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M&G Investment Funds (5)

Interim Long Report and unaudited Financial Statements
for the six months ended 30 June 2019

Contents

M&G Investment Funds (5)

Authorised Corporate Director's Report

Page 1

Directors' statement

Page 3

Financial statements and notes

Page 4

Authorised Corporate Director's Reports, including the financial highlights and financial statements and notes for:

M&G Episode Macro Fund

Page 5

M&G Global Corporate Bond Fund

Page 13

Other regulatory disclosures

Page 14

Glossary

Page 15

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 2019.

The unaudited financial statements of M&G Investment Funds (5) and the investment report and unaudited financial statements and notes of each sub-fund are presented in their individual sections of this report as set out in the contents page.

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

Company information

M&G Investment Funds (5) is an umbrella Open-Ended Investment Company (OEIC) and contains two sub-funds, hereinafter referred to as 'funds' in the rest of this report. Each fund is a UCITS (Undertakings for Collective Investment in Transferable Securities) scheme as defined in the Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA). This OEIC is an Investment Company with Variable Capital (ICVC) incorporated under the Open-Ended Investment Companies Regulations 2001. It is authorised and regulated by the FCA under the Financial Services and Markets Act 2000.

The Company was authorised on 24 December 2002, the M&G Episode Macro Fund was launched on 3 June 2010 and the M&G Global Corporate Bond Fund was launched on 5 September 2013.

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

As at 30 June 2019, none of the funds held shares of the other funds within this OEIC.

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

Fund managers

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

M&G Episode Macro Fund

David Fishwick & Eric Lonergan

M&G Global Corporate Bond Fund

Ben Lord

ACD

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

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

Directors of the ACD

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

Investment manager

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

(Authorised and regulated by the Financial Conduct Authority)

Registrar

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

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 M&G Global Corporate Bond Fund commenced its termination on 7 December 2018 and is not available for investment. The fund will be formally terminated when all its outstanding assets and liabilities have been settled.

The investment objective and policy were changed for the M&G Episode Macro Fund on 14 June 2019.

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

M&G Investment Funds (5)

Authorised Corporate Director's Report

Investor information

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

Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

Customer services and administration for non-UK clients:

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

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

Telephone: +352 2605 9944

Email: csmandg@rbc.com

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

Austrian paying and information agent:

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

Danish representative agent:

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

French centralising agent:

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

German information agent:

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

Greek paying agents and distributors:

Alpha Bank A.E.,
40 Stadiou Street, 10252 Athens, Greece

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

Piraeus Bank S.A
4 Amerikis Street, 10564 Athens, Greece

Irish facilities agent:

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

Italian paying agents:

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

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

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

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

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

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

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

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

Luxembourg paying and information agent:

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

Portuguese distributor:

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

Swedish paying agent:

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

Swiss paying agent and representative:

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

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

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

Directors' statement

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

G N COTTON

L J MUMFORD

} Directors

15 August 2019

M&G Investment Funds (5)

Financial statements and notes

The financial statements for M&G Investment Funds (5) comprise the individual financial statements for each 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 2018. 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.

M&G Episode Macro Fund

Authorised Corporate Director's Report

Investment objective up to 13 June 2019

The fund aims to deliver a higher total return, with lower volatility on average, than global equities over a rolling three to five year period. There is no guarantee that the fund will achieve a positive return over this, or any other, period and investors may not recoup the original amount they invested.

Investment policy up to 13 June 2019

The fund manager adopts a flexible approach to the allocation of capital between asset classes in response to changes in economic conditions and the valuation of assets. Central to this approach is the identification of episodes, which are periods of time during which, in the fund manager's view, asset prices become over- or under-stated, relative to objective valuation measures, due to the emotional reaction of investors to events. These episodes can exist over both the short and medium term. The short term volatility of the fund may be high.

The fund will typically invest in a variety of equity index futures, currency forwards, interest rate swaps, and other highly-liquid derivatives. The portfolio may therefore comprise a high proportion of cash and near cash, the majority of which is likely to be held in cash deposits. In addition to derivatives, the fund may invest in a range of equities, fixed income and other assets, including collective investment schemes, other transferable securities, deposits, warrants and money market instruments.

Subject to rigorous risk management, the fund is likely to operate with a gross asset exposure in excess of net assets. This will be achieved through the use of derivative contracts, often with a view to increasing diversification.

Investment approach up to 13 June 2019

The managers believe the best approach for achieving the fund objective lies in the flexible allocation of capital between asset classes, guided by a robust valuation framework. In particular, they seek to respond where asset prices move away from a reasonable sense of 'fair' value due to investors reacting emotionally to events. They believe such 'episodes' create opportunities because emotions should be less important than underlying fundamentals over the medium and long term.

The fund is fully flexible and is not bound by any sense of neutrality or benchmark. The fund's investment strategy is likely to involve the use of financial instruments to take short positions, that is, positions that profit from a fall in the price of an asset, or to generate modest amounts of leverage (gain exposure to greater investment than the net asset value of the fund).

Investment objective from 14 June 2019

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 from 14 June 2019

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 from 14 June 2019

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).

M&G Episode Macro Fund

Authorised Corporate Director's Report

Risk profile

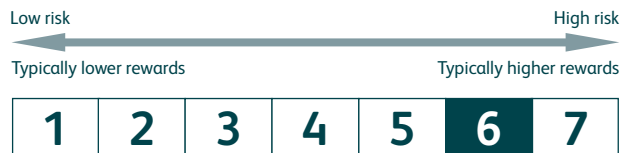
The fund invests globally in a broad range of assets, including company shares (equities), fixed income securities (bonds), currencies and other assets such as property shares and convertible bonds. The fund is, therefore, subject to the price volatility of global financial and currency markets. Exposure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

Investment review

As at 1 July 2019, for the six months ended 30 June 2019

Performance against objective

Between 2 January 2019 (the start of the review period) and 1 July 2019, the M&G Episode Macro Fund's Sterling 'S-H' and Sterling 'T-H' share classes delivered a positive total return (the combination of income and growth of capital).*

The fund's objective was changed on 14 June 2019, in order to provide a clearer explanation of what the fund sets out to do and how it is managed, and also to make it easier to determine whether it has achieved its aim. According to the new objective, the fund aims to deliver a total return of at least 4-8% per year above the 3-month LIBOR over any five-year period, after charges are taken.

Over three and five years, the fund has not fully achieved its previous objective of delivering a higher total return, with lower volatility on average, than global equities. While volatility of the fund has been lower, total returns have lagged those of global equities, as measured by the MSCI ACWI.

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

Investment performance

The first six months of 2019 saw positive returns from both stockmarkets (global markets of company shares, or equities) and global bond indices. (Bonds are loans that are extended by an investor to an issuing entity – such as a company or government – in exchange for regular interest payments. Bonds issued by governments are called 'government bonds'.) Most stockmarkets delivered positive returns despite suffering a bout of volatility in May in response to growth fears surrounding US and Chinese trade negotiations.

Against this backdrop, the decision to add to the portfolio's equity exposure in response to the episodic price declines in December 2018 proved beneficial. 'Episodes' are periods when asset prices rise or fall due to 'behavioural' influences such as panic or excitement, and which are often characterised by rapid price moves. Such episodes can represent opportunities for the fund as they reverse, and this proved to be the case in the first half of 2019. Long exposures to company shares were the main source of positive return in the review period, particularly exposure to the US, Korea, and Europe.

The fund's bond positions delivered a negative return overall. While there were gains from long exposure to US government bonds and a new position in a basket of government bonds from emerging economies, these were more than offset by losses from short positions (which benefit when prices fall) in government bonds from the UK and Germany. Government bonds around the world generally benefited from expectations that central bankers may look to ease policy. This represented a reversal of the environment for much of 2018, in which concerns over the potential impact of rising rates out of the United States prompted phases of volatility across all assets.

Currency exposures in the portfolio generated a positive return overall. The portfolio holds long exposure to a basket of emerging market currencies versus less attractive counterparts primarily in the developed world. During the review period, the largest gains came from a significant long position in the Turkish lira, which had been built up in response to the considerable weakness that currency had seen in 2018. There were also notable positive returns from long exposure to the Russian ruble.

M&G Episode Macro Fund

Authorised Corporate Director's Report

Investment review

Investment activities

After adding to long equity exposure in December, the first main change in 2019 was a reduction in these positions following a rapid recovery in the first two months of the year. In April, long positions were subsequently increased in the US banking sector, Japan and Korea, while a new position was also opened in Turkish stocks following price weakness. However, even with these additions, the fund ended the period with lower long equity exposure than it had held at the start of the year.

There were also significant changes to the portfolio's bond basket. In March a new position was opened in a basket of emerging market government bonds where prospective returns look attractive in their own right and offer the potential for diversification should short bond positions elsewhere deliver negative returns. This position was increased to 15% in early June, from 9.5%.

June also saw significant changes in response to rapid price increases in government bonds, and weakness in growth-sensitive assets during May. The fund closed a long position in US government bonds as prospective returns on the asset declined, and a new position was opened in US high yield corporate credit.

Outlook

Although global stockmarkets have generally performed well in the first half of 2019, there is little to suggest that investors are more optimistic about global growth. If anything, ongoing weakness in manufacturing and trade data this year has intensified pessimism, as reflected in the gap in relative valuations between global equity and fixed income markets.

This apparent disconnect between weaker growth and positive stock returns has been met with confusion by some commentators, as has the positive correlation between stocks and bonds. However, such moves reflect a combination of two forces: the recovery from an excessive decline in stockmarkets in December 2018, and the removal of the challenge to stocks presented by rising interest rates in the US. In this context, market moves in the first half of 2019 are understandable.

The gains in stockmarkets up to June have served to reduce their attractiveness relative to the start of the year. However, valuations still look attractive in many areas, particularly relative to parts of the government bond universe, where prospective returns are at similar levels to the lows they reached in 2016. The fund, therefore, continues to back a preference for long exposure to global stockmarkets versus short exposure to the government bonds of Germany and the UK, alongside long exposure to US high yield credit and emerging market government bonds.

David Fishwick & Eric Lonergan

Co-fund managers

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

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

Investments

Portfolio statement			
as at Holding	30.06.19 \$'000	30.06.19 %	31.12.18 [a] %
EQUITIES	26,084	17.00	13.77
Software & computer services	143	0.09	0.00
1,458 NAVER	143	0.09	
Technology hardware & equipment	2,499	1.63	0.00
52,038 Samsung Electronics	2,116	1.38	
6,377 SK Hynix	383	0.25	
Pharmaceuticals & biotechnology	185	0.12	0.00
1,040 Celltrion	185	0.12	
Banks	18,101	11.80	12.50
124,857 Bank of America	3,520	2.29	
54,393 Citigroup	3,706	2.42	
32,826 JPMorgan Chase	3,572	2.33	
3,955 KB Financial	157	0.10	
4,645,962 Lloyds Banking	3,355	2.19	
4,284 Shinhan Financial	167	0.11	
78,330 Wells Fargo	3,624	2.36	
Finance & credit services	3,864	2.52	2.58
31,177 American Express	3,864	2.52	
Automobiles & parts	330	0.21	0.00
710 Hyundai Mobis	145	0.09	
1,535 Hyundai Motor	185	0.12	
Industrial metals & mining	165	0.11	0.00
779 POSCO	165	0.11	
Chemicals	155	0.10	0.00
504 LG Chem	155	0.10	
Equity derivatives	642	0.42	(1.31)
Equity futures contracts	642	0.42	(1.31)
3,521 BIST 30 Aug 2019	(15)	(0.01)	
220 Euro Stoxx 50 Index Sep 2019	193	0.13	
34 FTSE MIB Index Sep 2019	36	0.02	
62 Hang Sei China Enterprise Index Jul 2019	45	0.03	
124 KOSPI 200 Index Sep 2019	223	0.14	
157 MSCI Singapore Index Jul 2019	31	0.02	
87 MSCI Taiwan Index Jul 2019	(1)	0.00	
165 STOXX 600 Basic Resources Sep 2019	106	0.07	
105 TOPIX Index Sep 2019	24	0.02	
FIXED INCOME	114,731	74.80	75.08
Debt securities	99,365	64.78	74.68
'AA' credit rated bonds	91,148	59.42	74.68
\$14,391,900 US Treasury 0% 11/07/2019	14,382	9.38	
\$12,750,000 US Treasury 0% 10/10/2019	12,674	8.26	
\$14,814,200 US Treasury 0% 17/10/2019	14,721	9.60	
\$13,692,500 US Treasury 0% 31/10/2019	13,596	8.86	
\$9,654,400 US Treasury 0% 07/11/2019	9,582	6.25	
\$16,454,600 US Treasury 0% 14/11/2019	16,325	10.64	
\$9,951,200 US Treasury 0% 21/11/2019	9,868	6.43	
'A' credit rated bonds	2,048	1.34	0.00
MXN39,550,000 Mexico (United Mexican States) 7.5% 03/06/2027	2,048	1.34	
'BBB' credit rated bonds	2,138	1.39	0.00
IDR28,466,000,000 Indonesia (Republic of) 8.25% 15/05/2029	2,138	1.39	

M&G Episode Macro Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	30.06.19 \$'000	30.06.19 %	31.12.18 [a] %	
'BB' credit rated bonds	4,031	2.63	0.00	
BRL4,500,000 Brazil (Federal Republic of) 0% 01/07/2021	1,046	0.68		
BRL3,000,000 Brazil (Federal Republic of) 10% 01/01/2029	908	0.59		
ZAR15,687,726 South Africa (Republic of) 8% 31/01/2030	1,041	0.68		
ZAR15,484,173 South Africa (Republic of) 8.875% 28/02/2035	1,036	0.68		
Debt derivatives	622	0.41	0.40	
Credit default swaps	1,902	1.24	0.00	
\$(25,390,559) Markit CDX North American High Yield Series 32 5 Year Jun 2024	1,902	1.24		
Interest rate futures	(1,280)	(0.83)	0.40	
(227) Euro Bund Sep 2019	(435)	(0.28)		
(39) Euro Buxl Sep 2019	(244)	(0.16)		
(286) UK Long Glit Bond Sep 2019	(601)	(0.39)		
Fixed income portfolio	14,744	9.61	0.00	
238,957 iShares JP Morgan EM Local Government Bond	14,744	9.61		
CURRENCY	747	0.48	1.09	
Forward currency contracts	747	0.48	1.09	
AUD(6,798,703) Sold for \$4,715,309 (expires 16.08.19)	(54)	(0.04)		
€1,029,009 Bought for \$1,159,110 (expires 16.08.19)	16	0.01		
€(3,826,856) Sold for \$4,323,202 (expires 16.08.19)	(48)	(0.03)		
INR200,029,741 Bought for \$2,820,101 (expires 16.08.19)	59	0.04		
¥102,171,573 Bought for \$946,338 (expires 16.08.19)	6	0.00		
¥(69,627,892) Sold for \$645,754 (expires 16.08.19)	(3)	0.00		
£1,406,991 Bought for \$1,781,400 (expires 16.08.19)	7	0.01		
£(5,939,336) Sold for \$7,622,275 (expires 16.08.19)	71	0.05		
RUB134,519,064 Bought for \$2,025,676 (expires 16.08.19)	94	0.06		
RUB(14,629,279) Sold for \$230,855 (expires 16.08.19)	0	0.00		
SGD\$(8,949,220) Sold for \$6,545,416 (expires 16.08.19)	(73)	(0.05)		
KRW329,918,927 Bought for \$279,765 (expires 16.08.19)	6	0.00		
CHF(4,694,186) Sold for \$4,698,725 (expires 16.08.19)	(136)	(0.09)		
TWD(269,073,962) Sold for \$8,712,124 (expires 16.08.19)	26	0.02		
TRY22,439,570 Bought for \$3,604,461 (expires 12.07.19)	257	0.17		
TRY17,951,656 Bought for \$2,814,930 (expires 16.08.19)	216	0.14		
TRY14,436,038 Bought for €1,994,341 (expires 16.08.19)	159	0.10		
TRY26,927,484 Bought for \$4,342,442 (expires 13.09.19)	140	0.09		
TRY22,439,570 Bought for \$3,706,263 (expires 27.09.19)	4	0.00		
Portfolio of investments	141,562	92.28	89.94	

Portfolio statement (continued)

as at Holding	30.06.19 \$'000	30.06.19 %	31.12.18 [a] %
SHARE CLASS HEDGING	59	0.04	(0.28)
Forward currency contracts for share class hedging	59	0.04	(0.28)
£120,822,962 Bought for \$153,455,591 (expires 31.07.19)	59	0.04	
Total portfolio	141,621	92.32	89.66
Net other assets / (liabilities)	11,775	7.68	10.34
Net assets attributable to shareholders	153,396	100.00	100.00

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

[a] The portfolio has been reclassified to more appropriately reflect how the fund is managed. 31.12.18 comparatives have been restated to reflect this.

Portfolio transactions

for the six months to 30 June	2019	2018
Portfolio transactions	\$'000	\$'000
Total purchases	252,766	950,035
Total sales	244,835	812,515

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.

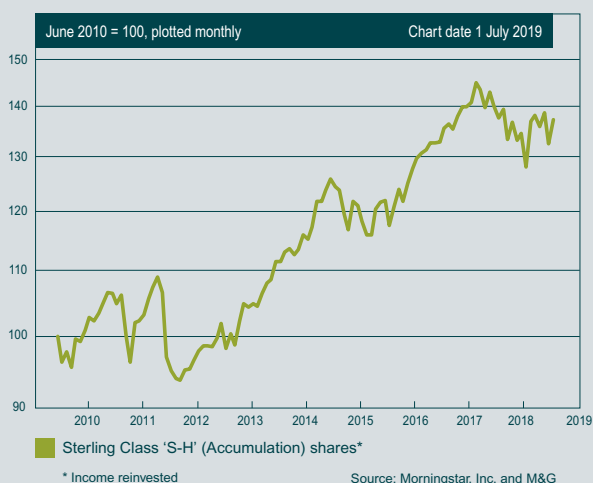
The following chart and table reflect the key financial information of a representative share class, Sterling Class 'S-H' (Accumulation) shares. As different share classes have different attributes, for example charging structures, please be aware that their performance may be different. Please refer 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	30.06.19 \$'000	31.12.18 \$'000	31.12.17 \$'000
Fund net asset value (NAV)	153,396	140,472	397,405

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.



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 02.01.19 % ^[a]	Three years 01.07.16 % p.a.	Five years 01.07.14 % p.a.	Since launch % p.a.
Sterling^[b]				
Class 'S-H'	+9.8	+5.8	+4.5	+3.7 ^[c]
Class 'T-H'	+10.3	+5.5	+4.5	+3.6 ^[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

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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 30.06.19	Year to 31.12.18	Year to 31.12.17	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.12	0.02	0.03	0.06
Taxes	0.03	0.02	0.01	0.02
Costs before dilution adjustments	0.15	0.04	0.04	0.08
Dilution adjustments ^[c]	(0.01)	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.14	0.03	0.03	0.07
as at	30.06.19	31.12.18	31.12.17	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.05	0.00	0.00	0.02

^[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 12 July 2019.

Sterling Class 'S-H' Accumulation share performance

The share class was launched on 3 June 2010.

	Six months to 30.06.19 UK p	Year to 31.12.18 UK p	Year to 31.12.17 UK p
Change in NAV per share			
Opening NAV	128.34	141.01	129.90
Return before operating charges and after direct portfolio transaction costs	10.32	(9.97)	13.73
Operating charges	(1.30)	(2.70)	(2.62)
Return after operating charges	9.02	(12.67)	11.11
Distributions	n/a	0.00	0.00
Retained distributions	n/a	0.00	0.00
Closing NAV	137.36	128.34	141.01
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.06	0.05
Dilution adjustments ^[a]	0.00	(0.01)	(0.01)
Total direct portfolio transaction costs	0.10	0.05	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.14	0.03	0.03
Operating charges	1.94	1.93	1.94
Return after operating charges	+7.03	-8.99	+8.55
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	143,018	124,154	154,127
Closing NAV percentage of total fund NAV (%)	93.23	88.38	38.78
Number of shares	82,063,341	75,765,045	80,893,353
Highest share price (UK p)	140.50	145.85	141.34
Lowest share price (UK p)	126.75	126.99	129.91

Sterling Class 'T-H' Accumulation share performance

The share class was launched on 3 June 2010.

	Six months to 30.06.19 UK p	Year to 31.12.18 UK p	Year to 31.12.17 UK p
Change in NAV per share			
Opening NAV	126.72	138.08	128.05
Return before operating charges and after direct portfolio transaction costs	10.12	(10.09)	13.64
Operating charges	(0.62)	(1.26)	(1.25)
Performance fee	0.00	(0.01)	(2.36)
Return after operating charges	9.50	(11.36)	10.03
Distributions	n/a	(0.34)	0.00
Retained distributions	n/a	0.34	0.00
Closing NAV	136.22	126.72	138.08
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.06	0.05
Dilution adjustments ^[a]	0.00	(0.01)	(0.01)
Total direct portfolio transaction costs	0.10	0.05	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.14	0.03	0.03
Operating charges	0.94	0.93	0.94
Performance fee	0.00	0.01	1.75
Return after operating charges	+7.50	-8.23	+7.83
Historic yield	0.25	0.26	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	10,378	16,318	12,430
Closing NAV percentage of total fund NAV (%)	6.77	11.62	3.13
Number of shares	6,004,634	10,086,228	6,662,807
Highest share price (UK p)	138.99	141.95	138.33
Lowest share price (UK p)	125.15	125.36	128.13

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

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

M&G Episode Macro Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 30 June	2019		2018	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		8,902		(30,640)
Revenue	1,748		2,815	
Expenses	(1,371)		(4,467)	
Net revenue / (expense) before taxation	377		(1,652)	
Taxation	(41)		(150)	
Net revenue / (expense) after taxation		336		(1,802)
Total return before equalisation		9,238		(32,442)
Equalisation		1		(429)
Change in net assets attributable to shareholders from investment activities		9,239		(32,871)

Statement of change in net assets attributable to shareholders

for the six months to 30 June	2019		2018	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		140,472		397,405
Amounts received on issue of shares	19,211		268,804	
Amounts paid on cancellation of shares	(15,536)		(106,140)	
		3,675		162,664
Dilution adjustments		10		44
Change in net assets attributable to shareholders from investment activities (see above)		9,239		(32,871)
Closing net assets attributable to shareholders		153,396		527,242

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	30 June 2019	31 December 2018
	\$'000	\$'000
Assets		
Fixed assets		
Investments	143,231	129,391
Current assets		
Debtors	128	0
Cash and bank balances	16,432	17,008
Total assets	159,791	146,399
Liabilities		
Investment liabilities	(1,610)	(3,442)
Creditors		
Bank overdrafts	0	(2)
Overdrawn positions at futures clearing houses and collateral manager	(4,681)	(2,272)
Other creditors	(104)	(211)
Total liabilities	(6,395)	(5,927)
Net assets attributable to shareholders	153,396	140,472

Notes to the financial statements

Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 4.

M&G Global Corporate Bond Fund

Financial statements and notes

Important information

The M&G Global Corporate Bond Fund commenced its termination on 7 December 2018 and is not available for investment. The fund will be formally terminated when all its outstanding assets and liabilities have been settled.

Financial statements

Statement of total return

for the six months to 30 June	2019		2018	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		0		(3,721)
Revenue	0		957	
Expenses	0		(263)	
Net revenue / (expense) before taxation	0		694	
Taxation	0		0	
Net revenue / (expense) after taxation		0		694
Total return before distributions		0		(3,027)
Distributions		0		(696)
Change in net assets attributable to shareholders from investment activities		0		(3,723)

Statement of change in net assets attributable to shareholders

for the six months to 30 June	2019		2018	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		0		60,238
Amounts received on issue of shares	0		2,138	
Amounts paid on cancellation of shares	0		(2,192)	
Dilution adjustments		0		(54)
Change in net assets attributable to shareholders from investment activities (see above)		0		(3,723)
Retained distributions on Accumulation shares		0		670
Closing net assets attributable to shareholders		0		57,138

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	30 June 2019 \$'000	31 December 2018 \$'000
Assets		
Fixed assets		
Investments	0	0
Current assets		
Debtors	0	7
Cash and bank balances	12	32
Total assets	12	39
Liabilities		
Creditors		
Bank overdrafts	0	(7)
Distribution payable	0	(8)
Other creditors	(12)	(24)
Total liabilities	(12)	(39)
Net assets attributable to shareholders	0	0

Notes to the financial statements

Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 4.

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 M&G Episode Macro Fund the TERs are the same as the operating charges disclosed in the fund's financial highlights section under 'Performance and charges'.

Glossary

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

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

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

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

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

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

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

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

Bunds: Fixed income securities issued by the German government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Defaulted bond: When a bond issuer does not maintain interest payments or repay the amount borrowed when due.

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

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

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

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

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

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

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

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

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

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

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

Equities: Shares of ownership in a company.

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

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

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

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

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

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

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

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

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

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

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

Gilts: Fixed income securities issued by the UK government.

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

Hedging: A method of reducing unnecessary or unintended risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

Treasuries: Fixed income securities issued by the US government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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