



M&G Dynamic Allocation Fund

Annual Long Report and audited Financial Statements
for the year ended 31 March 2018

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M&G Dynamic Allocation Fund

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Dynamic Allocation Fund presents its Annual Long Report and audited Financial Statements for the year ended 31 March 2018.

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

Company information

This Open-Ended Investment Company (OEIC) is an Investment Company with Variable Capital (ICVC) incorporated under the Open-Ended Investment Companies Regulations 2001. It is authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000. The Company is a UCITS (Undertakings for Collective Investment in Transferable Securities) scheme as defined in the Collective Investment Schemes sourcebook, as issued (and amended) by the FCA.

The Company was authorised on 22 October 2009 and the fund was launched on 3 December 2009.

The Company's principal activity is to carry on business as an OEIC.

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

Co-fund managers

Juan Nevado & Tony Finding are employed by M&G Limited which is an associate of M&G Securities Limited.

ACD

M&G Securities Limited,
Laurence Pountney Hill, London EC4R 0HH, UK
Telephone: 0800 390 390 (UK only)

(Authorised and regulated by the Financial Conduct Authority. M&G Securities Limited is a member of the Investment Association and of the Tax Incentivised Savings Association.)

Directors of the ACD

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

* Appointed 9 June 2017.

W J Nott resigned with effect from 31 December 2017.

Investment manager

M&G Investment Management Limited,
Laurence Pountney Hill, London EC4R 0HH, UK
Telephone: +44 (0)20 7626 4588

(Authorised and regulated by the Financial Conduct Authority)

Registrar

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

* International Financial Data Services (UK) Ltd changed its name to DST Financial Services Europe Ltd on 14 August 2017.

Depository

National Westminster Bank Plc, Trustee & Depository Services,
Drummond House, 1 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
Atria One, 144 Morrison Street, Edinburgh EH3 8EX, UK

Important information

On 9 February 2018, the merger of M&G Dynamic Allocation Fund into M&G (Lux) Dynamic Allocation Fund (a sub-fund of M&G (Lux) Investment Funds 1, a Luxembourg authorised UCITS) was approved by shareholders. The effective date of the merger was 16 March 2018.

As a result the financial statements for the year to 31 March 2018 have been prepared on a break-up basis. Termination will be completed once all of the assets and liabilities have been settled.

Investor information

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

Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

Customer services and administration for non-UK clients:

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

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

Telephone: +352 2605 9944

Email: csmamdg@rbc.com

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

Austrian paying and information agent:

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

M&G Dynamic Allocation Fund

Authorised Corporate Director's Report

Investor information

Belgian financial agent:

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

Danish representative agent:

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

French centralising agent:

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

German information agent:

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

Greek paying agent and distributor:

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

Irish facilities agent:

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

Italian paying agents:

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

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

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

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

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

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

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

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

Luxembourg paying and information agent:

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

Portuguese distributor:

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

Spanish representative:

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

Swedish paying agent:

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

Swiss paying agent and representative:

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

Authorised Corporate Director's Responsibilities

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

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

Directors' statement

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

G W MACDOWALL }
L J MUMFORD } Directors

31 May 2018

M&G Dynamic Allocation Fund

Depository's Responsibilities and Report

Statement of the Depository's Responsibilities and Report of the Depository to the Shareholders of M&G Dynamic Allocation Fund ('the Company') for the period ended 31 March 2018

The Depository must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI2001/1228) (the OEIC Regulations), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Company's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as detailed below.

The Depository must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depository is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depository must ensure that:

- the Company's cashflows are properly monitored (this requirement on the Depository applied from 18 March 2016) and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares in the Company is calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ('the AFM') are carried out (unless they conflict with the Regulations).

The Depository also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depository of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

Edinburgh
31 May 2018

National Westminster Bank Plc
Trustee and Depository Services

M&G Dynamic Allocation Fund

Independent Auditor's Report

Independent Auditor's Report to the shareholders of M&G Dynamic Allocation Fund ICVC

Opinion

We have audited the financial statements of M&G Dynamic Allocation Fund ICVC ("the Company") for the year ended 31 March 2018 which comprise the Statement of Total Return and Statement of Change in Net Assets Attributable to Shareholders together with the Balance Sheet, the accounting policies of the Company, the related notes and the Distribution Tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'. The financial statements of M&G Dynamic Allocation Fund have been prepared on a break up basis as disclosed in Note 2(a).

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 31 March 2018 and of the net expense and the net capital gains on the scheme property of the Company for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice FRS 102 'The Financial Reporting standard applicable in the UK and Republic of Ireland'.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

This report is made solely to the company's shareholders, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The ACD is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the rules of the Collective Investment Schemes sourcebook of the Financial Conduct Authority

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes sourcebook of the Financial Conduct Authority and the Instrument of Incorporation;
- the information given in the ACD's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter in relation to which the rules of the Collective Investment Schemes sourcebook of the Financial Conduct Authority require us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

M&G Dynamic Allocation Fund

Independent Auditor's Report

Independent Auditor's Report to the shareholders of M&G Dynamic Allocation Fund ICVC

Responsibilities of the Authorised Corporate Director (ACD)

As explained more fully in the ACD's responsibilities statement set out on page 2, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the ACD determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the ACD is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the ACD either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Edinburgh
31 May 2018

Ernst & Young LLP
Statutory Auditor

1. The maintenance and integrity of the M&G Securities Limited website is the responsibility of the ACD; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

M&G Dynamic Allocation Fund

Independent Auditor's Report

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M&G Dynamic Allocation Fund

Authorised Corporate Director's Report

Investment objective up to fund closure on 16 March 2018

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

Investment policy up to fund closure on 16 March 2018

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

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

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

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

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

Investment approach up to fund closure on 16 March 2018

The fund managers believe that the fund's highly flexible investment approach has the potential to deliver returns of 5-10% per annum on average over the medium term (over three to five years), with annualised volatility in those returns of between 5% and 12%. (Volatility measures the degree to which a given security, fund, or index rapidly changes. It is calculated as the degree of deviation from the norm for that type of investment over a given time period. The higher the volatility, the riskier the security tends to be.)

The fund will normally invest within the following net allocation ranges: 20-60% in equities, 0-80% in fixed income securities (excluding cash and cash equivalents) and up to 20% in other assets, which can include indirect exposure to property and convertibles (fixed income investments that have the right to be converted into a predetermined number of company shares). The fund managers will actively manage the fund's foreign currency exposure to seek to enhance returns. At least 30% of the fund will be held in euro assets and at least 60% will

be held in a combination of US dollar, sterling and euro assets. The fund's investment strategy may involve the use of financial instruments to take short positions, that is, positions that profit from a fall in the price of an asset, or to generate leverage (gain exposure to greater investment than the net asset value of the fund).

Risk profile up to fund closure on 16 March 2018

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

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

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

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

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



The above number:

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

M&G Dynamic Allocation Fund

Authorised Corporate Director's Report

Investment review

As at 3 April 2018, for the period from 3 April 2017 to 16 March 2018

Performance against objective

Between 3 April 2017 (the start of the review period) and 16 March 2018, when it was merged into a Luxembourg-authorized SICAV, the M&G Dynamic Allocation Fund delivered a positive total return (the combination of income and growth of capital) across all of its share classes.*

Over a three-year period, the fund has achieved its aim of delivering a positive total return.

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

Investment performance

Global equities initially advanced over the period under review, supported by an upswing in global economic data and company earnings. However, towards the beginning of 2018, the situation abruptly reversed as investors grew worried about rising interest rates, the potential for a trade war initiated by US president Donald Trump and the possibility of regulation for leading technology firms. This was reflected in the performance of company shares globally, which tend to do well when the global economy is growing, but can experience a degree of turbulence amid market uncertainty.

Similarly, global bond markets experienced mixed performance as growing investor confidence saw bonds issued by some developed market governments at times fall out of favour. These bonds are often considered 'safe' given the high creditworthiness of their issuers, and therefore tend to underperform when investor sentiment over the health of the global economy improves, as their lower-risk attributes are less in demand, and vice-versa. However, when volatility re-emerged in January, bonds did not act as a 'safe haven' as had historically been the case.

The environment that prevailed for most of the period largely proved beneficial for the fund, which was positioned in favour of equities over bonds, based on observations of relative valuation signals and signs of global economic growth. However, this positioning dragged on performance during the bouts of volatility at the end of the period.

Nonetheless, most of the gains came from equity positions, where notable value was added through positions in Asia Pacific ex Japan, in particular South Korea, which held up well despite political turbulence in the region towards the end of the period. The fund's exposure to Europe also added significantly to gains as the region saw concerted economic growth. Holdings of banking stocks generated good returns as well, while Japanese equities rallied as corporate confidence improved. Short exposure (a position designed to benefit from a fall in the value of the stocks) to the S&P 500 Index detracted as the index reached new highs.

The fund's exposure to bonds added to performance overall. The fund's positioning designed to benefit from a fall in the value of bonds issued by the Western governments marginally added to performance, with these markets benefiting from several periods of both strength and weakness throughout the period. Exposure to emerging market government bonds, in particular those from South Africa and Mexico, and from peripheral European countries (Poland and Portugal) helped returns.

Meanwhile, the exposure to convertibles detracted, as did currency positioning.

Investment activities

By the end of the review period, we had increased the extent to which the fund is positioned in favour of equities versus bonds. This was implemented by increasing positions designed to benefit from losses in bond markets as well as those designed to benefit from gains in equity markets. Specifically, UK, European, Japanese and US equity positions were increased, while exposure to Asia ex Japan was slightly reduced. These changes largely focused on realising profits on positions that had worked well, while retaining the focus of the fund on exploiting the still-elevated difference in valuation between equities and bonds. We also took advantage of equity market weakness in February and March to further increase equity exposure.

We made significant changes to fixed income positioning. Five- and 10-year US government bond yields had risen to such an extent from the lows reached during the summer of 2016 that the fund managers consider that their risk/reward profile is now much more balanced, and we therefore removed all short positions on those assets. Soon after, we took US 10-year government bond holdings further long and the other 10-year developed bond market holdings further short to exploit the sharp increase in spreads between the US and other developed bond markets.

We also reduced positions in Latin American bonds after strong performance left them offering somewhat less value than previously. Some proceeds were reinvested in the new M&G (Lux) Emerging Markets Hard Currency Bond Fund, giving us access to emerging bond markets, and making use of the M&G fixed interest team's credit expertise.

Credit risk within the portfolio was reduced throughout the period. This reflects our view that the favourable credit environment is now almost fully reflected in pricing and spreads and positions the fund for a rising-rate environment. Meanwhile, in currencies, the US dollar positioning was moved from neutral to modestly long, reflecting a revised valuation following an extended period of weakness. This contrasts with 2017, when we were short of the US dollar because we considered that investors were overvaluing the currency.

M&G Dynamic Allocation Fund

Authorised Corporate Director's Report

Investment review

Outlook

Despite potentially unsettling newsflow about politics and policy action dominating headlines over the review period, global economic indicators broadly improved over most of the review period, which was reflected in the sustained period of relative calm in markets seen throughout 2017. The volatility that opened 2018 reflects investor uncertainty about the future direction of equity markets. There are also many factors that could unsettle investors. These include the pace of potential interest rate increases in the US and elsewhere, as well as geopolitical concerns. Central banks around the world, while generally supportive, are signalling a return to more normal conditions.

However, our broad macroeconomic outlook has not changed. For us, the equity risk premium remains the most compelling opportunity and we continue to hold equities in preference to Western government bonds. We consider that, even at current levels of inflation, Western government bonds are deeply unattractive, as they remain highly vulnerable to central bank policy tightening, having benefited from sustained buying by central banks in order to keep interest rates low.

We believe that the global economy is likely to continue growing at a reasonable pace and, indeed, that equity valuations have become more attractive owing to the ongoing volatility, since corporate earnings have held up, despite the fact that prices have fallen.

Juan Nevado & Tony Finding

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.

Investments

The fund had no holdings at the year end.

M&G Dynamic Allocation Fund

Financial highlights

Fund performance

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

Fund level performance

Fund net asset value			
as at 31 March	2018	2017	2016
	€'000	€'000	€'000
Fund net asset value (NAV)	0	4,253,594	2,694,144

Performance since launch

To give an indication of how the fund has performed since launch, the chart 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, to the merger date 16 March 2018. Calculated on a price to price basis with income reinvested.

Long-term performance by share class				
	One year 03.04.17 % p.a. ^[a]	Three years 02.04.15 % p.a.	Five years 03.04.13 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	+4.4	+3.4	+6.1	+6.3 ^[c]
Class 'B'	+4.0	+2.9	n/a	+6.0 ^[d]
Class 'C'	+5.4	+4.3	+7.0	+7.2 ^[c]
Sterling ^[e]				
Class 'I-H'	+6.3	n/a	n/a	+9.6 ^[f]
Swiss franc ^[b]				
Class 'A-H'	+4.1	n/a	n/a	+3.2 ^[g]
Class 'C-H'	+5.0	n/a	n/a	+4.0 ^[g]
US dollar ^[b]				
Class 'A-H'	+6.7	n/a	n/a	+5.1 ^[g]
Class 'C-H'	+7.7	n/a	n/a	+6.0 ^[g]

^[a] Absolute basis.

^[b] Price to price with net income reinvested.

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

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

^[e] Price to price with income reinvested.

^[f] 14 December 2015, the launch date of the share class.

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

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.
- **Share class hedging:** Charge paid to M&G for currency hedging services to minimise exchange rate risk for the share class.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated.

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

M&G Dynamic Allocation Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

Operating charges (continued)

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.

Portfolio transaction costs				
for the year to 31 March	2018	2017	2016	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.03	0.03	0.02	0.03
Taxes	0.01	0.01	0.01	0.01
Costs before dilution adjustments	0.04	0.04	0.03	0.04
Dilution adjustments ^[c]	(0.01)	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.03	0.03	0.02	0.03
as at 31 March	2018	2017	2016	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.00 ^[d]	0.22	0.59	0.27

^[a] The average is not a true representation, as the fund has not been in existence for the full 2018 financial year.

^[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.

^[d] The average is not a true representation, as the fund has not been in existence for the full 2018 financial year.

Specific share class performance

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

Euro Class 'A' Income share performance

The share class was launched on 12 July 2013.

for the year to 31 March	2018	2017	2016
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1,550.48	1,389.98	1,501.19
Return before operating charges and after direct portfolio transaction costs	104.74	210.98	(78.33)
Operating charges	(29.34)	(26.92)	(27.22)
Return after operating charges	75.40	184.06	(105.55)
Distributions	(18.53)	(23.56)	(5.66)
Return to shareholders as a result of class closure	(1,607.35)	n/a	n/a
Closing NAV	0.00	1,550.48	1,389.98
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.66	0.62	0.41
Dilution adjustments ^[a]	(0.20)	(0.14)	(0.21)
Total direct portfolio transaction costs	0.46	0.48	0.20
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.02
Operating charges ^[c]	1.92	1.84	1.91
Return after operating charges	+4.86	+13.24	-7.03
Historic yield	0.00	1.97	0.43
Effect on yield of charges offset against capital	1.90	1.90	0.00
Other information			
Closing NAV (€'000)	0	268,558	178,399
Closing NAV percentage of total fund NAV (%)	0.00	6.31	6.63
Number of shares	0	17,320,957	12,834,689
Highest share price (Euro ¢)	1,663.36	1,565.31	1,538.79
Lowest share price (Euro ¢)	1,533.94	1,365.01	1,268.18

M&G Dynamic Allocation Fund

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Specific share class performance

Euro Class 'A' Accumulation share performance

The share class was launched on 3 December 2009.

for the year to 31 March Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,582.87	1,396.82	1,502.19
Return before operating charges and after direct portfolio transaction costs	107.27	213.24	(77.97)
Operating charges	(30.15)	(27.19)	(27.40)
Return after operating charges	77.12	186.05	(105.37)
Distributions	0.00	(2.93)	(5.87)
Retained distributions	0.00	2.93	5.87
Return to shareholders as a result of class closure	(1,659.99)	n/a	n/a
Closing NAV	0.00	1,582.87	1,396.82
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.68	0.63	0.41
Dilution adjustments ^[a]	(0.21)	(0.14)	(0.21)
Total direct portfolio transaction costs	0.47	0.49	0.20
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.02
Operating charges ^[c]	1.92	1.84	1.92
Return after operating charges	+4.87	+13.32	-7.01
Historic yield	0.00	0.19	0.40
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	2,339,278	1,623,886
Closing NAV percentage of total fund NAV (%)	0.00	55.00	60.27
Number of shares	0	147,787,554	116,255,819
Highest share price (Euro ¢)	1,713.18	1,590.61	1,539.84
Lowest share price (Euro ¢)	1,565.98	1,371.83	1,272.28

Euro Class 'B' Accumulation share performance

The share class was launched on 26 July 2013.

for the year to 31 March Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,259.08	1,115.52	1,204.63
Return before operating charges and after direct portfolio transaction costs	85.20	171.05	(61.53)
Operating charges	(30.15)	(27.49)	(27.58)
Return after operating charges	55.05	143.56	(89.11)
Distributions	0.00	0.00	(0.42)
Retained distributions	0.00	0.00	0.42
Return to shareholders as a result of class closure	(1,314.13)	n/a	n/a
Closing NAV	0.00	1,259.08	1,115.52
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.54	0.50	0.33
Dilution adjustments ^[a]	(0.17)	(0.11)	(0.16)
Total direct portfolio transaction costs	0.37	0.39	0.17
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.02
Operating charges ^[c]	2.42	2.34	2.42
Return after operating charges	+4.37	+12.87	-7.40
Historic yield	0.00	0.00	0.04
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	157,601	128,187
Closing NAV percentage of total fund NAV (%)	0.00	3.71	4.76
Number of shares	0	12,517,149	11,491,273
Highest share price (Euro ¢)	1,357.16	1,265.39	1,234.59
Lowest share price (Euro ¢)	1,245.35	1,094.29	1,016.59

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 March Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,631.48	1,452.16	1,568.33
Return before operating charges and after direct portfolio transaction costs	110.56	218.02	(84.92)
Operating charges	(14.82)	(12.95)	(13.60)
Return after operating charges	95.74	205.07	(98.52)
Distributions	(19.57)	(25.75)	(17.65)
Return to shareholders as a result of class closure	(1,707.65)	n/a	n/a
Closing NAV	0.00	1,631.48	1,452.16
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.70	0.65	0.42
Dilution adjustments ^[a]	(0.21)	(0.14)	(0.21)
Total direct portfolio transaction costs	0.49	0.51	0.21
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.02
Operating charges ^[c]	0.92	0.85	0.91
Return after operating charges	+5.87	+14.12	-6.28
Historic yield	0.00	1.80	1.21
Effect on yield of charges offset against capital	0.90	0.90	0.00
Other information			
Closing NAV (€'000)	0	60,793	20,853
Closing NAV percentage of total fund NAV (%)	0.00	1.43	0.77
Number of shares	0	3,726,259	1,435,988
Highest share price (Euro ¢)	1,764.82	1,646.13	1,608.11
Lowest share price (Euro ¢)	1,614.75	1,428.92	1,326.10

Euro Class 'C' Accumulation share performance

The share class was launched on 3 December 2009.

for the year to 31 March Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,686.39	1,476.33	1,575.38
Return before operating charges and after direct portfolio transaction costs	114.59	223.33	(85.28)
Operating charges	(15.41)	(13.27)	(13.77)
Return after operating charges	99.18	210.06	(99.05)
Distributions	(5.16)	(15.62)	(17.80)
Retained distributions	5.16	15.62	17.80
Return to shareholders as a result of class closure	(1,785.57)	n/a	n/a
Closing NAV	0.00	1,686.39	1,476.33
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.72	0.67	0.43
Dilution adjustments ^[a]	(0.22)	(0.15)	(0.22)
Total direct portfolio transaction costs	0.50	0.52	0.21
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.02
Operating charges ^[c]	0.92	0.85	0.92
Return after operating charges	+5.88	+14.23	-6.29
Historic yield	0.00	0.94	1.20
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	1,401,141	724,817
Closing NAV percentage of total fund NAV (%)	0.00	32.94	26.90
Number of shares	0	83,085,054	49,095,909
Highest share price (Euro ¢)	1,840.35	1,694.28	1,615.30
Lowest share price (Euro ¢)	1,669.14	1,452.73	1,343.18

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Specific share class performance

Sterling Class 'I-H' Income share performance

The share class was launched on 14 December 2015.

for the year to 31 March Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	112.68	99.53	100.00
Return before operating charges and after direct portfolio transaction costs	8.66	15.83	0.61
Operating charges	(1.04)	(0.90)	(0.32)
Return after operating charges	7.62	14.93	0.29
Distributions	(1.36)	(1.78)	(0.76)
Return to shareholders as a result of class closure	(118.94)	n/a	n/a
Closing NAV	0.00	112.68	99.53
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.05	0.01
Dilution adjustments ^[a]	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.04	0.04	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.02
Operating charges ^[c]	0.93	0.85	0.91
Return after operating charges	+6.76	+15.00	+0.29
Historic yield	0.00	1.79	0.43
Effect on yield of charges offset against capital	0.92	0.92	0.00
Other information			
Closing NAV (€'000)	0	26	25
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	0	20,000	20,000
Highest share price (UK p)	122.69	113.68	101.46
Lowest share price (UK p)	111.59	97.90	90.61

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 14 December 2015.

for the year to 31 March Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	115.37	100.25	100.00
Return before operating charges and after direct portfolio transaction costs	8.92	16.03	0.57
Operating charges	(1.07)	(0.91)	(0.32)
Return after operating charges	7.85	15.12	0.25
Distributions	(0.34)	(1.06)	(0.76)
Retained distributions	0.34	1.06	0.76
Return to shareholders as a result of class closure	(123.22)	n/a	n/a
Closing NAV	0.00	115.37	100.25
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.05	0.01
Dilution adjustments ^[a]	(0.02)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.03	0.04	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.02
Operating charges ^[c]	0.93	0.86	0.91
Return after operating charges	+6.80	+15.08	+0.25
Historic yield	0.00	0.92	0.39
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	904	25
Closing NAV percentage of total fund NAV (%)	0.00	0.02	0.00
Number of shares	0	671,602	20,010
Highest share price (UK p)	126.78	115.89	101.46
Lowest share price (UK p)	114.25	98.49	90.88

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 5 June 2015.

for the year to 31 March Change in NAV per share	2018 Swiss ¢	2017 Swiss ¢	2016 Swiss ¢
Opening NAV	1,044.28	925.99	1,000.00
Return before operating charges and after direct portfolio transaction costs	67.06	136.87	(58.05)
Operating charges	(19.83)	(18.58)	(15.96)
Return after operating charges	47.23	118.29	(74.01)
Distributions	0.00	(1.78)	(3.92)
Retained distributions	0.00	1.78	3.92
Return to shareholders as a result of class closure	(1,091.51)	n/a	n/a
Closing NAV	0.00	1,044.28	925.99
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.44	0.42	0.24
Dilution adjustments ^[a]	(0.14)	(0.09)	(0.12)
Total direct portfolio transaction costs	0.30	0.33	0.12
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.02
Operating charges ^[c]	1.93	1.90	1.91
Return after operating charges	+4.52	+12.77	-7.40
Historic yield	0.00	0.17	0.41
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	771	53
Closing NAV percentage of total fund NAV (%)	0.00	0.02	0.00
Number of shares	0	78,918	6,218
Highest share price (Swiss ¢)	1,126.78	1,049.64	1,011.62
Lowest share price (Swiss ¢)	1,032.88	909.95	845.00

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 5 June 2015.

for the year to 31 March Change in NAV per share	2018 Swiss ¢	2017 Swiss ¢	2016 Swiss ¢
Opening NAV	1,058.92	931.90	1,000.00
Return before operating charges and after direct portfolio transaction costs	68.17	135.58	(60.49)
Operating charges	(9.79)	(8.56)	(7.61)
Return after operating charges	58.38	127.02	(68.10)
Distributions	(3.10)	(9.66)	(11.30)
Retained distributions	3.10	9.66	11.30
Return to shareholders as a result of class closure	(1,117.30)	n/a	n/a
Closing NAV	0.00	1,058.92	931.90
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.45	0.42	0.24
Dilution adjustments ^[a]	(0.14)	(0.09)	(0.12)
Total direct portfolio transaction costs	0.31	0.33	0.12
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.02
Operating charges ^[c]	0.93	0.87	0.91
Return after operating charges	+5.51	+13.63	-6.81
Historic yield	0.00	0.92	1.21
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	577	255
Closing NAV percentage of total fund NAV (%)	0.00	0.01	0.01
Number of shares	0	58,206	29,950
Highest share price (Swiss ¢)	1,151.75	1,064.14	1,012.55
Lowest share price (Swiss ¢)	1,047.86	917.34	850.00

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Specific share class performance

US dollar Class 'A-H' Income share performance

The share class was launched on 5 June 2015.

for the year to 31 March Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,051.89	930.43	1,000.00
Return before operating charges and after direct portfolio transaction costs	95.75	156.16	(49.09)
Operating charges	(19.97)	(18.85)	(16.35)
Return after operating charges	75.78	137.31	(65.44)
Distributions	(12.78)	(15.85)	(4.13)
Return to shareholders as a result of class closure	(1,114.89)	n/a	n/a
Closing NAV	0.00	1,051.89	930.43
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.44	0.43	0.25
Dilution adjustments ^[a]	(0.14)	(0.09)	(0.12)
Total direct portfolio transaction costs	0.30	0.34	0.13
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.02
Operating charges ^[c]	1.93	1.88	1.92
Return after operating charges	+7.20	+14.76	-6.54
Historic yield	0.00	1.95	1.20
Effect on yield of charges offset against capital	1.92	1.92	0.00
Other information			
Closing NAV (€'000)	0	2,642	431
Closing NAV percentage of total fund NAV (%)	0.00	0.06	0.02
Number of shares	0	268,307	52,700
Highest share price (US ¢)	1,148.28	1,061.45	1,013.35
Lowest share price (US ¢)	1,041.46	915.83	847.00

US dollar Class 'A-H' Accumulation share performance

The share class was launched on 5 June 2015.

for the year to 31 March Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,071.96	933.61	1,000.00
Return before operating charges and after direct portfolio transaction costs	99.13	157.06	(50.16)
Operating charges	(20.65)	(18.71)	(16.23)
Return after operating charges	78.48	138.35	(66.39)
Distributions	0.00	(1.75)	(4.13)
Retained distributions	0.00	1.75	4.13
Return to shareholders as a result of class closure	(1,150.44)	n/a	n/a
Closing NAV	0.00	1,071.96	933.61
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.46	0.43	0.25
Dilution adjustments ^[a]	(0.14)	(0.09)	(0.12)
Total direct portfolio transaction costs	0.32	0.34	0.13
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.02
Operating charges ^[c]	1.93	1.88	1.91
Return after operating charges	+7.32	+14.82	-6.64
Historic yield	0.00	0.16	0.43
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	13,611	2,759
Closing NAV percentage of total fund NAV (%)	0.00	0.32	0.10
Number of shares	0	1,356,119	336,175
Highest share price (US ¢)	1,181.73	1,076.67	1,013.44
Lowest share price (US ¢)	1,061.35	919.02	849.00

US dollar Class 'C-H' Income share performance

The share class was launched on 5 June 2015.

for the year to 31 March Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,056.85	928.57	1,000.00
Return before operating charges and after direct portfolio transaction costs	98.23	154.02	(52.01)
Operating charges	(9.93)	(9.26)	(8.13)
Return after operating charges	88.30	144.76	(60.14)
Distributions	(12.92)	(16.48)	(11.29)
Return to shareholders as a result of class closure	(1,132.23)	n/a	n/a
Closing NAV	0.00	1,056.85	928.57
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.46	0.43	0.23
Dilution adjustments ^[a]	(0.14)	(0.10)	(0.12)
Total direct portfolio transaction costs	0.32	0.33	0.11
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.02
Operating charges ^[c]	0.94	0.96	0.95
Return after operating charges	+8.36	+15.59	-6.01
Historic yield	0.00	1.77	1.21
Effect on yield of charges offset against capital	0.92	0.92	0.00
Other information			
Closing NAV (€'000)	0	494	8
Closing NAV percentage of total fund NAV (%)	0.00	0.01	0.00
Number of shares	0	49,946	1,000
Highest share price (US ¢)	1,164.47	1,065.66	1,012.78
Lowest share price (US ¢)	1,046.81	913.97	846.00

US dollar Class 'C-H' Accumulation share performance

The share class was launched on 5 June 2015.

for the year to 31 March Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,087.01	938.93	1,000.00
Return before operating charges and after direct portfolio transaction costs	100.94	156.43	(53.56)
Operating charges	(10.14)	(8.35)	(7.51)
Return after operating charges	90.80	148.08	(61.07)
Distributions	(3.21)	(9.81)	(11.31)
Retained distributions	3.21	9.81	11.31
Return to shareholders as a result of class closure	(1,177.81)	n/a	n/a
Closing NAV	0.00	1,087.01	938.93
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.47	0.42	0.25
Dilution adjustments ^[a]	(0.14)	(0.09)	(0.13)
Total direct portfolio transaction costs	0.33	0.33	0.12
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.02
Operating charges ^[c]	0.93	0.85	0.87
Return after operating charges	+8.35	+15.77	-6.11
Historic yield	0.00	0.91	0.43
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	7,198	14,446
Closing NAV percentage of total fund NAV (%)	0.00	0.17	0.54
Number of shares	0	707,210	1,750,365
Highest share price (US ¢)	1,208.03	1,091.63	1,014.42
Lowest share price (US ¢)	1,076.80	924.40	853.00

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

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

^[c] The data for the operating charges figure is to 16 March 2018.

M&G Dynamic Allocation Fund

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 March	Note	2018		2017	
		€'000	€'000	€'000	€'000
Income					
Net capital gains / (losses)	5		275,604		382,843
Revenue	7	74,887		67,820	
Expenses	8	(90,875)		(49,630)	
Interest payable		(1,061)		(1,927)	
Net revenue / (expense) before taxation		(17,049)		16,263	
Taxation	9	(5,267)		(3,243)	
Net revenue / (expense) after taxation			(22,316)		13,020
Total return before distributions			253,288		395,863
Distributions	10		(14,112)		(16,489)
Change in net assets attributable to shareholders from investment activities			239,176		379,374

Statement of change in net assets attributable to shareholders

for the year to 31 March		2018		2017	
		€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders					
Amounts received on issue of shares	3,565,590		4,253,594		2,694,144
Amounts paid on cancellation of shares	(8,067,521)				(346,720)
			(4,501,931)		1,164,591
Dilution adjustments			3,173		2,142
Change in net assets attributable to shareholders from investment activities (see above)			239,176		379,374
Retained distributions on Accumulation shares			5,988		13,343
Closing net assets attributable to shareholders			0		4,253,594

Balance sheet

as at 31 March	Note	2018	2017
		€'000	€'000
Assets			
Fixed assets			
Investments		0	3,966,092
Current assets			
Debtors	11	2,626	91,822
Cash and bank balances	12	495,309	283,973
Total assets		497,935	4,341,887
Liabilities			
Investment liabilities		0	(29,915)
Creditors			
Bank overdrafts		0	(2)
Distribution payable		(1,651)	(1,529)
Other creditors	13	(496,284)	(56,847)
Total liabilities		(497,935)	(88,293)
Net assets attributable to shareholders		0	4,253,594

Notes to the financial statements

1 Statement of compliance

The financial statements have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014.

2 Summary of significant accounting policies

a) Basis of preparation

The fund merged with the M&G (Lux) Dynamic Allocation Fund on 16 March 2018. As a result the financial statements are not prepared on a going concern basis for the year ended 31 March 2018, but are prepared on a break-up basis. Under this basis, all assets are recorded at their estimated realisable amounts, all liabilities at their estimated settlement amounts and provision is made for any further liabilities which may arise.

b) Functional and presentational currency

The functional and presentational currency of M&G Dynamic Allocation Fund is euros.

c) Exchange rates

Transactions in currencies other than the fund's functional currency are translated at the rate of exchange ruling on the date of the transaction and where applicable assets and liabilities are translated into the fund's functional currency at the rate of exchange ruling as at 12 noon on 29 March 2018 being the last business day of the accounting period.

d) Investments - recognition and valuation

The provisions of both Section 11 and Section 12 of FRS 102 have been applied in full. All investments have been designated as fair value through profit and loss and recognised initially at fair value, which is normally the transaction price (excluding transaction costs and accrued interest).

At the end of the reporting period all investments have been measured at their fair value using the prices and the portfolio holdings determined at 12 noon on 29 March 2018, being the last valuation point of the accounting period, as this is not materially different from a valuation carried out at close of business on the balance sheet date. As at 31 March 2018, the fair value of the investments is equal to the estimated settlement amount.

Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the single price or most recent transaction price is used. Interest accrued is not included in the fair value. The methods of determining fair value for the principal classes of investment are:

- Equities and debt securities which are traded on an active market are included at the quoted price, which is normally the bid price, excluding any accrued interest in respect of bonds.
- Equities traded on the Alternative Investment Market (AIM), whose liquidity cannot be guaranteed, are included at their quoted bid price as this represents the most objective and appropriate method of valuation.

M&G Dynamic Allocation Fund

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Notes to the financial statements

2 Summary of significant accounting policies (continued)

d) Investments - recognition and valuation (continued)

- Collective investment schemes operated by the ACD are included at either their cancellation price for dual priced funds or their single price for single priced funds.
- Collective investment schemes operated by another manager are included at either their bid price for dual priced funds or their single price for single priced funds.
- Other equities and debt securities which are unquoted or not actively traded on a quoted market are included at a value estimated by the ACD using an appropriate valuation technique, excluding any accrued interest in respect of bonds.
- Exchange traded futures and options are included at the cost of closing out the contract at the balance sheet date.
- Over the counter equity options, credit default swaps, interest rate swaps, asset swaps and inflation swaps are included at a value provided by Markit Valuations Limited, an independent credit derivative price provider. Their fair value excludes any accrued interest in respect of derivatives where the income is revenue in nature.
- Forward currency contracts, for share class hedging and investment, are included at a value determined by reference to current forward exchange rates for contracts with similar maturity profiles.

e) Recognition of income and expenses

- Dividends, including ordinary stock dividends, from equity investments are recognised when the security is quoted ex-dividend.
- Distributions from collective investment schemes are recognised when the scheme is priced ex-distribution.
- Interest income, including coupons from debt securities and bank interest is recognised on an accruals basis.
- Underwriting commission is recognised when the issue takes place.
- Revenue from derivatives is recognised on an accruals basis.
- Fee rebates from investing in other collective investment schemes are recognised on an accruals basis.
- Expenses are recognised on an accruals basis.

f) Treatment of income and expenses

- Any increases or decreases in the fair value of investments and gains and losses realised on sales of investments are treated as capital and recognised in net capital gains / (losses).
- The value of any enhancement to a stock dividend is treated as capital.
- Ordinary equity dividends, including ordinary stock dividends are treated as revenue.

- Special equity dividends, share buy backs or additional share issues may be treated as revenue or capital depending on the facts of each particular case.
- Distributions from collective investment schemes are treated as revenue in nature, except for any element of equalisation, which represents the average amount of income included in the price paid for the collective investment scheme, which is treated as capital.
- Debt security interest comprises the coupon interest and the difference between the purchase price and the expected maturity price spread over its expected remaining life. This is treated as revenue with the difference adjusting the cost of the shares and treated as capital.
- Other interest income, such as bank interest is treated as revenue.
- Underwriting commission is treated as revenue, except where the fund is required to take up all or some of the shares underwritten, in which case a proportion of the commission received is deducted from the cost of the shares and treated as capital.
- The treatment of the income on derivative contracts depends upon the nature of the transaction. Both motive and circumstances are used to determine whether the returns should be treated as capital or revenue. Where positions are undertaken to protect or enhance capital, and the circumstances support this, the returns are recognised in net capital gains; similarly where the motives and circumstances are to generate or protect revenue, and the circumstances support this, the returns are included within net revenue before taxation. Where positions generate total returns it will generally be appropriate to apportion such returns between capital and revenue to properly reflect the nature of the transaction.
- Expenses relating to the purchase and sale of investments are treated as capital; all other expenses are treated as revenue.
- Rebates of charges from holdings in collective investment schemes are treated as revenue or capital in accordance with the underlying scheme's distribution policy.

g) Tax

Dividends and similar income receivable are recognised at an amount that includes any withholding tax but excludes irrecoverable tax credits. Any withholding tax suffered is shown as part of the tax charge.

Tax is accounted for at the appropriate rate of corporation tax with relief for double taxation taken where appropriate. The tax accounting treatment follows the principal amounts involved.

Deferred tax is recognised in respect of temporary timing differences that have originated but not reversed by the balance sheet date. Deferred tax is measured on a non-discounted basis, at the average rate of tax expected to apply in the period in which it expects the deferred tax to be realised or settled. A deferred tax asset is only recognised to the extent that it is more likely than not that the asset will be recovered.

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

M&G Dynamic Allocation Fund

Financial statements and notes

Notes to the financial statements

2 Summary of significant accounting policies (continued)

h) Allocation of returns to share classes

The annual management charge, any share class hedging returns and associated share class hedging charge are directly attributable to individual share classes. All other returns are apportioned to the fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

All available net revenue accounted for in accordance with the above policies and distribution policy in note 4, is distributed to holders of Income shares or retained and reinvested for holders of Accumulation shares. Should expenses and taxation together exceed revenue, there will be no distribution and the shortfall will be met from capital.

Distributions which have remained unclaimed by shareholders for more than six years are credited to the capital property of the fund.

3 Risk management policies

The ACD is responsible for establishing, implementing and maintaining an adequate and documented risk management policy for identifying, measuring and managing all risks to which funds are or might be exposed.

The Company's investment activities expose it to various types of risk which are associated with the financial instruments and markets in which it invests; market risk, credit risk and liquidity risk.

These financial statements are designed to enable users to evaluate the nature and extent of those risks and how they are managed.

The following risk management policies are applicable to the fund, with specific risk disclosures set out in notes 21 to 24 in this report.

Market risk

Market risk is the risk of loss resulting from fluctuations in the market value of positions in a fund's portfolio attributable to changes in market variables, such as interest rates, exchange rates, equity and commodity prices or an issuer's creditworthiness.

In relation to market risk, processes are applied that take account of the investment objective and policy of each fund. All funds are subject to an investment oversight process in accordance with the type and nature of the fund. In addition all funds are monitored for compliance within regulatory limits.

In measuring and monitoring market risk, the global exposure of a fund may be calculated using a 'commitment' approach or 'Value at Risk' (VaR) approach.

Commitment approach

The commitment approach is applied for funds investing only in traditional asset classes, namely equities, fixed income, money market instruments and collective investment schemes.

In addition, the approach is applied for funds which use or intend to use derivatives or instruments embedding derivatives, but only for efficient portfolio management purposes, or in a simple way not necessarily restricted to efficient portfolio management.

Under the commitment approach the global exposure of funds is measured and monitored using a commitment (adjusted notional) methodology.

Market risk is considered on a daily basis and forms the foundation of investment oversight analysis. This can include for each fund (but is not limited to) the analysis of factors such as fund concentration; style, geographical, industry and market capitalisation biases; active, systematic and specific risk measurements; active money; and beta characteristics.

Value at Risk approach

The Value at Risk (VaR) approach is a methodology for estimating the maximum potential loss due to market risk based on historic market volatilities and correlations. More particularly, the VaR approach gives a broad indication of the maximum potential loss at a given confidence level (probability), over a specific time period under normal market conditions.

Instrument and portfolio modelling techniques are based on market accepted practices and are subject to regular audit (back-testing). Market risk factors that are analysed include LIBOR / swap rates, government yield curves, equity prices, exchange rates, market volatility, credit spreads and credit default swap (CDS) spreads.

The VaR model is based on a Monte Carlo process with actual VaR being reported on the basis of a 99% confidence interval over a one month period (20 business days). Risk factor history used in the Monte Carlo process is based on 250 business days. From the variance / covariance matrices, a parametric Monte Carlo scenario set of 5,000 simulations is derived and applied to the fund.

VaR does have limitations in its ability to present valid levels of risk in extreme market conditions. Accordingly, the Risk Analysis team also carries out monthly stress testing and scenario based analysis. Stress testing allows for extreme sets of market circumstances which may not be reflected in historical data sets thereby enabling further assessment of combinations of market movements which may cause serious damage to portfolio values. The key element to the scenario based analysis is challenging the correlation assumptions implicit within statistical based models such as VaR.

The stress test and scenario based analysis is customised for each fund type and the VaR analysis is produced on a daily basis.

The table below shows funds using the 'commitment' approach and those using the 'Value at Risk (VaR)' approach:

Fund	Global exposure approach
M&G Dynamic Allocation Fund	VaR

M&G Dynamic Allocation Fund

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Notes to the financial statements

3 Risk management policies (continued)

Liquidity risk

Liquidity risk is the risk that a fund's holdings cannot be sold, liquidated or closed out at limited cost in an adequately short time frame and that the ability of the scheme to comply at any time with its obligation to sell and redeem shares is thereby compromised.

The overall liquidity profile for each fund is reviewed and updated regularly. The liquidity profile takes into account investment, cashflow and market liquidity considerations.

Investment liquidity considerations include an assessment of asset class liquidity conditions, liquidity of underlying holdings, portfolio construction and concentration, the scale of individual stock ownership and the nature of the investment strategy.

Cashflow liquidity is managed in each fund on a daily basis using reports that include subscription and redemption information as well as the impact of trading, derivative lifecycle events and corporate action activity. In addition to the daily reporting, the fund managers are provided with reporting that highlights the impact of reasonably predictable events in the portfolio, including an allowance for the potential future exposures that might result from derivative exposures.

Market (or distribution-related) considerations include an assessment of asset demand, fund growth, client concentration and the persistency of the client base. Supplementary to this, market liquidity stress tests are carried out on a monthly basis for all sophisticated funds.

Credit risk

For funds exposed to credit risk, the credit rating, yield and maturity of each interest bearing security is considered to determine if the yield fully reflects the risk. The capital value of interest-bearing securities within the funds will fall in the event of the default or perceived increased credit risk of an issuer.

The capital value of interest-bearing securities within a fund may also be affected by interest rate fluctuations such that when interest rates rise, the capital value of the interest-bearing securities is likely to fall and vice versa.

Funds investing in derivatives are exposed to counterparty risk. This is the risk that the other party to the transaction fails to fulfil their obligations, either by failing to pay or failing to deliver securities. To minimise this risk, carefully selected, financially strong and well-established counterparties are selected following a thorough due diligence review and collateral is posted daily (in the form of cash or high-quality government bonds). Derivative positions are valued on a mark-to-market basis (revalued to reflect prevailing market prices) daily and collateral moves from one counterparty to the other to reflect movements in the unrealised profit or loss. As a result, the maximum loss to the fund would be limited to that day's price movements in affected derivatives contracts.

For funds in which they are used, credit default swaps are bought and sold in response to detailed credit research to take advantage of anticipated movements in credit spreads on individual stocks and baskets of securities. When a fund buys a credit default swap the default risk associated with the underlying security transfers to the counterparty. When a fund sells a credit default swap the fund assumes the credit risk of the underlying security.

4 Distribution policy

In determining the amount available for distribution to Income shares, the annual management charge, administration charge and share class hedging 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.

5 Net capital gains / (losses)

for the year to 31 March	2018 €'000	2017 €'000
Non-derivative securities	(67,379)	243,721
Derivative contracts	345,541	173,862
Currency gains / (losses)	(4,375)	(34,873)
Management charge rebates taken to capital	1,656	140
Administration charge rebates taken to capital	182	13
Transaction charges	(21)	(20)
Net capital gains / (losses)	275,604	382,843

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6 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 10 and 11.

for the year to 31 March	2018 €'000	% of transaction	2017 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	954,525		460,262	
Commissions	400	0.04	272	0.06
Taxes	841	0.09	230	0.05
Equities after transaction costs	955,766		460,764	
Collective investment schemes ^[a]				
Collective investment schemes before transaction costs	166,565		88,487	
Commissions	1	0.00	0	0.00
Collective investment schemes after transaction costs	166,566		88,487	
Debt securities ^[b]	4,997,217		2,777,040	
Total purchases after transaction costs ^[a]	6,119,549		3,326,291	
b) Sales				
Equities				
Equities before transaction costs	411,654		300,346	
Commissions	(201)	0.05	(147)	0.05
Taxes	(5)	0.00	(20)	0.01
Equities after transaction costs	411,448		300,179	
Collective investment schemes ^[a]	1,768		76,022	
Debt securities ^[b]	2,111,307		2,186,632	
Other transaction types				
Corporate actions	0		37,940	
Total sales after transaction costs ^[a]	2,524,523		2,600,773	
c) Direct portfolio transaction costs				
	2018 €'000	% of average NAV	2017 €'000	% of average NAV
Commissions paid				
Equities	601	0.01	419	0.01
Collective investment schemes	1	0.00	0	0.00
Derivatives	1,028	0.02	639	0.02
Total commissions paid	1,630	0.03	1,058	0.03
Taxes paid				
Equities	846	0.01	250	0.01
Total direct portfolio transaction costs ^[c]	2,476	0.04	1,308	0.04
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^[d]		0.00		0.22

[a] Figures for comparative period have been restated.

[b] These transaction types do not attract direct portfolio transaction costs.

[c] Costs before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

[d] Average portfolio dealing spread at balance sheet date.

7 Revenue

for the year to 31 March	2018 €'000	2017 €'000
Administration charge rebates	175	201
Bank interest	291	82
Deposit interest	(5,239)	(1,147)
Derivative revenue	(11,324)	(3,219)
Distributions from collective investment schemes: non-taxable	847	0
Distributions from collective investment schemes: taxable	1,574	2,993
Dividends from equity investments: non-taxable	21,234	7,964
Dividends from equity investments: taxable	6,183	671
Interest on debt securities	58,709	58,215
Management charge rebates	2,212	2,061
Share class hedging revenue	7	(1)
Stock dividends	218	0
Total revenue	74,887	67,820

8 Expenses

for the year to 31 March	2018 €'000	2017 €'000
Payable to the ACD or associate		
Annual management charge ^[a]	81,363	44,379
Administration charge ^[b]	8,638	4,603
Share class hedging charge	11	3
	90,012	48,985
Payable to the Depositary or associate		
Depositary's charge (including VAT)	199	121
Other expenses		
Audit fee (including VAT)	8	14
Dividend charges	130	10
Legal fees	0	1
Safe custody charge	526	499
	664	524
Total expenses	90,875	49,630

[a] This charge excludes management charge rebates received from M&G Securities Limited, or an associate, in relation to the annual management charge of the underlying collective investment schemes for which M&G Securities Limited, or an associate, acts as Authorised Corporate Director.

These rebates have been recognised as either capital or revenue in notes 5 and 7 and amount to €1,656,000 (2017: €140,000) and €2,212,000 (2017: €2,061,000).

[b] This charge excludes administration charge rebates received from M&G Securities Limited, or an associate, in relation to the administration charge of the underlying collective investment schemes for which M&G Securities Limited, or an associate, acts as Authorised Corporate Director.

These rebates have been recognised as either capital or revenue in notes 5 and 7 and amount to €182,000 (2017: €13,000) and €175,000 (2017: €201,000).

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9 Taxation

for the year to 31 March	2018 €'000	2017 €'000
a) Analysis of charge in the year		
Corporation tax	0	1,690
Withholding tax	4,730	2,041
Total double taxation relief	0	(733)
Capital gains tax (India)	537	0
Prior year adjustment	0	245
Deferred tax (note 9c)	0	0
Total taxation	5,267	3,243
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	(17,049)	16,263
Corporation tax at 20%	(3,410)	3,253
Effects of:		
Tax on management and administration charge rebates taken to capital	368	30
Tax on special dividends taken to capital	0	0
Dividends from equity investments: non-taxable	(4,247)	(1,593)
Stock dividends not taxable	(44)	0
Distributions from collective investment schemes: non-taxable	(169)	0
Withholding tax	4,730	2,041
Total double taxation relief	0	(733)
Capital gains tax (India)	537	0
Movement in excess management expense	7,694	0
Overseas tax expensed	(192)	0
Prior year adjustment	0	245
Total tax charge (note 9a)	5,267	3,243
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 9a)	0	0
Provision at the end of the year	0	0

At the period end, after offset against income taxable on receipt, there is a potential deferred tax asset of €7,694,000 (2017: €nil) in relation to surplus management expenses. It is unlikely that the fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised.

10 Distributions

for the year to 31 March	2018		2017	
	Inc ^[a] €'000	Acc ^[b] €'000	Inc ^[a] €'000	Acc ^[b] €'000
Dividend distributions				
First interim	1,357	2,186	247	3,048
Second interim	1,626	2,740	1,280	4,237
Third interim	1,031	0	1,214	3,228
Final	1,651	1,062	1,529	2,830
Total net distributions		11,653		17,613
Income deducted on cancellation of shares		(3,068)		367
Income received on issue of shares		5,527		(1,491)
Distributions		14,112		16,489
Net revenue / (expense) per statement of total return				
		(22,316)		13,020
Expenses offset against capital		7,797		3,189
Capital gains tax		537		0
Sharing of relief between classes		0		(74)
Tax on management and administration charge rebates taken to capital		0		30
Income deficit transferred to capital		28,094		324
Distributions		14,112		16,489

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

11 Debtors

as at 31 March	2018 €'000	2017 €'000
Administration charge rebates due	(19)	14
Amounts receivable on issues of shares	0	38,294
Bank interest receivable	10	0
Currency deals outstanding	0	26,075
Debt security interest receivable	3	25,904
Dividends receivable	2,048	885
Management charge rebates due	79	149
Tax recoverable	423	423
Withholding tax recoverable	82	78
Total debtors	2,626	91,822

12 Cash and bank balances

as at 31 March	2018 €'000	2017 €'000
Amounts held at futures clearing houses and collateral manager	65,494	129,862
Cash held as bank balances	429,815	154,111
Total cash and bank balances	495,309	283,973

13 Other creditors

as at 31 March	2018 €'000	2017 €'000
ACD's annual management charge payable	1,132	2,920
Administration charge payable	122	308
Amounts payable on cancellation of shares	0	18
Corporation tax payable	48	587
Currency deals outstanding	0	26,044
Derivative expense payable	0	968
Expenses payable	718	161
Purchases awaiting settlement	0	25,841
Balances due to M&G (Lux) Dynamic Allocation Fund	494,264	0
Total other creditors	496,284	56,847

14 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2017: same).

15 Shares in issue

The following table shows each class of share in issue during the year. Each share class has the same rights on winding up however they may have different charging structures as set out in note 16.

Share class	Opening 01.04.17		Movements		Closing 31.03.18
	Issued	Cancelled	Issued	Cancelled	
Euro					
Class 'A' Income	17,320,957	14,739,903	(32,060,860)		0
Class 'A' Accumulation	147,787,554	99,613,683	(247,401,237)		0
Class 'B' Accumulation	12,517,149	16,053,134	(28,570,283)		0
Class 'C' Income	3,726,259	2,163,475	(5,889,734)		0
Class 'C' Accumulation	83,085,054	76,683,660	(159,768,714)		0
Sterling					
Class 'I-H' Income	20,000	541,548	(561,548)		0
Class 'I-H' Accumulation	671,602	3,684,757	(4,356,359)		0
Swiss franc					
Class 'A-H' Accumulation	78,918	269,279	(348,197)		0
Class 'C-H' Accumulation	58,206	99,410	(157,616)		0
US dollar					
Class 'A-H' Income	268,307	1,499,548	(1,767,855)		0
Class 'A-H' Accumulation	1,356,119	3,474,963	(4,831,082)		0
Class 'C-H' Income	49,946	45,853	(95,799)		0
Class 'C-H' Accumulation	707,210	3,175,716	(3,882,926)		0

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16 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Entry charge %	Exit charge %	Annual management charge %	Share class hedging charge %
Euro				
Class 'A'	4.00	n/a	1.75	n/a
Class 'B'	1.25	n/a	2.25	n/a
Class 'C'	1.25	n/a	0.75	n/a
Sterling				
Class 'I-H'	nil	n/a	0.75	[a]
Swiss franc				
Class 'A-H'	4.00	n/a	1.75	[a]
Class 'C-H'	1.25	n/a	0.75	[a]
US dollar				
Class 'A-H'	4.00	n/a	1.75	[a]
Class 'C-H'	1.25	n/a	0.75	[a]

[a] This charge may vary between 0.01% and 0.055%.

17 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the fund except with in specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to shareholders' and note 10. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 11 and 13 where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's annual management charge, administration charge and share class hedging charge are disclosed in note 8. Amounts due at the year end in respect of the ACD's annual management charge, administration charge and share class hedging charge are disclosed in note 13.

Amounts paid to M&G Securities Limited in respect of rebate arrangements for the ACD's annual management charge and administration charge are disclosed in notes 5 and 7. Amounts due at the year end from the ACD, and/or associate, in respect of these rebates are disclosed in note 11.

During the year, there were transactions in shares in funds for which M&G Securities Limited is the ACD with a value of €161,825,000 (2017: €166,752,000).

At the balance sheet date, the fund held shares in related parties of M&G Securities Limited with a value of €nil (2017: €273,202,000).

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 0.00% (2017: 0.94%) of the fund's shares.

18 Events after the balance sheet date

There were no events after the balance sheet date to disclose.

19 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities; highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights. However no such financial instruments were held.

as at 31 March Basis of valuation	Assets	Liabilities	Assets	Liabilities
	2018 €'000	2018 €'000	2017 €'000	2017 €'000
Level 1	0	0	1,527,786	(11,900)
Level 2	0	0	2,438,306	(18,015)
Level 3	0	0	0	0
	0	0	3,966,092	(29,915)

As the fund no longer has any investment assets there is no exposure to fair value.

In accordance with FRS 102 (22.4a) the shares in issue for each class meet the definition of a puttable instrument as the shareholders have the right to sell the shares back to the issuer. The shares in the fund may be issued and redeemed on any business day at the quoted price. These shares are not traded on an exchange. However, the price is observable and transactions within the fund take place regularly at that price. The shares in issue as detailed in note 15 meet the definition of a level 2 financial instrument 'Valuation techniques using observable market data'.

20 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 17 and 18.

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21 Market risk sensitivity and exposure

VaR is the risk measurement methodology used to assess the fund's leverage and market risk volatility. When VaR is calculated as a percentage of the net asset value it may not be greater than the VaR limit set for the fund.

The VaR limit set during the financial year to 31 March 2018 was 14% (2017: 14%).

The lowest, highest and average VaR calculated during the financial years ended 31 March 2018 and 31 March 2017 are disclosed in the table below.

for the year to 31 March	2018	2017
	%	%
Lowest	2.26	4.41
Highest	4.92	7.50
Average	3.30	5.68

The lowest, highest and average utilisation of VaR is with reference to the limit above.

for the year to 31 March	2018 [a]	2018	2017	2017
	% of VaR	Utilisation of VaR [b] 14%	% of VaR	Utilisation of VaR [b] 14%
Lowest	2.26	16.12	4.41	31.50
Highest	4.92	35.12	7.50	53.57
Average	3.30	23.58	5.68	40.58

[a] The fund merged and therefore closed on 16 March 2018.

[b] The VaR on the fund has been divided by its maximum limit.

As the fund no longer has any investment assets there is no exposure to market risk sensitivity.

22 Credit risk

as at 31 March	2018	2017
	€'000	€'000
Investment grade securities	0	1,601,347
Below investment grade securities	0	530,236
Other investments	0	1,804,594
Total	0	3,936,177

As the fund no longer has any investment assets there is no exposure to credit risk.

The table below shows the exposure to counterparties. Collateral is posted daily, in the form of cash or high-quality government bonds, to minimise this exposure.

as at 31 March 2017	Swaps	Forward currency contracts	Futures
	€'000	€'000	€'000
Bank of America Merrill Lynch	0	0	20,358
BNP Paribas	0	74	0
Citigroup	6,245	2,032	0
HSBC	(602)	245	0
National Australia Bank	0	4,916	0
State Street Bank	0	1,670	0
UBS	54,633	4,081	0
Total	60,276	13,018	20,358

Net exposure represents the mark-to-market value of derivative contracts less any cash collateral held. Positive exposure represents the fund's exposure to that counterparty. Negative amounts are not an exposure to the fund.

23 Leverage risk

Funds using VaR approaches are required to disclose the level of leverage employed during the financial reporting period.

Derivatives can be used by the fund to generate market exposure to investments exceeding the net asset value. As a result of this exposure, the size of any positive or negative movement in markets may have a more significant effect on the net asset value of the fund.

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 31 March 2018 and 31 March 2017 are disclosed in the table below.

for the year to 31 March	2018 [a]	2018 [a]	2017 [a]	2017 [a]
	€'000	%	€'000	%
Lowest	9,313,101	161	6,081,687	219
Highest	17,609,208	242	11,808,345	316
Average	11,566,214	178	7,601,253	246

[a] Global exposure stated as gross notional. Expressed as a percentage over fund valuation.

As the fund no longer has any investment assets there is no exposure to leverage risk.

24 Exchange rate risk for hedged share classes

This fund contains hedged share classes. These share classes operate currency hedges designed to reduce the impact of exchange rates in certain circumstances. As a result, profit and loss on the currency hedges may impact the liquidity of the overall fund. On a day to day basis this is monitored using reporting from the outsourced provider of the hedged share class service. On an ongoing basis the size of the hedged share classes is monitored to ensure that unforeseen exchange rate volatility can be adequately managed without significantly impacting all shareholders.

M&G Dynamic Allocation Fund

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25 Dividend distribution tables

This fund pays quarterly ordinary distributions and the following table sets out the distribution periods.

Quarterly distribution periods

	Start	End	Xd	Payment
First interim	01.04.17	30.06.17	03.07.17	31.08.17
Second interim	01.07.17	30.09.17	02.10.17	30.11.17
Third interim	01.10.17	31.12.17	02.01.18	28.02.18
Final	01.01.18	16.03.18	16.03.18	26.04.18

The following tables set out for each distribution the rates per share for both Group 1 and Group 2 shares.

Group 1 shares are those purchased prior to a distribution period and therefore their income rate is the same as the distribution rate.

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of income and equalisation. Equalisation is the average amount of income included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the income and equalisation components.

As a result of the merger of M&G Dynamic Allocation fund into M&G (Lux) Dynamic Allocation fund on the 16 March 2018, any income available for distribution to the effective date of the merger was distributed to shareholders on 26 April 2018.

Euro Class 'A' Income shares

Ordinary distributions for the year to 31 March	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
First interim	2.4422	3.0214	5.4636	0.8548
Second interim	3.1645	2.4477	5.6122	8.1745
Third interim	1.4315	1.6507	3.0822	7.2899
Final	2.2089	2.1586	4.3675	7.2389

Euro Class 'A' Accumulation shares

Ordinary distributions for the year to 31 March	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
First interim	0.0000	0.0000	0.0000	0.8578
Second interim	0.0000	0.0000	0.0000	1.5335
Third interim	0.0000	0.0000	0.0000	0.5418
Final	0.0000	0.0000	0.0000	0.0000

Euro Class 'B' Accumulation shares

Ordinary distributions for the year to 31 March	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
First interim	0.0000	0.0000	0.0000	0.0000
Second interim	0.0000	0.0000	0.0000	0.0000
Third interim	0.0000	0.0000	0.0000	0.0000
Final	0.0000	0.0000	0.0000	0.0000

Euro Class 'C' Income shares

Ordinary distributions for the year to 31 March	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
First interim	2.9174	2.7354	5.6528	3.8496
Second interim	2.2744	3.7459	6.0203	7.8198
Third interim	1.4557	1.8099	3.2656	7.1003
Final	2.0004	2.6348	4.6352	6.9819

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 March	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
First interim	0.9001	1.2572	2.1573	3.9010
Second interim	1.3969	0.8995	2.2964	4.6137
Third interim	0.0000	0.0000	0.0000	3.7211
Final	0.7066	0.0000	0.7066	3.3852

Sterling Class 'I-H' Income shares

Ordinary distributions for the year to 31 March	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
First interim	0.1028	0.2920	0.3948	0.2632
Second interim	0.0852	0.3253	0.4105	0.5494
Third interim	0.1732	0.0540	0.2272	0.4794
Final	0.3227	0.0000	0.3227	0.4923

Sterling Class 'I-H' Accumulation shares

Ordinary distributions for the year to 31 March	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
First interim	0.0938	0.0561	0.1499	0.2668
Second interim	0.1009	0.0492	0.1501	0.3201
Third interim	0.0000	0.0000	0.0000	0.2434
Final	0.0376	0.0000	0.0376	0.2322

Swiss franc Class 'A-H' Accumulation shares

Ordinary distributions for the year to 31 March	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
First interim	0.0000	0.0000	0.0000	0.5206
Second interim	0.0000	0.0000	0.0000	0.9713
Third interim	0.0000	0.0000	0.0000	0.2869
Final	0.0000	0.0000	0.0000	0.0000

M&G Dynamic Allocation Fund

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25 Dividend distribution tables (continued)

Swiss franc Class 'C-H' Accumulation shares				
Ordinary distributions for the year to 31 March	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2018	2018	2018	2017
	€	€	€	€
First interim	0.4913	0.8123	1.3036	2.4229
Second interim	0.4378	0.9904	1.4282	2.8626
Third interim	0.0000	0.0000	0.0000	2.2748
Final	0.3647	0.0000	0.3647	2.0959

US dollar Class 'A-H' Income shares				
Ordinary distributions for the year to 31 March	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2018	2018	2018	2017
	€	€	€	€
First interim	1.5420	2.1817	3.7237	0.5116
Second interim	2.4923	1.4005	3.8928	5.4952
Third interim	0.9004	1.2389	2.1393	4.8329
Final	2.0930	0.9324	3.0254	5.0089

US dollar Class 'A-H' Accumulation shares				
Ordinary distributions for the year to 31 March	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2018	2018	2018	2017
	€	€	€	€
First interim	0.0000	0.0000	0.0000	0.5224
Second interim	0.0000	0.0000	0.0000	0.9850
Third interim	0.0000	0.0000	0.0000	0.2459
Final	0.0000	0.0000	0.0000	0.0000

US dollar Class 'C-H' Income shares				
Ordinary distributions for the year to 31 March	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2018	2018	2018	2017
	€	€	€	€
First interim	2.9299	0.8260	3.7559	2.3733
Second interim	3.9341	0.0000	3.9341	5.0634
Third interim	0.3357	1.8268	2.1625	4.4684
Final	0.7580	2.3136	3.0716	4.5757

US dollar Class 'C-H' Accumulation shares				
Ordinary distributions for the year to 31 March	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2018	2018	2018	2017
	€	€	€	€
First interim	0.5745	0.7776	1.3521	2.4514
Second interim	0.8229	0.6517	1.4746	2.9338
Third interim	0.0000	0.0000	0.0000	2.2521
Final	0.3823	0.0000	0.3823	2.1723

M&G Dynamic Allocation Fund

Other regulatory disclosures

Remuneration

In line with the requirements of the Undertakings for Collective Investments in Transferable Securities (UCITS) V, the UCITS Manager is subject to a remuneration policy which is consistent with the principles outlined in SYSC19E of the FCA Handbook (UCITS Remuneration Code).

The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its staff is in line with the risk policies and objectives of the UCITS funds it manages. Further details of the remuneration policy applicable at an M&G Limited level can be found here www.mandg.com/en/corporate/about-mg/our-people. M&G's remuneration policy is reviewed on an annual basis, or more frequently where required, and approved by the M&G Remuneration Committee.

The UCITS management company is required under UCITS to make quantitative disclosures of remuneration. These disclosures are made in line with M&G's interpretation of currently available guidance on quantitative remuneration disclosures. As market or regulatory guidance evolves, M&G may consider it appropriate to make changes to the way in which quantitative disclosures are calculated. Members of staff and senior management typically provide both UCITS and non-UCITS related services and have a number of areas of responsibility. Therefore, only the portion of remuneration for those individuals' services which may be attributable to UCITS is included in the remuneration figures disclosed. Accordingly the figures are not representative of any individual's actual remuneration.

M&G Securities Limited does not directly employ any staff members. However, for the financial year ended 31 December 2017, aggregate remuneration of £39,245,473 (£4,916,933 in respect of fixed remuneration and £34,328,541 in respect of variable remuneration) was paid to individuals whose actions may have a material impact on the risk profile of the UCITS Manager, of which £1,812,300 related to senior management.

Swiss investor information

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

For this fund the TERs are the same as the operating charges disclosed in the fund's financial highlights section under 'Performance and charges'.

Glossary

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

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

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

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

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

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

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

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

Bunds: Fixed income securities issued by the German government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

Equities: Shares of ownership in a company.

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

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

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

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

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

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

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

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

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

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

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

Gilts: Fixed income securities issued by the UK government.

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

Hedging: A method of reducing unnecessary or unintended risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

Treasuries: Fixed income securities issued by the US government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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