

M&G Investment Funds (5)

Interim Long Report and unaudited Financial Statements
for the six months ended 30 June 2020

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M&G Investment Funds (5)

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (5) presents its Interim Long Report and unaudited Financial Statements for the six months ended 30 June 2020.

The unaudited financial statements of M&G Investment Funds (5) and the investment report and audited financial statements and notes of the 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 (5) is an umbrella Open-Ended Investment Company (OEIC) and contains one sub-fund, hereinafter referred to as 'fund' in the rest of this report. The 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 24 December 2002 and the M&G Episode Macro Fund was launched on 3 June 2010.

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.

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

M&G Episode Macro Fund

David Fishwick & Eric Lonergan

ACD

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

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

Directors of the ACD

C Dobson (non executive director), N M Donnelly*, S A Fitzgerald, P R Jelfs, M McGrade (non executive director), L J Mumford

* Resigned 30 June 2020.

Investment manager

M&G Investment Management Limited,
10 Fenchurch Avenue, London EC3M 5AG, UK
Telephone: +44 (0)20 7626 4588
(Authorised and regulated by the Financial Conduct Authority)

Registrar

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

* DST Financial Services Europe Ltd changed its name to SS&C Financial Services Europe Ltd on 31 March 2020.

Depositary

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

Independent auditor

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

Important information

The World Health Organisation declared the COVID-19 outbreak a pandemic on 11 March 2020. Global financial markets have been reacting to the outbreak. All markets have incurred increased volatility and uncertainty since the onset of the pandemic.

The ACD has also noted the operational risks that are posed to the Company and its service providers due to global and local movement restrictions that have been enacted by various governments.

The COVID-19 pandemic is an unprecedented event and the eventual impact on the global economy and markets will largely depend on the scale and duration of the outbreak. The ACD will continue to monitor this situation.

Investor information

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

M&G Investment Funds (5)

Authorised Corporate Director's Report

Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

Customer services and administration for non-UK clients:

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

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

Telephone: +352 2605 9944

Email: csmang@rbc.com

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

Swiss paying agent and representative:

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

M&G Investment Funds (5)

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 the fund are prepared in accordance with the Investment Association Statement of Recommended Practice for Financial Statements of UK Authorised Funds (SORP) and UK Financial Reporting Standards, and give a true and fair view of the net revenue or expenses and net capital gains or losses for the accounting period, and the financial position at the end of that period.

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

Directors' statement

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

M&G Securities Limited
14 August 2020

M&G Investment Funds (5)

Financial statements and notes

The financial statements for M&G Investment Funds (5) comprise the individual financial statements for the fund and the notes below.

Notes to the financial statements

Accounting policies

The interim financial statements have been prepared on the same basis as the audited financial statements for the year ended 31 December 2019. They are prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014 and amended in June 2017.

Fund closure

As per the shareholder letter issued 14 July 2020, we regret to announce that we will be closing the M&G Episode Macro Fund on Friday 2 October 2020 (the “Effective Date”).

If we have not received investor instructions to the contrary by 12:00 on Thursday 1 October 2020, we will automatically switch investment from the M&G Episode Macro Fund into the M&G Episode Growth Fund on Friday 2 October 2020.

The fund will continue to be actively managed until closure, and all legal, administrative and publishing costs incurred in the closure will be borne by M&G.

If you have any questions about the closure of the fund and the investor options form, please contact our Customer Relations team by calling 0800 390 390.

M&G Episode Macro Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to deliver a total return (the combination of capital growth and income) of at least 4-8% per annum above the 3-month LIBOR over any five-year period, after charges are taken.

There is no guarantee that the fund will achieve a positive return over five years, or any other period, and investors may not get back the original amount they invested.

Investment policy

The fund typically uses derivatives to gain exposure to a range of asset classes including equities, fixed income securities, convertibles and currencies, from anywhere in the world. Exposure to these assets may also be gained directly, or indirectly via collective investment schemes (including funds managed by M&G). In addition, the fund may invest in cash and near cash.

The fund may use derivatives to operate with net long or net short exposure to any position or asset class, and at the overall fund level. Consequently, the fund can have net asset exposure in excess of the total net assets of the fund.

Derivatives may be used for investment, portfolio management and hedging purposes.

Investment approach

The fund adopts a highly flexible investment approach. It is unconstrained in the allocation of capital in that there is no pre-set asset allocation limits or reference to industry benchmark.

The investment approach combines in-depth research to work out the value of assets over the medium to long term with analysis of market reactions to events to identify investment opportunities. In particular the fund manager seeks to respond when asset prices move away from a reasonable sense of 'fair' long-term value due to market reactions to events.

The fund does not target a static level of volatility and short-term volatility can be high. The fund manager believes that this investment approach should lead, over five years, to a lower volatility than that of global equity markets (as represented by the MSCI ACWI Index).

Benchmark

Benchmark: 3-month USD LIBOR + 4-8%.

The fund is actively managed. The benchmark is a target which the fund seeks to achieve. The rate has been chosen as the fund's target benchmark as it is an achievable performance target given the fund's investment policy. The target benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

The benchmark is the 3-month LIBOR + 4-8%, as set out in the table below:

Share class	Benchmark
USD	3-month USD LIBOR + 4-8%
GBP Hedged	3-month GBP LIBOR + 4-8%
Euro Hedged	3-month EUR LIBOR + 4-8%
CHF Hedged	3-month CHF LIBOR + 4-8%

Risk profile

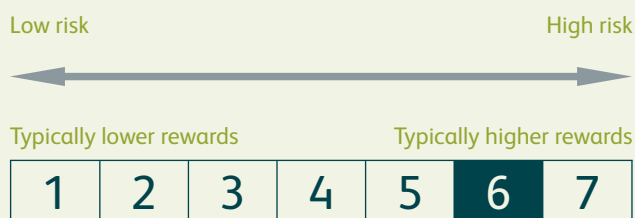
The fund invests globally in a broad range of assets, including company shares (equities), fixed income securities (bonds), currencies and other assets such as property shares and convertible bonds. The fund is, therefore, subject to the price volatility of global financial and currency markets. Exposure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

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

The fund is fully flexible and is managed aggressively, although the managers will seek to maximise portfolio diversity wherever possible. However, in cases where the managers believe that the opportunities are limited to a few areas, there may be a higher-than-usual concentration of asset or market exposure. Such strategies may result in higher volatility of the fund's short-term performance.

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

The following table shows the risk number associated with the fund and is based on Sterling Class 'S-H' 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 Episode Macro Fund

Authorised Corporate Director's Report

Investment review

As at 1 July 2020, for the six months ended 30 June 2020

Performance against objective

Between 2 January 2020 (the start of the review period) and 1 July 2020, the M&G Episode Macro Fund's Sterling Class 'S-H' and Sterling Class 'T-H' shares delivered a negative total return (the combination of income and growth of capital) of -1.7% and -1.1%, respectively. Over this period, the fund lagged its benchmark reference rate, where the 3-month USD LIBOR +4% stood at 4.9%.

Since its objective change on 14 June 2019, the fund's aim is to deliver a total return of at least 4-8% per year above the 3-month USD LIBOR over any five-year period, after charges are taken.

Over five years, the fund's Sterling Class 'S-H' and Sterling Class 'T-H' shares delivered a positive total return of +2.5% and +2.9%, respectively. The fund has therefore not met its objective of delivering returns that were either above, or within the range, of 3-month USD LIBOR plus 4-8% after charges are taken. The 3-month USD LIBOR +4% stood at 4.6% p.a. over 5 years. *

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

Investment review

While it is disappointing not to meet the fund's objective, comfort can be taken from the ability of the 'episode' approach to preserve capital in a phase in which coronavirus concerns and global policy responses prompted huge volatility in asset markets. 'Episodes' are periods when asset prices rise or fall due 'behavioural' influences such as panic or excitement, and which are often characterised by rapid price movements. Such episodes can represent opportunities for the fund as they reverse and this was the case during the first half of 2020.

In the period, it was the tactical element of the strategy (the ability to quickly and flexibly scale positions) that was key to navigating this volatility. By adjusting the portfolio in response to the episode in March, the fund was able to recover from losses during that phase.

Over the six months as a whole, the single largest positive contributor was a long position in long-dated US government bonds (Treasuries) which meaningfully rose in value in the first quarter, although gains in January were partially offset by losses from short exposure to government bonds from the UK (gilts) and Germany (bunds). (Short exposure, or short positions, seek to profit from falls in the value of the underlying assets.) The return from long exposure to emerging market government bonds was flat over the period as a whole, since losses incurred amid the volatility earlier in the year were offset by gains from increased positions in the second quarter.

As with emerging market government bond positions, the decision to increase positions in equities (company shares) during the episode in March meant that gains from the subsequent recovery offset the initial losses, resulting in a modest positive return over the period as a whole. Within the equity basket, the

main sources of positive return came from a position in the global mining sector and new positions in the stockmarkets of Germany, Turkey and Thailand. The main sources of negative return were positions in the US banking sector and Chinese stocks listed in Hong Kong.

Currency positions detracted from performance over the six months. This was due to weakness from emerging market currencies such as the Turkish lira, South African rand, and Russian ruble versus a basket of developed market currencies, and particularly the euro. While the impact of the pandemic upon these emerging economies seems likely to be negative, it would appear that much of the movements in markets in the first half of the review period were about short-term panic rather than considered assessment over the long term. Many of these currencies recovered strongly in the latter half of the review period, and in June, exposure was reduced accordingly.

Investment activities

The fund began the year with modest long exposure to global equities, US Treasuries, and emerging market government bonds and currencies. We closed our short positions in UK and German government bonds in January.

We had significantly reduced overall long equity exposure over the course of 2019 and the weighting was decreased further in January (to around 20% of the fund), reflecting strong gains up to that point and less attractive valuations. This left the portfolio in a position to respond to what we saw as 'episodic' volatility in March, with total equity exposure ultimately being increased to 40%.

The extreme volatility in March also created opportunities in emerging markets. At the end of March, we increased the exposure to emerging market government bonds to 20% (from 12.5%), and in April, we added to our long exposure to currencies such as the South African rand and Indonesian rupiah – which had lagged the recovery in other assets.

As the period progressed, both equity and emerging market positions recovered strongly and the extent of the episodic panic that had been in evidence during March began to abate. In response, we reduced the exposure to these themes. The fund ended the period with 30% exposure to equities and 10% exposure to emerging market government bonds.

Following a strong rally in long-dated US Treasuries, we closed our 15% long position in early March. However, as the March episode unwound and the portfolio was moved to a more defensive positioning, this exposure was re-opened and the fund ended the period with a 20% position in long-dated US government bonds.

Outlook

Given the extent of the shock to global markets in March, it is perhaps surprising to see such a rapid recovery, particularly in a context where news on the global economy continues to be very poor. However, there are two key considerations that should be made. First, when market declines have been 'episodic,' that is, driven by a large degree of panic and short-termism, it is not such a surprise to see them reverse in an equally rapid manner,

M&G Episode Macro Fund

Authorised Corporate Director's Report

Outlook (continued)

irrespective of newsflow. Secondly, the nature of this pandemic-driven shock is very different to 'typical' recessions (insofar as a typical recession can be said to exist). Rather than an unwanted decline in activity, this recession is deliberately self-imposed to protect public health. It may well be that this 'pause' in activity has lasting consequences, but it is not a surprise to see asset markets behave somewhat differently to previous downturns.

However, while price movements might not be so surprising or unusual as is frequently presented, it is nevertheless the case that many assets have recovered very quickly in a short space of time, and that valuations – in so far as they are a useful guide at present – no longer look hugely attractive relative to much of recent history. In addition, the nature of the price movements in recent months, as well as the experience of asset price behaviour in the aftermath of significant episodes, would suggest that market beliefs remain very fragile.

Such fragile beliefs can mean large swings in asset prices, which are only heightened when it is difficult to gain a sense of certainty on the state of fundamentals or 'fair value.' It is in acknowledgement of these observations that the portfolio has been moved to a more neutral footing. Having reduced equity exposure early in April, added long-dated US Treasuries in May, and reduced emerging market exposures in June, the portfolio has moved to a position from which to respond tactically should volatility emerge in the future.

David Fishwick & Eric Lonergan

Co-fund managers

Employees of M&G FA 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.

M&G Episode Macro Fund

Authorised Corporate Director's Report

Portfolio statement

as at Holding		30.06.20 \$'000	30.06.20 %	31.12.19 %
	EQUITIES	5,795	4.24	5.03
	Banks	4,636	3.39	4.19
	45,912 Bank of America	1,073	0.78	
	19,263 Citigroup	969	0.71	
	10,922 JPMorgan Chase	1,016	0.74	
	1,982,644 Lloyds Banking	760	0.56	
	31,825 Wells Fargo	818	0.60	
	Finance & credit services	1,030	0.76	0.84
	10,905 American Express	1,030	0.76	
	Equity derivatives	129	0.09	0.27
	Equity futures	129	0.09	0.27
	1,976 BIST 30 Aug 2020	7	0.01	
	12 DAX Index Sep 2020	153	0.11	
	87 Euro Stoxx 50 Index Sep 2020	118	0.09	
	35 FTSE MIB Index Sep 2020	147	0.11	
	54 Hang Sei China Enterprise Index Jul 2020	(26)	(0.02)	
	66 KOSPI 200 Index Sep 2020	(186)	(0.14)	
	752 SET50 Sep 2020	(62)	(0.05)	
	411 STOXX 600 Basic Resources Sep 2020	124	0.09	
	24 TOPIX Index Sep 2020	(146)	(0.11)	
	FIXED INCOME	117,050	85.66	88.94
	Debt securities	116,971	85.60	78.68
	'AA' credit rated bonds	102,040	74.68	70.78
	US\$8,811,300 US Treasury 0% 16/07/2020	8,811	6.45	
	US\$8,246,700 US Treasury 0% 23/07/2020	8,246	6.04	
	US\$9,181,000 US Treasury 0% 13/08/2020	9,180	6.72	
	US\$13,176,000 US Treasury 0% 20/08/2020	13,173	9.64	
	US\$13,738,300 US Treasury 0% 10/09/2020	13,734	10.05	
	US\$14,095,200 US Treasury 0% 17/09/2020	14,091	10.31	
	US\$11,088,900 US Treasury 0% 08/10/2020	11,084	8.11	
	US\$12,989,000 US Treasury 0% 22/10/2020	12,983	9.50	
	US\$10,744,300 US Treasury 0% 05/11/2020	10,738	7.86	
	'A' credit rated bonds	0	0.00	1.98
	'BBB' credit rated bonds	7,843	5.74	2.02
	IDR53,213,000,000 Indonesia (Republic of) 8.25% 15/05/2029	3,969	2.90	
	MXN80,660,000 Mexico (United Mexican States) 7.5% 03/06/2027	3,874	2.84	
	'BB' credit rated bonds	7,088	5.18	3.90
	BRL8,500,000 Brazil (Federal Republic of) 0% 01/07/2021	1,536	1.12	
	BRL8,000,000 Brazil (Federal Republic of) 10% 01/01/2029	1,771	1.30	
	ZAR36,215,608 South Africa (Republic of) 8% 31/01/2030	1,931	1.41	
	ZAR37,218,995 South Africa (Republic of) 8.875% 28/02/2035	1,850	1.35	
	Debt derivatives	79	0.06	0.72
	Interest rate futures	79	0.06	0.72
	114 US Ultra Long Treasury Bond Sep 2020	79	0.06	
	Fixed income portfolios	0	0.00	9.54
	CURRENCY	23	0.02	(0.48)
	Forward currency contracts	23	0.02	(0.48)
	AU\$6,433,040 Bought for \$4,509,716 (expires 14.08.20)	(103)	(0.08)	
	AU\$(6,433,132) Sold for \$4,173,810 (expires 14.08.20)	(233)	(0.17)	
	CHF(4,014,880) Sold for \$4,151,060 (expires 14.08.20)	(78)	(0.06)	
	€6,381,752 Bought for \$7,207,734 (expires 14.08.20)	(48)	(0.03)	
	€(17,678,653) Sold for \$19,328,310 (expires 14.08.20)	(506)	(0.37)	
	HK\$(5,471,666) Sold for \$705,320 (expires 14.08.20)	0	0.00	
	IDR59,145,768,028 Bought for \$3,796,499 (expires 14.08.20)	324	0.24	
	IDR211,984,977 Bought for \$2,774,375 (expires 14.08.20)	22	0.02	
	¥(83,727,717) Sold for \$773,449 (expires 14.08.20)	(4)	0.00	
	MXN91,201,004 Bought for \$3,734,761 (expires 14.08.20)	181	0.13	
	£(3,988,506) Sold for \$4,910,594 (expires 14.08.20)	15	0.01	
	RUB192,203,341 Bought for \$2,646,935 (expires 14.08.20)	47	0.03	
	SG\$(7,955,943) Sold for \$5,623,897 (expires 14.08.20)	(71)	(0.05)	
	KRW4,552,187,124 Bought for \$3,745,485 (expires 14.08.20)	40	0.03	
	KRW(243,698,939) Sold for \$203,643 (expires 14.08.20)	1	0.00	
	TW\$146,011,206 Bought for \$4,957,599 (expires 14.08.20)	(8)	(0.01)	

M&G Episode Macro Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at		30.06.20	30.06.20	31.12.19
Holding		\$'000	%	%
	CURRENCY (continued)			
	Forward currency contracts (continued)			
TW\$(382,615,865)	Sold for \$12,949,596 (expires 14.08.20)	(21)	(0.02)	
THB7,988,237	Bought for \$257,003 (expires 14.08.20)	2	0.00	
THB(52,103,073)	Sold for \$1,660,391 (expires 14.08.20)	(25)	(0.02)	
TRY14,665,303	Bought for \$2,021,232 (expires 17.07.20)	111	0.08	
TRY19,875,822	Bought for \$2,752,503 (expires 14.08.20)	116	0.09	
TRY14,436,038	Bought for €1,824,806 (expires 14.08.20)	36	0.03	
TRY31,092,586	Bought for \$4,451,337 (expires 11.09.20)	(3)	0.00	
TRY(58,399,971)	Sold for \$8,415,671 (expires 14.08.20)	(13)	(0.01)	
ZAR70,961,077	Bought for \$3,832,417 (expires 14.08.20)	241	0.18	
Portfolio of investments		122,868	89.92	93.76
	SHARE CLASS HEDGING	(2,497)	(1.83)	0.34
	Forward hedging	(2,497)	(1.83)	0.34
£113,096,961	Bought for \$141,295,617 (expires 29.07.20)	(2,497)	(1.83)	
£(17,644)	Sold for \$22,097 (expires 29.07.20)	0	0.00	
Total portfolio		120,371	88.09	94.10
Net other assets / (liabilities)		16,268	11.91	5.90
Net assets attributable to shareholders		136,639	100.00	100.00

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

Top ten portfolio transactions

for the six months to 30 June	2020	2019
	\$'000	\$'000
Total purchases	136,878	252,766
Total sales	153,419	244,835

M&G Episode Macro Fund

Financial highlights

Fund performance

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

The following chart and table reflect the key financial information of a representative share class, Sterling Class 'S-H' (Accumulation) shares. As different share classes have different attributes, for example charging structures, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (5), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

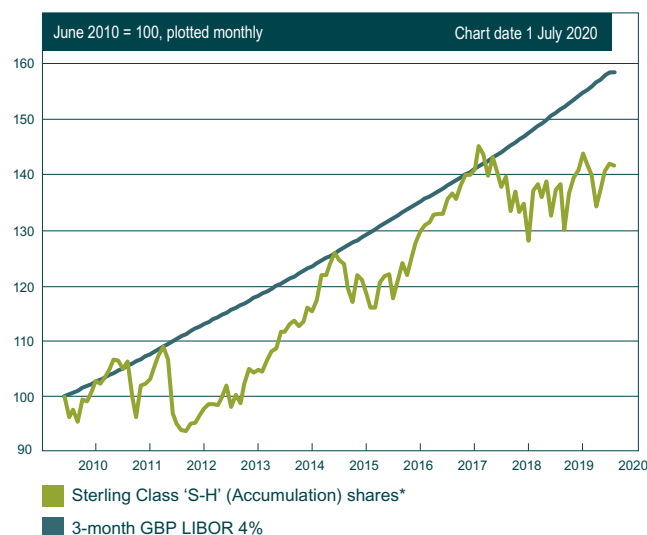
Fund level performance

Fund net asset value

as at	30.06.20 \$'000	31.12.19 \$'000	31.12.18 \$'000
Fund net asset value (NAV)	136,639	153,589	140,472

Performance since launch

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



Source: Morningstar, Inc. and M&G

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

Long-term performance by share class

	Six months 02.01.20 % ^[a]	Three years 03.07.17 % p.a.	Five years 01.07.15 % p.a.	Since launch % p.a.
Sterling^[b]				
Class 'S-H'	-1.7	+1.4	+2.5	+3.5 ^[c]
Class 'T-H'	-1.1	+1.9	+2.9	+3.5 ^[c]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

^[c] 3 June 2010, the launch date of the fund.

M&G Episode Macro Fund

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:

- Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.
 For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- Share class hedging:** Charge paid to M&G for currency hedging services to minimise exchange rate risk for the share class. From 1 August 2019 this charge is rolled into the annual charge.
- Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

Portfolio transaction costs

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

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

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

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. 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

	Six months to 30.06.20	Year to 31.12.19	Year to 31.12.18	Average ^[a]
	%	%	%	%
Direct portfolio transaction costs ^[b]				
Broker commission	0.07	0.11	0.02	0.07
Taxes	0.05	0.03	0.02	0.03
Costs before dilution adjustments	0.12	0.14	0.04	0.10
Dilution adjustments ^[c]	0.00	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.12	0.13	0.03	0.09
as at	30.06.20	31.12.19	31.12.18	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.04	0.07	0.00	0.04

^[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.

M&G Episode Macro 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.

Historic yields for the current period are calculated as at 10 July 2020.

Sterling Class 'S-H' Accumulation share performance

The share class was launched on 3 June 2010.			
	Six months to 30.06.20	Year to 31.12.19	Year to 31.12.18
Change in NAV per share	UK p	UK p	UK p
Opening NAV	143.70	128.34	141.01
Return before operating charges and after direct portfolio transaction costs	(3.01)	18.06	(9.97)
Operating charges	1.34	(2.70)	(2.70)
Return after operating charges	(1.67)	15.36	(12.67)
Distributions	0.00	(0.92)	0.00
Retained distributions	0.00	0.92	0.00
Closing NAV	142.03	143.70	128.34
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.19	0.06
Dilution adjustments ^[a]	0.00	(0.01)	(0.01)
Total direct portfolio transaction costs	0.08	0.18	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.12	0.13	0.03
Operating charges ^[c]	1.93	1.97	1.93
Return after operating charges	-1.16	+11.97	-8.99
Historic yield	0.64	0.64	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	127,977	146,821	124,154
Closing NAV percentage of total fund NAV (%)	93.66	95.59	88.38
Number of shares	73,434,287	77,352,145	75,765,045
Highest share price (UK p)	142.91	144.02	145.85
Lowest share price (UK p)	141.87	126.75	126.99

Sterling Class 'T-H' Accumulation share performance

The share class was launched on 3 June 2010.			
	Six months to 30.06.20	Year to 31.12.19	Year to 31.12.18
Change in NAV per share	UK p	UK p	UK p
Opening NAV	142.38	126.72	138.08
Return before operating charges and after direct portfolio transaction costs	(1.53)	17.56	(10.09)
Operating charges	0.64	(1.32)	(1.26)
Performance fee	0.00	(0.58)	(0.01)
Return after operating charges	(0.89)	15.66	(11.36)
Distributions	0.00	(1.55)	(0.34)
Retained distributions	0.00	1.55	0.34
Closing NAV	141.49	142.38	126.72
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.19	0.06
Dilution adjustments ^[a]	0.00	(0.01)	(0.01)
Total direct portfolio transaction costs	0.08	0.18	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.12	0.13	0.03
Operating charges ^[c]	0.93	0.97	0.93
Performance fee	0.00	0.43	0.01
Return after operating charges	-0.63	+12.36	-8.23
Historic yield	1.08	1.09	0.26
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	8,662	6,768	16,318
Closing NAV percentage of total fund NAV (%)	6.34	4.41	11.62
Number of shares	4,988,857	3,598,660	10,086,228
Highest share price (UK p)	142.34	142.66	141.95
Lowest share price (UK p)	141.32	125.15	125.36

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

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

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

M&G Episode Macro Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 30 June	2020		2019	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		(12,970)		8,902
Revenue	1,589		1,748	
Expenses	(1,274)		(1,371)	
Net revenue / (expense) before taxation	315		377	
Taxation	(39)		(41)	
Net revenue / (expense) after taxation		276		336
Total return before equalisation		(12,694)		9,238
Equalisation		0		1
Change in net assets attributable to shareholders from investment activities		(12,694)		9,239

Statement of change in net assets attributable to shareholders

for the six months to 30 June	2020		2019	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		153,589		140,472
Amounts received on issue of shares	14,987		19,211	
Amounts paid on cancellation of shares	(19,259)		(15,536)	
		(4,272)		3,675
Dilution adjustments		16		10
Change in net assets attributable to shareholders from investment activities (see above)		(12,694)		9,239
Closing net assets attributable to shareholders		136,639		153,396

The opening net assets attributable to shareholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

M&G Episode Macro Fund

Financial statements and notes

Financial statements (continued)

Balance sheet

as at	30 June 2020 \$'000	31 December 2019 \$'000
Assets		
Fixed assets		
Investments	124,401	145,794
Current assets		
Debtors	277	200
Cash and bank balances	21,543	15,131
Total assets	146,221	161,125
Liabilities		
Investment liabilities	(4,030)	(1,261)
Creditors		
Overdrawn positions at futures clearing houses and collateral manager	(4,705)	(6,098)
Other creditors	(847)	(177)
Total liabilities	(9,582)	(7,536)
Net assets attributable to shareholders	136,639	153,589

M&G Investment Funds (5)

Other regulatory disclosures

Swiss investor information

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

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

Glossary

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

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

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

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

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

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

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

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

Bunds: Fixed income securities issued by the German government.

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

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

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

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

Charity Authorised Investment Fund (CAIF) : An investment entity that is both a registered charity and an authorised investment fund. The CAIF must comply with charity law as well as financial services laws and regulations, and is usually treated as a registered charity for tax purposes.

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.

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.

Glossary

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 predetermined price at a future date. Futures are traded on a regulated exchange.

Gilts: Fixed income securities issued by the UK government.

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

Hedging: A method of reducing unnecessary or unintended risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

Glossary

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.

