



M&G Global Listed Infrastructure Fund

a sub-fund of M&G Investment Funds (10)

Annual Short Report March 2019

For the year ended 31 March 2019

The Authorised Corporate Director (ACD) of M&G Investment Funds (10) presents its Annual Short Report for M&G Global Listed Infrastructure Fund which contains a review of the fund's investment activities and investment performance during the period. The ACD's Annual Long Report and audited Financial Statements for M&G Investment Funds (10), incorporating all the sub-funds and a Glossary of terms is available free of charge either from our website at www.mandg.co.uk/reports or by calling M&G Customer Relations on 0800 390 390.

ACD

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

(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.)

Important information

On 28 September 2018, the Depositary changed from National Westminster Bank Plc to NatWest Trustee & Depositary Services Limited.

Investment objective

The fund has two aims:

- To deliver a higher total return (the combination of income and growth of capital), net of the ongoing charges figure, than that of the MSCI ACWI Index over any five-year period and;
- To deliver an income stream that increases every year in sterling terms.

Investment policy

At least 80% of the fund is invested in publicly-listed equity securities issued by infrastructure companies, investment trusts and real estate investment trusts across any market capitalisation that are domiciled in any country. The minimum 80% allocation may include ordinary shares, preference shares and convertible bonds (the fund may hold up to a maximum of 20% in convertible bonds). Infrastructure companies include those involved in the following business activities: utilities, energy, transport, health, education, security, communications and transactions. The fund is expected to exhibit lower volatility and offer a higher dividend yield than the MSCI ACWI Index which is consistent with the characteristics of infrastructure securities. The fund usually holds fewer than 50 companies.

The fund manager seeks to invest in companies with excellent capital discipline and the potential for long-term dividend growth. The fund manager believes rising dividends create upward pressure on the value of shares.

Sustainability considerations play an important role in assessing business models. Companies that derive more than 30% of their revenue from coal-fired and nuclear power are excluded from the investment universe. Industries including tobacco, alcohol, adult entertainment, gambling, and controversial weapons are also excluded. United Nations Global Compact principles on human rights, labour, environmental and anti-corruption are also considered in the analysis of companies.

The fund may also invest in collective investment schemes, other transferable securities, cash, near cash, other money market securities and warrants. Derivatives may be used for hedging and efficient portfolio management.

Investment approach

The fund employs a bottom-up stockpicking approach, driven by the fundamental analysis of individual companies. Dividend yield is not the primary consideration for stock selection.

The fund manager aims to create a portfolio with exposure to a broad range of countries and sectors. Stocks with different drivers of dividend growth are selected to construct a portfolio that has the potential to cope in a variety of market conditions.

Fund information

Sustainability considerations encompassing environmental, social and governance issues are fully integrated into the investment process with a focus on risks specific to infrastructure companies. The monitoring of these risks involves regular engagement with company management.

Risk profile

The fund invests globally in the shares of infrastructure companies, including emerging markets, and is, therefore, subject to the price volatility of the global stockmarket and the performance of individual companies.

The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on shares of companies that have the potential to grow their dividends over the long term. Income distributions from the fund's holdings, however, are not guaranteed and may vary.

The fund usually invests in fewer than 50 companies, but is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. Diversification across industry, geography, infrastructure class 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.

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



The above number:

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

Investment review

As at 1 April 2019, for the year ended 31 March 2019

Distribution summary

Over the 12-month review period to 1 April 2019, the fund distributed income of 3.4980 pence per Sterling Class 'A' (Income) share. The fund made just two quarterly payments totalling 1.1794 pence in the previous financial year following its launch on 5 October 2017.

The fund benefited from dividend increases from a variety of sectors and countries. (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.)

In 'economic' infrastructure, our holdings in utilities delivered more impressive growth than the pedestrian progress more commonly associated with the sector. Italy's Enel and Nextera Energy of the US were among the holdings that reported double-digit increases. Energy was another source of solid growth as Enbridge and TransCanada raised their dividends by 10%, while ONEOK announced a dividend increase every quarter. Union Pacific provided the most significant uplift in transportation infrastructure after the US railroads company reported two 10% hikes during the review period. Vinci, a French toll road operator, and Sydney Airport raised their dividends by 9%.

In 'social' infrastructure, Unite made the standout contribution with a 28% dividend boost. The other holdings in this infrastructure class delivered dividend increases which were broadly in line with inflation – a more usual growth rate for this category.

'Evolving' infrastructure, which invests in the physical networks that support our increasingly digital economy, provided an exciting source of growth. Infrastrutture Wireless Italiane (INWIT), which owns and operates communication towers in Italy, reported a dividend which was 29% higher than last year's payment, while its US peer American Tower raised its dividend twice. MasterCard in payments infrastructure was responsible for the biggest increase during the review period with a 32% uplift in the dividend.

Not all our holdings delivered robust growth, however. Ventas was among a handful of companies in the portfolio whose dividend increases failed to keep pace with inflation. The stock has since been sold. There were no dividend cuts during the review period.

Aside from these minor disappointments, dividend growth was solid across the portfolio in the fund's first full financial year. We are very aware that a rising income stream is important to many of our investors and we remain focused on meeting this objective.

The fund's distribution is shown in the 'Specific share class performance' tables in the 'Fund performance' section of the Annual Long Report and audited Financial Statements for M&G Investment Funds (10). The distribution is subject to a variety of influences, including changes in the market environment, movements in currency exchange rates and changes in the fund's tax status. Consequently, there is no guarantee that the fund will increase the income stream in every reporting period.

Performance against objective

Between 3 April 2018 (the start of the review period) and 1 April 2019, the M&G Global Listed Infrastructure Fund delivered a positive total return (the combination of income and growth of capital) and outperformed the MSCI ACWI Index, a comparative index. The index of global equities returned 12.4% in sterling. The fund therefore met its objective of outperforming the MSCI ACWI Index over this short timeframe. The fund also delivered on its objective of increasing the income stream.*

It is not possible to assess the fund's performance against its objective over five years because the fund was only launched on 5 October 2017.

* For the performance of each share class, please refer to the 'Long-term performance by share class' table in the 'Fund performance' section of the Annual Long Report and audited Financial Statements for M&G Investment Funds (10).

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period for Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares. Calculated on a price to price basis with income reinvested.

Long-term performance				
	One year 03.04.18 % [a]	Three years 01.04.16 % p.a.	Five years 01.04.14 % p.a.	Since launch % p.a.
Sterling [b]				
Class 'A'	+22.1	n/a	n/a	+7.8 [c]
Class 'I'	+22.4	n/a	n/a	+8.0 [c]

[a] Absolute basis.

[b] Bid to bid with income reinvested.

[c] 5 October 2017, the launch date of the fund.

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.

Investment performance

The fund delivered returns of more than 20% during the past 12 months, but the journey was by no means smooth. Global stockmarkets rallied in the first six months of the review period, before an abrupt reversal in October and December which saw the MSCI ACWI Index drop by more than 10% in sterling. Markets subsequently recovered in the first three months of 2019 and ended the 12-month period with solid gains.

Against this turbulent backdrop, the fund outperformed its comparative index by providing downside protection in falling markets and participating in the upside during market rallies. It was also pleasing to see the fund benefit from its diversified approach to listed infrastructure, with positive contributions from across the portfolio.

Our holdings in energy infrastructure performed strongly, led by Gibson Energy whose shares returned more than 40% in local currency. The Canadian company reported record results for 2018 and remains on track to deliver on its updated strategic plan. ONEOK, Enbridge and Atmos Energy also featured prominently among the top contributors.

Elsewhere in 'economic' infrastructure, Enel, Ørsted and Naturgy Energy delivered impressive gains in a utilities sector which outperformed a rising market. Union Pacific, a US railroads company, and CCR, a Brazilian toll road operator, made the biggest contributions in transportation infrastructure.

Ventas, which serves the healthcare industry, was the leading performer in 'social' infrastructure, followed by John Laing Infrastructure Fund (JLIF) which was a beneficiary of a takeover bid.

In the 'evolving' category, American Tower and Crown Castle International enjoyed strong increases in their share prices as the communication towers companies continued to benefit from the global phenomenon of growing demand for mobile data.

Turning to the detractors, PrairieSky Royalty was the biggest drag on performance, offsetting the positive contribution from its peer Franco Nevada. Flughafen Zurich, which operates Zurich Airport, drifted lower after regulatory intervention raised concerns about future revenue and returns. Hydro One, a utility serving the Canadian province of Ontario, was hindered by governance issues which made the investment case untenable for many investors, including ourselves.

Not owning Microsoft, Amazon.com and Apple also held back returns relative to the MSCI ACWI Index in an environment where technology-related stocks led the markets higher.

Investment activities

We made three new purchases and four complete sales during the 12 months under review – a level of turnover consistent with our long-term investment timeframe of five years or more.

We initiated a position in Enel, an Italian utility, in June as concerns about the political situation in Italy led to indiscriminate selling. Enel's business is not confined to the domestic market and most of its profits are derived from outside the country, including Latin America which offers exciting growth opportunities.

SDCL Energy Efficiency Income Trust was added to the 'social' category of the fund in December. The UK-listed company installs energy efficient infrastructure on long-term contracts of 10-15 years and the shares offer an attractive combination of high dividend yield (dividend as a percentage of the share price) and meaningful dividend growth. The new holding also boosted the fund's exposure to sterling dividends, which is helpful as we manage the income stream for our UK investors.

CSX, a US railroad transportation company, was the final purchase during the review period. We started the holding in January to complement our existing position in Union Pacific. We believe both companies have excellent long-term prospects.

Turning to sales, we sold the holding in Hydro One on environmental, social and governance (ESG) grounds, after management changes imposed by the newly elected premier of Ontario raised serious governance concerns. JLIF exited the portfolio in September after a cash offer for the UK company was recommended by the board. The stake in CK Infrastructure, a Hong Kong-listed utility, was sold in October as a source of cash for better ideas. We completed the sale of Ventas in February as its dividend growth fell short of our expectations. We would be happy to invest in Ventas again should dividend growth improve to more acceptable levels.

The number of holdings slipped from 43 to 42. Listed infrastructure as an asset class offers excellent opportunities for stockpickers and we believe the potential for investors is best captured by a conviction-based approach.

From a geographic perspective, the fund continues to have meaningful exposure to North America with more than 50% of the fund invested in the region. The UK weighting rose to 14% following the purchase of SDCL. The fund continues to limit exposure to regulated UK utilities intentionally. Europe excluding the UK increased to 23% with the new

addition of Enel, while Asia Pacific ex Japan fell to 7% after we sold the stake in CK Infrastructure. The fund continues to have exposure to Latin America through Brazil and a zero weighting in Japan.

Outlook

The vagaries of market movements over the past year took many investors by surprise, and the shifting sands of market leadership have left many seeking direction. Volatility is not synonymous with risk, however, and it is our strong belief that short-term swings in sentiment can present excellent opportunities for long-term investors.

We strongly believe that listed infrastructure offers more than so-called bond proxies which mimic bond price movements, and we are resolutely focused on companies with potential for long-term growth, while capturing the defensive characteristics of the asset class. In addition to growth, valuation is a crucial aspect of the stock selection process. From this perspective, we are excited by the array of attractive prices we see for businesses with solid growth prospects across a variety of countries and sectors.

We are pleased with the progress of our holdings in the current reporting season and we are encouraged by their robust operating performance which is manifested in continued dividend growth. Dividends are the ultimate sign of management confidence and the dividend increases we are seeing from the fund's holdings reflect well on the long-term potential and the financial health of the companies we are invested in. The growing income stream that we aim to deliver for our investors is available at a premium yield – the fund offers a yield (distributed income as a percentage of the share price) of 3.28% (as at 1 April 2019) versus a yield of 2.54% for the MSCI ACWI Index – which remains attractive, in our view, in a world where yields are scarce across financial markets.

We continue to believe that the combination of strong dividend growth and attractive valuation stands us in good stead to generate competitive returns over the long term.

Alex Araujo
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.

Portfolio statement			
as at 31 March	2019	2019	2018
Holding	£'000	%	%
EQUITIES	45,589	98.36	98.60
Oil, gas & consumable fuels	7,624	16.45	17.64
United States	1,393	3.01	2.82
26,323 ONEOK	1,393	3.01	
Canada	6,231	13.44	14.82
49,233 Enbridge	1,376	2.97	
88,991 Gibson Energy	1,155	2.49	
26,041 Keyera	466	1.00	
178,481 PrairieSky Royalty	1,858	4.01	
40,236 TransCanada	1,376	2.97	
Metals & mining	1,820	3.93	3.21
Canada	1,820	3.93	3.21
31,808 Franco Nevada	1,820	3.93	
Construction & engineering	3,457	7.46	7.15
France	2,046	4.41	3.83
27,716 Vinci	2,046	4.41	
Spain	1,411	3.05	3.32
78,584 Ferrovial	1,411	3.05	
Commercial services & supplies	910	1.96	1.74
United States	910	1.96	1.74
14,804 Republic Services	910	1.96	
Road & rail	2,326	5.02	4.72
United States	1,840	3.97	2.76
16,056 CSX	912	1.97	
7,359 Union Pacific	928	2.00	
Hong Kong	486	1.05	1.96
103,000 MTR	486	1.05	
Transportation infrastructure	3,293	7.10	7.63
Switzerland	481	1.04	1.27
3,458 Flughafen Zurich	481	1.04	
Brazil	510	1.10	0.59
220,577 CCR	510	1.10	
Australia	2,098	4.52	4.20
173,884 Sydney Airport	698	1.50	
196,175 Transurban	1,400	3.02	
Cayman Islands	204	0.44	1.57
496,000 Hopewell Highway Infrastructure	204	0.44	
Capital markets	2,352	5.07	4.43
United States	1,429	3.08	2.89
5,735 CME	712	1.53	
12,573 Intercontinental Exchange	717	1.55	

Portfolio statement (continued)			
as at 31 March	2019	2019	2018
Holding	£'000	%	%
Guernsey	923	1.99	1.54
592,702 HICL Infrastructure	923	1.99	
IT services	1,366	2.95	1.42
United States	1,366	2.95	1.42
3,823 MasterCard	685	1.48	
5,772 Visa	681	1.47	
Diversified telecommunication services	995	2.15	3.61
Italy	478	1.03	1.20
69,919 Infrastrutture Wireless Italiane	478	1.03	
Singapore	517	1.12	2.41
1,105,300 NetLink NBN	517	1.12	
Electric utilities	8,032	17.33	17.95
Belgium	1,372	2.96	2.88
25,708 Elia System Operator	1,372	2.96	
Denmark	1,834	3.96	3.57
31,445 Ørsted	1,834	3.96	
Italy	2,057	4.44	0.00
422,117 Enel	2,057	4.44	
United States	2,769	5.97	6.07
38,802 Edison International	1,841	3.97	
6,338 NextEra Energy	928	2.00	
Canada	0	0.00	2.17
Bermuda	0	0.00	3.26
Gas utilities	2,064	4.45	5.82
Spain	908	1.96	2.31
42,230 Naturgy Energy	908	1.96	
United States	1,156	2.49	3.51
14,783 Atmos Energy	1,156	2.49	
Multi-utilities	1,398	3.02	2.76
United Kingdom	1,398	3.02	2.76
163,377 National Grid	1,398	3.02	
Water utilities	931	2.01	1.89
United States	931	2.01	1.89
11,692 American Water Works	931	2.01	
Independent power and renewable electricity producers	919	1.98	1.78
Guernsey	919	1.98	1.78
784,100 The Renewables Infrastructure	919	1.98	

Portfolio statement (continued)			
as at 31 March	2019	2019	2018
Holding	£'000	%	%
Equity real estate investment trusts (REITs)	6,301	13.59	12.97
United Kingdom	1,626	3.50	2.75
177,940 UNITE	1,626	3.50	
United States	4,675	10.09	10.22
6,200 American Tower	922	1.99	
17,462 CoreSite Realty	1,427	3.08	
9,442 Crown Castle International	917	1.98	
4,106 Equinix	1,409	3.04	
Equity investment instruments	1,801	3.89	3.88
United Kingdom	858	1.85	0.00
840,590 SDCL Energy Efficiency Income Trust	858	1.85	
Guernsey	943	2.04	3.88
618,135 International Public Partnerships	943	2.04	
Portfolio of investments	45,589	98.36	98.60
CASH EQUIVALENTS	355	0.77	0.50
'AAA' rated money market funds ^[a]	355	0.77	0.50
355,000 Northern Trust Global Fund - Sterling	355	0.77	
Total portfolio	45,944	99.13	99.10
Net other assets / (liabilities)	404	0.87	0.90
Net assets attributable to shareholders	46,348	100.00	100.00

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

[a] 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 March 2019	
Largest purchases	£'000
PrairieSky Royalty	1,839
Enel	1,830
Vinci	1,582
Edison International	1,408
Franco Nevada	1,393
UNITE	1,267
Ørsted	1,248
National Grid	1,172
CoreSite Realty	1,147
Elia System Operator	1,025
Other purchases	20,743
Total purchases	34,654
Largest sales	£'000
Ventas	576
John Laing Infrastructure Fund	332
CK Infrastructure	307
Hydro One	207
The Renewables Infrastructure	152
Gibson Energy	96
Sydney Airport	88
National Grid	74
CCR	54
Atmos Energy	42
Other sales	137
Total sales	2,065

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

Financial highlights

Fund performance

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

The following chart and tables show the performance for two of the fund's share classes – Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

We show performance for these two share classes because:

- The performance of the Sterling Class 'A' (Accumulation) share is what most individuals investing directly with M&G have received. It has the highest ongoing charge of all the share classes. Performance is shown after deduction of this charge. All investors in the fund therefore received this performance or better.
- The performance of the Sterling Class 'I' (Accumulation) share is the most appropriate to compare with the average performance of the fund's comparative sector. It is the share class used by the Investment Association in the calculation of the comparative sector's average performance. This share class is available for direct investment with M&G subject to minimum investment criteria, or via third parties who may charge additional fees. The performance shown takes the deduction of the ongoing charge for this share class into account but it does not take account of charges applied by any other party through which you may have invested.

The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (10), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations. For the specific performance tables of all share classes, please refer to the Annual Long Report and audited Financial Statements for M&G Investment Funds (10), which is available free of charge either from our website at www.mandg.co.uk/reports or by calling M&G Customer Relations.

Fund level performance

Fund net asset value		
as at 31 March	2019	2018
	£'000	£'000
Fund net asset value (NAV)	46,348	9,619

Performance since launch

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



Financial highlights

Fund performance

To give an indication of how the fund has performed during the period the tables below show the performance of Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

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.

Historic yields for the current period are calculated as at 12 April 2019.

Sterling Class 'A' Accumulation share performance

The share class was launched on 5 October 2017.

for the year to 31 March Change in NAV per share	2019 UK p	2018 UK p
Opening NAV	91.01	100.00
Return before operating charges and after direct portfolio transaction costs	21.75	(8.29)
Operating charges	(1.32)	(0.70)
Return after operating charges	20.43	(8.99)
Distributions	(2.47)	(0.66)
Retained distributions	2.47	0.66
Closing NAV	111.44	91.01
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.17	0.11
Dilution adjustments ^[a]	(0.17)	(0.06)
Total direct portfolio transaction costs	0.00	0.05
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.00	0.10
Operating charges	1.24	1.43*
Return after operating charges	+22.45	-8.99
Historic yield	2.18	2.57
Effect on yield of charges offset against capital	0.00	0.00
Other information		
Closing NAV (£'000)	252	56
Closing NAV percentage of total fund NAV (%)	0.54	0.58
Number of shares	226,127	61,211
Highest share price (UK p)	111.70	101.12
Lowest share price (UK p)	91.20	89.49

* The operating charge shown is an estimate of the charges, as the share class had not been in existence for a full financial year.

Sterling Class 'I' Accumulation share performance

The share class was launched on 5 October 2017.

for the year to 31 March Change in NAV per share	2019 UK p	2018 UK p
Opening NAV	91.10	100.00
Return before operating charges and after direct portfolio transaction costs	21.80	(8.32)
Operating charges	(1.13)	(0.58)
Return after operating charges	20.67	(8.90)
Distributions	(2.68)	(0.75)
Retained distributions	2.68	0.75
Closing NAV	111.77	91.10
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.17	0.11
Dilution adjustments ^[a]	(0.17)	(0.07)
Total direct portfolio transaction costs	0.00	0.04
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.00	0.10
Operating charges	1.04	1.14*
Return after operating charges	+22.69	-8.90
Historic yield	2.36	2.77
Effect on yield of charges offset against capital	0.00	0.00
Other information		
Closing NAV (£'000)	37,274	8,182
Closing NAV percentage of total fund NAV (%)	80.42	85.06
Number of shares	33,347,533	8,981,662
Highest share price (UK p)	112.03	101.13
Lowest share price (UK p)	91.29	89.57

* The operating charge shown is an estimate of the charges, as the share class had not been in existence for a full financial year.

Financial highlights

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.
- **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). 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.

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

Portfolio transaction costs			
to 31 March	2019	2018	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%
Broker commission	0.06	0.11	0.09
Taxes	0.10	0.13	0.11
Costs before dilution adjustments	0.16	0.24	0.20
Dilution adjustments ^[c]	(0.16)	(0.14)	(0.15)
Total direct portfolio transaction costs	0.00	0.10	0.05
as at 31 March	2019	2018	Average ^[a]
Indirect portfolio transaction costs	%	%	%
Average portfolio dealing spread	0.11	0.12	0.12

^[a] Average of first two 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.

Contact



Customer Relations*

0800 390 390



Write to us at:**

M&G Securities Limited

PO Box 9039

Chelmsford

CM99 2XG



Our website:

www.mandg.co.uk



Email us with queries:†

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.