



M&G Global Macro Bond Fund

Annual Long Report and audited Financial Statements
for the year ended 31 October 2019

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M&G Global Macro Bond Fund

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Global Macro Bond Fund presents its Annual Long Report and audited Financial Statements for the year ended 31 October 2019.

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 26 January 2009 and the fund was launched on 1 May 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.

Fund manager

Jim Leaviss is employed by M&G FA Limited (formerly M&G Limited) which is an associate of M&G Securities Limited.

ACD

M&G Securities Limited,
10 Fenchurch Avenue, London EC3M 5AG, UK
Telephone: 0800 390 390 (UK only)

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

Directors of the ACD

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

* Resigned 17 October 2019.

** Resigned 27 September 2019.

Investment manager

M&G Investment Management Limited,
10 Fenchurch Avenue, London EC3M 5AG, UK
Telephone: +44 (0)20 7626 4588

(Authorised and regulated by the Financial Conduct Authority)

Registrar

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

Depository

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

Independent auditor

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

Important information

On 8 April 2019 the M&G Global Macro Bond Fund launched Sterling Class 'PP' Accumulation shares.

As mentioned in the shareholder letter on 17 June 2019, we have made changes to the way we charge for M&G funds based in the UK, starting on Thursday 1 August 2019. The annual charge should be simpler to understand and be easier to compare to other fund charges. We have combined all the charges that make up the current Ongoing Charge Figure (OCF) into a single annual charge. Only exceptional items such as unforeseen legal and tax expenses, also known as extraordinary expenses, will be excluded from the annual charge. To find out the new annual charge and the OCF on the KIID for the share class(es) you are invested in, visit our website www.mandg.co.uk.

On 5 August 2019 the M&G Global Macro Bond Fund launched Sterling Class 'PP' Income shares.

Investor information

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

Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

Customer services and administration for non-UK clients:

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

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

Telephone: +352 2605 9944
Email: csmang@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.

M&G Global Macro Bond Fund

Authorised Corporate Director's Report

Investor information

Austrian paying and information agent:

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

Belgian financial agent:

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

Danish representative agent:

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

French centralising agent:

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

German information agent:

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

Greek paying agents and distributors:

Alpha Bank A.E.,
40 Stadiou Street, 10252 Athens, Greece
Eurobank Ergasias S.A.,
8 Othonos Street, 10557 Athens, Greece
Piraeus Bank S.A
4 Amerikis Street, 10564 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

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.

M&G Securities Limited
16 December 2019

M&G Global Macro Bond Fund

Depositary's Responsibilities and Report

Statement of the Depositary's Responsibilities and Report of the Depositary to the Shareholders of M&G Global Macro Bond Fund ('the Company') for the period ended 31 October 2019

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

The Depositary 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 Depositary must ensure that:

- the Company's cashflows are properly monitored 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 Depositary 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 Depositary 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
16 December 2019

NatWest Trustee and
Depositary Services Limited

M&G Global Macro Bond Fund

Independent Auditor's Report

Independent Auditor's Report to the shareholders of M&G Global Macro Bond Fund

Opinion

We have audited the financial statements of M&G Global Macro Bond Fund ("the Company") for the year ended 31 October 2019 which comprise the Statement of Total Return and Statement of Change in Net Assets Attributable to Shareholders together with the Balance Sheet, the summary of significant 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'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 31 October 2019 and of the net revenue 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 including 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the ACD's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the ACD has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

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.

M&G Global Macro Bond Fund

Independent Auditor's Report

Independent Auditor's Report to the shareholders of M&G Global Macro Bond Fund

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.

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.

Edinburgh
16 December 2019

Ernst & Young LLP
Statutory Auditor

M&G Global Macro Bond Fund

Independent Auditor's Report

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M&G Global Macro Bond Fund

Authorised Corporate Director's Report

Investment objective

The fund's objective is to maximise long term total return (the combination of income and growth of capital).

Investment policy

The fund invests mainly in debt instruments on a global basis which include, but are not limited to, variable rate securities, fixed interest securities, sovereign debt and corporate debt. The fund's exposure to debt instruments may be gained through the use of derivatives. The fund may also invest in other assets including collective investment schemes, money market instruments, cash and near cash, deposits, other transferable securities and derivatives.

Investment approach

The M&G Global Macro Bond Fund is a flexible global bond fund. Its investment approach is driven primarily by the fund manager's views on macroeconomic factors such as economic growth, interest rates and inflation. This assessment determines the asset classes in which he believes the fund should invest in order to achieve its objective. It also influences the portfolio's mix of interest rate risk, credit risk and currency exposure, as well as the subsequent holdings. These factors drive the fund's long-term performance. With the active management of the fund's currency exposures being one of these drivers, its returns will include a higher degree of currency risk than domestic fixed income funds.

Benchmark

Benchmark: IA Global Bonds sector.

The fund is actively managed. The benchmark is a comparator against which the fund's performance can be measured. The sector has been chosen as the fund's comparator benchmark as the fund is a constituent of the sector. The comparator benchmark does not constrain the fund's portfolio construction.

Risk profile

The fund is a flexible bond fund which invests in a range of fixed income securities from anywhere in the world and in any currency. The fund is therefore subject to the price volatility of global bond markets and fluctuations in currency exchange rates.

There are no restrictions on the amount of government bonds, investment grade bonds or high yield bonds that can be held within the portfolio. While government and investment grade bonds are generally highly liquid assets that are normally traded with relative ease, high yield corporate bonds are higher risk assets that could potentially experience a degree of illiquidity in times of market distress.

The fund's exposure to fixed income securities may be gained through the use of derivatives. In association with the use of derivatives, including those instruments not traded through an exchange, collateral is deposited, in order to mitigate the risk that a counterparty may default on its obligations or become insolvent.

Portfolio diversification is key in managing liquidity and default risks as well as reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 1 November 2019, for the year ended 31 October 2019

Performance against objective

Between 1 November 2018 (the start of the review period) and 1 November 2019, the performance of global bond markets was generally positive. This helped the M&G Global Macro Bond Fund to record positive returns across the different share classes. Over five years or since launch of the share class (if less than five years old) the fund has achieved its objective of maximising long-term 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

Several key themes continued to influence investors' sentiment in global financial markets during the 12-month review period. These included signs that economic growth was slowing, while international trade tensions, particularly between the US and China, also remained a concern.

In the important US market, the trend of the Federal Reserve (Fed) was to raise interest rates gradually in the few years up to 2018 as the economy strengthened. In contrast, going into 2019, the Fed signalled that it may not increase interest rates further for now, largely in response to more moderate economic forecasts. This outlook also contributed to decisions by the Bank of England and European Central Bank (ECB) to keep interest rates at low levels.

As widely expected, the US Federal Reserve (Fed) reduced interest rates three times between July and October, each time by 0.25 percentage points. The ECB, also as expected, confirmed a reduction in interest rates in September together with a variety of other measures to try to counter weaker economic performance in the region.

M&G Global Macro Bond Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

In the UK, uncertainty persisted regarding the timing and terms of Brexit. Going into 2019, while a withdrawal deal was agreed between Prime Minister Theresa May's government and the European Union (EU), the agreement failed to win consent in the UK parliament. Subsequently, under new Prime Minister Boris Johnson, some progress was made towards approving a deal, but an effective timeframe remained undecided. The way forward on Brexit was still unclear towards the end of the review period, as a general election was scheduled for early December and a departure deadline from the EU of 31 October 2019 was missed.

Mainstream government bonds, helped by their perceived 'safe-haven' status among investors in times of uncertainty, found support in this environment. (Bonds are loans in the form of a security, usually issued by a government – government bonds – or company – corporate bonds – which normally pay a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.)

The performance of government bonds is also influenced by expected, or actual, changes in interest rates by central banks. Rising interest rates can reduce the returns of government bonds, while falling rates tend to be helpful. Consequently, the backdrop of lower interest rates in key regions such as the US and Europe supported the upside in government bond prices.

In the fund, we maintained a sizeable allocation to government bonds throughout the period. Within this positioning, we held the fund's largest exposure to US government bonds, which contributed positively to its overall performance. However, the fund's relative performance was hampered as we favoured holding shorter dated government bonds, which underperformed their longer dated counterparts in the period.

In the corporate bond markets, we maintained a cautious stance towards the fund's exposure. This largely reflected our view of weakening economic growth, an outlook that can dampen sentiment towards corporate bonds. Our allocation was mainly held in bonds from companies with high credit ratings. In contrast, we avoided exposure to corporate bonds with low credit ratings, which can offer higher rates of return for taking on higher degrees of risk. However, the fund's relatively small allocation to corporate bonds held back its performance to an extent, as these assets performed well during the review period.

The fund's flexible investment approach also allows us to invest in the emerging market bonds. We maintained an allocation to this area, given our opinion that attractive value could be found in these markets on a selective basis. Our choice was mainly to hold emerging market bonds denominated in 'hard' currencies such as the US dollar or euro, rather than those denominated in local emerging currencies. After a period of underperformance in 2018, these assets delivered gains as 2019 progressed, which contributed positively to the fund's returns.

Investment activities

We kept a preference to hold a sizeable allocation to the US market within the fund's allocation to government bonds throughout the period. Among other developed markets, we added exposure to UK government bonds, but avoided the German market as we felt it lacked relative value. This largely resulted from the ECB's policy of holding interest rates at negative levels, which contributed to government bond yields in the eurozone also falling into negative territory.

In contrast, we continued to think appealing opportunities could be found among emerging market government bonds. Our activity in this area during the first half of the period included buying euro-denominated bonds from the government of Egypt. However, we also sold some holdings where we felt the outlook turned less favourable. We reduced the fund's position in US dollar-denominated government bonds in Argentina, and sold lira-denominated bonds in Turkey.

Despite these sales, from a long-term perspective we continued to favour holding an allocation to emerging markets based on factors such as the potential to earn higher returns for taking on additional risk. In our assessment, the investment case for this area is supported by the solid creditworthiness that many emerging market bond issuers can exhibit. In the final month of the review period, we reintroduced some corporate exposure in emerging markets by purchasing bonds from Chinese property developer CIFI Holdings, which we felt were attractively priced.

Turning to the fund's currency positioning, while we favoured a sizeable exposure to the US dollar, we reduced this allocation as the period progressed. This reflected our opinion that some valuation metrics for the currency indicated that it was relatively expensive after a period of performing well. The Japanese yen was among our other chosen mainstream currency exposures. In our view, the yen offered attractive relative value and provided helpful diversification for the fund. We also increased the fund's sterling allocation later in the review period as we felt the prospect of an agreed Brexit deal was more likely, which could in turn lead to a strengthening of sterling.

Outlook

Important factors in the outlook for global bonds continue to include slower economic growth, and renewed activity by central banks to try to counter this weaker trend. Among other themes, while some optimism appeared towards the end of the review period that US/China trade relations were easing, a settlement of their dispute was yet to be made.

Against this backdrop, our preferred fund positioning remained defensive, which largely reflected our assessment of the softer economic prospects. We continued to express this view via a relatively small exposure to corporate bonds, given that sentiment towards these assets can be adversely affected amid such an outlook. We maintained a larger allocation to government markets, with the fund's biggest position in US government bonds.

We also continue to hold a constructive view of emerging market bonds, despite some concerns around issues such as international trade tensions. We believe other factors should remain supportive for the long-term outlook for these assets. These include emerging economies' sizeable portion of global gross domestic product (GDP), as well as higher economic growth rates and lower debt levels in many

M&G Global Macro Bond Fund

Authorised Corporate Director's Report

Investment review

Outlook (continued)

emerging countries relative to developed markets. The current very low interest rate environment should also help sentiment towards emerging markets, which provide an appealing pick-up in yields.

For the fund's currency positioning, we still favour diverse exposures among developed markets, mainly in the US dollar, Japanese yen, euro, and sterling, with smaller allocations to emerging currencies on a selective basis. Overall, our approach remains to position the fund where we see the best relative value among the prevailing economic conditions, and avoid areas where we view the outlook as unfavourable.

Jim Leaviss

Fund manager

An employee of M&G FA Limited (formerly M&G Limited) which is an associate of M&G Securities Limited.

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

Investments

Portfolio statement

as at 31 October	2019	2019	2018
Holding	\$'000	%	%
FIXED INCOME	1,400,113	96.57	99.20
Debt securities	1,401,323	96.66	99.62
'AAA' credit rated bonds	182,370	12.58	16.22
AUD16,000,000 Australia (Commonwealth of) 3.25% 21/04/2029	13,152	0.91	
AUD9,000,000 Australia (Commonwealth of) 3% 21/03/2047	7,967	0.55	
€3,022,000 Barings Euro CLO FRN 0.9% 15/10/2030	3,367	0.23	
CAD32,500,000 Canadian Government Bond 1.75% 01/03/2023	24,874	1.72	
£2,149,648 Dukinfield FRN 2.0263% 20/12/2052	2,805	0.19	
\$24,174,000 European Bank for Reconstruction and Development FRN 2.1338% 19/11/2020	24,172	1.67	
AUD15,109,000 European Investment Bank 5% 22/08/2022	11,496	0.79	
€44,456,104 Germany (Federal Republic of) 0.5% 15/02/2025	52,564	3.63	
£10,000,000 International Bank for Reconstruction and Development 0.951% 04/10/2023	12,946	0.89	
£1,761,200 Lanark Master Issuer FRN 1.5809% 22/12/2069	2,292	0.16	
£6,000,000 Nationwide Building Society FRN 1.461% 10/01/2024	7,846	0.54	
£3,022,000 Santander FRN 1.0745% 05/05/2020	3,919	0.27	
£5,000,000 Santander FRN 1.4407% 12/02/2024	6,522	0.45	
£1,963,783 THRONES 2015-1 FRN 1.9814% 18/03/2050	2,548	0.18	
£2,057,359 Trinity Square 2015-1 FRN 1.935% 15/07/2051	2,675	0.18	
£2,475,128 Warwick Finance Residential Mortgages No. 2 FRN 2.265% 21/09/2049	3,225	0.22	

Portfolio statement (continued)

as at 31 October	2019	2019	2018
Holding	\$'000	%	%
'AA' credit rated bonds	660,130	45.53	38.07
£6,073,000 New York Life Global Funding 1.25% 17/12/2026	7,833	0.54	
€4,854,272 Paragon Mortgages No. 13 FRN 0% 15/01/2039	5,096	0.35	
£55,000,000 UK Treasury 1.625% 22/10/2028	77,990	5.38	
\$60,000,000 US Treasury 2.375% 31/12/2020	60,485	4.17	
\$269,825,300 US Treasury 2.75% 15/02/2028	291,833	20.13	
\$30,000,000 US Treasury 3% 15/08/2048	35,006	2.41	
\$163,000,000 US Treasury IL 0.625% 15/01/2024	181,887	12.55	
'A' credit rated bonds	142,508	9.83	11.89
\$4,737,000 ABN AMRO Bank FRN 2.3759% 19/01/2021	4,745	0.33	
£364,000 Anglian Water Services Financing IL 4.125% 28/07/2020	846	0.06	
€2,417,000 Bank of America FRN 0.397% 07/02/2022	2,709	0.19	
\$5,000,000 BNP Paribas Var. Rate 5.198% 10/01/2030	5,859	0.40	
£6,043,000 Canadian Imperial Bank of Commerce FRN 1.2038% 10/01/2022	7,849	0.54	
CLP4,672,000,000 Chile (Republic of) 5.5% 05/08/2020	6,493	0.45	
€4,528,000 CK Hutchison Group Telecom Finance 1.5% 17/10/2031	5,005	0.35	
€3,022,000 Cooperatieve Rabobank UA FRN 0% 29/05/2020	3,376	0.23	
£483,000 Cooperatieve Rabobank UA IL 2.25% 22/11/2022	981	0.07	
\$3,898,000 Crédit Agricole FRN 3.1041% 10/06/2020	3,918	0.27	
\$6,669,000 Crédit Agricole FRN 3.4395% 10/01/2022	6,771	0.47	
\$5,439,000 HSBC FRN 3.5431% 05/01/2022	5,543	0.38	
\$2,137,000 HSBC Var. Rate 6% Perpetual	2,216	0.15	
\$6,043,000 IBM Credit FRN 2.2259% 20/01/2021	6,045	0.42	
£5,867,000 Lloyds Bank FRN 1.2811% 16/05/2024	7,605	0.52	
€527,231 Ludgate Funding FRN 0% 01/01/2061	555	0.04	
MYR64,556,000 Malaysia (Govt. of) 3.882% 10/03/2022	15,698	1.08	
MXN200,000,000 Mexico (United Mexican States) 10% 05/12/2024	11,961	0.83	
£1,447,000 National Grid Electricity Transmission IL 3.806% 27/07/2020	3,224	0.22	
£3,022,000 National Westminster Bank FRN 1.0281% 15/05/2020	3,919	0.27	
£166,497 Nationwide Building Society IL 3.875% 30/07/2021	693	0.05	
\$5,000,000 NatWest Markets 3.625% 29/09/2022	5,160	0.36	
PEN25,382,000 Peru (Republic of) 6.95% 12/08/2031	9,201	0.63	
€3,378,466 Silverback Finance 3.1261% 25/02/2037	4,091	0.28	
\$6,043,000 UBS Group Funding Switzerland FRN 3.4391% 01/02/2022	6,169	0.43	
\$2,555,000 US Bancorp 3.375% 05/02/2024	2,680	0.18	
\$6,043,000 Wells Fargo FRN 3.4728% 04/03/2021	6,126	0.42	
\$3,022,000 Wells Fargo FRN 3.1571% 31/10/2023	3,070	0.21	
'BBB' credit rated bonds	278,509	19.21	21.51
\$4,835,000 American Tower Trust 3.07% 15/03/2023	4,883	0.34	
€9,065,000 AT&T FRN 0.414% 05/09/2023	10,246	0.71	
\$3,555,000 AT&T FRN 3.3116% 12/06/2024	3,614	0.25	
\$12,087,000 Barclays FRN 4.0106% 10/08/2021	12,329	0.85	
\$6,043,000 Barclays FRN 3.6345% 10/01/2023	6,105	0.42	
\$4,018,000 BNP Paribas 4.625% 13/03/2027	4,358	0.30	
COP17,889,000,000 Bogota Distrito Capital 9.75% 26/07/2028	5,949	0.41	

M&G Global Macro Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at 31 October		2019	2019	2018
Holding		\$'000	%	%
'BBB' credit rated bonds (continued)				
\$3,626,000	Citigroup 3.5% 15/05/2023	3,774	0.26	
\$3,022,000	Citigroup FRN 3.2456% 26/10/2020	3,053	0.21	
\$9,065,000	Citigroup FRN 3.5676% 01/09/2023	9,240	0.64	
\$4,835,000	Citigroup FRN 3.2238% 17/05/2024	4,883	0.34	
\$1,805,000	Citigroup FRN 2.6823% 25/08/2036	1,415	0.10	
\$3,022,000	Credit Suisse Group Funding Guernsey 3.75% 26/03/2025	3,181	0.22	
\$1,692,000	Dell International 4.42% 15/06/2021	1,744	0.12	
€2,983,000	Fairfax Financial 2.75% 29/03/2028	3,627	0.25	
\$6,043,000	Ford Motor Credit FRN 3.2168% 04/11/2019	6,041	0.42	
\$4,000,000	GE Capital International Funding 4.418% 15/11/2035	4,191	0.29	
\$6,043,000	General Motors Financial FRN 3.5609% 15/01/2020	6,058	0.42	
£1,778,477	Greene King Finance FRN 3.2814% 15/12/2033	2,299	0.16	
\$2,417,000	HCA 5.25% 15/04/2025	2,688	0.18	
\$1,874,000	HSBC 4.375% 23/11/2026	2,017	0.14	
IDR191,577,000,000	Indonesia (Republic of) 9% 15/03/2029	15,368	1.06	
IDR163,173,000,000	Indonesia (Republic of) 8.25% 15/05/2036	12,265	0.85	
€3,651,000	Intesa Sanpaolo 1% 04/07/2024	4,154	0.29	
£5,000,000	Italy (Republic of) 6% 04/08/2028	8,311	0.57	
€3,000,000	Italy (Republic of) 3% 01/08/2029	3,990	0.27	
€10,274,000	Lloyds Banking FRN 0.384% 21/06/2024	11,477	0.79	
£4,230,000	Mexico (United Mexican States) 5.625% 19/03/2114	6,064	0.42	
\$2,163,707	Mitchells & Butlers Finance FRN 2.5685% 15/12/2030	2,012	0.14	
£907,000	Mitchells & Butlers Finance FRN 1.3814% 15/12/2033	1,030	0.07	
\$6,043,000	Morgan Stanley FRN 3.0756% 27/01/2020	6,055	0.42	
\$1,209,000	Morgan Stanley FRN 3.336% 24/10/2023	1,233	0.08	
\$3,022,000	Morgan Stanley FRN 3.1243% 08/05/2024	3,068	0.21	
€5,000,000	Mylan 1.25% 23/11/2020	5,632	0.39	
£954,900	National Grid IL 1.25% 06/10/2021	1,569	0.11	
€2,179,000	Nationwide Building Society Var. Rate 1.5% 08/03/2026	2,544	0.17	
\$4,000,000	Panama (Republic of) 6.7% 26/01/2036	5,623	0.39	
\$3,000,000	Peru (Republic of) 5.625% 18/11/2050	4,347	0.30	
\$5,000,000	Petroleos Mexicanos 5.35% 12/02/2028	4,915	0.34	
\$6,043,000	Royal Bank of Scotland FRN 3.6281% 15/05/2023	6,096	0.42	
\$3,266,000	Royal Bank of Scotland Var. Rate 4.892% 18/05/2029	3,654	0.25	
RUB1,136,166,000	Russia (Federation of) 8.15% 03/02/2027	19,602	1.35	
\$6,500,000	Shire Acquisitions Investments Ireland 3.2% 23/09/2026	6,692	0.46	
\$3,022,000	Société Générale 4.25% 14/09/2023	3,199	0.22	
\$3,022,000	Société Générale 5% 17/01/2024	3,252	0.22	
€3,100,000	Société Générale FRN 0.379% 22/05/2024	3,476	0.24	

Portfolio statement (continued)

as at 31 October		2019	2019	2018
Holding		\$'000	%	%
'BBB' credit rated bonds (continued)				
THB344,476,000	Thailand (Kingdom of) IL 1.25% 12/03/2028	11,622	0.80	
£1,902,000	Thames Water Utilities Finance 2.375% 03/05/2023	2,481	0.17	
UYU167,380,000	Uruguay (Republic of) 8.5% 15/03/2028	3,715	0.26	
UYU64,060,448	Uruguay (Republic of) IL 4.375% 15/12/2028	3,354	0.23	
\$3,626,000	Verizon Communications 4.522% 15/09/2048	4,297	0.30	
\$1,087,000	Vodafone 3.75% 16/01/2024	1,145	0.08	
£3,100,000	Volkswagen International Finance 4.125% 17/11/2031	4,572	0.31	
'BB' credit rated bonds		88,420	6.10	6.82
€2,000,000	Axalta Coating 3.75% 15/01/2025	2,288	0.16	
\$3,000,000	Bahamas (Commonwealth of) 6% 21/11/2028	3,250	0.22	
€3,500,000	Banco de Sabadell Var. Rate 5.375% 12/12/2028	4,388	0.30	
\$1,250,000	Bolivia (Plurinational State of) 4.5% 20/03/2028	1,168	0.08	
BRL76,000,000	Brazil (Federal Republic of) 10% 01/01/2025	22,430	1.55	
\$2,800,000	CIFI 6.55% 28/03/2024	2,825	0.20	
€2,720,000	Crown European 3.375% 15/05/2025	3,336	0.23	
DOP64,300,000	Dominican Republic 8.9% 15/02/2023	1,218	0.08	
DOP105,800,000	Dominican Republic 10.5% 07/04/2023	2,051	0.14	
\$3,022,000	Dominican Republic 6.85% 27/01/2045	3,367	0.23	
\$3,000,000	Dominican Republic 6.5% 15/02/2048	3,224	0.22	
\$2,000,000	Hanesbrands 4.625% 15/05/2024	2,111	0.15	
\$2,417,000	HCA 5.375% 01/09/2026	2,652	0.18	
\$466,000	HCA 5.875% 01/02/2029	529	0.04	
\$3,000,000	Honduras (Republic of) Bond 6.25% 19/01/2027	3,199	0.22	
\$2,064,000	Inretail Pharma 5.375% 02/05/2023	2,152	0.15	
\$940,000	Paraguay (Republic of) 4.7% 27/03/2027	1,027	0.07	
\$4,511,000	Paraguay (Republic of) 6.1% 11/08/2044	5,460	0.38	
\$2,014,000	Paraguay (Republic of) 5.6% 13/03/2048	2,314	0.16	
\$4,568,000	Petrobras Global Finance 5.093% 15/01/2030	4,825	0.33	
\$2,000,000	Pilgrim's Pride 5.75% 15/03/2025	2,073	0.14	
\$1,209,000	Shea Homes 6.125% 01/04/2025	1,254	0.09	
£121,000	Tesco IL 3.322% 05/11/2025	320	0.02	
€2,000,000	Teva Pharmaceutical Finance Netherlands II 4.5% 01/03/2025	2,065	0.14	
\$4,835,000	UBS Group Funding Switzerland Var. Rate 5% Perpetual	4,573	0.32	
€1,209,000	UBS Group Funding Switzerland Var. Rate 5.75% Perpetual	1,473	0.10	
\$3,000,000	Yuzhou Properties 6% 25/10/2023	2,848	0.20	
'B' credit rated bonds		27,322	1.88	4.05
\$2,408,000	Altice France 7.375% 01/05/2026	2,579	0.18	
\$3,000,000	China Evergrande 6.25% 28/06/2021	2,809	0.19	
€3,000,000	Egypt (Arab Republic of) 4.75% 16/04/2026	3,425	0.24	
€2,000,000	Scientific Games International 5.5% 15/02/2026	2,173	0.15	
€2,000,000	Selecta 5.875% 01/02/2024	2,249	0.15	
\$2,417,000	Sri Lanka (Republic of) 6.85% 03/11/2025	2,451	0.17	
€1,750,000	Turkey (Republic of) 4.625% 31/03/2025	2,011	0.14	

M&G Global Macro Bond Fund

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Investments

Portfolio statement (continued)			
as at 31 October Holding	2019 \$'000	2019 %	2018 %
'B' credit rated bonds (continued)			
\$3,581,000 Turkey (Republic of) 7.25% 23/12/2023	3,808	0.26	
€2,550,000 Turkey (Republic of) 5.2% 16/02/2026	2,982	0.21	
\$2,800,000 Wanda Properties International 7.25% 29/01/2024	2,835	0.19	
'CCC' credit rated bonds			
ARS30,594,907 Argentina (Republic of) FRN 70.8796% 21/06/2020	236	0.02	
\$2,518,000 Buenos Aires (Province of) 7.875% 15/06/2027	861	0.06	
Bonds with no credit rating			
£1,209,000 Admiral 5.5% 25/07/2024	1,750	0.12	
£6,000,000 Coventry Building Society FRN 1.3107% 13/11/2023	7,809	0.54	
€1,510,860 Eirles Two FRN 2020 ^[a]	0	0.00	
£972,119 Finsbury Square FRN 1.4599% 12/09/2065	1,259	0.09	
£2,238,000 Skipton Building Society 1.75% 30/06/2022	2,906	0.20	
£5,000,000 Skipton Building Society FRN 1.3911% 22/02/2024	6,512	0.45	
£463,800 Tesco Personal Finance IL 1% 16/12/2019	731	0.05	
Debt derivatives			
Credit default swaps			
\$60,000,000 Markit CDX Emerging Markets Series 32 V1 5 Year Dec 2024	2,626	0.18	
\$23,000,000 Markit CDX North American High Yield Series 33 V1 5 Year Dec 2024	1,784	0.12	
\$110,000,000 Markit CDX North American Investment Grade Series 33 V1 5 Year Dec 2024	(2,586)	(0.18)	
\$25,000,000 Markit iTraxx Australia Series 32 V1 5 Year Dec 2024	(526)	(0.03)	
€50,000,000 Markit iTraxx Europe Sub Fin Series 32 V1 5 Year Dec 2024	587	0.04	
€59,000,000 Markit iTraxx Europe Xover Series 32 V1 5 Year Dec 2024	(8,617)	(0.59)	
Interest rate swaps			
€21,000,000 Pay VAR Receive 0.7665% Jun 2049	2,301	0.15	
Interest rate futures			
(211) Euro Bobl Futures Dec 2019	503	0.03	
(911) Euro Bund Futures Dec 2019	1,939	0.13	
(5,500) Euro Schatz Futures Dec 2019	535	0.04	
(204) Long Gilt Futures Dec 2019	142	0.01	
(856) US Treasury 10 year Note CBT Futures Dec 2019	102	0.01	
CURRENCY			
Forward currency contracts			
AUD(47,000,000) Sold for \$32,113,037 (expires 20.11.19)	(301)	(0.02)	
€237,000,000 Bought for \$264,045,966 (expires 20.11.19)	458	0.03	
IDR(192,500,000,000) Sold for \$13,221,154 (expires 20.11.19)	(471)	(0.03)	
¥19,750,000,000 Bought for \$182,167,020 (expires 20.11.19)	557	0.04	
¥7,950,000,000 Bought for €65,744,208 (expires 20.11.19)	179	0.01	
MYR(56,500,000) Sold for \$13,452,381 (expires 20.11.19)	(64)	0.00	

Portfolio statement (continued)

as at 31 October Holding	2019 \$'000	2019 %	2018 %
Forward currency contracts (continued)			
NOK100,000,000 Bought for €10,256,942 (expires 20.11.19)	(600)	(0.04)	
PHP(700,000,000) Sold for \$13,356,230 (expires 20.11.19)	(430)	(0.03)	
RUB(1,600,000,000) Sold for \$24,852,053 (expires 20.11.19)	(62)	0.00	
KRW16,500,000,000 Bought for \$13,618,356 (expires 20.11.19)	568	0.04	
KRW(16,500,000,000) Sold for \$13,869,043 (expires 20.11.19)	(317)	(0.02)	
£103,500,000 Bought for \$130,288,266 (expires 20.11.19)	3,908	0.27	
£23,000,000 Bought for €26,297,995 (expires 20.11.19)	472	0.03	
SEK110,000,000 Bought for €10,391,624 (expires 20.11.19)	(204)	(0.01)	
THB(416,000,000) Sold for \$13,548,282 (expires 20.11.19)	(231)	(0.02)	
Portfolio of investments	1,403,575	96.82	98.89
CASH EQUIVALENTS			
'AAA' rated money market funds ^[b]			
8,571,000 Northern Trust Global Funds - US Dollar	8,571	0.59	0.00
SHARE CLASS HEDGING			
Forward currency contracts for share class hedging			
£59,333,854 Bought for \$75,692,854 (expires 20.11.19)	1,235	0.09	0.00
£(467,685) Sold for \$602,706 (expires 20.11.19)	(4)	0.00	
Total portfolio (notes 2c & 2d on pages 20 & 21)	1,413,381	97.50	98.89
Net other assets / (liabilities)	36,298	2.50	1.11
Net assets attributable to shareholders	1,449,679	100.00	100.00

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

^[a] Defaulted bond.

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

M&G Global Macro Bond Fund

Financial highlights

Fund performance

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

The following chart and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Global Macro Bond Fund, which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

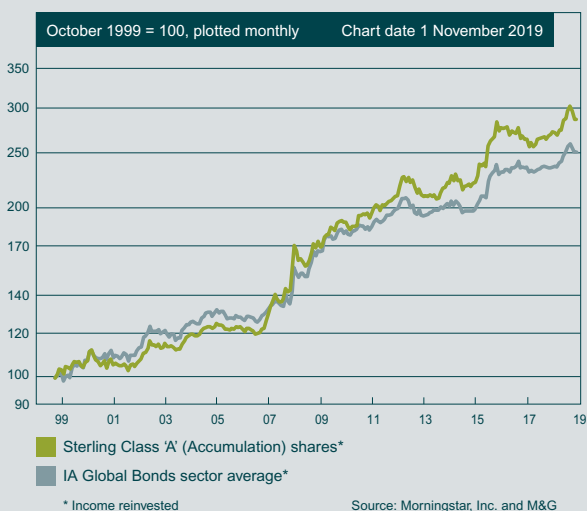
Fund level performance

Fund net asset value

as at 31 October	2019 \$'000	2018 \$'000	2017 \$'000
Fund net asset value (NAV)	1,449,679	1,138,569	2,335,573

Performance since launch

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



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

Long-term performance by share class^[a]

	One year 01.11.18 % ^[b]	Three years 01.11.16 % p.a.	Five years 03.11.14 % p.a.	Since launch % p.a.
Sterling^[c]				
Class 'A'	+8.0	+0.5	+5.7	+5.4 ^[d]
Class 'A-H'	+6.4	+0.8	n/a	+1.1 ^[e]
Class 'I'	+8.7	+1.1	+6.3	+5.6 ^[f]
Class 'I-H'	+7.0	+1.5	n/a	+1.7 ^[e]
Class 'J'	+8.8	n/a	n/a	+7.3 ^[g]
Class 'J-H'	+7.1	n/a	n/a	+2.2 ^[g]
Class 'PP'	n/a	n/a	n/a	+4.9 ^[h]
Class 'R'	+8.3	+0.8	+5.9	+5.0 ^[i]
Class 'R-H'	+6.7	+1.1	n/a	+1.3 ^[e]
Class 'X'	+8.0	+0.5	+5.7	+5.4 ^[i]
Class 'X-H'	+6.4	+0.9	n/a	+1.1 ^[e]

^[a] On 1 May 2009 the M&G Global Macro Bond Fund de-merged from M&G Investment Funds (4) to become the M&G Global Macro Bond Fund.

^[b] Absolute basis.

^[c] Price to price with income reinvested.

^[d] 15 October 1999, the end of the initial offer period of the predecessor unit trust.

^[e] 7 August 2015, the launch date of the share class.

^[f] 16 December 2011, the launch date of the share class.

^[g] 4 May 2018, the launch date of the share class.

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

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

^[j] 15 October 1999. All performance data prior to 1 October 2002 (the launch date of the share class) has been calculated by reference to a conversion factor due to a change of the nominated share class.

M&G Global Macro Bond Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.

For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).

- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Share class hedging:** Charge paid to M&G for currency hedging services to minimise exchange rate risk for the share class. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

The operating charges paid by each share class of the fund are shown in the following performance tables. These 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.

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or 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.

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. As the fund invests wholly in fixed interest securities, no direct portfolio transaction costs are applicable. To give an indication of the indirect portfolio dealing costs the table below shows the average portfolio dealing spread.

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

Portfolio transaction costs

as at 31 October	2019	2018	2017	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.22	0.26	0.21	0.23

[a] Average of first three columns.

M&G Global Macro Bond Fund

Financial highlights

Specific share class performance

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

Sterling Class 'A' Income share performance

The share class was launched on 15 October 1999.

for the year to 31 October Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	83.54	86.13	93.30
Return before operating charges and after direct portfolio transaction costs	6.93	1.19	(3.81)
Operating charges	(1.20)	(1.19)	(1.26)
Return after operating charges	5.73	0.00	(5.07)
Distributions	(2.87)	(2.59)	(2.10)
Closing NAV	86.40	83.54	86.13
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.38	1.42	1.41
Return after operating charges	+6.86	0.00	-5.43
Distribution yield	2.93	3.40	2.14
Effect on yield of charges offset against capital	1.37	1.40	1.40
Other information			
Closing NAV (\$'000)	15,651	14,763	18,354
Closing NAV percentage of total fund NAV (%)	1.08	1.30	0.79
Number of shares	13,978,417	13,833,638	16,119,821
Highest share price (UK p)	92.91	87.11	93.42
Lowest share price (UK p)	81.81	80.61	85.32

Sterling Class 'A' Accumulation share performance

The share class was launched on 15 October 1999.

for the year to 31 October Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	129.25	129.16	136.70
Return before operating charges and after direct portfolio transaction costs	10.79	1.90	(5.60)
Operating charges	(1.88)	(1.81)	(1.87)
Return after operating charges	8.91	0.09	(7.47)
Distributions	(2.65)	(2.15)	(1.28)
Retained distributions	2.65	2.15	1.21
Closing NAV	138.16	129.25	129.16
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.38	1.42	1.41
Return after operating charges	+6.89	+0.07	-5.46
Distribution yield	1.66	1.99	0.74
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	31,218	28,217	39,031
Closing NAV percentage of total fund NAV (%)	2.15	2.48	1.67
Number of shares	17,434,913	17,091,540	22,860,213
Highest share price (UK p)	147.52	131.60	136.95
Lowest share price (UK p)	126.53	121.68	127.24

Sterling Class 'A-H' Income share performance

The share class was launched on 7 August 2015.

for the year to 31 October Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	91.29	99.08	99.90
Return before operating charges and after direct portfolio transaction costs	7.07	(3.39)	2.97
Operating charges	(1.31)	(1.40)	(1.41)
Return after operating charges	5.76	(4.79)	1.56
Distributions	(3.13)	(3.00)	(2.38)
Closing NAV	93.92	91.29	99.08
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.40	1.43	1.43
Return after operating charges	+6.31	-4.83	+1.56
Distribution yield	2.92	3.47	2.14
Effect on yield of charges offset against capital	1.39	1.42	1.42
Other information			
Closing NAV (\$'000)	28	33	37
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	23,060	28,064	28,064
Highest share price (UK p)	94.89	101.35	102.08
Lowest share price (UK p)	91.02	91.89	98.05

M&G Global Macro Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'A-H' Accumulation share performance

The share class was launched on 7 August 2015.

for the year to 31 October Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	97.89	103.07	101.59
Return before operating charges and after direct portfolio transaction costs	7.71	(3.65)	3.02
Operating charges	(1.43)	(1.53)	(1.49)
Return after operating charges	6.28	(5.18)	1.53
Distributions	(1.99)	(1.70)	(0.98)
Retained distributions	1.99	1.70	0.93
Closing NAV	104.17	97.89	103.07

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.40	1.43	1.43
Return after operating charges	+6.42	-5.03	+1.51
Distribution yield	1.62	2.01	0.73
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	27	31	190
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.01
Number of shares	19,714	24,505	139,505
Highest share price (UK p)	104.39	105.48	105.61
Lowest share price (UK p)	97.59	97.67	99.71

Sterling Class 'I' Income share performance

The share class was launched on 16 December 2011.

for the year to 31 October Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	125.61	128.72	138.60
Return before operating charges and after direct portfolio transaction costs	10.43	1.81	(5.67)
Operating charges	(1.06)	(1.03)	(1.08)
Return after operating charges	9.37	0.78	(6.75)
Distributions	(4.33)	(3.89)	(3.13)
Closing NAV	130.65	125.61	128.72

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.81	0.82	0.81
Return after operating charges	+7.46	+0.61	-4.87
Distribution yield	2.93	3.40	2.14
Effect on yield of charges offset against capital	0.79	0.80	0.80

Other information

Closing NAV (\$'000)	417,180	392,044	607,401
Closing NAV percentage of total fund NAV (%)	28.78	34.43	26.01
Number of shares	246,405,385	244,335,488	356,988,998
Highest share price (UK p)	140.39	130.20	138.94
Lowest share price (UK p)	123.01	120.80	127.39

Sterling Class 'I' Accumulation share performance

The share class was launched on 16 December 2011.

for the year to 31 October Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	141.95	141.01	148.41
Return before operating charges and after direct portfolio transaction costs	11.89	2.08	(6.11)
Operating charges	(1.21)	(1.14)	(1.17)
Return after operating charges	10.68	0.94	(7.28)
Distributions	(3.77)	(3.19)	(2.24)
Retained distributions	3.77	3.19	2.12
Closing NAV	152.63	141.95	141.01

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.81	0.82	0.81
Return after operating charges	+7.52	+0.67	-4.91
Distribution yield	2.16	2.60	1.34
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	678,819	506,096	569,644
Closing NAV percentage of total fund NAV (%)	46.84	44.45	24.39
Number of shares	343,192,019	279,096,179	305,597,282
Highest share price (UK p)	162.83	144.36	148.81
Lowest share price (UK p)	138.99	133.21	138.82

Sterling Class 'I-H' Income share performance

The share class was launched on 7 August 2015.

for the year to 31 October Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	92.49	99.79	100.06
Return before operating charges and after direct portfolio transaction costs	7.25	(3.46)	2.94
Operating charges	(0.79)	(0.82)	(0.82)
Return after operating charges	6.46	(4.28)	2.12
Distributions	(3.18)	(3.02)	(2.39)
Closing NAV	95.77	92.49	99.79

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.83	0.84	0.83
Return after operating charges	+6.98	-4.29	+2.11
Distribution yield	2.92	3.47	2.14
Effect on yield of charges offset against capital	0.82	0.82	0.82

Other information

Closing NAV (\$'000)	21,032	13,511	13,545
Closing NAV percentage of total fund NAV (%)	1.45	1.19	0.58
Number of shares	16,946,675	11,435,334	10,267,780
Highest share price (UK p)	96.66	102.22	102.71
Lowest share price (UK p)	92.26	93.04	98.23

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Specific share class performance

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 7 August 2015.

for the year to 31 October Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	99.80	104.33	102.17
Return before operating charges and after direct portfolio transaction costs	7.89	(3.67)	3.12
Operating charges	(0.86)	(0.86)	(0.87)
Return after operating charges	7.03	(4.53)	2.25
Distributions	(2.62)	(2.34)	(1.62)
Retained distributions	2.62	2.34	1.53
Closing NAV	106.83	99.80	104.33
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.83	0.84	0.83
Return after operating charges	+7.04	-4.34	+2.20
Distribution yield	2.12	2.63	1.32
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	32,508	15,588	5,905
Closing NAV percentage of total fund NAV (%)	2.24	1.37	0.25
Number of shares	23,481,453	12,226,191	4,281,827
Highest share price (UK p)	107.06	106.98	106.80
Lowest share price (UK p)	99.54	99.54	100.34

Sterling Class 'J' Income share performance

The share class was launched on 4 May 2018.

for the year to 31 October Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	101.05	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	8.38	3.16	n/a
Operating charges	(0.74)	(0.35)	n/a
Return after operating charges	7.64	2.81	n/a
Distributions	(3.49)	(1.76)	n/a
Closing NAV	105.20	101.05	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	n/a
Dilution adjustments ^[a]	0.00	0.00	n/a
Total direct portfolio transaction costs	0.00	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	n/a
Operating charges ^[c]	0.71	0.73	n/a
Return after operating charges	+7.56	+2.81	n/a
Distribution yield	2.93	3.40	n/a
Effect on yield of charges offset against capital	0.69	0.70	n/a
Other information			
Closing NAV (\$'000)	215,752	151,693	n/a
Closing NAV percentage of total fund NAV (%)	14.88	13.32	n/a
Number of shares	158,240,456	117,517,461	n/a
Highest share price (UK p)	113.03	103.64	n/a
Lowest share price (UK p)	98.96	98.70	n/a

Sterling Class 'J-H' Income share performance

The share class was launched on 4 May 2018.

for the year to 31 October Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	94.43	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	7.32	(3.55)	n/a
Operating charges	(0.70)	(0.35)	n/a
Return after operating charges	6.62	(3.90)	n/a
Distributions	(3.25)	(1.67)	n/a
Closing NAV	97.80	94.43	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	n/a
Dilution adjustments ^[a]	0.00	0.00	n/a
Total direct portfolio transaction costs	0.00	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	n/a
Operating charges ^[c]	0.73	0.75	n/a
Return after operating charges	+7.01	-3.90	n/a
Distribution yield	2.92	3.47	n/a
Effect on yield of charges offset against capital	0.71	0.72	n/a
Other information			
Closing NAV (\$'000)	22,586	7,487	n/a
Closing NAV percentage of total fund NAV (%)	1.56	0.66	n/a
Number of shares	17,819,642	6,207,000	n/a
Highest share price (UK p)	98.72	100.00	n/a
Lowest share price (UK p)	94.20	94.99	n/a

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 31 October Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(4.72)	n/a	n/a
Operating charges	(0.15)	n/a	n/a
Return after operating charges	(4.87)	n/a	n/a
Distributions	(0.66)	n/a	n/a
Closing NAV	94.47	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	n/a	n/a
Dilution adjustments ^[a]	0.00	n/a	n/a
Total direct portfolio transaction costs	0.00	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	n/a	n/a
Operating charges	0.68	n/a	n/a
Return after operating charges	-4.87	n/a	n/a
Distribution yield	2.93	n/a	n/a
Effect on yield of charges offset against capital	0.68	n/a	n/a
Other information			
Closing NAV (\$'000)	181	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.01	n/a	n/a
Number of shares	147,522	n/a	n/a
Highest share price (UK p)	101.47	n/a	n/a
Lowest share price (UK p)	95.01	n/a	n/a

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Specific share class performance

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 31 October Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	4.95	n/a	n/a
Operating charges	(0.41)	n/a	n/a
Return after operating charges	4.54	n/a	n/a
Distributions	(2.05)	n/a	n/a
Retained distributions	2.05	n/a	n/a
Closing NAV	104.54	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	n/a	n/a
Dilution adjustments ^[a]	0.00	n/a	n/a
Total direct portfolio transaction costs	0.00	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	n/a	n/a
Operating charges	0.75	n/a	n/a
Return after operating charges	+4.54	n/a	n/a
Distribution yield	2.25	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (\$'000)	1,106	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.08	n/a	n/a
Number of shares	816,067	n/a	n/a
Highest share price (UK p)	111.51	n/a	n/a
Lowest share price (UK p)	99.53	n/a	n/a

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 October Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	120.02	123.41	133.36
Return before operating charges and after direct portfolio transaction costs	9.94	1.74	(5.46)
Operating charges	(1.40)	(1.41)	(1.49)
Return after operating charges	8.54	0.33	(6.95)
Distributions	(4.13)	(3.72)	(3.00)
Closing NAV	124.43	120.02	123.41
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.13	1.17	1.16
Return after operating charges	+7.12	+0.27	-5.21
Distribution yield	2.93	3.40	2.14
Effect on yield of charges offset against capital	1.11	1.15	1.15
Other information			
Closing NAV (\$'000)	2,090	1,067	992
Closing NAV percentage of total fund NAV (%)	0.14	0.10	0.04
Number of shares	1,295,986	695,836	607,935
Highest share price (UK p)	133.77	124.83	133.59
Lowest share price (UK p)	117.52	115.63	122.20

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 October Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	132.68	132.26	139.66
Return before operating charges and after direct portfolio transaction costs	11.09	1.94	(5.74)
Operating charges	(1.58)	(1.52)	(1.57)
Return after operating charges	9.51	0.42	(7.31)
Distributions	(3.07)	(2.53)	(1.64)
Retained distributions	3.07	2.53	1.55
Closing NAV	142.19	132.68	132.26
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.13	1.17	1.16
Return after operating charges	+7.17	+0.32	-5.23
Distribution yield	1.91	2.24	0.99
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	2,877	2,187	1,912
Closing NAV percentage of total fund NAV (%)	0.20	0.19	0.08
Number of shares	1,561,460	1,290,369	1,093,522
Highest share price (UK p)	151.75	135.02	139.96
Lowest share price (UK p)	129.89	124.74	130.26

Sterling Class 'R-H' Income share performance

The share class was launched on 7 August 2015.

for the year to 31 October Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	91.83	99.42	100.03
Return before operating charges and after direct portfolio transaction costs	7.12	(3.43)	2.96
Operating charges	(1.08)	(1.15)	(1.18)
Return after operating charges	6.04	(4.58)	1.78
Distributions	(3.15)	(3.01)	(2.39)
Closing NAV	94.72	91.83	99.42
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.15	1.18	1.18
Return after operating charges	+6.58	-4.61	+1.78
Distribution yield	2.92	3.47	2.13
Effect on yield of charges offset against capital	1.14	1.17	1.17
Other information			
Closing NAV (\$'000)	37	29	26
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	30,187	24,548	20,025
Highest share price (UK p)	95.61	101.75	102.38
Lowest share price (UK p)	91.57	92.41	98.18

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Specific share class performance

Sterling Class 'R-H' Accumulation share performance

The share class was launched on 7 August 2015.

for the year to 31 October Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	98.65	103.52	101.80
Return before operating charges and after direct portfolio transaction costs	7.78	(3.65)	3.00
Operating charges	(1.18)	(1.22)	(1.21)
Return after operating charges	6.60	(4.87)	1.79
Distributions	(2.26)	(1.95)	(1.25)
Retained distributions	2.26	1.95	1.18
Closing NAV	105.25	98.65	103.52

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.15	1.18	1.18
Return after operating charges	+6.69	-4.70	+1.76
Distribution yield	1.87	2.27	0.98
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	131	112	56
Closing NAV percentage of total fund NAV (%)	0.01	0.01	0.00
Number of shares	95,953	89,199	41,020
Highest share price (UK p)	105.47	106.03	106.02
Lowest share price (UK p)	98.36	98.41	99.92

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 October Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	83.90	86.49	93.69
Return before operating charges and after direct portfolio transaction costs	6.94	1.20	(3.82)
Operating charges	(1.20)	(1.19)	(1.27)
Return after operating charges	5.74	0.01	(5.09)
Distributions	(2.89)	(2.60)	(2.11)
Closing NAV	86.75	83.90	86.49

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.38	1.42	1.41
Return after operating charges	+6.84	+0.01	-5.43
Distribution yield	2.93	3.40	2.14
Effect on yield of charges offset against capital	1.37	1.40	1.40

Other information

Closing NAV (\$'000)	3,125	2,652	3,033
Closing NAV percentage of total fund NAV (%)	0.22	0.23	0.13
Number of shares	2,779,037	2,474,132	2,652,494
Highest share price (UK p)	93.30	87.47	93.81
Lowest share price (UK p)	82.15	80.95	85.67

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 October Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	129.18	129.10	136.63
Return before operating charges and after direct portfolio transaction costs	10.78	1.89	(5.60)
Operating charges	(1.86)	(1.81)	(1.86)
Return after operating charges	8.92	0.08	(7.46)
Distributions	(2.65)	(2.15)	(1.28)
Retained distributions	2.65	2.15	1.21
Closing NAV	138.10	129.18	129.10

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.38	1.42	1.41
Return after operating charges	+6.91	+0.06	-5.46
Distribution yield	1.66	1.99	0.74
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	5,280	3,011	3,894
Closing NAV percentage of total fund NAV (%)	0.36	0.27	0.17
Number of shares	2,950,358	1,824,558	2,281,827
Highest share price (UK p)	147.45	131.54	136.87
Lowest share price (UK p)	126.47	121.62	127.19

Sterling Class 'X-H' Income share performance

The share class was launched on 7 August 2015.

for the year to 31 October Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	91.40	99.21	100.01
Return before operating charges and after direct portfolio transaction costs	7.19	(3.41)	3.01
Operating charges	(1.31)	(1.40)	(1.43)
Return after operating charges	5.88	(4.81)	1.58
Distributions	(3.14)	(3.00)	(2.38)
Closing NAV	94.14	91.40	99.21

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.40	1.43	1.43
Return after operating charges	+6.43	-4.85	+1.58
Distribution yield	2.92	3.46	2.13
Effect on yield of charges offset against capital	1.39	1.42	1.42

Other information

Closing NAV (\$'000)	24	23	26
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	20,015	20,015	20,015
Highest share price (UK p)	95.11	101.46	102.18
Lowest share price (UK p)	91.13	91.99	98.13

M&G Global Macro Bond Fund

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Specific share class performance

Sterling Class 'X-H' Accumulation share performance

The share class was launched on 7 August 2015.

for the year to 31 October	2019	2018	2017
Change in NAV per share	UK p	UK p	UK p
Opening NAV	98.11	103.12	101.59
Return before operating charges and after direct portfolio transaction costs	7.71	(3.54)	3.04
Operating charges	(1.43)	(1.47)	(1.46)
Return after operating charges	6.28	(5.01)	1.58
Distributions	(2.00)	(1.71)	(0.99)
Retained distributions	2.00	1.71	0.93
Closing NAV	104.39	98.11	103.12
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.40	1.43	1.43
Return after operating charges	+6.40	-4.86	+1.56
Distribution yield	1.62	2.02	0.73
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	27	25	27
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	20,010	20,010	20,010
Highest share price (UK p)	104.62	105.56	105.63
Lowest share price (UK p)	97.79	97.88	99.71

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

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

^[c] Following the change in charging structure, you may see variances between the comparative and current year figures.

M&G Global Macro Bond Fund

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Statement of total return

for the year to 31 October	Note	2019		2018	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	5		76,408		(113,614)
Revenue	7	42,575		66,898	
Expenses	8	(10,383)		(22,230)	
Net revenue / (expense) before taxation					
		32,192		44,668	
Taxation	9	(451)		(663)	
Net revenue / (expense) after taxation					
			31,741		44,005
Total return before distributions					
			108,149		(69,609)
Distributions	10		(36,565)		(50,728)
Change in net assets attributable to shareholders from investment activities					
			71,584		(120,337)

Statement of change in net assets attributable to shareholders

for the year to 31 October		2019		2018	
		\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders					
			1,138,569		2,335,573
Amounts received on issue of shares		356,429		488,574	
Amounts paid on cancellation of shares		(133,877)		(840,621)	
Transferred to M&G (Lux) Global Macro Bond Fund		0		(751,840)	
			222,552		(1,103,887)
Dilution adjustments			403		514
Change in net assets attributable to shareholders from investment activities (see above)					
			71,584		(120,337)
Retained distributions on Accumulation shares			16,570		26,706
Unclaimed distributions			1		0
Closing net assets attributable to shareholders					
			1,449,679		1,138,569

Balance sheet

as at 31 October	Note	2019	2018
		\$'000	\$'000
Assets			
Fixed assets			
Investments		1,419,223	1,135,693
Current assets			
Debtors	11	22,090	13,239
Cash and bank balances	12	23,170	14,801
Cash equivalents		8,571	0
Total assets		1,473,054	1,163,733
Liabilities			
Investment liabilities		(14,413)	(9,803)
Creditors			
Bank overdrafts		0	(5,390)
Overdrawn positions at futures clearing houses and collateral manager		(2,910)	(660)
Distribution payable		(5,048)	(5,984)
Other creditors	13	(1,004)	(3,327)
Total liabilities		(23,375)	(25,164)
Net assets attributable to shareholders		1,449,679	1,138,569

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 for Authorised Funds issued by the Investment Association in May 2014 (2014 SORP) and amended in June 2017.

2 Summary of significant accounting policies

a) Basis of preparation

The financial statements are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

b) Functional and presentational currency

The functional and presentational currency of M&G Global Macro Bond Fund is US dollars.

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 31 October 2019 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 31 October 2019, 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.

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.
- 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.

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Financial statements and notes

Notes to the financial statements

2 Summary of significant accounting policies (continued)

d) Investments - recognition and valuation (continued)

- 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 Global Macro Bond 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 charge, 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 review (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 Global Macro Bond Fund	VaR

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.

M&G Global Macro Bond Fund

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Notes to the financial statements

3 Risk management policies (continued)

Liquidity risk (continued)

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 charge, 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.

5 Net capital gains / (losses)

	2019 \$'000	2018 \$'000
for the year to 31 October		
Non-derivative securities	71,975	(93,761)
Derivative contracts	3,292	(13,596)
Currency gains / (losses)	1,175	(6,242)
Capital gains tax (India)	(26)	0
Transaction charges	(8)	(15)
Net capital gains / (losses)	76,408	(113,614)

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 page 13.

	2019 \$'000	2018 \$'000		
for the year to 31 October				
a) Purchases				
Debt securities ^[a]	945,089	1,334,294		
b) Sales				
Debt securities ^[a]	741,228	2,430,295		
Other transaction types				
Corporate actions	8,722	0		
Total sales	749,950	2,430,295		
	2019 \$'000	% of average NAV	2018 \$'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Derivatives	22	0.00	13	0.00
Taxes paid				
Derivatives	16	0.00	1	0.00
Total direct portfolio transaction costs	38	0.00	14	0.00
d) Indirect portfolio transaction costs		%		%
Portfolio dealing spread ^[b]		0.22		0.26

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

^[b] Average portfolio dealing spread at the balance sheet date.

7 Revenue

	2019 \$'000	2018 \$'000
for the year to 31 October		
Bank interest	45	55
Derivative revenue	887	(386)
Interest distributions	233	48
Interest on debt securities	41,409	67,181
Management charge rebates	1	0
Total revenue	42,575	66,898

M&G Global Macro Bond Fund

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8 Expenses

for the year to 31 October	2019 \$'000	2018 \$'000
Payable to the ACD or associate		
Annual charge	2,760	0
Annual management charge ^[a]	6,037	18,481
Administration charge ^[a]	1,369	3,224
Share class hedging charge ^[a]	7	60
	10,173	21,765
Payable to the Depositary or associate		
Depositary's charge (including VAT) ^[a]	51	96
Other expenses		
Audit fee (including VAT) ^{[a] [b]}	13	18
Interest payable	50	94
Legal fees	1	0
Safe custody charge ^[a]	91	257
Tax fees (including VAT)	4	0
	159	369
Total expenses	10,383	22,230

^[a] The segregated charges shown above for annual management, administration, share class hedging, depositary, audit and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

^[b] Audit fees for the financial year ending 2019 were \$13,000.

9 Taxation

for the year to 31 October	2019 \$'000	2018 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	451	663
Deferred tax (note 9c)	0	0
Total taxation	451	663
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	32,192	44,668
Corporation tax at 20%	6,438	8,934
Effects of:		
Interest distributions	(6,438)	(8,934)
Withholding tax	451	663
Total tax charge (note 9a)	451	663
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

The fund has not recognised a deferred tax asset in the current financial year (2018: same).

10 Distributions

for the year to 31 October	2019		2018	
	Inc ^[a] \$'000	Acc ^[b] \$'000	Inc ^[a] \$'000	Acc ^[b] \$'000
Interest distributions				
First interim	5,643	4,484	5,062	6,039
Second interim	5,085	4,110	5,642	6,384
Third interim	5,051	4,127	6,305	7,598
Final	5,048	3,849	5,984	6,685
Total net distributions		37,397		46,699
Income deducted on cancellation of shares		496		2,780
Income received on issue of shares		(1,328)		(1,751)
Distributions		36,565		50,728
Net revenue / (expense) per statement of total return		31,741		44,005
Expenses offset against capital		4,824		6,723
Undistributed income brought forward		1		1
Undistributed income carried forward		(1)		(1)
Distributions		36,565		50,728

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

11 Debtors

as at 31 October	2019 \$'000	2018 \$'000
Amounts receivable on issues of shares	2,038	1,284
Currency deals outstanding	177	1,678
Debt security interest receivable	9,492	9,916
Derivative revenue receivable	131	0
Distributions receivable	14	6
Futures interest receivable	322	241
Sales awaiting settlement	9,802	0
Withholding tax recoverable	114	114
Total debtors	22,090	13,239

12 Cash and bank balances

as at 31 October	2019 \$'000	2018 \$'000
Amounts held at futures clearing houses and collateral manager	5,178	2,890
Cash held as bank balances	17,992	11,911
Total cash and bank balances	23,170	14,801

13 Other creditors

as at 31 October	2019 \$'000	2018 \$'000
ACD's annual management charge payable	0	280
Administration charge payable	0	55
Amounts payable on cancellation of shares	48	1,211
Annual charge payable	741	0
Currency deals outstanding	178	1,675
Expenses payable	17	84
Share class hedging charge payable	0	1
Payable to M&G (Lux) Global Macro Bond Fund	20	21
Total other creditors	1,004	3,327

14 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2018: same).

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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 01.11.18	Movements		Closing 31.10.19
		Issued	Cancelled	
Sterling				
Class 'A' Income	13,833,638	2,041,366	(1,896,587)	13,978,417
Class 'A' Accumulation	17,091,540	4,074,861	(3,731,488)	17,434,913
Class 'A-H' Income	28,064	1	(5,005)	23,060
Class 'A-H' Accumulation	24,505	0	(4,791)	19,714
Class 'I' Income	244,335,488	39,250,583	(37,180,686)	246,405,385
Class 'I' Accumulation	279,096,179	74,811,991	(10,716,151)	343,192,019
Class 'I-H' Income	11,435,334	13,255,776	(7,744,435)	16,946,675
Class 'I-H' Accumulation	12,226,191	19,909,970	(8,654,708)	23,481,453
Class 'J' Income	117,517,461	53,841,932	(13,118,937)	158,240,456
Class 'J-H' Income	6,207,000	13,348,480	(1,735,838)	17,819,642
Class 'PP' Income	0	147,522	0	147,522
Class 'PP' Accumulation	0	905,831	(89,764)	816,067
Class 'R' Income	695,836	1,008,498	(408,348)	1,295,986
Class 'R' Accumulation	1,290,369	515,410	(244,319)	1,561,460
Class 'R-H' Income	24,548	5,639	0	30,187
Class 'R-H' Accumulation	89,199	39,761	(33,007)	95,953
Class 'X' Income	2,474,132	1,384,093	(1,079,188)	2,779,037
Class 'X' Accumulation	1,824,558	1,853,989	(728,189)	2,950,358
Class 'X-H' Income	20,015	0	0	20,015
Class 'X-H' Accumulation	20,010	0	0	20,010

16 Charging structure

The table below sets out the charging structure for each class of share in existence as at the balance sheet date. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Entry charge %	Exit charge %	Annual ^[a] charge %
Sterling			
Class 'A'	n/a	n/a	1.30
Class 'A-H'	n/a	n/a	1.33
Class 'I'	n/a	n/a	0.80
Class 'I-H'	n/a	n/a	0.83
Class 'J'	n/a	n/a	0.70
Class 'J-H'	n/a	n/a	0.73
Class 'PP'	n/a	n/a	0.70
Class 'R'	n/a	n/a	1.05
Class 'R-H'	n/a	n/a	1.08
Class 'X'	n/a	n/a	1.30
Class 'X-H'	n/a	n/a	1.33

^[a] The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

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 annual charge, ACD's annual management charge, administration charge and share class hedging charge are disclosed in note 8. Amounts due at the year end from the annual charge are disclosed in note 13.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 0.05% (2018: 0.03%) 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 October Basis of valuation	Assets	Liabilities	Assets	Liabilities
	2019 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Level 1	702,986	0	485,461	(507)
Level 2	716,237	(14,413)	646,808	(9,296)
Level 3	0	0	3,424	0
	1,419,223	(14,413)	1,135,693	(9,803)

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'.

M&G Global Macro Bond Fund

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20 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on page 22 and 23.

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 October 2019 was 20% (2018: 20%).

The lowest, highest and average VaR as well as utilisation of VaR with reference to the limit above, are calculated during the financial years ended 31 October 2019 and 31 October 2018.

for the year to 31 October	2019 Utilisation of VaR ^[a]		2018 Utilisation of VaR ^[a]	
	2019 % of VaR	20% % of VaR	2018 % of VaR	20% % of VaR
Lowest	1.59	7.97	1.56	11.98
Highest	2.76	13.80	2.54	19.50
Average	2.26	11.28	2.02	15.57

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

22 Credit risk

The fund is exposed to credit risk both through the credit quality of the investments it holds and through the derivative positions with counterparties. The table below shows the credit quality of the investments held in the portfolio.

as at 31 October	2019 \$'000	2018 \$'000
Investment grade securities	1,263,517	998,368
Below investment grade securities	116,839	123,714
Unrated securities	20,967	12,061
Other investments	3,487	(8,253)
Total	1,404,810	1,125,890

The tables below show 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 October 2019	Swaps \$'000	Forward currency contracts \$'000	Futures \$'000
Bank of America Merrill Lynch	0	(62)	3,221
Barclays Bank	2,626	3,403	0
BNP Paribas	(2,921)	505	0
Citigroup	0	526	0
Credit Suisse	(5,696)	0	0
HSBC	0	(772)	0
JPMorgan	1,560	(139)	0
National Australia Bank	0	(64)	0
State Street Bank	0	1,730	0
UBS	0	(430)	0
Total	(4,431)	4,697	3,221

as at 31 October 2018	Swaps \$'000	Forward currency contracts \$'000	Futures \$'000
Bank of America Merrill Lynch	(953)	0	213
Barclays Bank	(1,309)	0	0
Citigroup	(2,663)	698	0
HSBC	0	(784)	0
JPMorgan	0	(618)	0
National Australia Bank	0	(265)	0
State Street Bank	0	(2,572)	0
Total	(4,925)	(3,541)	213

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 October 2019 and 31 October 2018 are disclosed in the table below.

for the year to 31 October	2019 \$'000	2019 ^[a] % ^[b]	2018 \$'000	2018 ^[a] % ^[b]
Lowest	738,555	60	1,066,183	52
Highest	5,182,561	363	3,479,783	183
Average	1,756,666	136	1,667,676	78

^[a] Leverage has been calculated using the Gross Sum of Notional Approach for derivative positions only (including forward currency contracts) and excludes all physical holdings.

^[b] Expressed as a percentage over net assets.

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. The exposure to forward currency contracts for share class hedging at the year-end accounting date is disclosed in the portfolio statement on page 11.

M&G Global Macro Bond Fund

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25 Interest distribution tables

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

Quarterly distribution periods

	Start	End	Xd	Payment
First interim	01.11.18	31.01.19	01.02.19	31.03.19
Second interim	01.02.19	30.04.19	01.05.19	30.06.19
Third interim	01.05.19	31.07.19	01.08.19	30.09.19
Final	01.08.19	31.10.19	01.11.19	31.12.19

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.

Sterling Class 'A' Income shares

Interest distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	p	p	p	p
First interim	0.3575	0.4461	0.8036	0.5440
Second interim	0.3109	0.4033	0.7142	0.6007
Third interim	0.3751	0.3541	0.7292	0.7136
Final	0.3158	0.3099	0.6257	0.7361

Sterling Class 'A' Accumulation shares

Interest distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	p	p	p	p
First interim	0.3701	0.4339	0.8040	0.3970
Second interim	0.3331	0.3305	0.6636	0.4727
Third interim	0.3890	0.2542	0.6432	0.6446
Final	0.2497	0.2901	0.5398	0.6359

Sterling Class 'A-H' Income shares

Interest distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	p	p	p	p
First interim	0.3257	0.5845	0.9102	0.6640
Second interim	0.2389	0.5425	0.7814	0.7159
Third interim	0.2368	0.5219	0.7587	0.8149
Final	0.2285	0.4541	0.6826	0.8099

Sterling Class 'A-H' Accumulation shares

Interest distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	p	p	p	p
First interim	0.6241	0.0000	0.6241	0.3265
Second interim	0.4939	0.0000	0.4939	0.3872
Third interim	0.4663	0.0000	0.4663	0.5044
Final	0.4059	0.0000	0.4059	0.4784

Sterling Class 'I' Income shares

Interest distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	p	p	p	p
First interim	0.6140	0.5953	1.2093	0.8137
Second interim	0.5701	0.5055	1.0756	0.8996
Third interim	0.5299	0.5707	1.1006	1.0761
Final	0.4203	0.5251	0.9454	1.0981

Sterling Class 'I' Accumulation shares

Interest distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	p	p	p	p
First interim	0.5372	0.5527	1.0899	0.6299
Second interim	0.4157	0.5298	0.9455	0.7207
Third interim	0.4223	0.5252	0.9475	0.9197
Final	0.3986	0.3932	0.7918	0.9202

Sterling Class 'I-H' Income shares

Interest distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	p	p	p	p
First interim	0.6489	0.2676	0.9165	0.6685
Second interim	0.4941	0.3038	0.7979	0.7224
Third interim	0.3169	0.4525	0.7694	0.8296
Final	0.3087	0.3826	0.6913	0.8025

Sterling Class 'I-H' Accumulation shares

Interest distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	p	p	p	p
First interim	0.4928	0.2881	0.7809	0.4871
Second interim	0.2666	0.3977	0.6643	0.5477
Third interim	0.2679	0.3618	0.6297	0.6683
Final	0.3050	0.2407	0.5457	0.6417

Sterling Class 'J' Income shares

Interest distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	p	p	p	p
First interim	0.3917	0.5806	0.9723	n/a
Second interim	0.4120	0.4556	0.8676	n/a
Third interim	0.4574	0.4286	0.8860	0.8775
Final	0.3343	0.4270	0.7613	0.8828

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25 Interest distribution tables (continued)

Sterling Class 'J-H' Income shares

Interest distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	Income 2019	Distribution 2018
	p	p	p	p
First interim	0.0015	0.9387	0.9402	n/a
Second interim	0.3142	0.5005	0.8147	n/a
Third interim	0.3932	0.3926	0.7858	0.8506
Final	0.3205	0.3856	0.7061	0.8192

Sterling Class 'PP' Income shares

Interest distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	Income 2019	Distribution 2018
	p	p	p	p
First interim	n/a	n/a	n/a	n/a
Second interim	n/a	n/a	n/a	n/a
Third interim	n/a	n/a	n/a	n/a
Final	0.4598	0.2002	0.6600	n/a

Sterling Class 'PP' Accumulation shares

Interest distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	Income 2019	Distribution 2018
	p	p	p	p
First interim	n/a	n/a	n/a	n/a
Second interim	0.1320	0.5740	0.7060	n/a
Third interim	0.1824	0.6803	0.8627	n/a
Final	0.1142	0.3634	0.4776	n/a

Sterling Class 'R' Income shares

Interest distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	Income 2019	Distribution 2018
	p	p	p	p
First interim	0.8349	0.3162	1.1511	0.7797
Second interim	0.4378	0.5954	1.0332	0.8614
Third interim	0.3321	0.7174	1.0495	1.0263
Final	0.3057	0.5951	0.9008	1.0517

Sterling Class 'R' Accumulation shares

Interest distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	Income 2019	Distribution 2018
	p	p	p	p
First interim	0.3015	0.6038	0.9053	0.4834
Second interim	0.5083	0.2586	0.7669	0.5639
Third interim	0.3242	0.4298	0.7540	0.7441
Final	0.3157	0.3304	0.6461	0.7391

Sterling Class 'R-H' Income shares

Interest distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	Income 2019	Distribution 2018
	p	p	p	p
First interim	0.3106	0.5995	0.9101	0.6615
Second interim	0.2202	0.5667	0.7869	0.7168
Third interim	0.5138	0.2482	0.7620	0.8205
Final	0.3913	0.2986	0.6899	0.8107

Sterling Class 'R-H' Accumulation shares

Interest distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	Income 2019	Distribution 2018
	p	p	p	p
First interim	0.4490	0.2363	0.6853	0.3932
Second interim	0.2433	0.3276	0.5709	0.4524
Third interim	0.0312	0.5015	0.5327	0.5708
Final	0.3876	0.0826	0.4702	0.5372

Sterling Class 'X' Income shares

Interest distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	Income 2019	Distribution 2018
	p	p	p	p
First interim	0.1429	0.6640	0.8069	0.5462
Second interim	0.4889	0.2298	0.7187	0.6032
Third interim	0.3972	0.3353	0.7325	0.7261
Final	0.2770	0.3512	0.6282	0.7286

Sterling Class 'X' Accumulation shares

Interest distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	Income 2019	Distribution 2018
	p	p	p	p
First interim	0.3818	0.4216	0.8034	0.3968
Second interim	0.2925	0.3721	0.6646	0.4725
Third interim	0.2822	0.3602	0.6424	0.6442
Final	0.3352	0.2043	0.5395	0.6358

Sterling Class 'X-H' Income shares

Interest distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	Income 2019	Distribution 2018
	p	p	p	p
First interim	0.9102	0.0000	0.9102	0.6600
Second interim	0.7873	0.0000	0.7873	0.7166
Third interim	0.7621	0.0000	0.7621	0.8293
Final	0.6833	0.0000	0.6833	0.7988

Sterling Class 'X-H' Accumulation shares

Interest distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	Income 2019	Distribution 2018
	p	p	p	p
First interim	0.6275	0.0000	0.6275	0.3255
Second interim	0.5026	0.0000	0.5026	0.3877
Third interim	0.4674	0.0000	0.4674	0.5107
Final	0.4071	0.0000	0.4071	0.4829

M&G Global Macro Bond Fund

Other regulatory disclosures

Value assessment

From June 2020, we will be publishing an annual value assessment delivered to investors in this fund, including an assessment of our charges and services, and how we compare to our competitors. This will be available at www.mandg.co.uk

Remuneration

In line with the requirements of the Undertakings for Collective Investment 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 FA Limited (formerly M&G Limited) level can be found here: <https://www.mandg.com/about-us/policies-and-business-principles>. M&G's remuneration policy and its implementation is reviewed on an annual basis, or more frequently where required, and approved by the M&G Remuneration Committee. The latest review found that the remuneration policy continued to align to all local regulatory requirements and continued to operate as intended.

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 2018, aggregate remuneration of £47,703,371 (£7,395,780 in respect of fixed remuneration and £40,307,591 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 £3,523,355 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.

Defaulted bond: When a bond issuer 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ongoing Charge Figure: The Ongoing Charge figure represents the operating costs you can reasonably expect to pay under normal circumstances.

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.

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

Glossary

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.

Suspended: Temporarily halting the trading of a listed security on the stock exchange. It can be voluntary (requested by the issuing company) or imposed by regulators. Typically, trading suspensions are introduced ahead of important news announcements, following technical glitches, or due to regulatory concerns.

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).

Unlisted/unquoted stocks: Shares of ownership in companies that are not listed on a public exchange, known as private companies.

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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