Southern Water Services Finance 3,816% IL 2023	221	0,43	
£280.000 Thames Water Utilities Finance 3,375% IL 2021	589	1,14	
\$200.000 UBS Jersey FRN 2022	181	0,35	
<b>'BBB' credit rated bonds</b>	<b>7.724</b>	<b>14,89</b>	<b>25,29</b>
£150.000 AA Bond Company 4,7201% 2043	183	0,36	
\$400.000 Barclays Bank FRN 2021	366	0,71	
£100.000 British Telecommunications Var. Rate 2016 (8,5%)	118	0,23	
€1.400.000 Channel Link Enterprises Finance FRN 2050	1.398	2,69	
£100.000 Citigroup 5,125% 2018	125	0,24	
\$185.000 Citigroup FRN 2020	167	0,32	
\$100.000 Citigroup FRN 2023	90	0,17	
€1.000.000 Galicia (Xunta de) 1,896% IL 2016	1.143	2,20	
\$200.000 General Motors Financial 4,20% 2021	189	0,36	
\$300.000 Goldman Sachs Group FRN 2023	274	0,53	
\$300.000 HBOS FRN 2017	268	0,52	
€500.000 Italy (Republic of) 2,15% IL 2017	513	0,99	
£400.000 JPMorgan Chase Var. Rate 2017 (6,125%)	461	0,89	
€100.000 Liberty Mutual Group 2,75% 2026	108	0,21	

# M&G European Inflation Linked Corporate Bond Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement (continued)			
as at Holding	30.09.16 €'000	30.09.16 %	31.03.16 %
<b>'BBB' credit rated bonds (continued)</b>			
\$300.000 Mellon Capital FRN Perp.	231	0,45	
€250.000 Nationwide Building Society 6,75% 2020	300	0,58	
€825.000 Orange 3% IL 2018	925	1,78	
CHF200.000 Petróleos Mexicanos 2,75% 2027	186	0,36	
£200.000 Royal Bank of Scotland 6,625% 2018	256	0,49	
£50.000 Severn Trent 1,3% IL 2022	69	0,13	
£25.000 South Eastern Power Networks 4,2148% IL 2023	53	0,10	
\$395.000 USB Capital IX FRN 2099	301	0,58	
<b>'BB' credit rated bonds</b>	<b>1.334</b>	<b>2,57</b>	<b>5,89</b>
€350.000 Ball Corporation 4,375% 2023	390	0,76	
£82.091 Catalyst Healthcare 2,411% IL 2040	168	0,32	
€250.000 Crown European Holdings 3,375% 2025	256	0,49	
€150.000 Iglo Foods Bondco FRN 2020	150	0,29	
€200.000 Smurfit Kappa Acquisitions 2,75% 2025	209	0,40	
€150.000 Smurfit Kappa Acquisitions FRN 2020	161	0,31	
<b>'B' credit rated bonds</b>	<b>387</b>	<b>0,75</b>	<b>0,83</b>
€150.000 Matterhorn Telecom 3,875% 2022	149	0,29	
€250.000 Unitymedia Kabel 3,75% 2027 REGS	238	0,46	
<b>Bonds with no credit rating</b>	<b>1.476</b>	<b>2,85</b>	<b>2,84</b>
£161.000 Duncan Funding FRN 2063	188	0,36	
€500.000 Eirles Two FRN 2020	9	0,02	
£225.000 National Grid 1,25% IL 2021	311	0,60	
£136.404 Nationwide Building Society 4,25% IL 2024	524	1,01	
£200.000 Tesco Personal Finance 1% IL 2019	254	0,49	
£67.462 THFC 5,65% IL 2020	190	0,37	
<b>Credit default swaps</b>	<b>323</b>	<b>0,62</b>	<b>0,19</b>
€(500.000) Aviva Jun 2021	0	0,00	
€(500.000) BP Jun 2021	5	0,01	
\$(1.500.000) Energy Transfer Partners Dec 2020	(25)	(0,05)	
\$(2.500.000) Ford Motor Dec 2020	321	0,61	
€(500.000) Heathrow Funding Dec 2020	3	0,01	
€(500.000) HSBC Bank Jun 2021	(13)	(0,03)	
€(500.000) Lloyds Bank Jun 2021	(16)	(0,03)	
\$(5.500.000) Markit CDX North American Investment Grade Series 21 10 Year Dec 2023	(23)	(0,04)	
\$(3.000.000) Markit CDX North American Investment Grade Series 25 5 Year Dec 2025	(44)	(0,08)	
€(5.000.000) Markit iTraxx Europe Series 24 5 Year Dec 2020	78	0,15	
€(1.000.000) Markit iTraxx Europe Series 25 5 Year Jun 2021	16	0,03	
€(500.000) Telefonica Emisiones Jun 2021	0	0,00	
\$(1.500.000) Verizon Communications Sep 2023	21	0,04	
<b>Forward currency contracts</b>	<b>64</b>	<b>0,12</b>	<b>0,60</b>
£47.908 Bought for €55.154 (expires 19.10.16)	0	0,00	
£(9.205.154) Sold for €10.749.953 (expires 19.10.16)	66	0,12	
\$143.294 Bought for €128.211 (expires 19.10.16)	0	0,00	
\$(5.771.741) Sold for €5.163.584 (expires 19.10.16)	(2)	0,00	

### Portfolio statement (continued)

as at Holding	30.09.16 €'000	30.09.16 %	31.03.16 %
<b>Interest rate futures contracts</b>			
(51) Euro OAT Dec 2016	(39)	(0,07)	
(75) UK Long Gilt Bond Dec 2016	(57)	(0,11)	
<b>Portfolio of investments</b>	<b>49.399</b>	<b>95,23</b>	<b>98,42</b>
<b>Forward currency contracts for share class hedging</b>			
CHF59.858 Bought for €54.682 (expires 19.10.16)	0	0,00	
CHF(557) Sold for €509 (expires 19.10.16)	0	0,00	
<b>Total portfolio</b>	<b>49.399</b>	<b>95,23</b>	<b>98,42</b>
<b>Net other assets / (liabilities)</b>	<b>2.477</b>	<b>4,77</b>	<b>1,58</b>
<b>Net assets attributable to shareholders</b>	<b>51.876</b>	<b>100,00</b>	<b>100,00</b>

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

### Portfolio transactions

for the six months to 30 September	2016 €'000	2015 €'000
<b>Portfolio transactions</b>		
Total purchases	9.682	21.246
Total sales	19.382	12.464

# M&G European Inflation Linked Corporate Bond 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.

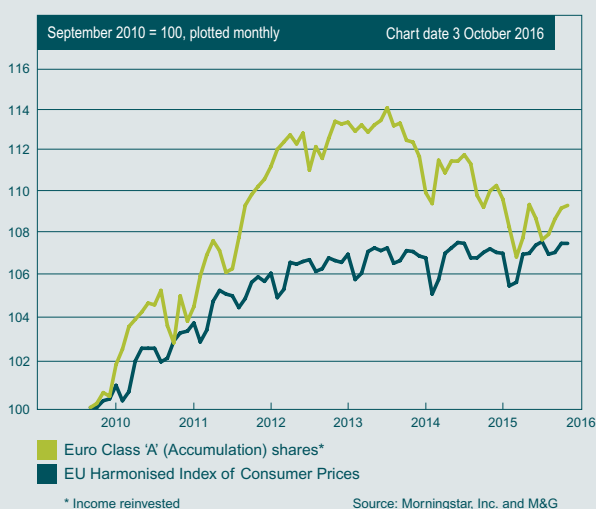
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (9), which is available free of charge either from our website at [www.mandg.co.uk/prospectuses](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

### Fund level performance

Fund net asset value			
as at	30.09.16 €'000	31.03.16 €'000	31.03.15 €'000
Fund net asset value (NAV)	51.876	60.228	74.842

### Performance since launch

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



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

### Long-term performance by share class

	six months 01.04.16 % <sup>[a]</sup>	three years 03.10.13 % p.a.	five years 03.10.11 % p.a.	since launch % p.a.
<b>Euro<sup>[b]</sup></b>				
Class 'A'	+1,4	-1,0	+1,3	+1,5 <sup>[c]</sup>
Class 'C'	+1,7	-0,5	+1,8	+2,0 <sup>[c]</sup>
<b>Swiss franc<sup>[b]</sup></b>				
Class 'A-H'	+1,2	-1,5	n/a	-0,4 <sup>[d]</sup>
Class 'C-H'	+1,4	-1,0	n/a	+0,1 <sup>[d]</sup>
EU Harmonised Index of Consumer Prices	+0,5	+0,2	+0,9	+1,2

<sup>[a]</sup> Absolute basis.

<sup>[b]</sup> Price to price with gross income reinvested.

<sup>[c]</sup> 16 September 2010, the launch date of the fund.

<sup>[d]</sup> 28 September 2012, the launch date of the share class.

# M&G European Inflation Linked Corporate Bond Fund

## Financial highlights

### Fund performance

## Operating charges and portfolio transaction costs

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

### Operating charges

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

- **Investment management:** Charge paid to M&G for investment management of the fund (also known as Annual Management Charge).
- **Administration:** Charge paid to M&G for administration services in addition to investment management – any surplus from this charge will be retained by M&G.
- **Share class hedging:** Charge paid to M&G for currency hedging services to minimise exchange rate risk for the share class.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit.

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

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

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

### Portfolio transaction costs

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

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

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

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. As the fund invests wholly in fixed interest securities no direct portfolio transaction costs are applicable. To give an indication of the indirect portfolio dealing costs the table below shows the average portfolio dealing spread.

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

#### Portfolio transaction costs

as at	30.09.16	31.03.16	31.03.15	Average <sup>[a]</sup>
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0,46	0,61	0,52	0,53

[a] Average of first three columns.

# M&G European Inflation Linked Corporate Bond Fund

## Financial highlights

### Specific share class performance

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

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

The share class was launched on 16 September 2010.

	Six months to 30.09.16	Year to 31.03.16	Year to 31.03.15
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1.077,46	1.103,99	1.129,23
Return before operating charges and after direct portfolio transaction costs	16,31	(13,48)	(11,78)
Operating charges	(6,60)	(13,05)	(13,46)
Return after operating charges	9,71	(26,53)	(25,24)
Distributions	n/a	(10,57)	(7,38)
Retained distributions	n/a	10,57	7,38
Closing NAV	1.087,17	1.077,46	1.103,99

Direct portfolio transaction costs <sup>[a]</sup>	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0,01	0,02	0,03
Dilution adjustments <sup>[b]</sup>	0,00	0,00	0,00
Total direct portfolio transaction costs	0,01	0,02	0,03

Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	0,00
Operating charges	1,21	1,18	1,20
Return after operating charges	+0,90	-2,40	-2,24
Distribution yield	1,13	0,99	0,76
Effect on yield of charges offset against capital	n/a	n/a	n/a

#### Other information

Closing NAV (€'000)	32.470	38.045	45.748
Closing NAV percentage of total fund NAV (%)	62,59	63,17	61,12
Number of shares	2.986.684	3.530.992	4.143.850
Highest share price (Euro ¢)	1.093,71	1.124,40	1.143,70
Lowest share price (Euro ¢)	1.074,01	1.066,09	1.090,45

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

The share class was launched on 16 September 2010.

	Six months to 30.09.16	Year to 31.03.16	Year to 31.03.15
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1.107,72	1.129,32	1.149,42
Return before operating charges and after direct portfolio transaction costs	16,79	(13,88)	(12,03)
Operating charges	(4,00)	(7,72)	(8,07)
Return after operating charges	12,79	(21,60)	(20,10)
Distributions	n/a	(16,49)	(13,29)
Retained distributions	n/a	16,49	13,29
Closing NAV	1.120,51	1.107,72	1.129,32

Direct portfolio transaction costs <sup>[a]</sup>	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0,01	0,02	0,03
Dilution adjustments <sup>[b]</sup>	0,00	0,00	0,00
Total direct portfolio transaction costs	0,01	0,02	0,03

Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	0,00
Operating charges	0,71	0,68	0,70
Return after operating charges	+1,15	-1,91	-1,75
Distribution yield	1,63	1,50	1,28
Effect on yield of charges offset against capital	n/a	n/a	n/a

#### Other information

Closing NAV (€'000)	19.351	22.129	29.036
Closing NAV percentage of total fund NAV (%)	37,30	36,75	38,80
Number of shares	1.726.968	1.997.715	2.571.147
Highest share price (Euro ¢)	1.126,45	1.151,34	1.165,42
Lowest share price (Euro ¢)	1.105,53	1.095,32	1.114,32

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

The share class was launched on 28 September 2012.

	Six months to 30.09.16	Year to 31.03.16	Year to 31.03.15
Change in NAV per share	Swiss ¢	Swiss ¢	Swiss ¢
Opening NAV	971,28	1.003,89	1.029,77
Return before operating charges and after direct portfolio transaction costs	12,77	(20,61)	(13,34)
Operating charges	(6,02)	(12,00)	(12,54)
Return after operating charges	6,75	(32,61)	(25,88)
Distributions	n/a	(9,51)	(5,89)
Retained distributions	n/a	9,51	5,89
Closing NAV	978,03	971,28	1.003,89

Direct portfolio transaction costs <sup>[a]</sup>	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0,01	0,02	0,02
Dilution adjustments <sup>[b]</sup>	0,00	0,00	0,00
Total direct portfolio transaction costs	0,01	0,02	0,02

Performance and charges	%	%	%
Direct portfolio transaction costs	0,00	0,00	0,00
Operating charges	1,23	1,20	1,22
Return after operating charges	+0,69	-3,25	-2,51
Distribution yield	1,10	0,97	0,72
Effect on yield of charges offset against capital	n/a	n/a	n/a

#### Other information

Closing NAV (€'000)	27	27	29
Closing NAV percentage of total fund NAV (%)	0,05	0,04	0,04
Number of shares	3.000	3.000	3.000
Highest share price (Swiss ¢)	985,66	1.020,52	1.042,02
Lowest share price (Swiss ¢)	967,98	961,96	992,76

# M&G European Inflation Linked Corporate Bond Fund

## Financial highlights

### Specific share class performance

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

The share class was launched on 28 September 2012.

	Six months to 30.09.16	Year to 31.03.16	Year to 31.03.15
Change in NAV per share	Swiss ¢	Swiss ¢	Swiss ¢
Opening NAV	987,41	1.015,52	1.037,00
Return before operating charges and after direct portfolio transaction costs	12,77	(21,01)	(13,98)
Operating charges	(3,62)	(7,10)	(7,50)
Return after operating charges	9,15	(28,11)	(21,48)
Distributions	n/a	(14,76)	(10,50)
Retained distributions	n/a	14,76	10,50
Closing NAV	996,56	987,41	1.015,52
<b>Direct portfolio transaction costs <sup>[a]</sup></b>	<b>Swiss ¢</b>	<b>Swiss ¢</b>	<b>Swiss ¢</b>
Costs before dilution adjustments	0,01	0,02	0,02
Dilution adjustments <sup>[b]</sup>	0,00	0,00	0,00
Total direct portfolio transaction costs	0,01	0,02	0,02
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs	0,00	0,00	0,00
Operating charges	0,72	0,70	0,72
Return after operating charges	+0,93	-2,77	-2,07
Distribution yield	1,60	1,49	1,21
Effect on yield of charges offset against capital	n/a	n/a	n/a
<b>Other information</b>			
Closing NAV (€'000)	28	27	29
Closing NAV percentage of total fund NAV (%)	0,06	0,04	0,04
Number of shares	3.000	0	3.000
Highest share price (Swiss ¢)	1.002,42	1.033,45	1.050,49
Lowest share price (Swiss ¢)	985,14	977,28	1.003,60

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

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

# M&G European Inflation Linked Corporate Bond Fund

## Financial statements and notes

### Financial statements

#### Statement of total return

for the six months to 30 September	2016		2015	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		198		(1.262)
Revenue	646		822	
Expenses	(293)		(393) <sup>[a]</sup>	
Net revenue / (expense) before taxation	353		429	
Taxation	(3)		3	
Net revenue / (expense) after taxation		350		432
<b>Total return before equalisation</b>		<b>548</b>		<b>(830)</b>
Equalisation		(30)		(7)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>518</b>		<b>(837)</b>

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

for the six months to 30 September	2016		2015	
	€'000	€'000	€'000	€'000
<b>Opening net assets attributable to shareholders</b>		<b>60.228</b>		<b>74.842</b>
Amounts received on issue of shares	1.061		10.427 <sup>[a]</sup>	
Amounts paid on cancellation of shares	(9.957)		(8.521) <sup>[a]</sup>	
		(8.896)		1.906
Dilution adjustments		26		35 <sup>[a]</sup>
Change in net assets attributable to shareholders from investment activities (see above)		518		(837)
<b>Closing net assets attributable to shareholders</b>		<b>51.876</b>		<b>75.946</b>

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

#### Balance sheet

as at	30 September 2016	31 March 2016
	€'000	€'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	49.618	59.749
<b>Current assets</b>		
Debtors	294	758
Cash and bank balances	2.221	4.308
<b>Total assets</b>	<b>52.133</b>	<b>64.815</b>
<b>Liabilities</b>		
Investment liabilities	(219)	(473)
<b>Creditors</b>		
Bank overdrafts	0	(3.770)
Other creditors	(38)	(344)
<b>Total liabilities</b>	<b>(257)</b>	<b>(4.587)</b>
<b>Net assets attributable to shareholders</b>	<b>51.876</b>	<b>60.228</b>

[a] Restated, please see notes to the financial statements.

### Notes to the financial statements

#### Accounting policies

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

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

'Dilution adjustments' totalling €26.000 (2015: €35.000) have been reclassified from 'Amounts received on issue of shares' of €1.000 (2015: €24.000) and 'Amounts paid on cancellation of shares' of €25.000 (2015: €11.000).

Interest payable of €5.000 (2015: €7.000) has been reclassified from 'Equalisation' into 'Expenses'.

# M&G Investment Funds (9)

## Other regulatory disclosures

### Interest bearing assets

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

	% of NAV
M&G European Inflation Linked Corporate Bond Fund	98,76

The EU Savings Directive was abolished following the implementation of the Common Reporting Standard under Directive 2014/107/EU. Accordingly, this percentage will no longer be published for accounting periods ended on or after 1 January 2017.

### Swiss investor information

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

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



# Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

