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M&G Investment Funds (14)

Annual Long Report and audited Financial Statements
for the year ended 30 April 2018

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M&G Investment Funds (14)

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (14) presents its Annual Long Report and audited Financial Statements for the year ended 30 April 2018.

The audited financial statements of M&G Investment Funds (14) and the investment report and audited financial statements and notes of each sub-fund are presented in their individual sections of this report as set out in the contents page.

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

Company information

M&G Investment Funds (14) is an umbrella Open-Ended Investment Company (OEIC) and contains two sub-funds, hereinafter referred to as 'funds' in the rest of this report. Each fund is a UCITS (Undertakings for Collective Investment in Transferable Securities) scheme as defined in the Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA). This OEIC is an Investment Company with Variable Capital (ICVC) incorporated under the Open-Ended Investment Companies Regulations 2001. It is authorised and regulated by the FCA under the Financial Services and Markets Act 2000.

The Company was authorised on 8 October 2013, the M&G Income Allocation Fund was launched on 7 November 2013 and the M&G Prudent Allocation Fund was launched on 23 April 2015.

The Company's principal activity is to carry on business as an OEIC. The Company is structured as an umbrella company, and different funds may be established by the ACD from time to time with the agreement of the Depositary and approval from the FCA. The funds are operated separately and the assets of each fund are managed in accordance with the investment objective and policy applicable to that fund.

As at 30 April 2018, none of the funds held shares of the other funds within this OEIC.

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

Fund managers

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

M&G Income Allocation Fund

Steven Andrew

M&G Prudent Allocation Fund

Juan Nevado & Craig Moran

ACD

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

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

Directors of the ACD

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

* Appointed 9 June 2017.

W J Nott resigned with effect from 31 December 2017.

Investment manager

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

(Authorised and regulated by the Financial Conduct Authority)

Registrar

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

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

Depositary

National Westminster Bank Plc, Trustee & Depositary Services,
Drummond House, 1 Redheughs Avenue, Edinburgh EH12 9RH, UK
(Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority)

Independent auditor

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

Important information

On 9 February 2018, the merger of M&G Income Allocation Fund into M&G (Lux) Income Allocation Fund and the merger of M&G Prudent Allocation Fund into M&G (Lux) Conservative Allocation Fund (sub-funds of M&G (Lux) Investment Funds 1, a Luxembourg authorised UCITS) was approved by shareholders. The effective date of the merger was 16 March 2018. As a result the financial statements for the year to 30 April 2018 have been prepared on a break-up basis. Termination will be completed once all of the assets and liabilities have been settled.

M&G Investment Funds (14)

Authorised Corporate Director's Report

Investor information

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

Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

Customer services and administration for non-UK clients:

M&G 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: csmandg@rbc.com

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

Austrian paying and information agent:

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

Belgian financial agent:

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

Danish representative agent:

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

French centralising agent:

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

German information agent:

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

Greek paying agent and distributor:

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

Irish facilities agent:

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

Italian paying agents:

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

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

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

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

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

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

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

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

Luxembourg paying and information agent:

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

Portuguese distributor:

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

Spanish representative:

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

Swedish paying agent:

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

Swiss paying agent and representative:

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

M&G Investment Funds (14)

Authorised Corporate Director's Report

Authorised Corporate Director's Responsibilities

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

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

Directors' statement

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

G W MACDOWALL }
L J MUMFORD } Directors

14 June 2018

M&G Investment Funds (14)

Depository's Responsibilities and Report

Statement of the Depository's Responsibilities and Report of the Depository to the Shareholders of M&G Investment Funds (14) ('the Company') for the period ended 30 April 2018

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

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

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

The Depository must ensure that:

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

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

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

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

Edinburgh
14 June 2018

National Westminster Bank Plc
Trustee and Depository Services

M&G Investment Funds (14)

Independent Auditor's Report

Independent Auditor's Report to the shareholders of M&G Investment Funds (14)

Opinion

We have audited the financial statements of M&G Investment Funds (14) ICVC ("the Company") for the year ended 30 April 2018 which comprise the Statement of Total Return and Statement of Change in Net Assets Attributable to Shareholders together with the Balance Sheet for each of the Company's funds, the accounting policies of the Company, the related notes for each fund and the Distribution Tables including a summary of significant policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'. The financial statements of M&G Investment Funds (14) ICVC have been prepared on a break up basis as disclosed in Note 2(a).

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company comprising each of its funds as at 30 April 2018 and of the net revenue and the net capital gains on the scheme property of the Company comprising each of its funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice FRS 102 'The Financial Reporting standard applicable in the UK and Republic of Ireland'.

Basis for opinion

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

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

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 Collective Investment Schemes Sourcebook of the Financial Conduct Authority rules requires 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 3, 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 Investment Funds (14)

Independent Auditor's Report

Independent Auditor's Report to the shareholders of M&G Investment Funds (14)

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
14 June 2018

Ernst & Young LLP
Statutory Auditor

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

M&G Investment Funds (14)

Financial statements and notes

The financial statements for M&G Investment Funds (14) comprise the individual financial statements for each fund and the notes below.

Notes to the financial statements

1 Statement of compliance

The financial statements of M&G Investment Funds (14) have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014.

2 Summary of significant accounting policies

a) Basis of preparation

On 16 March 2018, M&G Income Allocation Fund merged into M&G (Lux) Income Allocation Fund and M&G Prudent Allocation Fund merged into M&G (Lux) Conservative Allocation Fund. As a result the financial statements are not prepared on a going concern basis for the year ended 30 April 2018, but are prepared on a break-up basis. Under this basis, all assets are recorded at their estimated realisable amounts, all liabilities at their estimated settlement amounts and provision is made for any further liabilities which may arise.

b) Functional and presentational currency

The functional and presentational currency of M&G Investment Funds (14) is euros.

c) Exchange rates

Transactions in currencies other than each 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 30 April 2018 being the last business day of the accounting period.

d) Investments - recognition and valuation

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

At the end of the reporting period all investments have been measured at their fair value using the prices and the portfolio holdings determined at 12 noon on 30 April 2018, being the last valuation point of the accounting period, as this is not materially different from a valuation carried out at close of business on the balance sheet date.

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.
 - 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 dividends, share buy backs or additional share issues may be treated as revenue or capital depending on the facts of each particular case.

M&G Investment Funds (14)

Financial statements and notes

Notes to the financial statements

2 Summary of significant accounting policies (continued)

f) Treatment of income and expenses (continued)

- 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.

h) Allocation of returns to share classes

The annual management charge, any share class hedging returns and associated share class hedging charge are directly attributable to individual share classes. All other returns are apportioned to each 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 adjusted where relevant by any specific distribution policies set out in the notes to that fund's financial statements, 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 funds, with specific risk disclosures set out in the notes to the financial statements of each fund.

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.

M&G Investment Funds (14)

Financial statements and notes

Notes to the financial statements

3 Risk management policies (continued)

Commitment approach

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

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

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

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

Value at Risk approach

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

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

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

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

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

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

Fund	Global exposure approach
M&G Income Allocation Fund	VaR
M&G Prudent Allocation 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.

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.

M&G Investment Funds (14)

Financial statements and notes

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M&G Income Allocation Fund

Authorised Corporate Director's Report

Investment objective up to fund closure on 16 March 2018

The fund aims to generate a growing level of income over the medium term through investment in a range of global assets. The fund also aims to provide capital growth over the long term.

Investment policy up to fund closure on 16 March 2018

The manager adopts a flexible approach to the allocation of capital between asset classes in response to changes in economic conditions and the valuation of assets. As a result, at any one time the portfolio may be diversified across asset classes, sectors, currencies and countries or, at the investment manager's discretion, may be more focussed. Market risk will be managed through active asset allocation.

The fund can invest in transferable securities such as equities and fixed income assets (including, but not limited to, corporate bonds and government and public securities), warrants, money market instruments, deposits, cash and near cash. The fund's exposure to these assets may be gained directly, or indirectly via investment in collective investment schemes and via derivatives (including equity index futures, currency forwards, interest rate swaps and other derivatives). The manager may seek to manage currency risk through the combination of diversification and hedging. Derivatives may also be used for efficient portfolio management purposes.

Investment approach up to fund closure on 16 March 2018

The fund manager believes the best way to meet the income objective is by investing flexibly among different asset classes. This approach combines in-depth research to determine the value of assets over the medium to long term, with analysis of investors' emotional reaction to events to identify investment opportunities. In particular, the manager seeks to respond when asset prices move away from a reasonable sense of 'fair' value due to investors reacting emotionally to events. He believes such episodes create opportunities because emotions should be less important than asset valuations over the medium and long term.

The fund invests in a range of income-generating assets from around the world. It will typically invest 10-50% of its assets in company shares, 40-80% in fixed income securities and up to 20% in other assets, which can include convertibles (fixed income investments that have the right to be converted into a predetermined number of company shares). At least 70% of the fund will be held in euro assets. The fund may also invest in derivatives, which are financial instruments whose value is linked to the expected future price movements of an underlying asset. The holdings in different asset classes will be adjusted regularly according to where the fund manager sees the most value and to manage risks.

Risk profile up to fund closure on 16 March 2018

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

The fund adopts a flexible approach to the allocation of capital between asset classes in response to changes in economic conditions and the valuation of assets, and the manager will seek to maximise portfolio diversity wherever possible. The fund has a bias towards income-producing assets. Income distributions from the fund's holdings, however, are not guaranteed and may vary.

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

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



The above number:

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

M&G Income Allocation Fund

Authorised Corporate Director's Report

Investment review

As at 1 May 2018, for the period from 2 May 2017 to 16 March 2018

Distribution summary

Due to the merger of M&G Income Allocation Fund into M&G (Lux) Income Allocation Fund, with identical investment approach and objectives, the investment below covers the period from 2 May 2017 to 16 March 2018. This shortened review period therefore comprises only 10.5 months. The fund made 10 regular monthly distributions and a final special distribution during this shortened period, totalling 32.11¢ per Euro Class 'A' (Income) share. While this represents a decrease of 13.4% compared to the previous review period, the fewer number of distributions and the shorter period must be kept in mind. At the end of the reporting period, the payout represented a yield (distributed income as a percentage of the share price at the end of the period) of 2.83%. Similarly to what was said before, this was lower than the 3.3% level a year earlier, as this only included 10 regular payments and one special distribution.

The fund's distribution and distribution yield are shown in the 'Specific share class performance' tables in this report. This fund provides a variable level of income.

Performance against objective

Between 2 May 2017 (the start of the review period) and 16 March 2018, when it was merged into a Luxembourg-authorized SICAV, the M&G Income Allocation Fund produced a positive total return (the combination of income and growth of capital) across all of its share classes. The fund was ahead of its peer group, the Morningstar EUR Moderate Allocation Global Sector, which returned 1.7% over the same period.

The fund has achieved its aims of generating capital growth and producing a growing level of income over a three-year period.*

* For the performance of each share class, please refer to the 'Long-term performance by share class' table in the 'Fund performance' section of this report. Please note that the performance data covers the period from 2 May 2017 until 16 March 2018, not for the full reporting period, due to the fund being merged.

Investment performance

Risk assets, such as company shares (equities, which offer ownership of stakes in companies) enjoyed healthy rallies in the first eight months of the review period, as investors focused on the robust economic data being released and strong growth in company earnings. Several stockmarkets, including the US and the UK, hit a series of record highs. However, sentiment changed dramatically in February 2018, when signs of wage growth in the US led to the expectation of higher interest rates to combat inflation. This sparked a sell-off in the bond markets, which was more than reflected in equity markets. (Bonds are loans that are extended by an investor to an issuer – such as a company or government – in exchange for regular interest payments. Bonds issued by companies are referred to as 'corporate bonds', while those issued by governments are called 'government bonds'.) After a brief recovery, share prices fell again in March, as President Trump announced tariffs on imports from various countries, raising the prospect of a global trade war. The period finished with another robust recovery. Despite the pick-up in the variability (or volatility) of share prices, most stockmarkets delivered positive returns over the review period.

On the other hand, bond markets suffered as expectations of higher inflation and interest rates, especially in the US, increased. The likelihood of higher interest rates elsewhere also rose, as central bankers are widely expected to begin the withdrawal of the policies they introduced to keep interest rates low, such as massive purchases of government bonds. This action has been very beneficial to the prices of such bonds. Overall, most mainstream government bonds declined during the year, although bonds issued by emerging market governments and companies performed better.

The increase in volatility was helpful for our strategy of focusing on the facts – such as economic data and the relative valuations of different assets – rather than getting carried away by temporary news stories. We were able to exploit several investment opportunities presented by the large price movements, many of which we considered were driven by shifts in emotion, rather than fundamental changes to, for example, the economic environment.

Since we believed that better economic activity will eventually be reflected in improved company earnings and, consequently, higher share prices, we maintained a bias towards equities throughout the review period. In our opinion, equities offer significantly better value than most government bonds, which we regard as expensive. We believe that government bonds from the UK, Germany and Japan remain overvalued.

The fund was therefore positioned in favour of equities for the whole of the review period and the allocation was increased during the period. We think company shares are more attractively valued than bonds and, if selected carefully, can pay healthy levels of dividend – an important consideration given the fund's income objective. The bias towards equities was the major driver of the fund's robust performance over the review period, with substantial value being generated by our holdings of shares in US companies, particularly technology businesses and banks. Our allocations towards equities in Japan, which included industrial companies and banks, also generated substantial returns. Holdings in Taiwan and Italy added decent value as well.

Our investments in bonds also delivered a positive contribution to performance, primarily driven by our stakes in government bonds from countries in peripheral Europe, namely Portugal, Italy and Spain, which all experienced better economic conditions. Holdings of government bonds issued by South Africa, Mexico and Brazil rose in price too, as the issuing countries' economic and political situations improved.

We hold a substantial stake in US government bonds, which are held as 'insurance' against a major drop in equity prices and as a diversifier to some of our emerging market bonds. The yield, or return, on the US bonds increased during the review period and, in our opinion, this should increase their potential diversification properties in the event of weakness elsewhere. The returns from US government bonds were fairly flat overall, with occasional sell-offs caused by rising concern about inflation, offset by investors seeking safe havens when geopolitical tensions increased.

M&G Income Allocation Fund

Authorised Corporate Director's Report

Investment review

Investment activities

Although most asset classes made steady progress in the early part of the review period, there was a marked increase in price movements as we moved into 2018. During each of these so-called 'episodes', we carefully assessed whether there had been any change in the economic background that could justify the sharp movements in price or whether they were simply driven by shifts in investors' sentiment. On several occasions, we adjusted the fund's positioning in response to changes in asset prices that we thought would eventually be 'corrected'.

For example, we reduced equity exposure significantly in January, when we believed the rally in share prices might have gone too far, before rebuilding the positions following sharp stock price falls.

Overall, the allocation to equities rose during the review period, with the main increase being in Japan. Several European banks were also added to the portfolio. Conversely, exposure to equities from Taiwan, the US, Canada and the UK was scaled back.

The overall allocation to government bonds was reduced mainly in Europe where, after good performance, we sold our holdings of bonds issued by Portugal and reduced the size of our holdings from Spain and Italy.

We remain cautious on most mainstream government bonds, since we believe that these assets are overvalued and vulnerable to price falls in the event of better economic data and higher interest rates. Hence, we have no exposure to government bonds from Japan, the UK or Germany. The exception is US government bonds, where we increased the fund's allocation to long-dated government bonds after price weakness improved their yields, making it more likely that they would behave differently from our holdings of equities and bonds issued by emerging market governments. We also used lower prices to introduce a position in 10-year government bonds.

Although the fund's holdings of corporate bonds were reduced after good performance, exposure to emerging market government bonds was increased via the purchases of government debt from Poland and Brazil, as well as a new holding in the M&G (Lux) Emerging Markets Hard Currency Bond Fund. This fund adds some diversification to our exposure to fixed income assets from emerging markets without the underlying currency risk, while benefiting from M&G's emerging market credit expertise.

The fund's cash holding reduced the risk from potential asset price falls in the event of a negative surprise, and it gave us scope to exploit any unwarranted changes in valuation that took place.

Outlook

Since we do not think that the fundamental economic background has changed materially, we maintained the fund's bias towards equities. We believe the asset class should benefit from continued economic growth and improved corporate earnings. However, the fund also has a large weighting in US government bonds, which we believe now offer a reasonable yield and should act as a good diversifier in the event of weakness in equity markets.

The fact that the fund's holdings of US bank equities and US government bonds are likely to move in opposite directions, as was demonstrated in March 2018, is a key reason why we hold both assets. US bank equity tends to rally when Treasuries sell off, and to decline as yields fall. US banks are still attractively valued, experiencing earnings growth and likely to benefit if expectations of higher US interest rates increase. But we are considering the position in US bank stocks since, although we still expect some weakness in US government bonds, their yields – which move inversely to bond prices – have already risen substantially. This is why we have diversified the exposure to banks by adding to holdings of financial groups in Europe and Japan, where interest rates have not yet risen.

We also continue to see value in some emerging market bonds, which offer higher levels of real yield.

We see the increase in price volatility at the end of the review period as a positive factor, since changes in asset prices and valuations should present investment opportunities that we can exploit using our valuation-driven approach. The fund merged into a Luxembourg-authorized SICAV on 16 March, but we continue to invest in those areas of the market that we believe combine strong growth characteristics with attractive valuations, while diversifying the portfolio across both sectors and geographies.

Steven Andrew Fund manager

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

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

Investments

The fund had no holdings at the year end.

M&G Income Allocation Fund

Financial highlights

Fund performance

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

Due to the merger of the M&G Income Allocation Fund into the M&G (Lux) Income Allocation Fund on 16 March 2018, the performance data below covers a period that is shorter than the 12-month financial year of the fund. Instead, it runs from 2 May 2017 to 16 March 2018.

Fund level performance

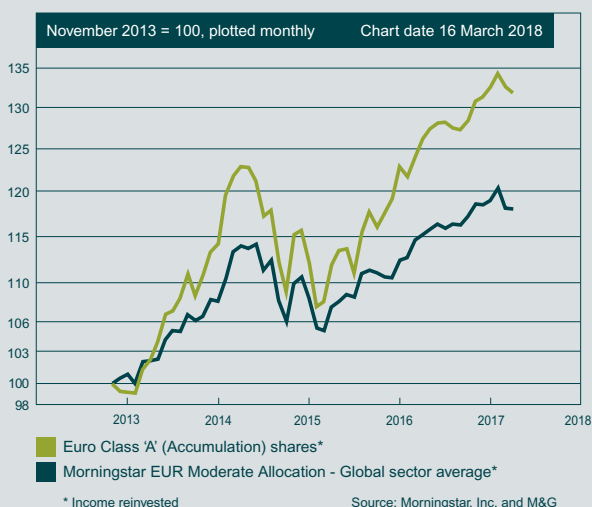
Fund net asset value

as at 30 April	2018 €'000	2017 €'000	2016 €'000
Fund net asset value (NAV)	0	918,830	907,041

The NAV figure as at 30 April 2018 is shown as €0 due to the fund closure on 16 March 2018.

Performance since launch

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



Distribution since launch

The chart below shows the annual distribution (per financial year) of Euro Class 'A' (income) shares since launch. Please note, for the 2018 accounting period, the fund made 10 regular monthly distributions and a final special distribution, instead of 12 regular monthly distributions. This was because the fund was merged into a Luxembourg-authorized SICAV with an identical investment approach and objective.



To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period, to the merger date, 16 March 2018. Calculated on a price to price basis with income reinvested. Please note that due to the fund closure on 16 March 2018, the one, three and five-year performance periods are not full periods.

Long-term performance by share class

	One year 02.05.17 to 16.03.18 % [a]	Three years 01.05.15 to 16.03.18 % p.a.	Five years 01.05.13 to 16.03.18 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	+3.4	+2.7	n/a	+6.5 [c]
Class 'A Q'	+3.9	n/a	n/a	+3.2 [d]
Class 'B Q'	+3.1	n/a	n/a	+6.6 [e]
Class 'C'	+4.0	+3.4	n/a	+7.3 [c]
Class 'C Q'	+4.5	n/a	n/a	+3.7 [d]
Singapore dollar [b]				
Class 'A-H'	+4.8	n/a	n/a	+7.7 [f]
Class 'C-H'	+5.4	n/a	n/a	+8.5 [f]
Swiss franc [b]				
Class 'A-H'	+3.0	+2.0	n/a	+5.8 [c]
Class 'C-H'	+3.7	+2.7	n/a	+6.5 [c]
US dollar [b]				
Class 'A-H'	+5.3	n/a	n/a	+7.7 [f]
Class 'C-H'	+6.0	n/a	n/a	+8.4 [f]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 7 November 2013, the launch date of the fund.

[d] 8 May 2015, the launch date of the share class.

[e] 11 September 2015, the launch date of the share class.

[f] 9 October 2015, the launch date of the share class.

M&G Income Allocation Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

Portfolio transaction costs				
for the year to 30 April	2018	2017	2016	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.03	0.03	0.04	0.03
Taxes	0.06	0.03	0.39	0.16
Costs before dilution adjustments	0.09	0.06	0.43	0.19
Dilution adjustments ^[c]	(0.03)	(0.01)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.06	0.05	0.41	0.17
as at 30 April	2018	2017	2016	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.00 ^[d]	0.22	0.32	0.18

^[a] Average of first three columns.

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

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

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

M&G Income Allocation Fund

Financial highlights

Specific share class performance

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

Euro Class 'A' Income share performance

The share class was launched 7 November 2013.

for the year to 30 April Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,123.45	1,039.09	1,163.28
Return before operating charges and after direct portfolio transaction costs	59.91	139.34	(65.69)
Operating charges	(16.75)	(17.90)	(17.92)
Return after operating charges	43.16	121.44	(83.61)
Distributions	(32.11)	(37.08)	(40.58)
Return to shareholder as a result of share class closure	(1,134.50)	n/a	n/a
Closing NAV	0.00	1,123.45	1,039.09

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.84	0.62	4.62
Dilution adjustments ^[a]	(0.27)	(0.09)	(0.23)
Total direct portfolio transaction costs	0.57	0.53	4.39

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.05	0.41
Operating charges ^[c]	1.69	1.68	1.68
Return after operating charges	+3.84	+11.69	-7.19
Historic yield	n/a	3.29	3.99
Effect on yield of charges offset against capital	1.69	1.68	1.68

Other information

Closing NAV (€'000)	0	458,369	459,186
Closing NAV percentage of total fund NAV (%)	0.00	49.89	50.63
Number of shares	0	40,800,095	44,191,108
Highest share price (Euro ¢)	1,171.02	1,135.29	1,163.08
Lowest share price (Euro ¢)	1,109.86	994.21	944.02

Euro Class 'A' Accumulation share performance

The share class was launched on 7 November 2013.

for the year to 30 April Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,270.20	1,135.16	1,223.11
Return before operating charges and after direct portfolio transaction costs	68.48	154.86	(68.78)
Operating charges	(19.16)	(19.82)	(19.17)
Return after operating charges	49.32	135.04	(87.95)
Distributions	(17.88)	(24.74)	(43.52)
Retained distributions	17.88	24.74	43.52
Return to shareholder as a result of share class closure	(1,319.52)	n/a	n/a
Closing NAV	0.00	1,270.20	1,135.16

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.96	0.68	4.93
Dilution adjustments ^[a]	(0.31)	(0.10)	(0.24)
Total direct portfolio transaction costs	0.65	0.58	4.69

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.05	0.41
Operating charges ^[c]	1.69	1.68	1.68
Return after operating charges	+3.88	+11.90	-7.19
Historic yield	n/a	1.71	3.92
Effect on yield of charges offset against capital	0.03	0.03	1.68

Other information

Closing NAV (€'000)	0	345,351	384,920
Closing NAV percentage of total fund NAV (%)	0.00	37.59	42.44
Number of shares	0	27,188,764	33,908,782
Highest share price (Euro ¢)	1,351.57	1,277.69	1,222.94
Lowest share price (Euro ¢)	1,266.25	1,089.39	1,018.00

Euro Class 'A Q' Income share performance

The share class was launched on 8 May 2015.

for the year to 30 April Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	976.50	903.05	1,000.00
Return before operating charges and after direct portfolio transaction costs	52.29	121.68	(47.86)
Operating charges	(14.56)	(15.80)	(14.97)
Return after operating charges	37.73	105.88	(62.83)
Distributions	(27.98)	(32.43)	(34.12)
Return to shareholder as a result of share class closure	(986.25)	n/a	n/a
Closing NAV	0.00	976.50	903.05

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.73	0.54	3.90
Dilution adjustments ^[a]	(0.23)	(0.08)	(0.19)
Total direct portfolio transaction costs	0.50	0.46	3.71

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.05	0.41
Operating charges ^[c]	1.68	1.68	1.66
Return after operating charges	+3.86	+11.72	-6.28
Historic yield	n/a	3.30	3.84
Effect on yield of charges offset against capital	1.68	1.68	1.66

Other information

Closing NAV (€'000)	0	14,298	3,074
Closing NAV percentage of total fund NAV (%)	0.00	1.56	0.34
Number of shares	0	1,464,198	340,390
Highest share price (Euro ¢)	1,022.61	992.64	1,008.35
Lowest share price (Euro ¢)	966.03	866.35	818.94

M&G Income Allocation Fund

Financial highlights

Specific share class performance

Euro Class 'B Q' Income share performance

The share class was launched on 11 September 2015.

for the year to 30 April Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,066.29	990.81	1,000.00
Return before operating charges and after direct portfolio transaction costs	57.94	134.50	34.81
Operating charges	(20.59)	(22.60)	(15.49)
Return after operating charges	37.35	111.90	19.32
Distributions	(30.93)	(36.42)	(28.51)
Return to shareholder as a result of share class closure	(1,072.71)	n/a	n/a
Closing NAV	0.00	1,066.29	990.81
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.80	0.60	3.11
Dilution adjustments ^[a]	(0.25)	(0.08)	(0.15)
Total direct portfolio transaction costs	0.55	0.52	2.96
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.05	0.41
Operating charges ^[c]	2.18	2.18	2.16
Return after operating charges	+3.50	+11.29	+1.93
Historic yield	n/a	3.39	3.33
Effect on yield of charges offset against capital	2.18	2.18	2.16
Other information			
Closing NAV (€'000)	0	13,749	1,892
Closing NAV percentage of total fund NAV (%)	0.00	1.50	0.21
Number of shares	0	1,289,384	190,940
Highest share price (Euro ¢)	1,113.10	1,084.63	1,041.26
Lowest share price (Euro ¢)	1,053.44	949.91	899.32

Euro Class 'B Q' Accumulation share performance

The share class was launched on 11 September 2015.

for the year to 30 April Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,136.43	1,019.47	1,000.00
Return before operating charges and after direct portfolio transaction costs	62.20	140.58	35.09
Operating charges	(22.21)	(23.62)	(15.62)
Return after operating charges	39.99	116.96	19.47
Distributions	(11.86)	(18.83)	(28.70)
Retained distributions	11.86	18.83	28.70
Return to shareholder as a result of share class closure	(1,176.42)	n/a	n/a
Closing NAV	0.00	1,136.43	1,019.47
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.86	0.63	3.13
Dilution adjustments ^[a]	(0.27)	(0.09)	(0.15)
Total direct portfolio transaction costs	0.59	0.54	2.98
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.05	0.41
Operating charges ^[c]	2.18	2.18	2.15
Return after operating charges	+3.52	+11.47	+1.95
Historic yield	n/a	1.33	3.33
Effect on yield of charges offset against capital	0.03	0.03	2.15
Other information			
Closing NAV (€'000)	0	3,093	469
Closing NAV percentage of total fund NAV (%)	0.00	0.34	0.05
Number of shares	0	272,212	46,041
Highest share price (Euro ¢)	1,205.65	1,143.02	1,046.36
Lowest share price (Euro ¢)	1,131.38	977.51	914.83

Euro Class 'C' Income share performance

The share class was launched on 7 November 2013.

for the year to 30 April Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,155.62	1,059.87	1,175.62
Return before operating charges and after direct portfolio transaction costs	60.06	141.01	(68.13)
Operating charges	(8.54)	(9.07)	(8.82)
Return after operating charges	51.52	131.94	(76.95)
Distributions	(31.38)	(36.19)	(38.80)
Return to shareholder as a result of share class closure	(1,175.76)	n/a	n/a
Closing NAV	0.00	1,155.62	1,059.87
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.87	0.63	4.60
Dilution adjustments ^[a]	(0.28)	(0.10)	(0.23)
Total direct portfolio transaction costs	0.59	0.53	4.37
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.05	0.41
Operating charges ^[c]	0.83	0.83	0.83
Return after operating charges	+4.46	+12.45	-6.55
Historic yield	n/a	3.12	3.73
Effect on yield of charges offset against capital	0.83	0.83	0.83
Other information			
Closing NAV (€'000)	0	38,584	23,441
Closing NAV percentage of total fund NAV (%)	0.00	4.20	2.59
Number of shares	0	3,338,820	2,211,725
Highest share price (Euro ¢)	1,211.19	1,166.47	1,175.57
Lowest share price (Euro ¢)	1,144.47	1,015.23	959.52

Euro Class 'C' Accumulation share performance

The share class was launched on 7 November 2013.

for the year to 30 April Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,299.78	1,153.49	1,235.30
Return before operating charges and after direct portfolio transaction costs	68.22	156.31	(71.96)
Operating charges	(9.59)	(10.02)	(9.85)
Return after operating charges	58.63	146.29	(81.81)
Distributions	(26.36)	(31.90)	(43.74)
Retained distributions	26.36	31.90	43.74
Return to shareholder as a result of share class closure	(1,358.41)	n/a	n/a
Closing NAV	0.00	1,299.78	1,153.49
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.99	0.70	5.13
Dilution adjustments ^[a]	(0.31)	(0.11)	(0.25)
Total direct portfolio transaction costs	0.68	0.59	4.88
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.05	0.41
Operating charges ^[c]	0.82	0.83	0.83
Return after operating charges	+4.51	+12.68	-6.62
Historic yield	n/a	2.33	3.94
Effect on yield of charges offset against capital	0.02	0.03	0.83
Other information			
Closing NAV (€'000)	0	42,993	33,749
Closing NAV percentage of total fund NAV (%)	0.00	4.68	3.73
Number of shares	0	3,307,715	2,925,854
Highest share price (Euro ¢)	1,390.11	1,307.30	1,235.25
Lowest share price (Euro ¢)	1,298.74	1,109.26	1,033.63

M&G Income Allocation Fund

Financial highlights

Specific share class performance

Euro Class 'C Q' Income share performance

The share class was launched on 8 May 2015.

for the year to 30 April Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	991.47	909.07	1,000.00
Return before operating charges and after direct portfolio transaction costs	51.60	120.91	(49.53)
Operating charges	(7.13)	(7.65)	(7.62)
Return after operating charges	44.47	113.26	(57.15)
Distributions	(26.88)	(30.86)	(33.78)
Return to shareholder as a result of share class closure	(1,009.06)	n/a	n/a
Closing NAV	0.00	991.47	909.07
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.72	0.56	4.10
Dilution adjustments ^[a]	(0.23)	(0.08)	(0.20)
Total direct portfolio transaction costs	0.49	0.48	3.90
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.05	0.41
Operating charges ^[c]	0.81	0.81	0.83
Return after operating charges	+4.49	+12.46	-5.72
Historic yield	n/a	3.11	3.79
Effect on yield of charges offset against capital	0.81	0.81	0.83
Other information			
Closing NAV (€'000)	0	10	9
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	0	1,000	1,000
Highest share price (Euro ¢)	1,044.56	1,006.40	1,008.63
Lowest share price (Euro ¢)	983.12	873.12	822.97

Singapore dollar Class 'A-H' Income share performance

The share class was launched on 9 October 2015.

for the year to 30 April Change in NAV per share	2018 Singapore ¢	2017 Singapore ¢	2016 Singapore ¢
Opening NAV	1,075.92	982.22	1,000.00
Return before operating charges and after direct portfolio transaction costs	73.24	145.99	15.51
Operating charges	(16.20)	(17.12)	(10.64)
Return after operating charges	57.04	128.87	4.87
Distributions	(30.92)	(35.17)	(22.65)
Return to shareholder as a result of share class closure	(1,102.04)	n/a	n/a
Closing NAV	0.00	1,075.92	982.22
Direct portfolio transaction costs	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	0.81	0.59	2.76
Dilution adjustments ^[a]	(0.25)	(0.09)	(0.14)
Total direct portfolio transaction costs	0.56	0.50	2.62
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.05	0.41
Operating charges ^[c]	1.69	1.68	1.69
Return after operating charges	+5.30	+13.12	+0.49
Historic yield	n/a	3.29	4.02
Effect on yield of charges offset against capital	1.69	1.68	1.69
Other information			
Closing NAV (€'000)	0	28	26
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	0	4,000	4,000
Highest share price (Singapore ¢)	1,134.32	1,086.92	1,020.36
Lowest share price (Singapore ¢)	1,068.18	942.85	889.13

Singapore dollar Class 'A-H' Accumulation share performance

The share class was launched on 9 October 2015.

for the year to 30 April Change in NAV per share	2018 Singapore ¢	2017 Singapore ¢	2016 Singapore ¢
Opening NAV	1,139.57	1,005.15	1,000.00
Return before operating charges and after direct portfolio transaction costs	78.70	152.23	15.89
Operating charges	(17.43)	(17.81)	(10.74)
Return after operating charges	61.27	134.42	5.15
Distributions	(16.10)	(21.79)	(22.86)
Retained distributions	16.10	21.79	22.86
Return to shareholder as a result of share class closure	(1,200.84)	n/a	n/a
Closing NAV	0.00	1,139.57	1,005.15
Direct portfolio transaction costs	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	0.87	0.61	2.79
Dilution adjustments ^[a]	(0.27)	(0.09)	(0.14)
Total direct portfolio transaction costs	0.60	0.52	2.65
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.05	0.41
Operating charges ^[c]	1.70	1.69	1.69
Return after operating charges	+5.38	+13.37	+0.51
Historic yield	n/a	1.69	4.02
Effect on yield of charges offset against capital	0.02	0.02	1.69
Other information			
Closing NAV (€'000)	0	30	26
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	0	4,001	4,001
Highest share price (Singapore ¢)	1,226.56	1,146.12	1,026.04
Lowest share price (Singapore ¢)	1,139.72	967.65	899.48

Singapore dollar Class 'C-H' Income share performance

The share class was launched on 9 October 2015.

for the year to 30 April Change in NAV per share	2018 Singapore ¢	2017 Singapore ¢	2016 Singapore ¢
Opening NAV	1,089.31	986.84	1,000.00
Return before operating charges and after direct portfolio transaction costs	74.29	144.78	13.94
Operating charges	(8.15)	(8.56)	(5.36)
Return after operating charges	66.14	136.22	8.58
Distributions	(29.76)	(33.75)	(21.74)
Return to shareholder as a result of share class closure	(1,125.69)	n/a	n/a
Closing NAV	0.00	1,089.31	986.84
Direct portfolio transaction costs	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	0.83	0.60	2.77
Dilution adjustments ^[a]	(0.26)	(0.09)	(0.14)
Total direct portfolio transaction costs	0.57	0.51	2.63
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.05	0.41
Operating charges ^[c]	0.84	0.83	0.85
Return after operating charges	+6.07	+13.80	+0.86
Historic yield	n/a	3.11	3.73
Effect on yield of charges offset against capital	0.84	0.83	0.85
Other information			
Closing NAV (€'000)	0	29	26
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	0	4,002	4,002
Highest share price (Singapore ¢)	1,156.36	1,100.06	1,021.39
Lowest share price (Singapore ¢)	1,085.44	948.34	891.47

M&G Income Allocation Fund

Financial highlights

Specific share class performance

Singapore dollar Class 'C-H' Accumulation share performance

The share class was launched on 9 October 2015.

for the year to 30 April Change in NAV per share	2018 Singapore ¢	2017 Singapore ¢	2016 Singapore ¢
Opening NAV	1,151.56	1,008.87	1,000.00
Return before operating charges and after direct portfolio transaction costs	78.34	151.60	14.27
Operating charges	(8.79)	(8.91)	(5.40)
Return after operating charges	69.55	142.69	8.87
Distributions	(23.42)	(27.74)	(21.96)
Retained distributions	23.42	27.74	21.96
Return to shareholder as a result of share class closure	(1,221.11)	n/a	n/a
Closing NAV	0.00	1,151.56	1,008.87
Direct portfolio transaction costs	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	0.88	0.61	2.79
Dilution adjustments ^[a]	(0.28)	(0.09)	(0.14)
Total direct portfolio transaction costs	0.60	0.52	2.65
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.05	0.41
Operating charges ^[c]	0.84	0.84	0.85
Return after operating charges	+6.04	+14.14	+0.89
Historic yield	n/a	2.31	3.73
Effect on yield of charges offset against capital	0.02	0.02	0.85
Other information			
Closing NAV (€'000)	0	30	27
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	0	4,003	4,003
Highest share price (Singapore ¢)	1,245.93	1,158.10	1,027.03
Lowest share price (Singapore ¢)	1,152.13	972.32	901.52

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 7 November 2013.

for the year to 30 April Change in NAV per share	2018 Swiss ¢	2017 Swiss ¢	2016 Swiss ¢
Opening NAV	1,238.18	1,112.35	1,210.38
Return before operating charges and after direct portfolio transaction costs	62.70	146.08	(78.84)
Operating charges	(18.87)	(20.25)	(19.19)
Return after operating charges	43.83	125.83	(98.03)
Distributions	(17.38)	(24.14)	(43.62)
Retained distributions	17.38	24.14	43.62
Return to shareholder as a result of share class closure	(1,282.01)	n/a	n/a
Closing NAV	0.00	1,238.18	1,112.35
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.94	0.69	4.89
Dilution adjustments ^[a]	(0.30)	(0.10)	(0.24)
Total direct portfolio transaction costs	0.64	0.59	4.65
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.05	0.41
Operating charges ^[c]	1.70	1.70	1.71
Return after operating charges	+3.54	+11.31	-8.10
Historic yield	n/a	1.71	4.06
Effect on yield of charges offset against capital	0.03	0.03	1.71
Other information			
Closing NAV (€'000)	0	648	81
Closing NAV percentage of total fund NAV (%)	0.00	0.07	0.01
Number of shares	0	56,673	8,019
Highest share price (Swiss ¢)	1,313.36	1,245.23	1,210.11
Lowest share price (Swiss ¢)	1,232.65	1,068.37	1,000.36

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 7 November 2013.

for the year to 30 April Change in NAV per share	2018 Swiss ¢	2017 Swiss ¢	2016 Swiss ¢
Opening NAV	1,265.34	1,128.91	1,219.06
Return before operating charges and after direct portfolio transaction costs	62.25	146.76	(80.45)
Operating charges	(9.60)	(10.33)	(9.70)
Return after operating charges	52.65	136.43	(90.15)
Distributions	(25.58)	(31.18)	(41.45)
Retained distributions	25.58	31.18	41.45
Return to shareholder as a result of share class closure	(1,317.99)	n/a	n/a
Closing NAV	0.00	1,265.34	1,128.91
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.96	0.70	4.90
Dilution adjustments ^[a]	(0.30)	(0.11)	(0.24)
Total direct portfolio transaction costs	0.66	0.59	4.66
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.05	0.41
Operating charges ^[c]	0.85	0.85	0.86
Return after operating charges	+4.16	+12.09	-7.40
Historic yield	n/a	2.36	3.76
Effect on yield of charges offset against capital	0.02	0.03	0.86
Other information			
Closing NAV (€'000)	0	88	10
Closing NAV percentage of total fund NAV (%)	0.00	0.01	0.00
Number of shares	0	7,500	1,000
Highest share price (Swiss ¢)	1,349.01	1,272.47	1,218.73
Lowest share price (Swiss ¢)	1,262.70	1,084.93	1,012.97

US dollar Class 'A-H' Income share performance

The share class was launched on 9 October 2015.

for the year to 30 April Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,070.71	978.13	1,000.00
Return before operating charges and after direct portfolio transaction costs	78.99	145.98	11.51
Operating charges	(16.16)	(18.17)	(10.70)
Return after operating charges	62.83	127.81	0.81
Distributions	(31.11)	(35.23)	(22.68)
Return to shareholder as a result of share class closure	(1,102.43)	n/a	n/a
Closing NAV	0.00	1,070.71	978.13
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.80	0.62	2.77
Dilution adjustments ^[a]	(0.25)	(0.09)	(0.14)
Total direct portfolio transaction costs	0.55	0.53	2.63
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.05	0.41
Operating charges ^[c]	1.70	1.70	1.69
Return after operating charges	+5.87	+13.07	+0.08
Historic yield	n/a	3.25	3.99
Effect on yield of charges offset against capital	1.70	1.70	1.69
Other information			
Closing NAV (€'000)	0	720	26
Closing NAV percentage of total fund NAV (%)	0.00	0.08	0.00
Number of shares	0	73,562	3,000
Highest share price (US ¢)	1,133.13	1,081.61	1,019.12
Lowest share price (US ¢)	1,064.89	937.13	884.64

M&G Income Allocation Fund

Financial highlights

Specific share class performance

US dollar Class 'A-H' Accumulation share performance

The share class was launched on 9 October 2015.

for the year to 30 April Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,134.29	1,000.82	1,000.00
Return before operating charges and after direct portfolio transaction costs	84.10	152.36	11.61
Operating charges	(17.20)	(18.89)	(10.79)
Return after operating charges	66.90	133.47	0.82
Distributions	(16.13)	(21.86)	(22.89)
Retained distributions	16.13	21.86	22.89
Return to shareholder as a result of share class closure	(1,201.19)	n/a	n/a
Closing NAV	0.00	1,134.29	1,000.82
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.86	0.64	2.81
Dilution adjustments ^[a]	(0.27)	(0.10)	(0.14)
Total direct portfolio transaction costs	0.59	0.54	2.67
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.05	0.41
Operating charges ^[c]	1.70	1.70	1.69
Return after operating charges	+5.90	+13.34	+0.08
Historic yield	n/a	1.67	3.99
Effect on yield of charges offset against capital	0.03	0.03	1.69
Other information			
Closing NAV (€'000)	0	749	26
Closing NAV percentage of total fund NAV (%)	0.00	0.08	0.00
Number of shares	0	72,205	3,001
Highest share price (US ¢)	1,224.78	1,140.09	1,024.51
Lowest share price (US ¢)	1,134.35	961.70	894.60

US dollar Class 'C-H' Income share performance

The share class was launched on 9 October 2015.

for the year to 30 April Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,084.90	982.74	1,000.00
Return before operating charges and after direct portfolio transaction costs	79.49	144.21	9.90
Operating charges	(8.15)	(8.57)	(5.38)
Return after operating charges	71.34	135.64	4.52
Distributions	(29.69)	(33.48)	(21.78)
Return to shareholder as a result of share class closure	(1,126.55)	n/a	n/a
Closing NAV	0.00	1,084.90	982.74
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.82	0.59	2.78
Dilution adjustments ^[a]	(0.26)	(0.09)	(0.14)
Total direct portfolio transaction costs	0.56	0.50	2.64
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.05	0.41
Operating charges ^[c]	0.84	0.84	0.85
Return after operating charges	+6.58	+13.80	+0.45
Historic yield	n/a	3.08	3.69
Effect on yield of charges offset against capital	0.84	0.84	0.85
Other information			
Closing NAV (€'000)	0	30	26
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	0	3,002	3,002
Highest share price (US ¢)	1,155.35	1,094.56	1,019.96
Lowest share price (US ¢)	1,082.01	942.61	886.97

US dollar Class 'C-H' Accumulation share performance

The share class was launched on 9 October 2015.

for the year to 30 April Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,145.46	1,004.52	1,000.00
Return before operating charges and after direct portfolio transaction costs	84.88	149.85	9.94
Operating charges	(8.78)	(8.91)	(5.42)
Return after operating charges	76.10	140.94	4.52
Distributions	(23.42)	(27.53)	(21.98)
Retained distributions	23.42	27.53	21.98
Return to shareholder as a result of share class closure	(1,221.56)	n/a	n/a
Closing NAV	0.00	1,145.46	1,004.52
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.88	0.61	2.81
Dilution adjustments ^[a]	(0.28)	(0.09)	(0.14)
Total direct portfolio transaction costs	0.60	0.52	2.67
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.05	0.41
Operating charges ^[c]	0.85	0.84	0.85
Return after operating charges	+6.64	+14.03	+0.45
Historic yield	n/a	2.28	3.69
Effect on yield of charges offset against capital	0.02	0.02	0.85
Other information			
Closing NAV (€'000)	0	31	27
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	0	3,003	3,003
Highest share price (US ¢)	1,244.37	1,151.84	1,025.48
Lowest share price (US ¢)	1,146.32	966.33	896.63

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

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

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

M&G Income Allocation Fund

Financial statements and notes

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Statement of total return

for the year to 30 April	Note	2018		2017	
		€'000	€'000	€'000	€'000
Income					
Net capital gains / (losses)	3		22,704		81,140
Revenue	5	31,570		33,175	
Expenses	6	(14,345)		(14,210)	
Net revenue / (expense) before taxation		17,225		18,965	
Taxation	7	(2,669)		(2,981)	
Net revenue / (expense) after taxation			14,556		15,984
Total return before distributions			37,260		97,124
Distributions	8		(22,955)		(25,043)
Change in net assets attributable to shareholders from investment activities			14,305		72,081

Statement of change in net assets attributable to shareholders

for the year to 30 April		2018		2017	
		€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders			918,830		907,041
Amounts received on issue of shares		454,832		85,012	
Amounts paid on cancellation of shares		(1,395,104)		(153,769)	
			(940,272)		(68,757)
Dilution adjustments			636		260
Change in net assets attributable to shareholders from investment activities (see above)			14,305		72,081
Retained distributions on Accumulation shares			6,501		8,205
Closing net assets attributable to shareholders			0		918,830

Balance sheet

as at 30 April	Note	2018	2017
		€'000	€'000
Assets			
Fixed assets			
Investments		0	899,635
Current assets			
Debtors	9	507	9,804
Cash and bank balances	10	1,014	14,930
Total assets		1,521	924,369
Liabilities			
Investment liabilities		0	(1,126)
Creditors			
Distribution payable		0	(2,562)
Other creditors	11	(1,521)	(1,851)
Total liabilities		(1,521)	(5,539)
Net assets attributable to shareholders		0	918,830

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 7 and 8.

2 Distribution policy

In determining the amount available for reinvestment to Accumulation shares, all expenses with the exception of the annual management charge, administration charge, share class hedging charge and overdraft interest are offset against capital, increasing the amount available for reinvestment whilst restraining capital performance to an equivalent extent. In determining the amount available for distribution to Income shares, all expenses with the exception of overdraft interest are offset against capital, increasing the amount available for distribution whilst restraining capital performance to an equivalent extent.

3 Net capital gains / (losses)

for the year to 30 April	2018	2017
	€'000	€'000
Non-derivative securities	(7,289)	95,571
Derivative contracts	30,028	(8,694)
Currency gains / (losses)	(103)	(5,731)
Management charge rebates taken to capital	60	0
Administration charge rebates taken to capital	15	0
Transaction charges	(7)	(6)
Net capital gains / (losses)	22,704	81,140

M&G Income Allocation Fund

Financial statements and notes

Notes to the financial statements

4 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 15.

for the year to 30 April	2018 €'000	% of transaction	2017 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	408,459		239,034	
Commissions	164	0.04	140	0.06
Taxes	291	0.07	207	0.09
Equities after transaction costs	408,914		239,381	
Debt securities ^[a]	302,915		152,210	
Collective investment schemes	18,057		0	
Other transaction types				
Corporate actions	4,254		0	
Total purchases after transaction costs	734,140		391,591	

for the year to 30 April	2018 €'000	% of average NAV	2017 €'000	% of average NAV
b) Sales				
Equities				
Equities before transaction costs	203,323		283,225	
Commissions	(109)	0.05	(142)	0.05
Taxes	(197)	0.10	(13)	0.00
Equities after transaction costs	203,017		283,070	
Debt securities ^[a]	122,119		181,986	
Other transaction types				
Corporate actions	6,831		5,132	
Total sales after transaction costs	331,967		470,188	

c) Direct portfolio transaction costs	2018 €'000	% of average NAV	2017 €'000	% of average NAV
Commissions paid				
Equities	273	0.03	282	0.03
Taxes paid				
Equities	488	0.06	220	0.03
Total direct portfolio transaction costs ^[b]	761	0.09	502	0.06
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^[c]		0.00		0.22

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

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

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

5 Revenue

for the year to 30 April	2018 €'000	2017 €'000
Bank interest	17	6
Deposit interest	(170)	(104)
Distributions from collective investment schemes: taxable	734	305
Dividends from equity investments: non-taxable	12,330	12,793
Dividends from equity investments: taxable	1,387	813
Interest on debt securities	16,951	18,461
Stock dividends	321	886
Underwriting commission	0	15
Total revenue	31,570	33,175

6 Expenses

for the year to 30 April	2018 €'000	2017 €'000
Payable to the ACD or associate		
Annual management charge ^[a]	12,673	12,522
Administration charge ^[b]	1,355	1,302
Share class hedging charge	1	0
	14,029	13,824
Payable to the Depository or associate		
Depository's charge (including VAT)	51	54
Other expenses		
Audit fee (including VAT)	9	16
Interest payable	100	163
Legal fees	0	1
Safe custody charge	156	152
	265	332
Total expenses	14,345	14,210

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

These rebates have been recognised as capital in note 3 and amount to €60,000 (2017: €nil).

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

These rebates have been recognised as capital in note 3 and amount to €15,000 (2017: €nil).

7 Taxation

for the year to 30 April	2018 €'000	2017 €'000
a) Analysis of charge in the year		
Corporation tax	589	1,008
Withholding tax	2,027	2,080
Current double taxation relief	0	(137)
Capital gains tax	61	0
Deferred tax (note 7c)	(8)	30
Total taxation	2,669	2,981

b) Factors affecting taxation charge for the year

Net revenue / (expense) before taxation	17,225	18,965
Corporation tax at 20%	3,445	3,793

Effects of:

Tax on management and administration charge rebates taken to capital	15	0
Dividends from equity investments: non-taxable	(2,475)	(2,559)
Stock dividends not taxable	(64)	(177)
Withholding tax	2,027	2,080
Total double taxation relief	(340)	(156)
Capital gains tax	61	0
Total tax charge (note 7a)	2,669	2,981

c) Provision for deferred taxation

Provision at the start of the year	30	0
Deferred tax in profit and loss account (note 7a)	(8)	30
Provision at the end of the year	22	30

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8 Distributions

for the year to 30 April	2018		2017	
	Inc ^[a] €'000	Acc ^[b] €'000	Inc ^[a] €'000	Acc ^[b] €'000
Dividend distributions				
First interim	1,220	484	1,293	1,101
Second interim	1,342	562	1,232	1,014
Third interim	1,683	651	1,184	451
Fourth interim	1,345	653	1,130	372
Fifth interim	1,365	492	1,249	832
Sixth interim	1,851	516	1,321	492
Seventh interim	1,393	606	1,260	538
Eighth interim	1,489	606	1,290	622
Ninth interim	1,999	424	1,393	511
Tenth interim	1,471	780	1,455	830
Eleventh interim	n/a	n/a	1,488	542
Final	1,679	727	2,562	900
Total net distributions		23,338		25,062
Income deducted on cancellation of shares		155		205
Income received on issue of shares		(538)		(224)
Distributions		22,955		25,043
Net revenue / (expense) per statement of total return		14,556		15,984
Expenses offset against capital		8,353		9,059
Tax on management and administration charge rebates taken to capital		(15)		0
Tax on short-term capital gains on overseas securities		61		0
Distributions		22,955		25,043

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

9 Debtors

as at 30 April	2018 €'000	2017 €'000
Amounts receivable on issues of shares	0	2,326
Currency deals outstanding	0	2
Debt security interest receivable	0	5,278
Dividends receivable	203	1,839
Withholding tax recoverable	304	359
Total debtors	507	9,804

10 Cash and bank balances

as at 30 April	2018 €'000	2017 €'000
Amounts held at futures clearing houses and collateral manager	0	600
Cash held as bank balances	1,014	14,330
Total cash and bank balances	1,014	14,930

11 Other creditors

as at 30 April	2018 €'000	2017 €'000
ACD's annual management charge payable	0	649
Administration charge payable	0	68
Amounts payable on cancellation of shares	0	738
Corporation tax payable	290	303
Currency deals outstanding	0	2
Deferred taxation	22	30
Expenses payable	49	61
Balances due to M&G (Lux) Income Allocation Fund	1,160	0
Total other creditors	1,521	1,851

12 Contingent assets, liabilities and outstanding commitments

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

13 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 14.

Share class	Opening 01.05.17	Movements		Closing 30.04.18
		Issued	Cancelled	
Euro				
Class 'A' Income	40,800,095	2,189,500	(42,989,595)	0
Class 'A' Accumulation	27,188,764	3,124,759	(30,313,523)	0
Class 'A Q' Income	1,464,198	2,334,383	(3,798,581)	0
Class 'B Q' Income	1,289,384	2,667,206	(3,956,590)	0
Class 'B Q' Accumulation	272,212	796,804	(1,069,016)	0
Class 'C' Income	3,338,820	7,278,047	(10,616,867)	0
Class 'C' Accumulation	3,307,715	16,659,631	(19,967,346)	0
Class 'C Q' Income	1,000	2,483	(3,483)	0
Singapore dollar				
Class 'A-H' Income	4,000	0	(4,000)	0
Class 'A-H' Accumulation	4,001	0	(4,001)	0
Class 'C-H' Income	4,002	0	(4,002)	0
Class 'C-H' Accumulation	4,003	0	(4,003)	0
Swiss franc				
Class 'A-H' Accumulation	56,673	4,351	(61,024)	0
Class 'C-H' Accumulation	7,500	10,833	(18,333)	0
US dollar				
Class 'A-H' Income	73,562	616,738	(690,300)	0
Class 'A-H' Accumulation	72,205	1,170,500	(1,242,705)	0
Class 'C-H' Income	3,002	2,000	(5,002)	0
Class 'C-H' Accumulation	3,003	410	(3,413)	0

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %	Share class hedging charge %
Euro				
Class 'A'	4.00	n/a	1.50	n/a
Class 'A Q'	4.00	n/a	1.50	n/a
Class 'B Q'	1.25	n/a	2.00	n/a
Class 'C'	1.25	n/a	0.65	n/a
Class 'C Q'	1.25	n/a	0.65	n/a
Singapore dollar				
Class 'A-H'	4.00	n/a	1.50	[a]
Class 'C-H'	1.25	n/a	0.65	[a]
Swiss franc				
Class 'A-H'	4.00	n/a	1.50	[a]
Class 'C-H'	1.25	n/a	0.65	[a]
US dollar				
Class 'A-H'	4.00	n/a	1.50	[a]
Class 'C-H'	1.25	n/a	0.65	[a]

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

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15 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 8. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's annual management charge, administration charge and share class hedging charge are disclosed in note 6. Amounts due at the year end in respect of the ACD's annual management charge, administration charge and share class hedging charge are disclosed in note 11.

Amounts paid to M&G Securities Limited in respect of rebate arrangements for the ACD's annual management charge and administration charge are disclosed in note 3 on page 21.

At the balance sheet date, there were no material shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary (2017: same).

16 Events after the balance sheet date

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

17 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 30 April Basis of valuation	Assets 2018 €'000	Liabilities 2018 €'000	Assets 2017 €'000	Liabilities 2017 €'000
Level 1	0	0	579,987	0
Level 2	0	0	319,648	(1,126)
Level 3	0	0	0	0
	0	0	899,635	(1,126)

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 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 30 April 2018 was 11% (2017: 11%).

The lowest, highest and average VaR calculated during the financial years ended 30 April 2018 and 30 April 2017 are disclosed in the table below.

for the year to 30 April	2018 ^[a] %	2017 %
Lowest	2.99	3.81
Highest	4.03	7.05
Average	3.39	5.42

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

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

for the year to 30 April	2018 ^[a] % of VaR	2018 Utilisation of upper limit VaR ^[b] 11%	2017 % of VaR	2017 Utilisation of upper limit VaR ^[b] 11%
Lowest	2.99	27.22	3.81	34.63
Highest	4.03	36.67	7.05	64.10
Average	3.39	30.80	5.42	49.26

^[a] The fund merged into the M&G (Lux) Income Allocation Fund and therefore closed on 16 March 2018.

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

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

20 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 30 April	2018 €'000	2017 €'000
Investment grade securities	0	269,039
Below investment grade securities	0	131,335
Unrated securities	0	9,389
Other investments	0	488,746
Total	0	898,509

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

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20 Credit risk (continued)

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

as at 30 April 2017	Swaps €'000	Forward currency contracts €'000
BNP Paribas	(174)	0
Citigroup	0	892
Goldman Sachs	0	(25)
HSBC	0	404
National Australia Bank	0	(374)
State Street Bank	0	2,456
UBS	0	2,994
Total	(174)	6,347

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

21 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 30 April 2018 and 30 April 2017 are disclosed in the table below.

for the year to 30 April	2018 €'000 [a]	2018 % [a]	2017 €'000 [a]	2017 % [a]
Lowest	132,861	392	1,052,384	122
Highest	293,890	392	1,551,395	174
Average	180,694	271	1,153,227	132

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

The fund merged into the M&G (Lux) Income Allocation Fund and therefore closed on 16 March 2018.

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

22 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.

23 Dividend distribution tables

This fund pays both monthly and quarterly ordinary distributions depending on the share class. The following tables set out the distribution periods applicable.

Monthly distribution periods				
	Start	End	Xd	Payment
First interim	01.05.17	31.05.17	01.06.17	30.06.17
Second interim	01.06.17	30.06.17	03.07.17	31.07.17
Third interim	01.07.17	31.07.17	01.08.17	31.08.17
Fourth interim	01.08.17	31.08.17	01.09.17	30.09.17
Fifth interim	01.09.17	30.09.17	02.10.17	31.10.17
Sixth interim	01.10.17	31.10.17	01.11.17	30.11.17
Seventh interim	01.11.17	30.11.17	01.12.17	31.12.17
Eighth interim	01.12.17	31.12.17	02.01.18	31.01.18
Ninth interim	01.01.18	31.01.18	01.02.18	28.02.18
Tenth interim	01.02.18	28.02.18	01.03.18	31.03.18
Eleventh interim	n/a	n/a	n/a	n/a
Final	01.03.18	16.03.18	16.03.18	26.04.18

Quarterly distribution periods				
	Start	End	Xd	Payment
First interim	01.05.17	31.07.17	01.08.17	30.09.17
Second interim	01.08.17	31.10.17	01.11.17	31.12.17
Third interim	01.11.17	31.01.18	01.02.18	31.03.18
Final	01.02.18	16.03.18	16.03.18	26.04.18

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

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

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

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

Euro Class 'A' Income shares				
Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
First interim	1.0915	1.6236	2.7151	2.8151
Second interim	1.1064	1.8296	2.9360	2.7438
Third interim	0.8704	2.0432	2.9136	2.5474
Fourth interim	0.9344	1.9668	2.9012	2.5606
Fifth interim	0.7006	2.2180	2.9186	2.8442
Sixth interim	0.6196	2.3446	2.9642	2.8709
Seventh interim	0.5893	2.3804	2.9697	2.9064
Eighth interim	0.9770	2.0124	2.9894	2.9759
Ninth interim	0.6866	2.3332	3.0198	2.9406
Tenth interim	0.5130	2.4608	2.9738	3.3278
Eleventh interim	n/a	n/a	n/a	3.3665
Final	0.6711	2.1340	2.8051	5.1820

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23 Dividend distribution tables (continued)

Euro Class 'A' Accumulation shares				
Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	€	€	€	€
First interim	0.4863	0.9764	1.4627	3.0763
Second interim	1.1126	0.5675	1.6801	3.0065
Third interim	0.9661	0.9002	1.8663	1.3107
Fourth interim	0.9357	0.9797	1.9154	1.0774
Fifth interim	1.0201	0.4063	1.4264	2.5315
Sixth interim	0.7211	0.6973	1.4184	1.4891
Seventh interim	0.7192	1.0500	1.7692	1.6609
Eighth interim	1.2855	0.4179	1.7034	1.9155
Ninth interim	0.4248	0.6404	1.0652	1.5345
Tenth interim	1.1471	1.1128	2.2599	2.6514
Eleventh interim	n/a	n/a	n/a	1.6857
Final	0.4334	0.8767	1.3101	2.8015

Euro Class 'A Q' Income shares				
Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	€	€	€	€
First interim	2.6212	4.8608	7.4820	7.0526
Second interim	3.2528	4.9995	8.2523	7.2296
Third interim	3.6002	3.9915	7.5917	7.7099
Final	2.2792	2.3754	4.6546	10.4427

Euro Class 'B Q' Income shares				
Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	€	€	€	€
First interim	3.4836	4.6779	8.1615	7.9701
Second interim	3.6190	5.6310	9.2500	7.9142
Third interim	3.9604	4.4417	8.4021	8.4322
Final	2.7870	2.3321	5.1191	12.1051

Euro Class 'B Q' Accumulation shares				
Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	€	€	€	€
First interim	1.5660	1.7265	3.2925	6.4631
Second interim	0.9670	2.1326	3.0996	3.4022
Third interim	1.1220	1.7256	2.8476	3.3783
Final	1.3836	1.2374	2.6210	5.5861

Euro Class 'C' Income shares				
Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	€	€	€	€
First interim	0.9838	1.8109	2.7947	2.8731
Second interim	1.5681	1.4556	3.0237	2.5466
Third interim	1.3836	1.6186	3.0022	2.4300
Fourth interim	1.0135	1.9778	2.9913	2.4513
Fifth interim	1.6488	1.3418	2.9906	2.9110
Sixth interim	0.8424	1.8884	2.7308	2.9401
Seventh interim	1.1914	1.8765	3.0679	2.9781
Eighth interim	1.9885	0.9378	2.9263	3.0510
Ninth interim	1.6925	0.8668	2.5593	3.0166
Tenth interim	1.7449	1.3343	3.0792	3.4156
Eleventh interim	n/a	n/a	n/a	3.4574
Final	0.4158	1.8013	2.2171	4.1170

Euro Class 'C' Accumulation shares				
Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	€	€	€	€
First interim	1.0216	1.3000	2.3216	3.1307
Second interim	1.2963	1.1627	2.4590	2.8006
Third interim	1.6136	1.0543	2.6679	1.9213
Fourth interim	1.4060	1.3120	2.7180	1.8278
Fifth interim	1.4011	0.7682	2.1693	3.2467
Sixth interim	1.2064	1.0410	2.2474	2.2075
Seventh interim	0.8652	1.6979	2.5631	2.3644
Eighth interim	1.7519	0.7333	2.4852	2.6502
Ninth interim	0.7991	1.1422	1.9413	2.3140
Tenth interim	1.4443	1.5877	3.0320	3.3641
Eleventh interim	n/a	n/a	n/a	2.4590
Final	1.0817	0.6742	1.7559	3.6128

Euro Class 'C Q' Income shares				
Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	€	€	€	€
First interim	7.6101	0.0000	7.6101	6.7200
Second interim	7.4550	0.0000	7.4550	7.3059
Third interim	7.2649	0.0000	7.2649	7.8048
Final	1.0938	3.4600	4.5538	9.0300

Singapore dollar Class 'A-H' Income shares				
Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	€	€	€	€
First interim	2.6033	0.0000	2.6033	2.6639
Second interim	2.8179	0.0000	2.8179	2.6011
Third interim	2.7996	0.0000	2.7996	2.4023
Fourth interim	2.7913	0.0000	2.7913	2.4411
Fifth interim	2.8109	0.0000	2.8109	2.7040
Sixth interim	2.8572	0.0000	2.8572	2.7323
Seventh interim	2.8661	0.0000	2.8661	2.7674
Eighth interim	2.8921	0.0000	2.8921	2.8370
Ninth interim	2.9251	0.0000	2.9251	2.8084
Tenth interim	2.8830	0.0000	2.8830	3.1791
Eleventh interim	n/a	n/a	n/a	3.2202
Final	1.2749	1.3968	2.6717	4.8142

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23 Dividend distribution tables (continued)

Singapore dollar Class 'A-H' Accumulation shares				
Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	¢	¢	¢	¢
First interim	1.2938	0.0000	1.2938	2.7266
Second interim	1.4847	0.0000	1.4847	2.6695
Third interim	1.7050	0.0000	1.7050	1.1369
Fourth interim	1.7407	0.0000	1.7407	0.9538
Fifth interim	1.2616	0.0000	1.2616	2.2335
Sixth interim	1.2546	0.0000	1.2546	1.2574
Seventh interim	1.5916	0.0000	1.5916	1.5041
Eighth interim	1.5371	0.0000	1.5371	1.6631
Ninth interim	0.9820	0.0000	0.9820	1.3824
Tenth interim	2.0509	0.0000	2.0509	2.2991
Eleventh interim	n/a	n/a	n/a	1.5012
Final	0.6341	0.5633	1.1974	2.4601

Singapore dollar Class 'C-H' Income shares				
Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	¢	¢	¢	¢
First interim	2.4193	0.0000	2.4193	2.6780
Second interim	2.8592	0.0000	2.8592	2.3828
Third interim	2.8424	0.0000	2.8424	2.2508
Fourth interim	2.8360	0.0000	2.8360	2.3032
Fifth interim	2.8576	0.0000	2.8576	2.7260
Sixth interim	2.7205	0.0000	2.7205	2.7562
Seventh interim	2.9062	0.0000	2.9062	2.7933
Eighth interim	2.7866	0.0000	2.7866	2.8651
Ninth interim	2.4642	0.0000	2.4642	2.8378
Tenth interim	2.9424	0.0000	2.9424	3.2141
Eleventh interim	n/a	n/a	n/a	3.2576
Final	1.2320	0.8928	2.1248	3.6849

Singapore dollar Class 'C-H' Accumulation shares				
Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	¢	¢	¢	¢
First interim	2.0201	0.0000	2.0201	2.7384
Second interim	2.1656	0.0000	2.1656	2.4441
Third interim	2.3928	0.0000	2.3928	1.6582
Fourth interim	2.4296	0.0000	2.4296	1.6011
Fifth interim	1.9055	0.0000	1.9055	2.8296
Sixth interim	1.9807	0.0000	1.9807	1.8710
Seventh interim	2.2739	0.0000	2.2739	2.1082
Eighth interim	2.2061	0.0000	2.2061	2.2887
Ninth interim	1.7478	0.0000	1.7478	2.0611
Tenth interim	2.7163	0.0000	2.7163	2.8902
Eleventh interim	n/a	n/a	n/a	2.1659
Final	0.9900	0.5957	1.5857	3.0859

Swiss franc Class 'A-H' Accumulation shares				
Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	¢	¢	¢	¢
First interim	1.4118	0.0000	1.4118	3.0142
Second interim	1.6202	0.0000	1.6202	2.9468
Third interim	1.8524	0.0000	1.8524	1.1928
Fourth interim	1.9273	0.0000	1.9273	1.0427
Fifth interim	1.3728	0.0000	1.3728	2.4580
Sixth interim	1.3752	0.0000	1.3752	1.4363
Seventh interim	1.7270	0.0000	1.7270	1.5659
Eighth interim	1.4271	0.2247	1.6518	1.8354
Ninth interim	0.6809	0.3323	1.0132	1.4814
Tenth interim	1.2726	0.8838	2.1564	2.5632
Eleventh interim	n/a	n/a	n/a	1.6450
Final	1.2732	0.0000	1.2732	2.9546

Swiss franc Class 'C-H' Accumulation shares				
Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	¢	¢	¢	¢
First interim	2.2189	0.0000	2.2189	3.0593
Second interim	2.3745	0.0000	2.3745	2.6878
Third interim	2.6338	0.0000	2.6338	1.8250
Fourth interim	2.7083	0.0000	2.7083	1.7730
Fifth interim	0.0000	2.0940	2.0940	3.1680
Sixth interim	2.1960	0.0000	2.1960	2.1010
Seventh interim	2.4624	0.0000	2.4624	2.3340
Eighth interim	2.2491	0.1599	2.4090	2.5300
Ninth interim	1.8594	0.0000	1.8594	2.4410
Tenth interim	2.9036	0.0000	2.9036	3.2227
Eleventh interim	n/a	n/a	n/a	2.3713
Final	1.0777	0.6440	1.7217	3.6706

US dollar Class 'A-H' Income shares				
Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	¢	¢	¢	¢
First interim	1.1906	1.4007	2.5913	2.6504
Second interim	1.3518	1.4552	2.8070	2.5868
Third interim	0.0876	2.7024	2.7900	2.3872
Fourth interim	0.4253	2.3574	2.7827	2.4207
Fifth interim	0.5454	2.2581	2.8035	2.6907
Sixth interim	0.1947	2.6562	2.8509	2.7191
Seventh interim	0.4497	2.4115	2.8612	2.7533
Eighth interim	0.2315	2.6562	2.8877	2.8211
Ninth interim	0.4689	2.4531	2.9220	2.7915
Tenth interim	1.2919	1.5908	2.8827	3.1612
Eleventh interim	n/a	n/a	n/a	3.2044
Final	0.9308	1.9964	2.9272	5.0459

M&G Income Allocation Fund

Financial statements and notes

Notes to the financial statements

23 Dividend distribution tables (continued)

US dollar Class 'A-H' Accumulation shares				
Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	2017
	¢	¢	¢	¢
First interim	0.2464	1.0905	1.3369	2.7125
Second interim	0.9659	0.5419	1.5078	2.6546
Third interim	0.7390	0.9737	1.7127	1.1226
Fourth interim	0.7574	1.0011	1.7585	0.9537
Fifth interim	0.6198	0.6362	1.2560	2.2154
Sixth interim	0.4326	0.8092	1.2418	1.2227
Seventh interim	0.8415	0.7432	1.5847	1.4865
Eighth interim	0.2378	1.3015	1.5393	1.6118
Ninth interim	0.5873	0.3962	0.9835	1.3851
Tenth interim	1.0077	1.0088	2.0165	2.2792
Eleventh interim	n/a	n/a	n/a	1.5238
Final	0.2559	0.9412	1.1971	2.6915

US dollar Class 'C-H' Income shares				
Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	2017
	¢	¢	¢	¢
First interim	2.4083	0.0000	2.4083	2.6645
Second interim	2.8480	0.0000	2.8480	2.3514
Third interim	2.8325	0.0000	2.8325	2.2534
Fourth interim	2.8275	0.0000	2.8275	2.2825
Fifth interim	2.8501	0.0000	2.8501	2.7126
Sixth interim	2.6861	0.0000	2.6861	2.7430
Seventh interim	2.8960	0.0000	2.8960	2.7792
Eighth interim	2.7982	0.0000	2.7982	2.8492
Ninth interim	2.4747	0.0000	2.4747	2.8206
Tenth interim	2.9425	0.0000	2.9425	3.1957
Eleventh interim	n/a	n/a	n/a	3.2407
Final	1.2565	0.8727	2.1292	3.5866

US dollar Class 'C-H' Accumulation shares				
Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	2017
	¢	¢	¢	¢
First interim	2.0007	0.0000	2.0007	2.7241
Second interim	2.1737	0.0000	2.1737	2.4136
Third interim	2.4121	0.0000	2.4121	1.6680
Fourth interim	2.4382	0.0000	2.4382	1.5944
Fifth interim	1.8985	0.0000	1.8985	2.8066
Sixth interim	1.9706	0.0000	1.9706	1.8344
Seventh interim	2.2679	0.0000	2.2679	2.0390
Eighth interim	2.2176	0.0000	2.2176	2.2274
Ninth interim	1.7675	0.0000	1.7675	2.0812
Tenth interim	2.6900	0.0000	2.6900	2.8782
Eleventh interim	n/a	n/a	n/a	2.1841
Final	0.9960	0.5917	1.5877	3.0792

M&G Prudent Allocation Fund

Authorised Corporate Director's Report

Investment objective up to fund closure on 16 March 2018

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

Investment policy up to fund closure on 16 March 2018

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

Asset allocation is central to the fund's investment philosophy and is based on the fund manager's macroeconomic outlook, asset class valuations and active risk management in portfolio construction. The fund seeks to manage risk by investing globally in multiple asset classes. As such the portfolio may be diversified across asset classes, sectors, currencies and countries although, at the fund manager's discretion, there may be some periods where the portfolio will have a higher than usual concentration of asset or market exposure. The fund will not have the majority of its assets in equities.

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

Investment approach up to fund closure on 16 March 2018

The fund managers believe that the fund's highly flexible investment approach has the potential to deliver returns of 3-6% per annum on average over the medium term (over three to five years), with an annualised volatility in returns of between 3% and 7%. (Volatility measures the degree to which a given security, fund, or index rapidly changes. It is calculated as the degree of deviation from the norm for that type of investment over a given time period. The higher the volatility, the riskier the security tends to be.)

The fund will normally invest within the following net allocation ranges: 0-35% of its assets in equities, 0-100% in fixed income securities (excluding cash and cash equivalents) and up to 20% in other assets, which can include indirect exposure to property and convertibles (fixed income investments that have the right to be converted into a predetermined number of company shares). The fund managers will actively manage the fund's foreign currency exposure to seek to enhance returns. At least 60% of the fund will be held in euro assets. The fund's investment strategy may involve the use of financial instruments to take short positions, that is, positions that profit from a fall in the price of an asset.

Risk profile up to fund closure on 16 March 2018

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

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

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

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



The above number:

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

Investment review

As at 1 May 2018, for the period from 2 May 2017 to 16 March 2018

Performance against objective

Between 2 May 2017 (the start of the review period) and 16 March 2018, when it was merged into a Luxembourg-authorized SICAV, the M&G Prudent Allocation Fund delivered a positive total return (the combination of income and growth of capital) across all of its share classes*.

From 1 May 2015 until it was merged into the Luxembourg-authorized SICAV on 16 March 2018, the fund had achieved its aim of delivering a positive total return.

* For the performance of each share class, please refer to the 'Long-term performance by share class' table in the 'Fund performance' section of this report. Please note that the performance data covers the period from 2 May 2017 until 16 March 2018, not for the full reporting period, due to the fund merging.

M&G Prudent Allocation Fund

Authorised Corporate Director's Report

Investment review

Investment performance

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

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

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

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

The fund's exposure to bonds added to performance overall, although the fund's positioning designed to benefit from a fall in the value of bonds issued by the Western governments detracted from performance. However, exposure to emerging market government bonds, in particular those from South Africa and Mexico, and from European countries like Poland and Portugal helped returns.

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

Investment activities

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

We made significant changes to fixed income (bonds) positioning. Five- and 10-year US government bond yields have risen to such an extent from the lows reached during the summer of 2016, that we consider that their risk/reward profile is now much more balanced; we therefore removed all short positions on those assets. Bond yield 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. When the bond's yield increases, the bond's price decreases, and vice versa. Soon after, we took US 10-year government bond holdings further long and the other 10-year developed bond market holdings further short, to exploit the sharp increase in spreads – differences between yields – between the US and the other developed bond markets.

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

Credit risk within the portfolio was significantly reduced in January. This reflects our view that the favourable credit environment is now almost fully reflected in pricing and spreads, as well as positioning the fund for a rising-rate environment. Meanwhile, in currencies, the US dollar positioning was moved to modestly long, reflecting a revised valuation following an extended period of weakness. This followed a period when we were short of the currency, when we believed that it was overvalued by the market.

M&G Prudent Allocation Fund

Authorised Corporate Director's Report

Investment review

Outlook

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

However, our broad macroeconomic outlook has not changed. For us, the additional prospective return that equities offer compared to bonds remains the most compelling opportunity and we continue to hold equities in preference to Western government bonds. We consider that, even at current levels of inflation, Western government bonds are deeply unattractive. They remain highly vulnerable to central bank policy tightening – raising interest rates and winding down asset purchases – having benefited from sustained buying of bonds by central banks when they were attempting to keep interest rates low.

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

Juan Nevado & Craig Moran

Co-fund managers

Employees of M&G Limited which is an associate of M&G Securities Limited.

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

Investments

The fund had no holdings at the year end.

M&G Prudent Allocation Fund

Financial highlights

Fund performance

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

Due to the merger of the M&G Prudent Allocation Fund into the M&G (Lux) Conservative Allocation Fund on 16 March 2018, the performance data below covers a period that is shorter than the 12-month financial year of the fund. Instead, it runs from 2 May 2017 to 16 March 2018.

Fund level performance

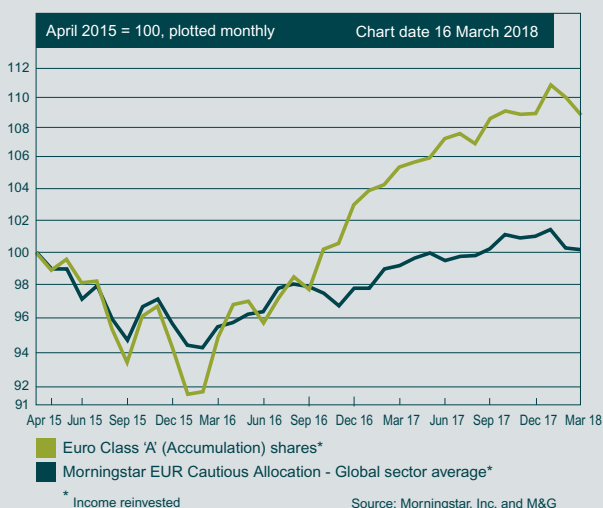
Fund net asset value

as at 30 April	2018 €'000	2017 €'000	2016 €'000
Fund net asset value (NAV)	0	1,008,192	207,071

The NAV figure as at 30 April 2018 is shown as €0 due to the fund closure on 16 March 2018.

Performance since launch

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



To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period, to the merger date 16 March 2018. Calculated on a price to price basis with income reinvested. Please note that due to the fund closure on 16 March 2018, the one, three and five-year performance periods are not full periods.

Long-term performance by share class

	One year 02.05.17 to 16.03.18 % ^[a]	Three years 01.05.15 to 16.03.18 % p.a.	Five years 01.05.13 to 16.03.18 % p.a.	Since launch % p.a.
Euro^[b]				
Class 'A'	+2.7	+3.4	n/a	+3.0 ^[c]
Class 'B'	+2.3	n/a	n/a	+5.3 ^[d]
Class 'C'	+3.5	+4.2	n/a	+3.7 ^[c]
Swiss franc^[b]				
Class 'A-H'	+2.4	n/a	n/a	+6.1 ^[e]
Class 'C-H'	+3.1	n/a	n/a	+6.9 ^[e]
US dollar^[b]				
Class 'A-H'	+4.8	+4.8	n/a	+4.3 ^[c]
Class 'C-H'	+5.5	+5.5	n/a	+5.0 ^[c]

^[a] Absolute basis.

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

^[c] 23 April 2015, the launch date of the fund.

^[d] 11 September 2015, the launch date of the share class.

^[e] 12 August 2016, the launch date of the share class.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

M&G Prudent Allocation Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

Operating charges (continued)

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

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

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

Portfolio transaction costs

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

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

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

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

Portfolio transaction costs				
for the year to 30 April	2018	2017	2016	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.03	0.03	0.02	0.03
Taxes	0.02	0.01	0.01	0.01
Costs before dilution adjustments	0.05	0.04	0.03	0.04
Dilution adjustments ^[c]	(0.03)	(0.02)	(0.01)	(0.02)
Total direct portfolio transaction costs	0.02	0.02	0.02	0.02
as at 30 April	2018	2017	2016	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.00 ^[d]	0.20	0.53	0.24

^[a] Average of first three columns.

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

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

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

M&G Prudent Allocation Fund

Financial highlights

Specific share class performance

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

Euro Class 'A' Income share performance

The share class was launched on 23 April 2015.

for the year to 30 April Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,031.74	958.85	1,000.00
Return before operating charges and after direct portfolio transaction costs	47.78	103.95	(20.11)
Operating charges	(14.54)	(14.98)	(15.31)
Return after operating charges	33.24	88.97	(35.42)
Distributions	(11.44)	(16.08)	(5.73)
Return to shareholder as a result of share class closure	(1,053.54)	n/a	n/a
Closing NAV	0.00	1,031.74	958.85

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.43	0.44	0.31
Dilution adjustments ^[a]	(0.24)	(0.24)	(0.11)
Total direct portfolio transaction costs	0.19	0.20	0.20

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.02
Operating charges ^[c]	1.57	1.49	1.62
Return after operating charges	+3.22	+9.28	-3.54
Historic yield	n/a	1.78	0.61
Effect on yield of charges offset against capital	1.55	1.55	0.00

Other information

Closing NAV (€'000)	0	33,929	8,922
Closing NAV percentage of total fund NAV (%)	0.00	3.37	4.31
Number of shares	0	3,288,524	930,504
Highest share price (Euro ¢)	1,079.95	1,039.70	1,002.02
Lowest share price (Euro ¢)	1,035.83	936.22	879.61

Euro Class 'A' Accumulation share performance

The share class was launched on 23 April 2015.

for the year to 30 April Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,054.82	964.76	1,000.00
Return before operating charges and after direct portfolio transaction costs	48.88	105.32	(19.94)
Operating charges	(14.95)	(15.26)	(15.30)
Return after operating charges	33.93	90.06	(35.24)
Distributions	0.00	(3.41)	(5.75)
Retained distributions	0.00	3.41	5.75
Return to shareholder as a result of share class closure	(1,088.75)	n/a	n/a
Closing NAV	0.00	1,054.82	964.76

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.44	0.45	0.31
Dilution adjustments ^[a]	(0.25)	(0.25)	(0.11)
Total direct portfolio transaction costs	0.19	0.20	0.20

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.02
Operating charges ^[c]	1.57	1.49	1.62
Return after operating charges	+3.22	+9.33	-3.52
Historic yield	n/a	0.32	0.61
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (€'000)	0	392,119	71,695
Closing NAV percentage of total fund NAV (%)	0.00	38.89	34.62
Number of shares	0	37,174,187	7,431,309
Highest share price (Euro ¢)	1,111.57	1,058.18	1,002.02
Lowest share price (Euro ¢)	1,058.96	942.08	883.34

Euro Class 'B' Income share performance

The share class was launched on 11 September 2015.

for the year to 30 April Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,088.77	1,015.11	1,000.00
Return before operating charges and after direct portfolio transaction costs	50.30	111.26	31.71
Operating charges	(20.19)	(21.48)	(12.91)
Return after operating charges	30.11	89.78	18.80
Distributions	(12.05)	(16.12)	(3.69)
Return to shareholder as a result of share class closure	(1,106.83)	n/a	n/a
Closing NAV	0.00	1,088.77	1,015.11

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.45	0.47	0.20
Dilution adjustments ^[a]	(0.25)	(0.26)	(0.07)
Total direct portfolio transaction costs	0.20	0.21	0.13

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.02
Operating charges ^[c]	2.07	2.00	2.08
Return after operating charges	+2.77	+8.84	+1.88
Historic yield	n/a	1.77	0.12
Effect on yield of charges offset against capital	2.05	2.05	0.00

Other information

Closing NAV (€'000)	0	20,567	1,011
Closing NAV percentage of total fund NAV (%)	0.00	2.04	0.49
Number of shares	0	1,888,978	99,598
Highest share price (Euro ¢)	1,135.35	1,097.12	1,026.67
Lowest share price (Euro ¢)	1,092.96	990.53	931.11

M&G Prudent Allocation Fund

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Specific share class performance

Euro Class 'B' Accumulation share performance

The share class was launched on 11 September 2015.

for the year to 30 April Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,109.52	1,019.10	1,000.00
Return before operating charges and after direct portfolio transaction costs	51.37	111.96	32.02
Operating charges	(20.69)	(21.54)	(12.92)
Return after operating charges	30.68	90.42	19.10
Distributions	0.00	0.00	(3.78)
Retained distributions	0.00	0.00	3.78
Return to shareholder as a result of share class closure	(1,140.20)	n/a	n/a
Closing NAV	0.00	1,109.52	1,019.10
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.46	0.47	0.20
Dilution adjustments ^[a]	(0.26)	(0.26)	(0.07)
Total direct portfolio transaction costs	0.20	0.21	0.13
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.02
Operating charges ^[c]	2.07	2.00	2.07
Return after operating charges	+2.77	+8.87	+1.91
Historic yield	n/a	0.00	0.12
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	59,709	3,407
Closing NAV percentage of total fund NAV (%)	0.00	5.92	1.65
Number of shares	0	5,381,496	334,290
Highest share price (Euro ¢)	1,164.77	1,113.02	1,028.45
Lowest share price (Euro ¢)	1,113.77	994.38	933.73

Euro Class 'C' Income share performance

The share class was launched on 23 April 2015.

for the year to 30 April Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,038.70	959.02	1,000.00
Return before operating charges and after direct portfolio transaction costs	48.16	102.52	(21.51)
Operating charges	(7.19)	(6.88)	(7.68)
Return after operating charges	40.97	95.64	(29.19)
Distributions	(11.53)	(15.96)	(11.79)
Return to shareholder as a result of share class closure	(1,068.14)	n/a	n/a
Closing NAV	0.00	1,038.70	959.02
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.43	0.44	0.31
Dilution adjustments ^[a]	(0.24)	(0.24)	(0.11)
Total direct portfolio transaction costs	0.19	0.20	0.20
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.02
Operating charges ^[c]	0.77	0.69	0.81
Return after operating charges	+3.94	+9.97	-2.92
Historic yield	n/a	1.63	1.25
Effect on yield of charges offset against capital	0.75	0.75	0.00
Other information			
Closing NAV (€'000)	0	62,544	42,377
Closing NAV percentage of total fund NAV (%)	0.00	6.21	20.47
Number of shares	0	6,021,414	4,418,800
Highest share price (Euro ¢)	1,093.72	1,046.39	1,002.08
Lowest share price (Euro ¢)	1,042.89	937.39	879.99

Euro Class 'C' Accumulation share performance

The share class was launched on 23 April 2015.

for the year to 30 April Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,068.52	971.04	1,000.00
Return before operating charges and after direct portfolio transaction costs	49.55	104.55	(20.89)
Operating charges	(7.43)	(7.07)	(8.07)
Return after operating charges	42.12	97.48	(28.96)
Distributions	(4.63)	(9.93)	(11.80)
Retained distributions	4.63	9.93	11.80
Return to shareholder as a result of share class closure	(1,110.64)	n/a	n/a
Closing NAV	0.00	1,068.52	971.04
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.45	0.45	0.31
Dilution adjustments ^[a]	(0.25)	(0.25)	(0.11)
Total direct portfolio transaction costs	0.20	0.20	0.20
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.02
Operating charges ^[c]	0.77	0.69	0.84
Return after operating charges	+3.94	+10.04	-2.90
Historic yield	n/a	0.92	1.23
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	431,955	76,506
Closing NAV percentage of total fund NAV (%)	0.00	42.84	36.95
Number of shares	0	40,425,542	7,878,721
Highest share price (Euro ¢)	1,132.86	1,071.94	1,002.08
Lowest share price (Euro ¢)	1,072.82	949.21	887.87

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 12 August 2016.

for the year to 30 April Change in NAV per share	2018 Swiss ¢	2017 Swiss ¢	2016 Swiss ¢
Opening NAV	1,070.02	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	45.88	81.12	n/a
Operating charges	(15.30)	(11.10)	n/a
Return after operating charges	30.58	70.02	n/a
Distributions	0.00	(2.29)	n/a
Retained distributions	0.00	2.29	n/a
Return to shareholder as a result of share class closure	(1,100.60)	n/a	n/a
Closing NAV	0.00	1,070.02	n/a
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.45	0.32	n/a
Dilution adjustments ^[a]	(0.25)	(0.18)	n/a
Total direct portfolio transaction costs	0.20	0.14	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	n/a
Operating charges ^[c]	1.60	1.50	n/a
Return after operating charges	+2.86	+7.00	n/a
Historic yield	n/a	0.29	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (€'000)	0	30	n/a
Closing NAV percentage of total fund NAV (%)	0.00	0.00	n/a
Number of shares	0	3,000	n/a
Highest share price (Swiss ¢)	1,124.07	1,073.46	n/a
Lowest share price (Swiss ¢)	1,074.24	994.39	n/a

M&G Prudent Allocation Fund

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Specific share class performance

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 12 August 2016.

for the year to 30 April Change in NAV per share	2018 Swiss ¢	2017 Swiss ¢	2016 Swiss ¢
Opening NAV	1,074.73	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	46.14	80.14	n/a
Operating charges	(7.55)	(5.41)	n/a
Return after operating charges	38.59	74.73	n/a
Distributions	(4.43)	(6.90)	n/a
Retained distributions	4.43	6.90	n/a
Return to shareholder as a result of share class closure	(1,113.32)	n/a	n/a
Closing NAV	0.00	1,074.73	n/a
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.44	0.32	n/a
Dilution adjustments ^[a]	(0.25)	(0.18)	n/a
Total direct portfolio transaction costs	0.19	0.14	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	n/a
Operating charges ^[c]	0.79	0.73	n/a
Return after operating charges	+3.59	+7.47	n/a
Historic yield	n/a	0.89	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (€'000)	0	46	n/a
Closing NAV percentage of total fund NAV (%)	0.00	0.00	n/a
Number of shares	0	4,654	n/a
Highest share price (Swiss ¢)	1,135.71	1,078.23	n/a
Lowest share price (Swiss ¢)	1,079.13	995.19	n/a

US dollar Class 'A-H' Income share performance

The share class was launched on 23 April 2015.

for the year to 30 April Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,050.01	961.87	1,000.00
Return before operating charges and after direct portfolio transaction costs	71.53	119.52	(16.97)
Operating charges	(15.06)	(15.26)	(15.54)
Return after operating charges	56.47	104.26	(32.51)
Distributions	(11.73)	(16.12)	(5.62)
Return to shareholder as a result of share class closure	(1,094.75)	n/a	n/a
Closing NAV	0.00	1,050.01	961.87
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.44	0.44	0.31
Dilution adjustments ^[a]	(0.25)	(0.24)	(0.11)
Total direct portfolio transaction costs	0.19	0.20	0.20
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.02
Operating charges ^[c]	1.59	1.51	1.64
Return after operating charges	+5.38	+10.84	-3.25
Historic yield	n/a	1.74	0.59
Effect on yield of charges offset against capital	1.57	1.57	0.00
Other information			
Closing NAV (€'000)	0	857	359
Closing NAV percentage of total fund NAV (%)	0.00	0.09	0.17
Number of shares	0	89,328	42,584
Highest share price (US ¢)	1,116.97	1,058.04	1,002.07
Lowest share price (US ¢)	1,054.25	940.62	879.54

US dollar Class 'A-H' Accumulation share performance

The share class was launched on 23 April 2015.

for the year to 30 April Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,072.71	967.37	1,000.00
Return before operating charges and after direct portfolio transaction costs	73.66	120.78	(17.13)
Operating charges	(15.47)	(15.44)	(15.50)
Return after operating charges	58.19	105.34	(32.63)
Distributions	0.00	(3.19)	(5.63)
Retained distributions	0.00	3.19	5.63
Return to shareholder as a result of share class closure	(1,130.90)	n/a	n/a
Closing NAV	0.00	1,072.71	967.37
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.45	0.45	0.31
Dilution adjustments ^[a]	(0.25)	(0.25)	(0.11)
Total direct portfolio transaction costs	0.20	0.20	0.20
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.02
Operating charges ^[c]	1.59	1.51	1.64
Return after operating charges	+5.42	+10.89	-3.26
Historic yield	n/a	0.29	0.59
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	6,262	2,777
Closing NAV percentage of total fund NAV (%)	0.00	0.63	1.34
Number of shares	0	638,537	327,219
Highest share price (US ¢)	1,149.39	1,076.12	1,002.07
Lowest share price (US ¢)	1,076.96	946.17	882.94

US dollar Class 'C-H' Income share performance

The share class was launched on 23 April 2015.

for the year to 30 April Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,056.55	962.25	1,000.00
Return before operating charges and after direct portfolio transaction costs	72.22	116.88	(17.26)
Operating charges	(7.47)	(6.86)	(8.58)
Return after operating charges	64.75	110.02	(25.84)
Distributions	(11.57)	(15.72)	(11.91)
Return to shareholder as a result of share class closure	(1,109.73)	n/a	n/a
Closing NAV	0.00	1,056.55	962.25
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.44	0.43	0.32
Dilution adjustments ^[a]	(0.25)	(0.23)	(0.11)
Total direct portfolio transaction costs	0.19	0.20	0.21
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.02
Operating charges ^[c]	0.78	0.71	0.89
Return after operating charges	+6.13	+11.43	-2.58
Historic yield	n/a	1.61	1.25
Effect on yield of charges offset against capital	0.77	0.77	0.00
Other information			
Closing NAV (€'000)	0	23	8
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	0	2,422	1,000
Highest share price (US ¢)	1,130.90	1,064.30	1,002.14
Lowest share price (US ¢)	1,060.66	942.26	880.06

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Specific share class performance

US dollar Class 'C-H' Accumulation share performance

The share class was launched on 23 April 2015.

for the year to 30 April	2018	2017	2016
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1,087.94	974.56	1,000.00
Return before operating charges and after direct portfolio transaction costs	74.18	121.31	(16.83)
Operating charges	(7.69)	(7.93)	(8.61)
Return after operating charges	66.49	113.38	(25.44)
Distributions	(4.63)	(9.64)	(11.57)
Retained distributions	4.63	9.64	11.57
Return to shareholder as a result of share class closure	(1,154.43)	n/a	n/a
Closing NAV	0.00	1,087.94	974.56
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.45	0.49	0.32
Dilution adjustments ^[a]	(0.25)	(0.27)	(0.11)
Total direct portfolio transaction costs	0.20	0.22	0.21
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.02
Operating charges ^[c]	0.79	0.74	0.89
Return after operating charges	+6.11	+11.63	-2.54
Historic yield	n/a	0.87	1.19
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (€'000)	0	151	9
Closing NAV percentage of total fund NAV (%)	0.00	0.01	0.00
Number of shares	0	15,155	1,000
Highest share price (US ¢)	1,172.49	1,091.35	1,002.14
Lowest share price (US ¢)	1,092.35	954.46	888.24

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

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

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

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Statement of total return

for the year to 30 April	Note	2018		2017	
		€'000	€'000	€'000	€'000
Income					
Net capital gains / (losses)	3		41,264		44,188
Revenue	5	20,492		9,998	
Expenses	6	(19,818)		(5,874)	
Net revenue / (expense) before taxation		674		4,124	
Taxation	7	(1,517)		(711)	
Net revenue / (expense) after taxation			(843)		3,413
Total return before distributions			40,421		47,601
Distributions	8		(6,024)		(4,112)
Change in net assets attributable to shareholders from investment activities			34,397		43,489

Statement of change in net assets attributable to shareholders

for the year to 30 April		2018		2017	
		€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders					
			1,008,192		207,071
Amounts received on issue of shares	1,746,583			809,074	
Amounts paid on cancellation of shares	(2,794,176)			(56,187)	
			(1,047,593)		752,887
Dilution adjustments			1,647		1,187
Change in net assets attributable to shareholders from investment activities (see above)			34,397		43,489
Retained distributions on Accumulation shares			3,357		3,558
Closing net assets attributable to shareholders			0		1,008,192

Balance sheet

as at 30 April	Note	2018	2017
		€'000	€'000
Assets			
Fixed assets			
Investments		0	960,358
Current assets			
Debtors	9	288	21,905
Cash and bank balances	10	106	252,787
Total assets		394	1,235,050
Liabilities			
Investment liabilities		0	(9,165)
Creditors			
Distribution payable		0	(513)
Other creditors	11	(394)	(217,180)
Total liabilities		(394)	(226,858)
Net assets attributable to shareholders		0	1,008,192

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 7 and 8.

2 Distribution policy

In determining the amount available for distribution to Income shares, the annual management charge, administration charge and share class hedging charge are offset against capital, increasing the amount available for distribution whilst restraining capital performance to an equivalent extent.

3 Net capital gains / (losses)

for the year to 30 April	2018	2017
	€'000	€'000
Non-derivative securities	(21,073)	20,090
Derivative contracts	63,365	25,997
Currency gains / (losses)	(1,273)	(1,915)
Management charge rebates taken to capital	225	25
Administration charge rebates taken to capital	33	3
Transaction charges	(13)	(12)
Net capital gains / (losses)	41,264	44,188

M&G Prudent Allocation Fund

Financial statements and notes

Notes to the financial statements

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 32 and 33.

for the year to 30 April	2018 €'000	% of transaction	2017 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	331,135		127,060	
Commissions	122	0.04	58	0.05
Taxes	322	0.10	58	0.05
Equities after transaction costs	331,579		127,176	
Debt securities ^[a]	1,693,036		587,221	
Collective investment schemes				
Collective investment schemes before transaction costs	119,465		76,297	
Commissions	5	0.00	4	0.01
Taxes	0	0.00	12	0.02
Collective investment schemes after transaction costs	119,470		76,313	
Total purchases after transaction costs	2,144,085		790,710	
b) Sales				
Equities				
Equities before transaction costs	90,943		18,335	
Commissions	(43)	0.05	(9)	0.05
Taxes	(1)	0.00	0	0.00
Equities after transaction costs	90,899		18,326	
Debt securities ^[a]	553,764		194,272	
Collective investment schemes	9,735		11,225	
Other transaction types				
Corporate actions	1,929		900	
Total sales after transaction costs	656,327		224,723	
c) Direct portfolio transaction costs				
	2018 €'000	% of average NAV	2017 €'000	% of average NAV
Commissions paid				
Equities	165	0.01	67	0.01
Collective investment schemes	5	0.00	4	0.00
Derivatives	229	0.02	82	0.02
Total commissions paid	399	0.03	153	0.03
Taxes paid				
Equities	323	0.02	58	0.01
Collective investment schemes	0	0.00	12	0.00
Total taxes paid	323	0.02	70	0.01
Total direct portfolio transaction costs ^[b]	722	0.05	223	0.04
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^[c]		0.00		0.20

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

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

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

5 Revenue

for the year to 30 April	2018 €'000	2017 €'000
Administration charge rebates	79	47
Bank interest	79	35
Deposit interest	(1,597)	(542)
Derivative revenue	(4,264)	(1,282)
Distributions from collective investment schemes: non-taxable	122	0
Distributions from collective investment schemes: taxable	1,066	607
Dividends from equity investments: non-taxable	5,889	1,585
Dividends from equity investments: taxable	1,397	(56)
Interest on debt securities	16,796	9,258
Management charge rebates	828	346
Stock dividends	97	0
Total revenue	20,492	9,998

6 Expenses

for the year to 30 April	2018 €'000	2017 €'000
Payable to the ACD or associate		
Annual management charge ^[a]	16,973	4,751
Administration charge ^[b]	2,340	759
Share class hedging charge	2	1
	19,315	5,511
Payable to the Depositary or associate		
Depositary's charge (including VAT)	71	35
Other expenses		
Audit fee (including VAT)	10	10
Dividend charges	26	8
Interest payable	256	229
Transaction fees	1	0
Safe custody charge	139	81
	432	328
Total expenses	19,818	5,874

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

These rebates have been recognised as either capital or revenue in notes 3 and 5 and amount to €225,000 (2017: €25,000) and €828,000 (2017: €346,000).

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

These rebates have been recognised as either capital or revenue in notes 3 and 5 and amount to €33,000 (2017: €3,000) and €79,000 (2017: €47,000).

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7 Taxation

for the year to 30 April	2018 €'000	2017 €'000
a) Analysis of charge in the year		
Corporation tax	0	509
Withholding tax	1,377	335
Current double taxation relief	0	(133)
Capital gains tax	140	0
Deferred tax (note 7c)	0	0
Total taxation	1,517	711
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	674	4,124
Corporation tax at 20%	135	825
Effects of:		
Tax on management and administration charge rebates taken to capital	51	5
Dividends from equity investments: non-taxable	(1,178)	(317)
Distributions from collective investment schemes: non-taxable	(24)	0
Stock dividends not taxable	(19)	0
Current year expenses not utilised	1,096	0
Withholding tax	1,377	335
Withholding tax recoverable: exchange rate movements	0	(4)
Withholding tax expensed	(61)	0
Total double taxation relief	0	(133)
Capital gains tax	140	0
Total tax charge (note 7a)	1,517	711
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of €1,096,000 (2017: €nil) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

for the year to 30 April	2018		2017	
	Inc ^[a] €'000	Acc ^[b] €'000	Inc ^[a] €'000	Acc ^[b] €'000
Dividend distributions				
First interim	562	900	142	392
Second interim	654	888	326	852
Third interim	641	539	386	977
Final	523	1,030	513	1,337
Total net distributions		5,737		4,925
Income deducted on cancellation of shares		53		94
Income received on issue of shares		234		(907)
Distributions		6,024		4,112
Net revenue / (expense) per statement of total return				
		(843)		3,413
Expenses offset against capital		2,236		666
Capital gains tax		140		0
Relief on expenses offset against capital		6		(9)
Income deficit transferred to capital		4,485		42
Distributions		6,024		4,112

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

as at 30 April	2018 €'000	2017 €'000
Administration charge rebates due	0	3
Amounts receivable on issues of shares	0	14,784
Corporation tax refund receivable	114	0
Currency deals outstanding	0	208
Debt security interest receivable	0	6,310
Dividends receivable	151	456
Withholding tax recoverable	23	27
Management charge rebates due	0	37
Tax recoverable	0	80
Total debtors	288	21,905

10 Cash and bank balances

as at 30 April	2018 €'000	2017 €'000
Amounts held at futures clearing houses and collateral manager	0	22,508
Cash held as bank balances	106	230,279
Total cash and bank balances	106	252,787

11 Other creditors

as at 30 April	2018 €'000	2017 €'000
ACD's annual management charge payable	0	502
Administration charge payable	0	72
Corporation tax payable	0	376
Currency deals outstanding	0	207
Derivative expense payable	0	467
Expenses payable	38	43
Purchases awaiting settlement	0	215,513
Balances due to M&G (Lux) Conservative Allocation Fund	356	0
Total other creditors	394	217,180

12 Contingent assets, liabilities and outstanding commitments

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

13 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 14.

Share class	Opening 01.05.17	Movements		Closing 30.04.18
		Issued	Cancelled	
Euro				
Class 'A' Income	3,288,524	6,568,605	(9,857,129)	0
Class 'A' Accumulation	37,174,187	64,978,724	(102,152,911)	0
Class 'B' Income	1,888,978	3,895,412	(5,784,390)	0
Class 'B' Accumulation	5,381,496	11,913,739	(17,295,235)	0
Class 'C' Income	6,021,414	4,661,581	(10,682,995)	0
Class 'C' Accumulation	40,425,542	65,366,628	(105,792,170)	0
Swiss franc				
Class 'A-H' Accumulation	3,000	15,926	(18,926)	0
Class 'C-H' Accumulation	4,654	253,353	(258,007)	0
US dollar				
Class 'A-H' Income	89,328	135,964	(225,292)	0
Class 'A-H' Accumulation	638,537	688,160	(1,326,697)	0
Class 'C-H' Income	2,422	182,064	(184,486)	0
Class 'C-H' Accumulation	15,155	1,041,443	(1,056,598)	0

M&G Prudent Allocation Fund

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14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %	Share class hedging charge %
Euro				
Class 'A'	4.00	n/a	1.40	n/a
Class 'B'	1.25	n/a	1.90	n/a
Class 'C'	1.25	n/a	0.60	n/a
Swiss franc				
Class 'A-H'	4.00	n/a	1.40	[a]
Class 'C-H'	1.25	n/a	0.60	[a]
US dollar				
Class 'A-H'	4.00	n/a	1.40	[a]
Class 'C-H'	1.25	n/a	0.60	[a]

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

15 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 8. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's annual management charge, administration charge and share class hedging charge are disclosed in note 6. Amounts due at the year end in respect of the ACD's annual management charge, administration charge and share class hedging charge are disclosed in note 11.

Amounts paid to M&G Securities Limited in respect of rebate arrangements for the ACD's annual management charge and administration charge are disclosed in notes 3 and 5. Amounts due at the year end from the ACD, and / or associate, in respect of these rebates are disclosed in note 9.

During the year, there were transactions in Prudential plc, a related party of M&G Securities Limited, with a total value of €84,082,000 (2017: €60,899,000).

At the balance sheet date, the fund held shares in related parties of M&G Securities Limited with a value of €nil (2017: €58,069,000).

At the balance sheet date, there were no material shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary (2017: same).

16 Events after the balance sheet date

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

17 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 30 April Basis of valuation	Assets	Liabilities	Assets	Liabilities
	2018 €'000	2018 €'000	2017 €'000	2017 €'000
Level 1	0	0	936,022	(3,191)
Level 2	0	0	24,336	(5,974)
Level 3	0	0	0	0
	0	0	960,358	(9,165)

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

In accordance with FRS 102 (22.4a) the shares in issue for each class meet the definition of a puttable instrument as the shareholders have the right to sell the shares back to the issuer. The shares in the fund may be issued and redeemed on any business day at the quoted price. These shares are not traded on an exchange. However, the price is observable and transactions within the fund take place regularly at that price. The shares in issue as detailed in note 13 meet the definition of a level 2 financial instrument 'Valuation technique using observable market data'.

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

M&G Prudent Allocation Fund

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19 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 30 April 2018 was 8% (2017: 8%).

The lowest, highest and average VaR calculated during the financial years ended 30 April 2018 and 30 April 2017 are disclosed in the table below.

for the year to 30 April	2018 %	2017 %
Lowest	1.54	2.78
Highest	3.37	4.86
Average	2.29	3.78

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

for the year to 30 April	2018 [a] % of VaR	2018 Utilisation of VaR [b] 8%	2017 % of VaR	2017 Utilisation of VaR [b] 8%
Lowest	1.54	19.28	2.78	34.70
Highest	3.37	42.18	4.86	60.69
Average	2.29	28.66	3.78	47.31

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

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

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

20 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 30 April	2018 €'000	2017 €'000
Investment grade securities	0	367,307
Below investment grade securities	0	124,068
Unrated securities	0	0
Other investments	0	459,818
Total	0	951,193

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

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

as at 30 April 2017	Swaps €'000	Forwards €'000
Bank of America Merrill Lynch	0	89
BNP Paribas	0	(37)
Citigroup	(363)	3,240
HSBC	4,871	(181)
National Australia Bank	0	2,392
State Street Bank	0	2,487
UBS	2,135	3,729
Total	6,643	11,719

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

21 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 30 April 2018 and 30 April 2017 are disclosed in the table below.

for the year to 30 April	2018 [a] €'000	2018 [a] %	2017 [a] €'000	2017 [a] %
Lowest	1,886,188	133	406,270	183
Highest	4,867,774	203	2,199,505	269
Average	2,790,443	148	1,105,573	214

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

The fund merged into the M&G (Lux) Conservative Allocation Fund and therefore closed on 16 March 2018.

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

22 Exchange rate risk for hedged share classes

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

M&G Prudent Allocation Fund

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23 Dividend distribution tables

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

Quarterly distribution periods

	Start	End	Xd	Payment
First interim	01.05.17	31.07.17	01.08.17	30.09.17
Second interim	01.08.17	31.10.17	01.11.17	31.12.17
Third interim	01.11.17	31.01.18	01.02.18	31.03.18
Final	01.02.18	16.03.18	16.03.18	29.03.18

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

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

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

As a result of the merger of M&G Prudent Allocation Fund into M&G (Lux) Conservative Allocation Fund on 16 March 2018, any income available for distribution up to the effective date of the merger was paid as a final distribution to shareholders on 29 March 2018.

Euro Class 'A' Income shares

Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
First interim	0.7870	2.7299	3.5169	1.5774
Second interim	0.8816	2.4118	3.2934	4.9872
Third interim	0.9534	1.6925	2.6459	4.8751
Final	0.8177	1.1692	1.9869	4.6429

Euro Class 'A' Accumulation shares

Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
First interim	0.0000	0.0000	0.0000	0.4419
Second interim	0.0000	0.0000	0.0000	1.1630
Third interim	0.0000	0.0000	0.0000	0.9571
Final	0.0000	0.0000	0.0000	0.8527

Euro Class 'B' Income shares

Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
First interim	1.1884	2.5225	3.7109	0.8755
Second interim	0.8415	2.6279	3.4694	5.1943
Third interim	1.0895	1.6942	2.7837	5.1054
Final	0.9368	1.1513	2.0881	4.9431

Euro Class 'B' Accumulation shares

Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
First interim	0.0000	0.0000	0.0000	0.0000
Second interim	0.0000	0.0000	0.0000	0.0000
Third interim	0.0000	0.0000	0.0000	0.0000
Final	0.0000	0.0000	0.0000	0.0000

Euro Class 'C' Income shares

Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
First interim	2.1913	1.3385	3.5298	2.4987
Second interim	0.8492	2.4727	3.3219	4.6096
Third interim	0.4801	2.1964	2.6765	4.4856
Final	0.6148	1.3853	2.0001	4.3703

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
First interim	0.1954	1.3785	1.5739	1.9583
Second interim	0.0690	1.2914	1.3604	2.8342
Third interim	0.0047	0.6647	0.6694	2.6291
Final	0.3313	0.6917	1.0230	2.5091

Swiss franc Class 'A-H' Accumulation shares

Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
First interim	0.0000	0.0000	0.0000	n/a
Second interim	0.0000	0.0000	0.0000	0.5717
Third interim	0.0000	0.0000	0.0000	0.8823
Final	0.0000	0.0000	0.0000	0.8340

Swiss franc Class 'C-H' Accumulation shares

Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
First interim	0.2299	1.2463	1.4762	n/a
Second interim	0.0000	1.3604	1.3604	1.9747
Third interim	0.0000	0.6027	0.6027	2.5631
Final	0.5202	0.4678	0.9880	2.3613

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23 Dividend distribution tables (continued)

US dollar Class 'A-H' Income shares				
Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	¢	¢	¢	¢
First interim	1.2833	2.2518	3.5351	1.4913
Second interim	1.2722	2.1047	3.3769	5.0024
Third interim	1.5263	1.2220	2.7483	4.9270
Final	0.6121	1.4577	2.0698	4.6950

US dollar Class 'A-H' Accumulation shares				
Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	¢	¢	¢	¢
First interim	0.0000	0.0000	0.0000	0.3969
Second interim	0.0000	0.0000	0.0000	1.0920
Third interim	0.0000	0.0000	0.0000	0.8591
Final	0.0000	0.0000	0.0000	0.8407

US dollar Class 'C-H' Income shares				
Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	¢	¢	¢	¢
First interim	3.2749	0.0000	3.2749	2.4991
Second interim	0.0072	3.4109	3.4181	4.6084
Third interim	2.7837	0.0000	2.7837	4.4713
Final	0.6098	1.4873	2.0971	4.1382

US dollar Class 'C-H' Accumulation shares				
Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	¢	¢	¢	¢
First interim	1.6197	0.0000	1.6197	1.9057
Second interim	0.0000	1.3421	1.3421	2.7232
Third interim	0.0000	0.6450	0.6450	2.5200
Final	0.3605	0.6620	1.0225	2.4944

M&G Investment Funds (14)

Other regulatory disclosures

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 Limited level can be found here www.mandg.com/en/corporate/about-mg/our-people. M&G's remuneration policy is reviewed on an annual basis, or more frequently where required, and approved by the M&G Remuneration Committee.

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

M&G Securities Limited does not directly employ any staff members. However, for the financial year ended 31 December 2017, aggregate remuneration of £39,245,473 (£4,916,932 in respect of fixed remuneration and £34,328,541 in respect of variable remuneration) was paid to individuals whose actions may have a material impact on the risk profile of the UCITS Manager, of which £1,812,300 related to senior management.

Swiss investor information

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

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

Glossary

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

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

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

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

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

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

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

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

Bunds: Fixed income securities issued by the German government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

Equities: Shares of ownership in a company.

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

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

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

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

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

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

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

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

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

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

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

Gilts: Fixed income securities issued by the UK government.

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

Hedging: A method of reducing unnecessary or unintended risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ongoing Charge Figure: The Ongoing Charge Figure includes charges for the following items: management of the fund (also known as Annual Management Charge), administration services, services provided by external parties which include depository, custody and audit, as well as incorporating the ongoing charge figure from funds held in the portfolio (taking into account any rebates).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

Treasuries: Fixed income securities issued by the US government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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