



**The Equities Investment Fund  
for Charities (Charifund)**

Manager's Annual Short Report  
October 2019

# Manager's Report

The Manager of The Equities Investment Fund for Charities (Charifund) presents its Annual Short Report for the year ended 31 October 2019. The Annual Long Report and audited Financial Statements for Charifund is available free of charge either from our website at [www.mandg.co.uk/charities](http://www.mandg.co.uk/charities) or by calling the Charities Helpline on 0800 917 4472.

## Fund information

The fund is an authorised unit trust, being a non-UCITS retail scheme as defined by the Financial Conduct Authority's (FCA) regulation under number 1086838 and it is registered with the Charity Commission for England and Wales (Number: 249958).

Charifund is a unique unit trust. The fund is a charity and this ensures that charities investing in Charifund obtain the benefits of an investment in a unit trust, such as low charges and a wide spread of investments, whilst qualifying for the same tax treatment as other charitable funds. Charities registered in England, Scotland, Wales and Northern Ireland can invest in Charifund.

Charifund qualifies as an alternative investment fund under the Alternative Investment Fund Managers Directive (2011/61/EU).

M&G Securities Limited (the Manager) is the Alternative Investment Fund Manager and a charity trustee of the fund while M&G Investment Management Limited is the investment adviser.

### Fund manager

Michael Stiasny

Michael Stiasny is employed by M&G FA Limited (formerly M&G Limited), which is an associate of M&G Securities Limited.

### Manager

M&G Securities Limited  
10 Fenchurch Avenue, London EC3M 5AG  
Telephone: 020 7626 4588

(Authorised and regulated by the Financial Conduct Authority)

### Directors of the Manager

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

\* Resigned 17 October 2019.

\*\* Resigned 27 September 2019.

### Advisory committee

The members of the committee, which acts as a consultative committee to M&G Securities Limited, are:

D S S Chichester (Chairman), A W Behrens, B S Bostrom,  
S M Corbett LVO, A F Gibbs, L E Linaker\*, G A Prescott BA FCA,  
N C Talbot Rice

\* Resigned 31 December 2018.

### Investment adviser

M&G Investment Management Limited  
10 Fenchurch Avenue, London EC3M 5AG  
(Authorised and regulated by the Financial Conduct Authority)

### Registrar

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

The Register of Unitholders can be inspected during business hours at: DST House, St Nicholas Lane, Basildon, Essex SS15 5FS

### Trustee

NatWest Trustee & Depositary Services Limited is the Trustee of the fund and for the purposes of the Alternative Investment Fund Managers Directive (AIFMD) they are also the Depositary.

NatWest Trustee & Depositary Services Limited, 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

## Investor information

The Prospectus and Trust Deed as well as the latest Annual or Interim Long Report and Financial Statements are available free of charge on request from the following address. The Instrument of Incorporation can also be inspected at our offices or at the office of the Trustee.

# Manager's Report

## Customer services and administration

M&G Charity Team, PO Box 9038, Chelmsford CM99 2XF  
**Telephone: 0800 917 4472**

If you need more information about investing, please contact us direct. Alternatively, if you wish to obtain advice as to whether this investment is suitable for your needs, you should consult a financial adviser.

If you would like a list of financial advisers in your area, please visit [www.unbiased.co.uk](http://www.unbiased.co.uk)

We can answer your questions and take your instructions between 9.00am and 5.00pm Monday to Friday. For security purposes, and to improve the quality of our service, we may record and randomly monitor telephone calls.

If you already invest with us, please quote your M&G holding reference number (shown on your income vouchers or statements) when you contact the M&G Charity Team. Please note that M&G Securities Limited does not offer investment advice or make any recommendations regarding investments.

## Manager's responsibilities

The Manager is required to prepare annual and interim long reports for the fund. The Manager must ensure that the financial statements are prepared in accordance with the Charities Statement of Recommended Practice issued by the Charity Commission; the Statement of Recommended Practice for Financial Statements of UK Authorised Funds (SORP) issued by the Investment Association; and UK Financial Reporting Standards and give a true and fair view of the net revenue or expense and the net capital gains or losses for the accounting period, and the financial position at the end of that period.

The Manager is required to keep proper accounting records, and to manage the fund in accordance with the Collective Investment Schemes sourcebook, as issued (and amended) by the FCA, the Charities Act 2011, the Trust Deed and the Prospectus, and to take reasonable steps for the prevention and detection of fraud or other irregularities.

## Important information

On 15 November 2019 (the "Effective Date"), The Equities Investment Fund for Charities (Charifund) will become a Charity Authorised Investment Fund (CAIF) and adopt a new charging structure. We have also made additional changes to Charifund, including clarifying its investment objective and policy and investment approach, and changed its name to M&G Equities Investment Fund for Charities (Charifund).

## Investment objective and policy

The trust is designed to provide a high and growing income for charities, while at the same time protecting their capital from the erosive effects of inflation over a rolling ten year period. There is no guarantee that the Trust will achieve a positive return over this, or any other, period and investors may not get back the original amount they invested. The units are a suitable investment for the equity portion of charitable funds. Normally the Manager's policy is to invest in a portfolio mainly of equities and convertible stocks to provide a yield significantly more than that of the FTSE All-Share Index.

## Investment approach

Charifund's portfolio typically comprises approximately 100 stocks. The fund invests mainly in a well-diversified portfolio of high yielding UK stocks with the objective of generating a high income and increasing the annual distribution. The aim is to provide a level of income that is significantly higher than that of the FTSE All-Share Index. The high yield premium attached to the fund generally means that there is a bias towards good value, out-of-favour stocks. The emphasis on yield helps to identify shares that are cheap and to avoid those that are expensive. Good quality companies with attractive dividend growth prospects are identified from the available universe of high yielding stocks as those that exhibit a strong business franchise, competitiveness and good turnover and dividend growth.

In view of the yield premium, the portfolio is constructed quite differently from the FTSE All-Share Index and therefore will usually move at a quite different speed from the index in the short run.

## Benchmark

Yield: FTSE All-Share Index

Capital growth: UK Retail Prices Index (RPI)

The fund manager makes active investment decisions for the fund.

The benchmarks are targets which the fund seeks to outperform.

The target benchmarks are used solely to measure the fund's performance and income objective.

## M&G Equities Investment Fund for Charities Investment objective

The Fund has three aims:

- To provide an annual yield above that available from the FTSE All-Share Index;
- To provide an income stream that increases every year;
- To provide a level of capital growth, net of the ongoing charge figure, that is higher than inflation over any ten-year period, as measured by the UK Retail Prices Index (RPI).

There is no guarantee that the fund will achieve its investment objective over this, or any other, period and investors may not get back the original amount they invested.

## M&G Equities Investment Fund for Charities Investment policy

At least 70% of the fund is invested in equity securities and equity-related securities of companies across any sectors and market capitalisations, that are incorporated, domiciled, listed or do most of their business in the United Kingdom.

The fund may also invest in other transferable securities, including the shares of non-UK companies cash and near cash directly or via collective investment schemes (including funds managed by M&G).

Companies involved in the production of tobacco are excluded from the investment universe.

Derivatives may be used for efficient portfolio management and hedging.

## M&G Equities Investment Fund for Charities Investment approach

The fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies.

The fund typically invests in a well-diversified portfolio of high-yielding UK stocks. The yield premium attached to the fund means that there is a bias toward good value, out of favour stocks (i.e. those stocks which the portfolio manager considered to be undervalued by the market). The emphasis on yield helps to identify shares that are relatively cheap and to avoid those that are expensive. From the universe of high yielding stocks, the manager identifies companies that are competitive, with a strong business franchise and that have attractive dividend growth prospects.

## M&G Equities Investment Fund for Charities Benchmark

The fund is actively managed. The target benchmarks and comparator benchmark do not constrain the fund's portfolio construction.

- Target

Yield: FTSE All-Share Index

Capital growth: UK Retail Prices index (RPI)

The benchmarks are targets which the fund seeks to outperform. The target yield and capital growth level referenced in the investment objective have been chosen as they are achievable targets given the fund's investment policy.

- Comparator

Total return: FTSE All-Share Index

The fund's performance can be measured against the comparator benchmark. The index has been chosen as the fund's comparator benchmark as it best reflects the scope of the fund's investment policy.

## Risk profile

The fund invests mainly in the shares of UK-listed dividend-paying companies, and a portion of the fund is also invested in the shares of dividend-paying companies listed overseas. It is, therefore, subject to the price volatility of the UK and overseas stockmarkets and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on good-quality companies with attractive dividend growth prospects. Dividend distributions from the fund's holdings, however, are not guaranteed and may vary. Diversification across industries and market capitalisation is key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

## Investment review

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

### Summary

Quarterly distributions amounting to 50.00p per Income unit were declared in respect of the second half of 2019, making a total of 83.00p for the year, representing a 5.1% increase compared with the total declared in 2018. Inflation, as measured by the Retail Prices Index (RPI), was 2.1% in October, while the Consumer Prices Index (CPI) was 1.5%.

Charifund's net historic yield<sup>[a]</sup> of 5.30%, as at 1 November 2019, compares favourably with the yield of 4.25% on the FTSE All-Share Index. This yield is also meaningfully above the level of income available on UK government bonds and cash deposit accounts.

Charifund's total return (the combination of income and capital growth) over the 12 months to 1 November 2019 was 8.4%. This compares with 7.5% from the FTSE All-Share Index.

The UK stockmarket gained over the 12 months, despite volatility due to concerns over the slowing global economy and international trade tensions. The period witnessed a complete volte face in global interest rate expectations, which boosted sentiment, as they moved from a tightening bias towards easing monetary policy, led by three US rate cuts in July, September and October, and accompanied by the European Central Bank (ECB) towards the end of the period.

Brexit continued to dominate domestic politics. The deadline for departing the European Union (EU) was extended to 31 October 2019 under Theresa May and, after Mr Johnson became prime minister in the summer, the European Union subsequently agreed a flexible extension for Brexit to 31 January 2020, with the option to leave beforehand if Parliament agrees the prime minister's withdrawal deal. Meanwhile, a general election is set for 12 December 2019.

Sterling has been buffeted by Brexit developments, gaining when a deal seemed likely and weakening when a messy departure appeared more probable – at one stage reaching a 34-year low against the US dollar – only to end the 12-month period broadly unchanged. The currency's weakness during the year was helpful for Charifund as many of the big income generators derive their earnings from overseas.

The current year is expected to produce solid gains in dividend<sup>[b]</sup> payments, which have been helped by special dividends and sterling weakness. The currency trend has boosted dividend payouts from companies that generate the majority of their earnings from overseas, especially in the FTSE 100 Index which accounts for the majority of the market's income generation.

Charifund's income reserve provides some leeway if the future dividend environment deteriorates. We are planning for a further increase in Charifund's distribution in 2020, at least matching RPI inflation if possible.

<sup>[a]</sup> The historic yield reflects distributions declared over the past 12 months as a percentage of the mid-market price, as at the date shown. The level of any income earned by the fund will fluctuate.

<sup>[b]</sup> 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.

### Fund performance

Over the 12 months under review, Charifund produced a capital return of 2.8%, compared with a capital return of 3.0% from the FTSE All-Share Index. With income reinvested, Charifund's total return over the period of 8.4% was ahead of the 7.5% return from the FTSE All-Share Index.

Quarterly distributions of 19.50p and 30.50p per Income unit were declared in the second half of 2019, making a total distribution of 83.00p per Income unit for the year. This represents an increase of 5.1% compared with a total distribution of 79.00p paid in the corresponding period last year. The annual rate of inflation, as measured by the Retail Prices Index (RPI), was 2.1% in October 2019,

while the Consumer Prices Index (CPI) was 1.5%, behind the government's 2.0% target. We have around 12.85p per Income unit set aside in the reserve facility to assist with income smoothing in future years.

As at 1 November 2019, Charifund's net historic yield of 5.30% was 25% higher than the yield of 4.25% on the FTSE All-Share Index. Notably, Charifund's yield maintains its position as one of the highest distributing funds in the charities UK equity funds peer group (Source: Morningstar, Inc.). In addition, the fund's yield is well above the level of income available on UK government bonds<sup>[c]</sup> and cash deposit accounts.

The fund's longer term performance remains sound. Since inception in 1960, Charifund has delivered an annualised total return of 12.7% against 10.9% by the FTSE All-Share Index (FT 30 Index prior to April 1962). Over the shorter term, the fund has outperformed the index over one, three, five, seven and 10 years.

Aside from its income objective, which has been met over this reporting period, Charifund also aims to protect investors' capital from the erosive effect of inflation over a rolling 10-year period, which it has achieved with an outperformance of 1.5% pa.

<sup>[c]</sup> Bonds are loans in the form of a security, usually issued by a government (government bonds) or company (corporate bonds), which normally pay a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.

## Market background

The UK stockmarket was volatile for much of the 12 months, with sentiment affected by concerns over the direction of monetary policy, trade tensions and slowing global economic growth. Domestic politics featured prominently, particularly Brexit. In this environment, the UK stockmarket gained over the 12 months.

In late 2018, investors had worried that monetary policy tightening by the US Federal Reserve (Fed) would dampen the US economy. International trade tensions also weighed on sentiment. Investors' risk appetite improved significantly at the start of 2019 after the Fed changed its attitude towards monetary policy, initially indicating a slower approach to interest rate rises and subsequently moving towards an easing bias.

Heightened trade tensions between the US and China led to a bout of stockmarket weakness in May 2019. However, as the summer wore on investors were encouraged by increased expectations of a cut in

US interest rates, which the Fed duly delivered at the end of July, and again in September and October. The Fed was accompanied by the ECB, which increased its negative interest rate towards the end of the period. The two central banks also recommenced quantitative easing programmes. The improved sentiment lasted until late summer, when renewed trade conflict and concerns about slowing global growth unsettled investors, before risk appetite picked up again in the autumn, led by the US market which recorded a series of all-time highs. UK equities lagged, however, as Brexit increasingly preoccupied investors in the domestic market.

In terms of Brexit, Prime Minister Theresa May secured a withdrawal deal with the EU but failed to gain the agreement of MPs, resulting in the Brexit deadline being extended for a second time to 31 October 2019 and ultimately Theresa May's resignation and the succession of Boris Johnson as prime minister in July, increasing the prospect of a 'no-deal' exit. In mid-October, Boris Johnson was required by the Benn Act to request a further extension, and subsequently secured agreement from the EU for a withdrawal deal. This was approved by MPs, although they rejected the proposed legislative timetable. In the latest development, the EU has agreed in principle to extend the deadline for Brexit until 31 January 2020, although the UK has the option to leave earlier should Parliament ratify the prime minister's deal beforehand. Meanwhile, a General Election is set for 12 December 2019.

Sterling movements were largely affected by developments concerning Brexit, weakening when a 'no deal' Brexit appeared probable and strengthening when an agreement seemed likely. At one stage, the currency reached a 34-year low against the US dollar, before ending the 12-month period broadly unchanged.

In this environment, the FTSE 250 Index of medium-sized companies produced the strongest performance over the period, with the FTSE 100 Index of larger companies generating more modest gains. In particular, the very largest companies were held back in August by a combination of weak economic data, Brexit worries and temporary strength in sterling. Meanwhile, smaller companies generally lagged behind as they were seen to be most exposed to Brexit and new issue activity dried up.

## Factors affecting performance

Charifund ended its financial year ahead of the FTSE All-Share Index, in contrast to the halfway stage which it finished a little behind the index. The main performance driver over the year was stock selection

adding value across the market, but especially within medium-sized companies where there was a flurry of takeover activity. Sector allocation also benefited the fund's performance and this was primarily due to its tobacco restriction because cigarette manufacturers remain under pressure.

Elsewhere amongst larger companies, the fund notably benefited from holdings in miner Rio Tinto and the utility companies Pennon, United Utilities and SSE.

In the case of Rio Tinto, disruptions to production in Brazil and Australia pushed up the price of iron ore, and latterly sentiment has improved towards the extractors amidst emerging signs of a softening in attitudes in US-China trade tensions. The utility companies staged a recovery from oversold levels as investors were attracted initially by their defensive qualities, and subsequently joined in the autumn rally by domestic stocks when a 'no-deal' Brexit seemed to be off the agenda. Pennon was also lifted by speculation that it might break up its Viridor waste management and South West Water arms after it announced a review of the business.

The positive results were partially offset by negative contributions from the general underperformance of the high yield segment of the market, along with an above-market weighting in smaller companies. The latter have the most direct exposure to Brexit and subdued growth in the domestic economy, but are held in the portfolio for their long-term growth potential. The other area where some value was surrendered was in the fund's overseas holdings, which represent approximately 8% of the portfolio. These are held in the portfolio for diversification reasons and are mainly concentrated in energy and pharmaceutical companies; the former came under pressure from weaker commodity prices as the supply/demand dynamic turned negative in the wake of trade wars and slowing global growth.

Amongst the fund's medium-sized company holdings, the main sources of added value included emerging market fund manager Ashmore, paving manufacturer Marshalls, plus rail and bus operator Go-Ahead. The publication of good results was the main driver of performance by these stocks. In addition, Ashmore has experienced continued inflows from its blue-chip client base of governments, central banks, sovereign wealth funds and pension plans, despite a weak background for emerging markets and currencies. Marshalls is regarded by many as the 'go-to' stock for institutional investors looking for a pure UK exposure. Go-Ahead, which is an attractive yielder, appears to be putting its troubles behind it as Govia Thameslink Railway (GTR) has been delivering an improved operational

performance. The company also announced a deal with the Department for Transport to continue the GTR franchise until its 2021 expiry.

There were successful bids for four companies held by the fund, which helped its performance: cheese manufacturer Dairy Crest, telecoms operators Manx Telecom and KCOM, plus Greene King. Meanwhile, fellow brewer Marston's rallied after the bid for Greene King.

## Key changes to the portfolio

Charifund's turnover remains fairly low and the emphasis of activity continues to be on enhancing the portfolio's income generation. To this end, we lowered the portfolio's overseas exposure in favour of the UK to take advantage of weak share prices and pick up yield in strong dividend payers. This included adding to holdings in telecoms companies Vodafone and BT, the utilities ENGIE, National Grid and SSE, newspaper group Reach (formerly Trinity Mirror) and financial services firms Brewin Dolphin plus Standard Life Aberdeen.

Several new positions were established during the 12-month period, including WPP, TUI, Cineworld, Hastings, Paypoint, Global Ports Holding and a real estate investment trust, Warehouse REIT. The latter formed part of a reorganisation of the fund's exposure to the real estate sector to pick up yield.

WPP is the world's biggest advertising agency. The shares were offering a very attractive yield of almost 7% and appeared undervalued. The post-Martin Sorrell management is looking at integrating some of the agencies that make up the WPP brand, to benefit from economies of scale; it has also made some disposals to rationalise the business, strengthen the balance sheet and reinvest the cost savings in people.

TUI was on an attractive valuation and offered a 6.5% yield. There are two parts to the business: the old tour operator, where margins are under pressure, which has been behind a recent profit warning, and the cruise ships plus hotels business, which is performing very well.

Shares in Cineworld, the second-largest cinema chain in the world by screens, were acquired on a high yield as the market has been concerned about next year's film line-up and capital investment requirements to compete with their theatrical peers plus the likes of Netflix and Amazon Prime. However, we believe that audience numbers will stay firm over the longer term.

Hastings is a web-based car insurer with a very disciplined underwriter and good growth prospects. The shares were on a 7% yield following a couple of profit warnings, but the company is well placed to take advantage of its market over the insurance cycle.

Paypoint was on an 8% yield, and provides point-of-sale technology with multiple capabilities, including stocktaking and reordering, via terminals supplied to newsagents around the UK. It is registered in the UK, but also has a business in Romania. The company has paid out special and ordinary dividends for the past four years.

A small initial holding was established via a placing in Global Ports Holding (GPH). Based in London, the company is the world's largest cruise port operator. GPH also owns a significant port in Turkey, and although it is essentially an infrastructure business, the shares were on a 10% yield.

We also added to software firm Micro Focus after the shares fell back, and increased the fund's position in brewer and pub operator Marston's to replace Greene King which is in the process of being taken over.

To help fund these purchases, some holdings that had performed well were sold on low yield grounds, including speciality chemicals manufacturer Elementis, price comparison website GoCompare and the water utility Severn Trent. Elsewhere, positions were trimmed on low yield grounds in a number of holdings, including drugmakers AstraZeneca and GlaxoSmithKline, industrial property group Segro, mezzanine finance specialist Intermediate Capital Group, paving manufacturer Marshalls, miner Rio Tinto, plus home furnishing companies Dunelm and DFS Furniture.

Four holdings exited the portfolio on attractive market premiums as a result of takeovers: telecom firms KCOM and Manx Telecom, dairy products manufacturer Dairy Crest and brewer plus pub operator Greene King.

## Outlook

The UK stockmarket has been remarkably sanguine so far in 2019, notwithstanding a weaker economic outlook at home and abroad, increased trade tensions between the US and its major trading partners, geopolitical concerns and uncertainty regarding Brexit.

The main reasons behind the market's support have been the Bank of England's low interest rate policy, together with the low level of bond yields – the 10-year benchmark gilt yield stood at 0.63% at the end of October. In addition, after the sell-off at the end of 2018, the market started 2019 from a low base.

Consumer spending has also been resilient, helped by low unemployment and wage growth that has finally overtaken inflation. Despite this year's rally, though, the UK stockmarket still represents fair value compared to other markets, but is likely to remain at a discount to them until some form of Brexit resolution is achieved.

Sterling has tended to reflect the outlook for Brexit at any given time; it is expected to jump if 'no deal' is avoided and weaken considerably in the event of a 'hard' Brexit. A deal would support the stockmarket, especially domestic stocks, but even if a 'no-deal' exit is realised, the market should find some support as most of the largest UK companies derive earnings from overseas. Meanwhile, sterling weakness means UK companies can represent attractive opportunities for overseas buyers.

The UK's economic outlook remains uncertain, largely due to continued confusion about Brexit, although the 12 December General Election may help to break the current deadlock. Meanwhile, weaker global economic activity and ongoing international trade wars are likely to weigh on the domestic economy, in the short term at least. However, data suggests that the UK will avoid a recession in the third quarter of 2019. Longer term, we are more optimistic about prospects for the UK economy, given the broadly positive fundamentals of high employment – notwithstanding a recent Brexit-related dip – and low inflation. Meanwhile, corporate earnings have held up so far and company balance sheets generally remain well capitalised.

We are aiming for a further increase in Charifund's distribution in 2020, at least matching the RPI. This should provide some comfort for charities facing the prospect of another year of low interest rates and rising costs.

## Benefits of Charifund

Charities derive considerable benefit from investing in Charifund for the equity portion of their portfolio. First, by investing via a collective investment scheme, charities are able to minimise their administrative burden. Second, investing in a fund with a clear, consistent strategy and comprising more than 100 holdings limits risk. Third, Charifund has no initial charge and the annual management fee is low at only 0.46%, which compares favourably with other similar funds. Fourth, no minimum restrictions apply to the size of a holding, so that all



# Manager's Report

qualifying charities, whatever their size, can gain access to Charifund on equal terms. Finally, Charifund's Advisory Committee consists of external investment professionals of long standing, many of whom have extensive experience as charity trustees.

## Michael Stiasny

Fund manager

The fund's investment portfolio and details of portfolio transactions are set out below.

Michael Stiasny is employed by M&G FA Limited (formerly M&G Limited), which is an associate of M&G Securities Limited.

Please note that the views expressed in this Report should not be taken as a recommendation or advice as to how Charifund or any holding mentioned is likely to perform. If a charity wishes to obtain financial advice as to whether an investment is suitable for its needs, it should consult a financial adviser.

## Investments

Portfolio statement			
as at 31 October Holding	2019 £'000	2019 %	2018 <sup>[a]</sup> %
<b>EQUITIES</b>	<b>1,142,111</b>	<b>100.48</b>	<b>101.00</b>
<b>Software &amp; computer services</b>	<b>14,391</b>	<b>1.27</b>	<b>0.92</b>
<b>United Kingdom</b>	<b>14,391</b>	<b>1.27</b>	<b>0.92</b>
1,350,000 Micro Focus	14,391	1.27	
<b>Telecommunication service providers</b>	<b>58,064</b>	<b>5.11</b>	<b>7.16</b>
<b>United Kingdom</b>	<b>49,850</b>	<b>4.39</b>	<b>5.95</b>
7,175,000 BT	14,745	1.30	
22,300,000 Vodafone	35,105	3.09	
<b>United States</b>	<b>8,214</b>	<b>0.72</b>	<b>1.21</b>
175,000 Verizon Communications	8,214	0.72	
<b>Pharmaceuticals &amp; biotechnology</b>	<b>133,202</b>	<b>11.72</b>	<b>10.99</b>
<b>United Kingdom</b>	<b>101,847</b>	<b>8.96</b>	<b>8.16</b>
760,000 AstraZeneca	56,574	4.98	
2,550,000 GlaxoSmithKline	45,273	3.98	
<b>France</b>	<b>5,785</b>	<b>0.51</b>	<b>0.50</b>
80,000 Sanofi	5,785	0.51	
<b>Switzerland</b>	<b>13,685</b>	<b>1.20</b>	<b>1.91</b>
110,000 Novartis	7,426	0.65	
27,000 Roche	6,259	0.55	

Portfolio statement (continued)			
as at 31 October Holding	2019 £'000	2019 %	2018 <sup>[a]</sup> %
<b>United States</b>	<b>7,687</b>	<b>0.68</b>	<b>0.00</b>
125,000 AbbVie	7,687	0.68	
<b>Japan</b>	<b>4,198</b>	<b>0.37</b>	<b>0.42</b>
150,000 Takeda Pharmaceutical	4,198	0.37	
<b>Banks</b>	<b>101,794</b>	<b>8.96</b>	<b>9.67</b>
<b>United Kingdom</b>	<b>85,930</b>	<b>7.56</b>	<b>8.11</b>
550,000 Close Brothers	7,579	0.67	
8,500,000 HSBC	49,470	4.35	
33,000,000 Lloyds Banking	18,704	1.64	
7,100,000 Standard Chartered 7.375% Non-cum. Irrd. Pref.	8,712	0.77	
1,100,000 Standard Chartered 8.25% Non-cum. Irrd. Pref.	1,465	0.13	
<b>Sweden</b>	<b>2,316</b>	<b>0.20</b>	<b>0.38</b>
300,000 Svenska Handelsbanken	2,316	0.20	
<b>Canada</b>	<b>8,686</b>	<b>0.77</b>	<b>1.18</b>
150,000 Bank of Montreal	8,686	0.77	
<b>Singapore</b>	<b>4,862</b>	<b>0.43</b>	<b>0.00</b>
330,000 DBS	4,862	0.43	
<b>Finance &amp; credit services</b>	<b>51,413</b>	<b>4.52</b>	<b>4.31</b>
<b>United Kingdom</b>	<b>50,826</b>	<b>4.47</b>	<b>4.31</b>
1,600,000 Ashmore	7,418	0.65	
2,650,000 Brewin Dolphin	8,819	0.78	
550,000 Intermediate Capital	8,162	0.72	
1,500,000 Jupiter Fund Management	5,172	0.45	
2,000,000 Lloyds Banking 9.25% Non-cum. Irrd. Pref.	3,020	0.26	
18,750 Nationwide Building Society 10.25% CCD Non-cum. Irrd. Pref.	2,944	0.26	
4,000,000 Standard Life Aberdeen	12,156	1.07	
920,000 TP ICAP	3,135	0.28	
<b>Guernsey</b>	<b>587</b>	<b>0.05</b>	<b>0.00</b>
1,353,380 Duke Royalty <sup>[b]</sup>	587	0.05	
<b>Equity investment instruments</b>	<b>39,568</b>	<b>3.48</b>	<b>3.53</b>
<b>United Kingdom</b>	<b>39,568</b>	<b>3.48</b>	<b>3.53</b>
2,500,000 Aberdeen Asian Income Fund	5,200	0.46	
7,537,520 Aberforth Split Level Income Trust	5,728	0.50	
4,110,000 Ecofin Global Utilities and Infrastructure Trust	6,432	0.57	
643,095 Honeycomb Investment Trust	6,367	0.56	
8,000,000 Middlefield Canadian Income Trusts	8,240	0.72	
400,000 Princess Private Equity	3,441	0.30	
4,000,000 SDCL Energy Efficiency Income Trust	4,160	0.37	

# Manager's Report

Portfolio statement (continued)			
as at 31 October	2019	2019	2018 <sup>[a]</sup>
Holding	£'000	%	%
<b>Non-equity investment instruments</b>			
	<b>173</b>	<b>0.01</b>	<b>0.11</b>
<b>United Kingdom</b>	<b>173</b>	<b>0.01</b>	<b>0.11</b>
1,467,858 EF Realisation <sup>[c]</sup>	173	0.01	
<b>Life insurance</b>			
	<b>74,171</b>	<b>6.52</b>	<b>5.80</b>
<b>United Kingdom</b>	<b>74,171</b>	<b>6.52</b>	<b>5.80</b>
4,775,000 Aviva	19,706	1.73	
3,790,718 Chesnara	9,932	0.87	
8,750,000 Legal & General	22,969	2.02	
1,466,666 Phoenix	10,209	0.90	
1,099,184 St. James's Place	11,355	1.00	
<b>Non-life insurance</b>			
	<b>61,359</b>	<b>5.40</b>	<b>4.69</b>
<b>United Kingdom</b>	<b>48,310</b>	<b>4.25</b>	<b>3.59</b>
3,000,000 Aviva 8.375% Cum. Irrd. Pref.	4,260	0.37	
1,050,000 Aviva 8.75% Cum. Irrd. Pref.	1,565	0.14	
1,604,166 Direct Line Insurance	4,405	0.39	
6,500,000 General Accident 7.875% Cum. Irrd. Pref.	8,645	0.76	
9,000,000 General Accident 8.875% Cum. Irrd. Pref.	13,050	1.15	
3,000,000 Hastings	5,466	0.48	
4,500,000 RSA Insurance 7.375% Cum. Irrd. Pref.	5,760	0.51	
1,751,713 Sabre Insurance	5,159	0.45	
<b>Finland</b>	<b>5,519</b>	<b>0.49</b>	<b>0.56</b>
175,000 Sampo	5,519	0.49	
<b>Switzerland</b>	<b>7,530</b>	<b>0.66</b>	<b>0.54</b>
25,000 Zurich Insurance	7,530	0.66	
<b>Real estate investment &amp; services</b>			
	<b>10,644</b>	<b>0.94</b>	<b>0.92</b>
<b>United Kingdom</b>	<b>10,312</b>	<b>0.91</b>	<b>0.92</b>
5,000,000 Grit Real Estate Income	4,746	0.42	
1,980,830 Palace Capital	5,566	0.49	
<b>Guernsey</b>	<b>332</b>	<b>0.03</b>	<b>0.00</b>
1,037,902 AXA Property Trust	332	0.03	
<b>Real estate investment trusts</b>			
	<b>71,910</b>	<b>6.33</b>	<b>5.39</b>
<b>United Kingdom</b>	<b>66,080</b>	<b>5.82</b>	<b>4.88</b>
3,500,000 Assura	2,628	0.23	
1,512,742 British Land	9,476	0.84	
3,903,422 LondonMetric Property	9,103	0.80	
900,000 McKay Securities	2,079	0.18	
4,500,000 NewRiver REIT <sup>[b]</sup>	9,112	0.80	
1,500,000 Picton Property Income	1,382	0.12	
2,000,000 Primary Health Properties	2,836	0.25	
4,160,401 PRS REIT	3,661	0.32	
2,175,412 RDI REIT	2,806	0.25	

Portfolio statement (continued)			
as at 31 October	2019	2019	2018 <sup>[a]</sup>
Holding	£'000	%	%
<b>Real estate investment trusts (continued)</b>			
2,895,049 Regional REIT	3,046	0.27	
150,000 Segro	1,272	0.11	
7,250,000 Standard Life Investment Property Income Trust	6,460	0.57	
2,500,000 Target Healthcare REIT	2,810	0.25	
2,994,229 Urban Logistics REIT <sup>[b]</sup>	3,922	0.35	
5,128,065 Warehouse REIT <sup>[b]</sup>	5,487	0.48	
<b>Guernsey</b>	<b>5,830</b>	<b>0.51</b>	<b>0.51</b>
5,830,000 Channel Islands Property Fund	5,830	0.51	
<b>Household goods &amp; home construction</b>			
	<b>26,483</b>	<b>2.33</b>	<b>2.15</b>
<b>United Kingdom</b>	<b>26,483</b>	<b>2.33</b>	<b>2.15</b>
200,000 Bellway	6,358	0.56	
900,000 Bovis Homes	10,521	0.93	
1,600,000 Crest Nicholson	6,086	0.53	
1,500,000 Watkin Jones <sup>[b]</sup>	3,518	0.31	
<b>Personal goods</b>			
	<b>20,341</b>	<b>1.79</b>	<b>1.98</b>
<b>United Kingdom</b>	<b>16,159</b>	<b>1.42</b>	<b>1.50</b>
350,000 Unilever	16,159	1.42	
<b>Denmark</b>	<b>4,182</b>	<b>0.37</b>	<b>0.48</b>
110,000 Pandora	4,182	0.37	
<b>Media</b>			
	<b>59,247</b>	<b>5.21</b>	<b>3.15</b>
<b>United Kingdom</b>	<b>59,247</b>	<b>5.21</b>	<b>3.15</b>
2,975,000 Informa	23,193	2.04	
7,000,000 ITV	9,247	0.81	
1,330,000 Moneysupermarket.com	4,547	0.40	
9,000,000 Reach	8,811	0.78	
1,400,000 WPP	13,449	1.18	
<b>Retailers</b>			
	<b>11,325</b>	<b>1.00</b>	<b>1.36</b>
<b>United Kingdom</b>	<b>11,325</b>	<b>1.00</b>	<b>1.36</b>
1,700,000 DFS Furniture	3,995	0.35	
250,000 Dunelm	2,010	0.18	
800,000 Halfords	1,272	0.11	
187,250 WH Smith	4,048	0.36	
<b>Travel &amp; leisure</b>			
	<b>43,699</b>	<b>3.84</b>	<b>3.08</b>
<b>United Kingdom</b>	<b>43,699</b>	<b>3.84</b>	<b>3.08</b>
2,000,000 Cineworld	4,450	0.39	
300,000 Compass	6,183	0.54	
450,000 Go-Ahead	9,261	0.82	
6,500,000 Marston's	7,950	0.70	
2,200,000 National Express	9,882	0.87	
708,585 Restaurant	958	0.08	
500,000 TUI	5,015	0.44	

# Manager's Report

Portfolio statement (continued)			
as at 31 October	2019	2019	2018 <sup>[a]</sup>
Holding	£'000	%	%
<b>Food producers</b>	<b>5,379</b>	<b>0.47</b>	<b>1.04</b>
<b>United Kingdom</b>	<b>5,379</b>	<b>0.47</b>	<b>1.04</b>
800,000 Tate & Lyle	5,379	0.47	
<b>Personal care, drug &amp; grocery stores</b>	<b>742</b>	<b>0.06</b>	<b>0.22</b>
<b>United Kingdom</b>	<b>742</b>	<b>0.06</b>	<b>0.22</b>
1,650,000 McColl's Retail	742	0.06	
<b>Construction &amp; materials</b>	<b>13,427</b>	<b>1.18</b>	<b>1.58</b>
<b>United Kingdom</b>	<b>13,427</b>	<b>1.18</b>	<b>1.58</b>
3,510,000 Balfour Beatty 10.75% Cum. Cnv. Red. Pref.	3,685	0.32	
1,300,000 Kier	1,485	0.13	
1,150,000 Marshalls	8,257	0.73	
<b>Electronic &amp; electrical equipment</b>	<b>4,161</b>	<b>0.37</b>	<b>0.43</b>
<b>United Kingdom</b>	<b>4,161</b>	<b>0.37</b>	<b>0.43</b>
1,750,000 Morgan Advanced Materials	4,161	0.37	
<b>General industrials</b>	<b>11,242</b>	<b>0.99</b>	<b>1.11</b>
<b>United Kingdom</b>	<b>11,242</b>	<b>0.99</b>	<b>1.11</b>
3,150,000 DS Smith	11,242	0.99	
<b>Industrial engineering</b>	<b>8,076</b>	<b>0.71</b>	<b>0.98</b>
<b>United Kingdom</b>	<b>8,076</b>	<b>0.71</b>	<b>0.71</b>
800,000 IMI	8,076	0.71	
<b>Finland</b>	<b>0</b>	<b>0.00</b>	<b>0.27</b>
<b>Industrial support services</b>	<b>28,720</b>	<b>2.53</b>	<b>2.61</b>
<b>United Kingdom</b>	<b>28,720</b>	<b>2.53</b>	<b>2.61</b>
9,000,000 Connect	2,700	0.24	
285,202 De La Rue	430	0.04	
1,750,000 Electrocomponents	11,977	1.05	
800,000 PayPoint	7,376	0.65	
2,200,000 SThree	6,237	0.55	
<b>Industrial transportation</b>	<b>12,292</b>	<b>1.08</b>	<b>0.85</b>
<b>United Kingdom</b>	<b>12,292</b>	<b>1.08</b>	<b>0.85</b>
900,000 BBA Aviation	2,752	0.24	
298,850 Global Ports Holding	825	0.07	
3,500,000 Wincanton	8,715	0.77	
<b>Industrial metals &amp; mining</b>	<b>47,035</b>	<b>4.14</b>	<b>4.32</b>
<b>United Kingdom</b>	<b>47,035</b>	<b>4.14</b>	<b>4.32</b>
550,000 BHP	8,952	0.79	
1,500,000 Central Asia Metals <sup>[b]</sup>	3,105	0.27	
875,000 Rio Tinto	34,978	3.08	

Portfolio statement (continued)			
as at 31 October	2019	2019	2018 <sup>[a]</sup>
Holding	£'000	%	%
<b>Chemicals</b>	<b>8,900</b>	<b>0.78</b>	<b>1.04</b>
<b>United Kingdom</b>	<b>8,900</b>	<b>0.78</b>	<b>1.04</b>
1,250,000 Synthomer	3,455	0.30	
250,000 Victrex	5,445	0.48	
<b>Non-renewable energy</b>	<b>132,721</b>	<b>11.68</b>	<b>14.16</b>
<b>United Kingdom</b>	<b>113,658</b>	<b>10.00</b>	<b>11.57</b>
11,250,000 BP	55,474	4.88	
2,609,726 Royal Dutch Shell	58,184	5.12	
<b>France</b>	<b>9,753</b>	<b>0.86</b>	<b>1.06</b>
240,000 TOTAL	9,753	0.86	
<b>Netherlands</b>	<b>0</b>	<b>0.00</b>	<b>0.09</b>
<b>Norway</b>	<b>9,310</b>	<b>0.82</b>	<b>1.44</b>
650,000 Equinor	9,310	0.82	
<b>Electricity</b>	<b>19,305</b>	<b>1.70</b>	<b>1.34</b>
<b>United Kingdom</b>	<b>19,305</b>	<b>1.70</b>	<b>1.34</b>
1,500,000 SSE	19,305	1.70	
<b>Gas, water &amp; multi-utilities</b>	<b>72,327</b>	<b>6.36</b>	<b>6.11</b>
<b>United Kingdom</b>	<b>66,532</b>	<b>5.85</b>	<b>5.83</b>
2,850,000 National Grid	25,724	2.26	
2,420,000 Pennon	21,654	1.90	
2,200,000 United Utilities	19,154	1.69	
<b>France</b>	<b>5,795</b>	<b>0.51</b>	<b>0.28</b>
450,000 ENGIE	5,795	0.51	
<b>Portfolio of investments</b>	<b>1,142,111</b>	<b>100.48</b>	<b>101.00</b>
<b>CASH EQUIVALENTS</b>	<b>1,122</b>	<b>0.10</b>	<b>0.00</b>
<b>'AAA' rated money market funds <sup>[d]</sup></b>	<b>1,122</b>	<b>0.10</b>	<b>0.00</b>
1,122,000 Northern Trust Global Fund - Sterling	1,122	0.10	
<b>Total portfolio</b>	<b>1,143,233</b>	<b>100.58</b>	<b>101.00</b>
<b>Net other assets / (liabilities)</b>	<b>(6,606)</b>	<b>(0.58)</b>	<b>(1.00)</b>
<b>Net assets attributable to unitholders</b>	<b>1,136,627</b>	<b>100.00</b>	<b>100.00</b>

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

<sup>[a]</sup> The portfolio has been reclassified to more appropriately reflect how the fund is managed. 2018 comparatives have been restated to reflect this.

<sup>[b]</sup> AIM quoted.

<sup>[c]</sup> Delisted.

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

## Top ten portfolio transactions

for the year to 31 October 2019

Largest purchases	£'000
WPP	12,739
St. James's Place	9,372
AbbVie	6,947
PayPoint	6,941
NewRiver REIT <sup>[a]</sup>	6,387
ITV	5,765
National Grid	5,741
Hastings	5,634
Warehouse REIT <sup>[a]</sup>	5,260
TUI	5,079
Other purchases	49,076
<b>Total purchases</b>	<b>118,941</b>
Largest sales	£'000
KCOM	20,752
Greene King	10,589
Ashmore	8,561
Manx Telecom <sup>[a]</sup>	8,168
Novartis	7,981
Marshalls	5,580
Centrica	5,542
Verizon Communications	5,507
United Utilities	4,800
Dairy Crest	4,483
Other sales	77,364
<b>Total sales</b>	<b>159,327</b>

<sup>[a]</sup> AIM quoted.

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

## 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 a charity may not get back the original amount it invested.

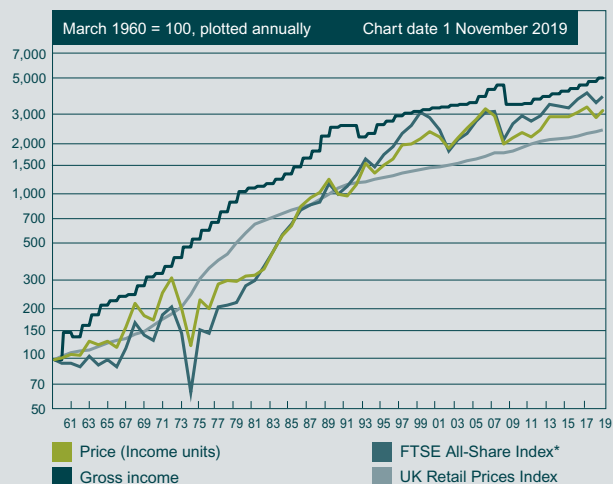
### Fund level performance

#### Fund net asset value

as at 31 October	2019 £'000	2018 £'000	2017 £'000
Fund net asset value (NAV)	1,136,627	1,128,411	1,244,470

### Performance since launch

To give an indication of how the fund has performed since launch, the graph below shows the return of Income units. For a more detailed view of how Income units and Accumulation units have performed since launch please see the Appendix section at the back of this report.



\* FT 30 Index prior to April 1962

Source: Morningstar, Inc. and M&G

# Financial highlights

To give an indication of the performance of the fund, the following table shows the absolute return over the period.

Long-term performance					
	One year 01.11.18	Three years 01.11.16	Five years 03.11.14	Since launch 01.03.60	
as at 1 November 2019	%	%	%	%	
Charifund Income units <sup>[a]</sup>	+2.8	+4.5	+11.3	+3,073.9	
FTSE All-Share Index <sup>[b]</sup>	+3.0	+7.2	+15.7	+3,767.6	
Charifund Accumulation units <sup>[a][c]</sup>	+8.4	+21.5	+42.3	+125,564.3	
FTSE All-Share Index <sup>[b][c]</sup>	+7.5	+20.7	+40.0	+47,178.5	

<sup>[a]</sup> Price to price basis.

<sup>[b]</sup> FT 30 Index prior to April 1962.

<sup>[c]</sup> Income reinvested.

Single year performance (5 years ending October)					
From To	01.11.18 31.10.19	01.11.17 31.10.18	01.11.16 31.10.17	01.11.15 31.10.16	01.11.14 31.10.15
	%	%	%	%	%
Charifund <sup>[a]</sup>	+8.8	-1.3	+12.8	+10.2	+5.7

<sup>[a]</sup> Income units, price to price with income reinvested.

Source: Morningstar, Inc.

Past performance is not a guide to future performance.

The value of stockmarket investments, and the income from them, will fluctuate. This will cause the fund unit price to fall as well as rise and a charity may not receive back the amount it originally invested.

## Specific unit type performance

The following tables show the performance of each unit type. 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 unit (NAV). 'Dilution adjustments' are only in respect of direct portfolio transaction costs.

Historic yields for the current year are calculated as at 8 November 2019.

Income unit performance			
The unit type was launched on 1 March 1960.			
for the year to 31 October	2019	2018	2017
Change in NAV per unit	UK p	UK p	UK p
Opening NAV	1,501.72	1,606.48	1,492.51
Return before operating charges and after direct portfolio transaction costs	146.98	(17.08)	197.25
Operating charges	(9.27)	(8.68)	(8.53)
Return after operating charges	137.71	(25.76)	188.72
Distributions	(83.00)	(79.00)	(74.75)
Closing NAV	1,556.43	1,501.72	1,606.48
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.14	0.10	0.08
Dilution adjustments <sup>[a]</sup>	(0.05)	(0.06)	(0.06)
Total direct portfolio transaction costs	0.09	0.04	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	0.60	0.55	0.54
Return after operating charges	+9.17	-1.60	+12.64
Historic yield	5.15	5.24	4.65
Effect on yield of charges offset against capital	0.47	0.47	0.47
Other information			
Closing NAV (£'000)	999,019	1,001,763	1,118,608
Closing NAV percentage of total fund NAV (%)	87.89	88.78	89.89
Number of units	64,186,699	66,707,654	69,631,077
Highest unit price (UK p)	1,615.89	1,663.22	1,642.99
Lowest unit price (UK p)	1,404.54	1,498.65	1,443.53

## Accumulation unit performance

The unit type was launched on 25 November 1975.

for the year to 31 October	2019	2018	2017
Change in NAV per unit	UK p	UK p	UK p
Opening NAV	23,985.45	24,404.51	21,631.35
Return before operating charges and after direct portfolio transaction costs	2,379.91	(285.30)	2,898.74
Operating charges	(150.40)	(133.76)	(125.58)
Return after operating charges	2,229.51	(419.06)	2,773.16
Distributions	(1,354.00)	(1,222.00)	(1,101.00)
Retained distributions	1,354.00	1,222.00	1,101.00
Closing NAV	26,214.96	23,985.45	24,404.51

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.35	1.57	1.16
Dilution adjustments <sup>[a]</sup>	(0.87)	(0.99)	(0.93)
Total direct portfolio transaction costs	1.48	0.58	0.23

Performance and charges	%	%	%
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	0.60	0.55	0.54
Return after operating charges	+9.30	-1.72	+12.82
Historic yield	4.89	5.08	4.51
Effect on yield of charges offset against capital	0.47	0.47	0.47

### Other information

Closing NAV (£'000)	137,608	126,648	125,862
Closing NAV percentage of total fund NAV (%)	12.11	11.22	10.11
Number of units	524,923	528,019	515,733
Highest unit price (UK p)	26,596.53	25,758.47	24,554.13
Lowest unit price (UK p)	22,430.53	23,010.73	20,921.20

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

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

## Operating charges and portfolio transaction costs

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

### Operating charges

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

- **Investment management:** Charge paid to M&G for investment management of the fund (also known as Annual Management Charge).
- **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.

Operating charges do not include portfolio transaction costs or any entry and exit charges (also known as initial and redemption charges).

Operating charges are the same as the ongoing charges shown in the Key Features 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.

### 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.

## Financial highlights

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 units in the fund.

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

Further information on this process is in the Prospectus, which is available free of charge on request by calling the M&G Charity Team on 0800 917 4472.

### Portfolio transaction costs

for the year to 31 October	2019	2018	2017	Average <sup>[a]</sup>
<b>Direct portfolio transaction costs <sup>[b]</sup></b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Broker commission	0.01	0.01	0.01	0.01
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.01	0.01	0.01	0.01
Dilution adjustments <sup>[c]</sup>	0.00	0.00	0.00	0.00
<b>Total direct portfolio transaction costs</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>
<b>as at 31 October</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>Average <sup>[a]</sup></b>
<b>Indirect portfolio transaction costs</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Average portfolio dealing spread	0.38	0.39	0.36	0.38

<sup>[a]</sup> Average of first three columns.

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

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

## Appendix

### Income and prices

Calendar year	Distributed p	Reinvested p	Income units		Accumulation units	
			Highest p	Lowest p	Highest p	Lowest p
1960	1.104	-	54.40	48.00	-	-
1961	2.396	-	62.20	50.30	-	-
1962	2.271	-	56.20	49.00	-	-
1963	2.667	-	63.40	52.30	-	-
1964	3.062	-	68.40	59.40	-	-
1965	3.520	-	64.90	57.60	-	-
1966	3.750	-	71.20	56.10	-	-
1967	3.979	-	78.90	58.80	-	-
1968	4.062	-	109.40	76.10	-	-
1969	4.583	-	115.20	83.40	-	-
1970	5.229	-	96.40	77.40	-	-
1971	5.500	-	125.90	83.70	-	-
1972	6.050	-	156.50	127.10	-	-
1973	6.850	-	156.20	99.70	-	-
1974	7.900	-	109.40	58.70	-	-
1975	8.800	-	116.80	58.00	116.10	111.30
1976	9.900	10.054	127.10	86.40	131.00	94.80
1977	11.100	12.399	156.30	103.40	180.80	113.40
1978	12.900	15.697	163.00	132.00	205.50	160.40
1979	14.800	19.717	175.00	139.00	237.10	190.00
1980	17.100	25.123	174.50	145.00	271.30	208.30
1981	17.800	29.152	183.30	146.40	301.40	245.70
1982	18.300	33.355	185.40	159.10	359.80	283.30
1983	18.940	38.325	225.00	176.00	490.00	348.90
1984	20.300	44.992	279.80	224.20	660.90	488.40
1985	21.700	52.030	322.20	279.10	818.30	659.20
1986	24.000	61.841	416.40	311.20	1,127.20	790.40
1987	27.000	73.978	628.90	401.80	1,757.60	1,133.30
1988	30.000	87.037	538.20	469.70	1,592.10	1,359.70
1989	36.900	113.459	632.80	500.30	1,995.50	1,517.60
1990	41.600	136.471	620.80	464.90	2,009.40	1,596.00
1991	42.640	151.461	580.60	456.60	2,133.80	1,630.70
1992	42.888	166.000	568.70	436.30	2,351.20	1,752.80
1993	36.500	154.199	764.60	562.00	3,344.90	2,324.00
1994	38.315	170.789	794.70	633.80	3,505.50	2,838.30
1995	43.214	204.338	753.40	630.70	3,650.80	2,944.40

## Income and prices (continued)

			Income units		Accumulation units	
	Distributed p	Reinvested p	Highest p	Lowest p	Highest p	Lowest p
<b>Calendar year</b>						
1996	45.565	228.452	807.90	714.40	4,220.60	3,589.00
1997	48.755	259.692	1,002.00	794.50	5,431.00	4,151.10
1998	50.600	284.146	1,141.60	882.50	6,407.60	5,016.80
1999	51.950	306.5517	1,116.90	976.60	6,604.40	5,661.70
2000	52.986	329.0723	1,173.12	893.20	7,516.40	5,482.30
2001	54.320	353.9856	1,195.82	957.95	7,808.91	6,314.46
2002	54.830	375.6189	1,177.75	911.04	8,046.08	6,414.88
2003	56.200	407.6273	1,072.50	833.96	8,059.09	5,968.15
2004 <sup>[a]</sup>	57.100	437.2672	1,224.97	1,061.85	9,691.60	8,011.39
2005	58.965	474.5043	1,388.46	1,206.75	11,507.14	9,690.14
2006	63.530	534.8294	1,615.19	1,374.86	13,967.84	11,510.87
2007	70.720	621.2436	1,705.06	1,406.16	14,982.85	12,710.57
2008	74.650	688.7661	1,468.39	883.39	13,273.06	8,265.93
2009	57.020	563.8150	1,077.91	763.16	11,061.29	7,457.84
2010	57.130	598.0791	1,159.24	989.26	12,539.72	10,398.66
2011	57.700	635.7143	1,200.08	1,020.50	13,259.44	11,416.06
2012	61.710	716.1321	1,210.42	1,065.86	14,525.36	12,408.15
2013	63.580	776.7108	1,446.52	1,217.64	18,096.97	14,612.10
2014	66.500	850.5127	1,499.27	1,332.43	19,358.36	17,265.22
2015	69.000	923.0000	1,561.06	1,377.93	20,859.07	18,667.43
2016	71.000	994.5000	1,573.14	1,285.24	22,424.31	17,890.70
2017	74.750	1,101.0000	1,642.99	1,443.53	24,554.13	20,921.20
<b>Financial year</b>						
2018	79.000	1,222.0000	1,663.22	1,498.65	25,758.47	23,010.73
2019 <sup>[b]</sup>	83.000	1,354.0000	1,615.89	1,404.54	26,596.53	22,430.53

<sup>[a]</sup> Prior to 6 April 2004 income from UK equities was reported gross of tax to take account of the fact that the fund recovered the recoverable tax credit directly. Since this date the tax credit is no longer recoverable and, therefore, income is now reported net of the tax credit.

<sup>[b]</sup> To 31 October 2019.

Please note that with effect from 29 September 2014 the fund adopted a fully swinging single price model.

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 a charity may not receive back the original amount it invested.



# Contact



**Customer Relations\***

0800 917 4472



**Write to us at:\*\***

Charities Team

PO Box 9038

Chelmsford

CM99 2XF



**Our website:**

[www.mandg.co.uk/charities](http://www.mandg.co.uk/charities)



**Email us with queries:†**

[info@mandg.co.uk](mailto:info@mandg.co.uk)

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

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

† Please note that information contained within an email cannot be guaranteed as secure. We advise that you do not include any sensitive information when corresponding with M&G in this way.

M&G Securities Limited is authorised and regulated by the Financial Conduct Authority and provides investment products. The company's registered office is 10 Fenchurch Avenue, London EC3M 5AG. Registered in England number 90776.