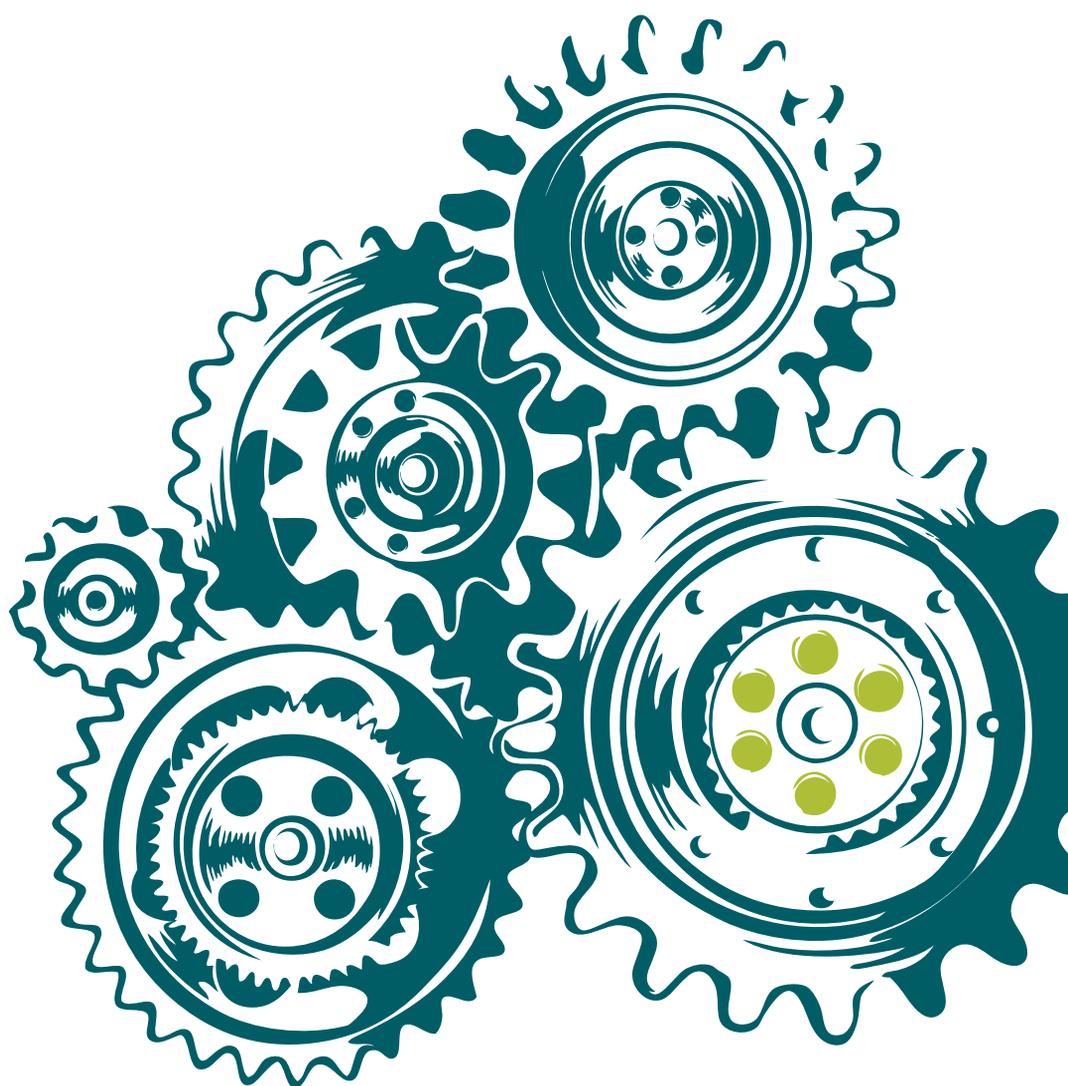


M&G Investment Funds (7)



Contents

Introduction	Page 1
Company Information ^[a]	Page 1
For European Investors	Page 1
Authorised Corporate Director's Report ^[a]	Page 2
M&G Investment Funds (7)	Page 3
Authorised Corporate Director's Responsibilities	Page 3
Depositary's Responsibilities and Report	Page 3
Independent Auditors' Report	Page 4
Aggregated Financial Statements (audited)	Page 6
Directors' Statement	Page 8
Investment Report ^[a] and Financial Statements for:	
M&G Episode Defensive Fund	Page 9
M&G European Strategic Value Fund	Page 21
M&G Global Convertibles Fund	Page 31
M&G Global Emerging Markets Fund	Page 47
M&G Pan European Dividend Fund	Page 59
Further Information ^[a]	Page 69
Liquidity	Page 69
Dilution	Page 69
The EU Savings Directive	Page 69
Other	Page 69
Portfolio Turnover Rates	Page 69
Total Expense Ratios	Page 69

^[a] Collectively, these comprise the Authorised Corporate Director's Report.

Introduction

COMPANY INFORMATION

Company

M&G Investment Funds (7)

Registered Office

Laurence Pountney Hill, London EC4R 0HH, UK

Authorised Corporate Director (ACD)

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

(Authorised and regulated by the Financial Conduct Authority)

Directors of the ACD

W J Nott (Chief Executive),
G N Cotton, P R Jelfs, M Lewis, G W MacDowall, L J Mumford

Investment Manager

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

(Authorised and regulated by the Financial Conduct Authority)

Fund managers

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

M&G Episode Defensive Fund

Eric Lonergan

M&G European Strategic Value Fund

Richard Halle

At the start of the review period Richard Halle and Daniel White were co-fund managers.

M&G Global Convertibles Fund

Léonard Vinville

M&G Global Emerging Markets Fund

Matthew Vaight

M&G Pan European Dividend Fund

Phil Cliff

Registrar

International Financial Data Services (UK) Limited,
IFDS House, St. Nicholas Lane, Basildon, Essex SS15 5FS, UK
(Authorised and regulated by the Financial Conduct Authority)

Depository

National Westminster Bank Plc, Trustee & Depository Services,
Younger Building, 3 Redheughs Avenue, Edinburgh EH12 9RH, UK
(Authorised and regulated by the Financial Conduct Authority)

Independent Auditors

PricewaterhouseCoopers LLP,
7 More London Riverside, London SE1 2RT, UK

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.

M&G is a member of the Investment Management Association and of the Tax Incentivised Savings Association.

The Instrument of Incorporation can be inspected at our offices or at the office of the Depository.

FOR EUROPEAN INVESTORS

The Prospectus, Instrument of Incorporation, Key Investor Information Documents as well as the latest Annual or Interim Investment Report and Financial Statements are available free of charge on request from the following addresses:

Customer Services and Administration for European Clients including the Netherlands, Norway and Finland:

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

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: +49 69 1338 6767

Email: iocs@mandg.co.uk

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

Austrian Paying and Information Agent:

Raiffeisen Bank International AG,
Am Stadtpark 9, 1030 Wien, Austria

Danish Representative Agent:

Nordea Bank Danmark A/S,
Issuer Services, Postboks 850, 0900 Copenhagen C, Denmark

French Centralising Agent:

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

Introduction

FOR EUROPEAN INVESTORS

German Paying and Information Agent:

J.P. Morgan AG,
Junghofstraße 14, 60311 Frankfurt am Main, Germany

Irish Facilities Agent:

BNY Mellon Fund Services (Ireland) Limited,
Guild House, Guild Street, IFSC, Dublin 1, Ireland

Italian Correspondent Banks:

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,
Via Ansperto 5, 20123 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:

J.P. Morgan Bank Luxembourg S.A., European Bank & Business
Center, 6 c route de Trèves, 2633 Senningerberg, Luxembourg

Spanish Representative:

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

Swedish Paying Agent:

Skandinaviska Enskilda Banken AB (publ),
Sergels Torg 2, 106 40 Stockholm, Sweden

Swiss Paying Agent:

JP Morgan Chase Bank,
National Association, Columbus, Zurich Branch,
Dreikönigstrasse 21, 8002 Zürich, Switzerland

Swiss Representative:

Carnegie Fund Services S.A.,
11, rue du Général-Dufour, 1204 Genève, Switzerland

AUTHORISED CORPORATE DIRECTOR'S REPORT

The Authorised Corporate Director (ACD) presents its annual investment report and audited financial statements for the year ended 31 January 2014.

The sub-funds in this report are all part of an umbrella Open-Ended Investment Company (OEIC), M&G Investment Funds (7). 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 Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000. M&G Investment Funds (7), as an umbrella OEIC, contains five sub-funds, each of which 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 FCA:

M&G Episode Defensive Fund

M&G European Strategic Value Fund

M&G Global Convertibles Fund

M&G Global Emerging Markets Fund

M&G Pan European Dividend Fund

The Company was authorised on 3 July 2007. The M&G Global Convertibles Fund was launched on 13 July 2007, the M&G European Strategic Value Fund was launched on 1 February 2008, the M&G Pan European Dividend Fund was launched on 18 July 2008, the M&G Global Emerging Markets Fund was launched on 5 February 2009 and the M&G Episode Defensive Fund was launched on 14 September 2012.

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

The annual investment report and audited financial statements for each sub-fund for the year ended 31 January 2014 are set out in detail in their section of this report (see contents page).

G W MacDowall
Director of M&G Securities Limited

L J Mumford
Director of M&G Securities Limited

13 March 2014

M&G Investment Funds (7)

AUTHORISED CORPORATE DIRECTOR'S RESPONSIBILITIES

Statement of the Authorised Corporate Director's responsibilities in respect of the annual investment report and financial statements of the Company

The Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA), requires the Authorised Corporate Director (ACD) to prepare the investment report and financial statements for each financial year which give a true and fair view of the financial position of the Company as at the end of the financial year, and the net revenue and the net capital (losses) / gains for the year. In preparing the financial statements, the ACD is required to:

- comply with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010, the Instrument of Incorporation, generally accepted accounting principles and applicable accounting standards subject to any material departures which are required to be disclosed and explained in the financial statements;
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation.

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.

DEPOSITARY'S RESPONSIBILITIES AND REPORT

Statement of the Depositary's responsibilities in respect of the financial statements of the Company

The Depositary is under a duty to take into custody and to hold the property of the Company. Under the Regulations relating to Reports, it is the duty of the Depositary to enquire into the conduct of the Authorised Corporate Director in the management of the Company in each accounting period and report thereon to shareholders in a report which shall contain the matters prescribed by the Regulations. A copy of the Depositary's report is included in this report.

Report of the Depositary to the shareholders of M&G Investment Funds (7) for the year ended 31 January 2014

The Depositary is responsible for the safekeeping of all of the property of the Company (other than tangible moveable property) which is entrusted to it and for the collection of income that arises from that property.

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes sourcebook (COLL), as amended, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended ('the OEIC Regulations'), the Company's Instrument of Incorporation and Prospectus, in relation to the pricing of, and dealings in, shares in the Company; the application of income of the Company; and the investment and borrowing powers applicable to the Company.

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

- has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with COLL and, where applicable, the OEIC Regulations, the Instrument of Incorporation and Prospectus of the Company, and
- has observed the investment and borrowing powers and restrictions applicable to the Company.

Edinburgh
13 March 2014

National Westminster Bank Plc
Trustee and Depositary Services

M&G Investment Funds (7)

INDEPENDENT AUDITORS' REPORT

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the financial position of the Company and each of the sub-funds as at 31 January 2014 and of the net revenue and the net capital (losses) / gains of the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

This opinion is to be read in the context of what we say below.

What we have audited

The financial statements of M&G Investment Funds (7) ICVC (the "Company") which are prepared by the Authorised Corporate Director, comprise:

- the aggregated balance sheet of the Company as at 31 January 2014;
- the aggregated statement of total return of the Company for the year then ended;
- the aggregated statement of change in net assets attributable to shareholders of the Company for the year then ended;
- the balance sheets as at 31 January 2014 together with the statements of total return and statements of changes in net assets attributable to shareholders for each of the Company's sub-funds;
- the notes to the Company's financial statements and each of the Company's sub-funds, which include a summary of significant accounting policies and other explanatory information; and
- The distribution tables

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Authorised Corporate Director; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinions on matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Collective Investment Schemes sourcebook we are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

M&G Investment Funds (7)

INDEPENDENT AUDITORS' REPORT

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Authorised Corporate Director

As explained more fully in the Authorised Corporate Director's Responsibilities Statement the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose.

We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

London
13 March 2014

PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors

The financial statements are published at www.mandg.co.uk/reports, which is a website maintained by M&G Securities Limited and M&G Financial Services Limited (M&G). The maintenance and integrity of the M&G website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Aggregated Financial Statements (audited)

For the year ended 31 January 2014.

STATEMENT OF TOTAL RETURN					
	Note	2014		2013	
		£'000	£'000	£'000	£'000
Income					
Net capital (losses) / gains	3		(122,182)		152,198
Revenue	4	80,063		44,518	
Expenses	5	(35,957)		(18,541)	
Finance costs: Interest	12	(12)		(1)	
Net revenue before taxation		44,094		25,976	
Taxation	6	(4,443)		(1,883)	
Net revenue after taxation			39,651		24,093
Total return before distributions			(82,531)		176,291
Finance costs: Distributions	12		(40,304)		(24,224)
Change in net assets attributable to shareholders from investment activities					
			(122,835)		152,067

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS					
		2014		2013	
		£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders					
			1,751,106		1,246,257
Amounts received on issue of shares	2,646,157			647,917	
Amounts paid on cancellation of shares	(746,164)			(318,596)	
			1,899,993		329,321
Stamp Duty Reserve Tax (SDRT)			(556)		(79)
Change in net assets attributable to shareholders from investment activities (see above)			(122,835)		152,067
Retained distributions on Accumulation shares			54,739		23,537
Unclaimed distributions			0		3
Closing net assets attributable to shareholders			3,582,447		1,751,106

BALANCE SHEET

	as at		as at	
	31 January 2014	£'000	31 January 2013	£'000
Assets				
Investment assets		3,559,991		1,710,189
Debtors				
Amounts receivable on issues	27,206		42,453	
Bank interest receivable	1		0	
Currency deals outstanding	28,339		16,947	
Debt security interest receivable	6,003		3,857	
Distributions receivable	40		8	
Dividends receivable	2,296		641	
Overseas tax recoverable	944		648	
Prepaid expenses	0		3	
Sales awaiting settlement	26,737		12,151	
		91,566		76,708
Cash and bank balances				
Amounts held at futures clearing houses and brokers	356		193	
Cash held as bank balances	15,464		32,028	
		15,820		32,221
Total other assets		107,386		108,929
Total assets		3,667,377		1,819,118
Liabilities				
Investment liabilities		(2,164)		(354)
Creditors				
Amounts payable on cancellations	(20,194)		(15,164)	
Corporation tax payable	(4)		0	
Currency deals outstanding	(28,267)		(16,948)	
Derivative expense payable	(17)		0	
Expenses payable	(1,940)		(1,249)	
Income tax payable	(922)		(901)	
Net distributions payable on Income shares	(5,008)		(3,077)	
Purchases awaiting settlement	(26,393)		(30,319)	
SDRT payable	(21)		0	
Total other liabilities		(82,766)		(67,658)
Total liabilities		(84,930)		(68,012)
Net assets attributable to shareholders		3,582,447		1,751,106

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The accounting policies applied are set out in the notes to the financial statements of each of the sub-funds.

The aggregated financial statements represent the summation of the financial statements for each of the sub-funds.

2 Risk management policies

The risk management policies are set out in the notes to the financial statements of each of the sub-funds.

Aggregated Financial Statements (audited)

NOTES TO THE FINANCIAL STATEMENTS

3 Net capital (losses) / gains

	2014 £'000	2013 £'000
Non-derivative securities	(125,398)	141,851
Derivative contracts	664	(642)
Forward currency contracts	4,037	6,119
Currency (losses) / gains	(1,776)	41
Special dividends taken to capital	443	4,871
Transaction charges	(152)	(42)
Net capital (losses) / gains	(122,182)	152,198

4 Revenue

	2014 £'000	2013 £'000
Bank interest	20	13
Currency hedge revenue	68	228
Derivative revenue	(69)	(7)
Interest distributions	305	72
Interest on debt securities	31,619	21,642
Interest on overseas tax previously withheld at source	22	0
Overseas dividends	42,762	20,394
Stock dividends	1,471	579
UK dividends	3,865	1,597
Total revenue	80,063	44,518

5 Expenses

	2014 £'000	2013 £'000
Payable to the Authorised Corporate Director or associate		
Authorised Corporate Director's periodic charge	30,149	15,622
Administration fee	4,309	2,045
Share class hedging fee	96	111
	34,554	17,778
Payable to the Depositary or associate		
Depositary's fee (including VAT)	156	92
Distribution fees	2	0
	158	92
Other expenses		
Audit fee (including VAT)	50	49
Dividend charges	18	0
Regulatory fees	37	25
Safe custody charge	1,080	548
Tax consultancy fees (including VAT) ^[a]	60	49
	1,245	671
Total expenses	35,957	18,541

[a] Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP.

6 Taxation

	2014 £'000	2013 £'000
a) Analysis of charge in the year		
Corporation tax	4	0
Overseas tax	4,513	1,889
Overseas tax recoverable: exchange rate movements	32	(6)
Overseas tax recovered: previously withheld at source	(120)	0
Prior period adjustment	14	0
Current tax charge (note 6b)	4,443	1,883
Deferred tax (note 6c)	0	0
Total taxation	4,443	1,883
b) Factors affecting taxation charge for the year		
Net revenue before taxation	44,094	25,976
Corporation tax at 20%	8,819	5,196
Effects of:		
UK dividends not taxable	(772)	(319)
Stock dividends not taxable	(294)	(116)
Overseas dividends not taxable	(7,515)	(3,684)
Interest distributions	(3,842)	(3,046)
Prior period expenses utilised	(2)	0
Current period expenses not utilised	3,772	2,269
Overseas tax	4,513	1,889
Overseas tax recoverable: exchange rate movements	32	(6)
Overseas tax recovered: previously withheld at source	(120)	0
Overseas tax expensed	(162)	(300)
Prior period adjustment	14	0
Current tax charge (note 6a)	4,443	1,883
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
Provision at the end of the year	0	0

7 Contingent assets, liabilities and outstanding commitments

The sub-fund has not recognised a contingent asset of £519,000. In May 2012 there was a European Court of Justice (ECJ) ruling confirming the ability to recover excess withholding tax applied by French tax authorities suffered on dividends in prior accounting periods. Full recovery of this asset is not certain, however, an estimated accrual is included within the daily price of the sub-fund's shares. The contingent asset will be reflected in the financial statements when receipt of the reclaims becomes virtually certain (31.01.13: £433,000).

There were no contingent liabilities or outstanding commitments at the balance sheet date (31.01.13: same).

8 Related parties

The required disclosures are set out in the notes to the financial statements of each of the sub-funds.

9 Financial instruments

The required disclosures are set out in the notes to the financial statements of each of the sub-funds.

Aggregated Financial Statements (audited)

NOTES TO THE FINANCIAL STATEMENTS

10 Portfolio transaction costs

	2014 £'000	2013 £'000
a) Purchases ^[a]		
Purchases excluding transaction costs	4,088,040	1,236,262
Commissions	1,482	684
Taxes	1,705	224
Total transaction costs	3,187	908
Total purchases including transaction costs	4,091,227	1,237,170
b) Sales ^[a]		
Sales excluding transaction costs	2,140,122	903,531
Commissions	(534)	(201)
Taxes	(239)	(41)
Total transaction costs	(773)	(242)
Total sales net of transaction costs	2,139,349	903,289

[a] Purchases and sales of Futures have been included at the value of their exposure.

11 Shareholder funds

The required disclosures are set out in the notes to the financial statements of each of the sub-funds.

12 Finance costs

	2014 £'000	2013 £'000
Income shares (Sterling)		
Class 'A' - Dividend distributions	1,567	1,200
Interest distributions	1,312	1,351
Class 'I' - Dividend distributions	582	167
Interest distributions	1,683	364
Class 'R' - Dividend distributions	1	0
Interest distributions	1	0
Income shares (Euro)		
Class 'A' - Dividend distributions	5	n/a
Interest distributions	27	n/a
Class 'A-H' - Interest distributions	15	n/a
Accumulation shares (Sterling)		
Class 'A' - Dividend distributions	3,014	2,551
Interest distributions	900	915
Class 'A-H' - Interest distributions	0	0
Class 'I' - Dividend distributions	2,721	1,646
Interest distributions	886	520
Class 'I-H' - Interest distributions	0	0
Class 'N' - Dividend distributions	59	0
Class 'R' - Dividend distributions	3	0
Interest distributions	2	0
Class 'R-H' - Interest distributions	0	0
Accumulation shares (Euro)		
Class 'A' - Dividend distributions	706	314
Interest distributions	3,216	1,318
Class 'A-H' - Dividend distributions	0	0
Interest distributions	1,522	1,266
Class 'B' - Interest distributions	1	n/a
Class 'B-H' - Interest distributions	0	n/a
Class 'C' - Dividend distributions	22,101	2,356
Interest distributions	6,958	5,225
Class 'C-H' - Dividend distributions	0	0
Interest distributions	8,121	6,003

12 Finance costs (continued)

	2014 £'000	2013 £'000
Accumulation shares (Swiss franc)		
Class 'A-H' - Dividend distributions	0	0
Interest distributions	13	2
Class 'C-H' - Dividend distributions	0	0
Interest distributions	40	0
Accumulation shares (US dollar)		
Class 'A' - Dividend distributions	572	158
Class 'A-H' - Dividend distributions	0	0
Interest distributions	124	4
Class 'C' - Dividend distributions	3,238	1,253
Class 'C-H' - Dividend distributions	0	0
Interest distributions	542	6
Income tax deducted at source	59,932	26,619
	922	901
	60,854	27,520
Net income created as a result of conversions	0	331
Income deducted on cancellation of shares	7,755	3,655
Income received on issue of shares	(28,305)	(7,282)
Finance costs: Distributions	40,304	24,224
Finance costs: Interest	12	1
Total finance costs	40,316	24,225
Net revenue per statement of total return	39,651	24,093
Expenses offset against capital	756	350
Stock dividends not distributed	(142)	(225)
Tax relief on stock dividends not distributed	21	0
Undistributed income brought forward	18	12
Undistributed income carried forward	(1)	(18)
Income deficit transferred from capital	1	12
Finance costs: Distributions	40,304	24,224

DIRECTORS' STATEMENT

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

G W MACDOWALL }
L J MUMFORD } Directors

13 March 2014

M&G Episode Defensive Fund

AUTHORISED CORPORATE DIRECTOR'S REPORT

Note to shareholders

As a result of changes in the FCA's rules, in November 2013 we took the opportunity to clarify the Fund's Investment Objective by explaining over what period it is attempting to deliver a positive total return, and by pointing out that a positive total return over any period is not guaranteed. This additional wording does not indicate a change in the way the Fund is managed.

Investment objective of the M&G Episode Defensive Fund

The Fund aims to deliver a positive total return (the combination of income and growth of capital) over a rolling three to five year period through an investment approach that seeks to manage risk. 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 of the M&G Episode Defensive Fund

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 fund will typically invest in a variety of derivatives, including but not limited to index futures, currency forwards, interest rate swaps and options. The portfolio may therefore comprise a high proportion of cash and near cash. 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.

Investment approach

The M&G Episode Defensive Fund aims to deliver a positive total return (the combination of income and growth of capital) over the medium term through an investment approach that seeks to manage risk.

The fund manager believes the best approach for achieving this lies in the flexible allocation of capital between asset classes, guided by a robust valuation framework. In particular, he seeks to respond where asset prices move away from a reasonable sense of 'fair' value due to investors reacting emotionally to events. He believes such episodes create opportunities because emotions should be less important than 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 is likely to achieve exposures through derivative strategies. It has the ability to short assets and leverage for the purposes of investment and efficient portfolio management.

Risk and reward profile*



- The above risk number is based on the rate at which the value of the Fund has moved up and down in the past.
- This risk number is based on simulated historical data and may not be a reliable indicator of the future risk profile of the Fund.
- The risk number shown is not guaranteed and may change over time.
- The lowest risk number does not mean risk free.

* This 'Risk and reward profile' section is based on Sterling Class 'A' shares.

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 3 February 2014, for the year ended 31 January 2014

We believe the best approach for a defensive portfolio today is to seek to maximise diversification across a range of assets that are attractive in their own right rather than try to seek assets that are perceived to be 'safe' simply because of how they have behaved in the recent past. In this respect, there has been no change to the fund's broad investment positioning^(a) since the beginning of the review period. However, asset price moves over the course of the year have been significant and, in creating a new set of opportunities on offer, have, in our view, improved the prospects for portfolio diversification.

One example of this has been in bonds^(b) issued by the US government with a long time to go until maturity. As these bonds sold off from late May 2013, their value increased materially, both in their own right, and as a potential source of 'protection' for the fund's positions in company shares, or equities. However, we feel that US and UK government bonds of short maturities, as well as 10-year Japanese government bonds, continue to look very expensive. Therefore, over the review period, positions were increased or initiated in these areas intended to take advantage of a decline in the value of these bonds.

We also believe that opportunities for investment returns and diversification have opened up in equity and currency markets. During the review period, several new equity positions at country and sector levels were added as we saw that interesting opportunities have emerged. One notable example is Turkish equity, where the market declined sharply on the back of political issues. To us, this suggests that investors were not making a considered assessment of the fundamental impact of political events upon Turkish companies. As a result, we regarded this as a good opportunity to add exposure to attractively valued equity.

M&G Episode Defensive Fund

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

With regard to currency, although the positions will tend to be small, the fund's diversified basket of currencies aims to identify areas of value, which also have the tendency to behave differently from other positions in the portfolio.

Eric Lonergan
Fund manager

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

^[a] A material element of the fund's positioning and trading strategies is executed through derivatives. Derivatives are financial instruments rather than physical holdings. Their value is dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, changes in the value of the underlying investments. We believe the use of derivatives allows for more efficient and low cost executions of our investment ideas.

^[b] A bond is a loan in the form of a security, usually issued by a government (government bonds) or company (corporate bonds), which normally pays a fixed rate of interest over a given time period, at the end of which (maturity) the initial amount borrowed is repaid.

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.

FUND STATISTICS

Sterling Class 'N' shares are not generally available to all investors.

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	02.02.15	31.03.15

	Final distribution Acc 03.02.14 ^[a]	Ongoing Charges Figure ^[b] 31.01.14	Ongoing Charges Figure ^[b] 31.01.13
Sterling	p	%	%
Class 'A'	nil	1.46	1.61 ^[d]
Class 'I'	nil	0.79	0.86 ^[d]
Class 'N'	0.2967	0.30	0.36 ^[d]
Class 'R'	nil	0.99	1.00 ^[d]
Euro	€	%	%
Class 'A-H'	nil	1.50	1.57 ^[d]
Class 'C-H'	nil	0.80	0.87 ^[d]
Swiss franc	¢	%	%
Class 'A-H'	nil	1.50	1.60 ^[d]
Class 'C-H'	nil	0.79	0.89 ^[d]
US dollar	¢	%	%
Class 'A-H'	nil	1.50 ^[c]	n/a
Class 'C-H'	nil	0.80 ^[c]	n/a

^[a] The date on which the final distribution will be credited to Accumulation shareholders.

^[b] The Ongoing Charges Figure is the ratio of the relevant annualised total disclosable costs of each share class from the most recent reporting period to the average net asset value for that share class over the same period.

^[c] The Ongoing Charges Figure shown here is an estimate of the charges, as the share class has not been in existence for a full financial year.

^[d] The comparative Ongoing Charges Figure shown here is an estimate of the charges, as the share class had not been in existence for a full financial year.

Income accrued from interest-bearing securities is distributed on an effective yield basis.

FUND PERFORMANCE

Performance of share classes

	Net asset value per share as at 31.01.14 Acc	Net asset value per share as at 31.01.13 Acc	Net asset value % change Acc
Sterling	p	p	%
Class 'A'	100.27	100.13	+0.14
Class 'I'	100.99	100.36	+0.63
Class 'N'	101.54	100.53	+1.00
Class 'R'	100.76	100.29	+0.47
Euro	€	€	%
Class 'A-H'	9.9385	9.9849	-0.46
Class 'C-H'	10.0189	10.0096	+0.09
Swiss franc	CHF	CHF	%
Class 'A-H'	9.9581	9.9998	-0.42
Class 'C-H'	10.0322	10.0230	+0.09
US dollar	\$	\$	%
Class 'A-H'	9.8378	n/a	n/a
Class 'C-H'	9.8495	n/a	n/a

Please note that income shares are not available in this fund.

M&G Episode Defensive Fund

FUND STATISTICS

PERFORMANCE SINCE LAUNCH

	six months 01.08.13 %	one year 01.02.13 %	five years 03.02.09 % p.a. [a]	since launch % p.a. [a]
Sterling [b]				
Class 'A'	-0.6	+0.8	n/a	+0.7 [c]
Class 'I'	-0.3	+1.4	n/a	+1.3 [c]
Class 'N'	-0.1	+1.8	n/a	+1.7 [c]
Class 'R'	-0.4	+1.2	n/a	+1.1 [c]
Euro				
Class 'A-H'	-0.9	+0.2	n/a	+0.1 [c]
Class 'C-H'	-0.6	+0.8	n/a	+0.7 [c]
Swiss franc				
Class 'A-H'	-0.9	+0.2	n/a	+0.2 [d]
Class 'C-H'	-0.6	+0.8	n/a	+0.8 [d]
US dollar				
Class 'A-H'	n/a	n/a	n/a	-0.8 [e]
Class 'C-H'	n/a	n/a	n/a	-0.7 [e]

[a] Shows the compound rate of return, per annum, over the period.

[b] Bid to bid with net income reinvested.

[c] 14 September 2012, the launch date of the fund.

[d] 28 September 2012, the launch date of the share class.

[e] 15 November 2013, the launch date of the share class. Not annualised.

SINGLE YEAR PERFORMANCE (5 YEARS ENDING JANUARY)

From To	31.01.13 31.01.14 %	31.01.12 31.01.13 %	31.01.11 31.01.12 %	29.01.10 31.01.11 %	30.01.09 29.01.10 %
Sterling					
Class 'A'	+0.8	n/a	n/a	n/a	n/a

Source: Morningstar, Inc., bid to bid with net income reinvested.

PRICES

	Calendar year	Accumulation shares	
		Highest	Lowest
Sterling (net)			
Class 'A'	2012 [a]	p	p
	2013	100.32	99.57
	2014 [b]	102.55	99.10
Class 'I'	2012 [a]	102.02	100.94
	2013	100.47	99.66
	2014 [b]	103.22	99.65
Class 'N'	2012 [a]	102.82	101.70
	2013	100.57	99.73
	2014 [b]	103.69	100.02
Class 'R'	2012 [a]	103.38	102.23
	2013	100.43	99.64
	2014 [b]	103.02	99.49
Class 'C-H'	2012 [a]	102.58	101.48
	2013		
	2014 [b]		

PRICES (continued)

	Calendar year	Accumulation shares	
		Highest	Lowest
Euro (net)			
Class 'A-H'	2012 [a]	€	€
	2013	10.0181	9.9476
	2014 [b]	10.1955	9.8448
Class 'C-H'	2012 [a]	10.1137	10.0052
	2013	10.0327	9.9573
	2014 [b]	10.2464	9.9041
Swiss franc (net)			
Class 'A-H'	2012 [c]	CHF	CHF
	2013	10.0353	9.9656
	2014 [b]	10.2127	9.8716
Class 'C-H'	2012 [c]	10.1351	10.0255
	2013	10.0479	9.9731
	2014 [b]	10.2661	9.9224
US dollar (net)			
Class 'A-H'	2013 [d]	\$	\$
	2014 [b]	10.0298	9.8763
	2014 [b]	10.0204	9.9135
Class 'C-H'	2013 [d]	10.0303	9.8829
	2014 [b]	10.0309	9.9218

[a] From 14 September 2012 (the launch date of the fund).

[b] To 3 February 2014.

[c] From 28 September 2012 (the launch date of the share class).

[d] From 15 November 2013 (the launch date of the share class).

Past performance is no indication of current or future performance and the performance data does not take account of the commissions and costs incurred on the issue and redemption of shares.

The price of shares and the income from them may go down as well as up, and you may get back less than you invested.

INCOME

	Calendar year	Dividend income per share
		Reinvested
Sterling (net)		
Class 'A'	2013	p
	2014 [a]	nil
Class 'I'	2013	nil
	2014 [a]	nil
Class 'N'	2013	nil
	2014 [a]	0.2967
Class 'R'	2013	nil
	2014 [a]	nil
Euro (net)		
Class 'A-H'	2013	¢
	2014 [a]	nil
Class 'C-H'	2013	nil
	2014 [a]	nil
Swiss franc (net)		
Class 'A-H'	2013	¢
	2014 [a]	nil
Class 'C-H'	2013	nil
	2014 [a]	nil
US dollar (net)		
Class 'A-H'	2014 [a]	¢
	2014 [a]	nil
Class 'C-H'	2014 [a]	nil

[a] Up to final: ex-distribution date 3 February 2014.

M&G Episode Defensive Fund

FUND STATISTICS

NET ASSETS

	Year ended	Value per share Acc	Number of shares Acc
Sterling			
p			
Class 'A'	Jan 2013	100.13	212,000
	Jan 2014	100.27	168,000
Class 'I'	Jan 2013	100.36	10,000
	Jan 2014	100.99	380,000
Class 'N'	Jan 2013	100.53	20,010,000
	Jan 2014	101.54	20,010,000
Class 'R'	Jan 2013	100.29	10,000
	Jan 2014	100.76	76,000
Euro			
€			
Class 'A-H'	Jan 2013	9.9849	2,500
	Jan 2014	9.9385	2,500
Class 'C-H'	Jan 2013	10.0096	2,500
	Jan 2014	10.0189	2,500
Swiss franc			
CHF			
Class 'A-H'	Jan 2013	9.9998	3,000
	Jan 2014	9.9581	3,000
Class 'C-H'	Jan 2013	10.0230	3,000
	Jan 2014	10.0322	3,000
US dollar			
\$			
Class 'A-H'	Jan 2014	9.8378	1,000
Class 'C-H'	Jan 2014	9.8495	1,000
Total net asset value of sub-fund			
	Year ended	£	€ [a]
	Jan 2013	20,434,000	23,797,000
	Jan 2014	21,041,000	25,557,000

[a] Based on the midday exchange rate on the last business day of each financial year.

PORTFOLIO

PORTFOLIO STATEMENT

as at 31 January 2014

Holding	Value £'000	31.01.14 %	31.01.13 %
'AAA' credit rated bonds			
64.02			
91.23			
€1,215,000 Germany (Federal Republic of) 1.5% 2023	1,002	4.76	
£4,177,156 Treasury 0% 2014 (17 Feb)	4,177	19.85	
£1,599,092 Treasury 0% 2014 (24 Feb)	1,599	7.60	
£211,082 Treasury 0% 2014 (3 Mar)	211	1.00	
£1,552,677 Treasury 0% 2014 (10 Mar)	1,552	7.38	
£714,590 Treasury 0% 2014 (17 Mar)	714	3.39	
£4,219,450 Treasury 0% 2014 (7 April)	4,217	20.04	
'AA' credit rated bonds			
7.14			
0.00			
\$110,000 General Electric Capital 6.75% 2032	84	0.40	
\$106,000 International Business Machines 6.5% 2028	81	0.39	
\$1,770,400 US Treasury 4.5% 2036	1,256	5.97	
\$97,000 Wal Mart Stores 7.55% 2030	81	0.38	
'A' credit rated bonds			
4.56			
0.00			
\$107,000 AT&T 7.125% 2026	80	0.38	
\$107,000 Comcast 7.05% 2033	83	0.39	

PORTFOLIO STATEMENT (continued)

as at 31 January 2014

Holding	Value £'000	31.01.14 %	31.01.13 %
'A' credit rated bonds (continued)			
\$142,000 Intel 4% 2032	83	0.40	
\$110,000 MetLife 6.5% 2032	82	0.39	
MXN7,705,500 Mexico (United Mexican States) 8% 2023	384	1.83	
ZAR2,748,927 South Africa (Republic of) 10.5% 2026	165	0.78	
\$102,000 Walt Disney 7% 2032	82	0.39	
'BBB' credit rated bonds			
1.14			
0.00			
\$106,000 CBS 7.875% 2030	83	0.39	
\$102,000 Rohm & Haas 7.85% 2029	82	0.39	
\$108,000 Verizon New York 7.375% 2032	76	0.36	
'BB' credit rated bonds			
1.52			
0.00			
€405,000 Portugal (Republic of) 3.85% 2021	319	1.52	
Equity instruments			
10.58			
3.84			
506,729 ADX Energy	4	0.02	
1,339 Africa Oil	6	0.03	
400 Amazon	98	0.47	
3,333 American Express	175	0.83	
221 Apple	67	0.32	
333,102 Azonto Petroleum	4	0.02	
17,947 Bank of America	185	0.88	
26,541 Borders & Southern Petroleum	3	0.02	
18,132 Bowleven	7	0.03	
1,653 Canacol Energy	6	0.03	
34,773 Chariot Oil & Gas	6	0.03	
4,000 Cisco Systems	53	0.25	
5,557 Citigroup	163	0.77	
1,700 eBay	55	0.26	
76,440 Europa Oil & Gas Holdings	7	0.03	
318,069 FAR	7	0.03	
23,739 Fastnet Oil & Gas	3	0.01	
3,195 FX Energy	7	0.03	
100 Google	69	0.33	
2,739 Hyperdynamics	10	0.05	
4,000 Intel	60	0.29	
500 International Business Machines	54	0.26	
5,068 JPMorgan Chase	172	0.82	
2,279 Karoon Gas Australia	4	0.02	
1,676 Kosmos Energy	11	0.05	
227,435 Lloyds Banking Group	186	0.88	
3,620 Mastercard	175	0.83	
2,700 Microsoft	60	0.29	
17,700 Mitsubishi UFJ Financial Group	66	0.31	
52,100 Mizuho Financial Group	68	0.32	
24,605 Neon Energy	1	0.01	
68,080 Nighthawk Energy	6	0.03	
18,784 Northern Petroleum	5	0.02	
71 Occidental Petroleum	4	0.02	
3,424 Ophir Energy	9	0.04	
2,800 Oracle	64	0.30	
222,882 Pancontinental Oil & Gas	5	0.02	
1,025 Providence Resources	2	0.01	
1,500 Qualcomm	67	0.32	
46,000 Serica Energy	6	0.03	
2,300 Sumitomo Mitsui Financial Group	66	0.31	
3,507 TAG Oil	6	0.03	
6,583 Wells Fargo	184	0.88	
21,012 WesternZagros Resources	11	0.05	
Non-equity investment instruments			
4.94			
1.00			
53,481 iShares MSCI Turkey	829	3.94	
9,819 SPDR S&P US Dividend Aristocrats Fund	210	1.00	
Credit default swaps			
0.00			
0.05			
Forward currency contracts			
(0.15)			
(0.11)			
BRL558,187 Bought for \$230,000 (expires 04.03.14)	(2)	(0.01)	
€51,451 Bought for £42,883 (expires 21.02.14)	0	0.00	

M&G Episode Defensive Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 31 January 2014

Holding	Value £'000	31.01.14 %	31.01.13 %
Forward currency contract (continued)			
€(783) Sold for £653 (expires 21.02.14)	0	0.00	
€(1,574,159) Sold for £1,290,000 (expires 25.04.14)	(7)	(0.03)	
INR14,594,190 Bought for \$230,000 (expires 04.03.14)	0	0.00	
IDR2,849,240,000 Bought for \$230,000 (expires 04.03.14)	0	0.00	
IDR17,577,450,000 Bought for \$1,593,023 (expires 20.06.14)	(115)	(0.55)	
¥(38,374,920) Sold for £222,000 (expires 25.04.14)	(6)	(0.03)	
KRW456,598,750 Bought for \$425,000 (expires 25.04.14)	0	0.00	
MXN(4,876,520) Sold for £220,000 (expires 25.04.14)	1	0.01	
MYR1,171,730 Bought for \$350,000 (expires 25.04.14)	(1)	0.00	
CHF62,503 Bought for £42,191 (expires 21.02.14)	0	0.00	
CHF(1,676) Sold for £1,131 (expires 21.02.14)	0	0.00	
\$20,087 Bought for £12,300 (expires 21.02.14)	0	0.00	
\$(97) Sold for £59 (expires 21.02.14)	0	0.00	
\$230,000 Bought for DKK1,260,906 (expires 04.03.14)	0	0.00	
\$230,000 Bought for PHP10,299,860 (expires 04.03.14)	2	0.01	
\$2,880,000 Bought for €2,121,942 (expires 25.04.14)	3	0.02	
\$323,000 Bought for MXN4,327,716 (expires 25.04.14)	2	0.01	
\$1,590,000 Bought for IDR17,577,450,000 (expires 20.06.14)	113	0.54	
\$(7,930,000) Sold for £4,791,732 (expires 25.04.14)	(29)	(0.14)	
\$230,000 Bought for TWD6,911,730 (expires 04.03.14)	1	0.01	
\$136,000 Bought for ZAR1,492,709 (expires 25.04.14)	3	0.01	
Equity index futures		0.08	0.07
5 Ibex 35 Index Feb 2014	(21)	(0.10)	
13 FTSE MIB Index Mar 2014	46	0.22	
14 Hang Seng H-Shares Index Feb 2014	2	0.01	
3 KOSPI 200 Index Mar 2014	(10)	(0.05)	
Interest rate futures		0.52	(0.17)
20 10 Year Australian Treasury Bond Mar 2014	32	0.15	
(4) 10 Year Japan Government Bond Mar 2014	(16)	(0.08)	
24 Ultra Long US Treasury Bond Mar 2014	77	0.37	
(156) 2 Year US Treasury Note Mar 2014	26	0.12	
(101) Short Gilt Future Mar 2014	(8)	(0.04)	
Options		0.00	0.32
Portfolio of investments (notes 1b & 1d on pages 14 & 15)	19,852	94.35	96.23
Net other assets	1,189	5.65	3.77
Net assets attributable to shareholders	21,041	100.00	100.00

COUNTERPARTY EXPOSURE

Counterparty	Financial derivative exposure		
	Forward currency contracts £'000	Futures £'000	Total as at 31.01.14 £'000
Barclays Bank	(2)	0	(2)
BNP Paribas	(29)	0	(29)
Deutsche Bank	3	0	3
HSBC	109	0	109
Merrill Lynch	0	128	128
State Street Bank	(1)	0	(1)
UBS	(115)	0	(115)
Total	(35)	128	93

PORTFOLIO TRANSACTIONS

for the year ended 31 January 2014

Largest purchases	£'000
2 Year US Treasury Note Sep 2013 ^[a]	40,995
2 Year US Treasury Note Dec 2013 ^[a]	39,397
5 Year US Treasury Note Mar 2013 ^[a]	6,394
5 Year US Treasury Note Jun 2013 ^[a]	6,377
5 Year US Treasury Note Sep 2013 ^[a]	6,276
Treasury 0% 2014 (7 Apr) (£)	4,217
Treasury 0% 2014 (13 Jan) (£)	4,212
Treasury 0% 2014 (17 Feb) (£)	4,174
Ultra Long US Treasury Bond Dec 2013 ^[a]	3,950
10 Year Japan Government Bond Dec 2013 ^[a]	3,428
Treasury 0% 2013 (11 Nov) (£)	3,111
Treasury 0% 2013 (7 May) (£)	3,109
Treasury 0% 2013 (22 Jul) (£)	3,108
Treasury 0% 2013 (27 Aug) (£)	3,108
Treasury 0% 2013 (20 May) (£)	3,108
Treasury 0% 2013 (10 Jun) (£)	3,107
Treasury 0% 2013 (4 Nov) (£)	2,924
10 Year Japan Government Bond Jun 2013 ^[a]	2,843
Treasury 0% 2013 (22 Apr) (£)	2,801
Treasury 0% 2013 (19 Aug) (£)	2,317
Other purchases	56,569
Total purchases	205,525
Largest sales	£'000
2 Year US Treasury Note Sep 2013 ^[a]	42,011
2 Year US Treasury Note Dec 2013 ^[a]	40,922
2 Year US Treasury Note Mar 2014 ^[a]	21,200
5 Year US Treasury Note Jun 2013 ^[a]	6,371
5 Year US Treasury Note Sep 2013 ^[a]	6,352
Treasury 0% 2014 (13 Jan) (£)	4,215
Ultra Long US Treasury Bond Dec 2013 ^[a]	3,826
10 Year Japan Government Bond Dec 2013 ^[a]	3,680
10 Year Japan Government Bond Mar 2014 ^[a]	3,412
Treasury 0% 2013 (11 Nov) (£)	3,112
Treasury 0% 2013 (7 May) (£)	3,111
Treasury 0% 2013 (27 Aug) (£)	3,110
Treasury 0% 2013 (20 May) (£)	3,110
Treasury 0% 2013 (22 Jul) (£)	3,110
Treasury 0% 2013 (29 Apr) (£)	3,109
Treasury 0% 2013 (10 Jun) (£)	3,109
Treasury 0% 2013 (18 Mar) (£)	3,108
Treasury 0% 2013 (11 Feb) (£)	3,108
Treasury 0% 2013 (18 Feb) (£)	3,108
Treasury 0% 2013 (25 Feb) (£)	3,107
Other sales	55,434
Total sales	221,625

^[a] Purchases and sales of Futures have been included at the value of their exposure.

M&G Episode Defensive Fund

FINANCIAL STATEMENTS

For the year ended 31 January 2014.

STATEMENT OF TOTAL RETURN

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	3		139		124
Revenue	4	129		14	
Expenses	5	(62)		(26)	
Net revenue / (expense) before taxation		67		(12)	
Taxation	6	(9)		0	
Net revenue / (expense) after taxation			58		(12)
Total return before distributions			197		112
Finance costs: Distributions	12		(59)		0
Change in net assets attributable to shareholders from investment activities			138		112

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2014		2013	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		20,434		0
Amounts received on issue of shares	525		20,322	
Amounts paid on cancellation of shares	(115)		0	
		410		20,322
Change in net assets attributable to shareholders from investment activities (see above)		138		112
Retained distributions on Accumulation shares		59		0
Closing net assets attributable to shareholders		21,041		20,434

BALANCE SHEET

	as at		as at	
	31 January 2014	£'000	31 January 2013	£'000
Assets				
Investment assets		20,067		19,763
Debtors				
Debt security interest receivable	65		0	
Dividends receivable	1		0	
Sales awaiting settlement	0		3,107	
		66		3,107
Cash and bank balances				
Amounts held at futures clearing houses and brokers	356		73	
Cash held as bank balances	809		895	
		1,165		968
Total other assets		1,231		4,075
Total assets		21,298		23,838
Liabilities				
Investment liabilities		(215)		(100)
Creditors				
Corporation tax payable	(4)		0	
Derivative expense payable	(17)		0	
Expenses payable	(21)		(13)	
Purchases awaiting settlement	0		(3,291)	
		(42)		(3,304)
Total other liabilities		(42)		(3,304)
Total liabilities		(257)		(3,404)
Net assets attributable to shareholders		21,041		20,434

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

a) Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010.

b) Basis of valuation of investments

All investments are valued at their fair value as at 12 noon on 31 January 2014, being the last business day of the financial year. The fair value of non-derivative securities is bid price, excluding any accrued interest; the fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles and the fair value of exchange traded futures and options is the cost of closing out the contract at the balance sheet date. Over the counter credit default swaps are valued by Markit Valuations Limited, an independent credit derivative price provider. Unquoted investments are shown at the Authorised Corporate Director's (ACD's) valuation.

c) Investment gains and losses

Gains and losses, including exchange differences, on the realisation of investments and increases and decreases in the valuation of investments held at the balance sheet date, including unrealised exchange differences, are treated as capital.

M&G Episode Defensive Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies (continued)

d) Exchange rates

Transactions in foreign currencies are translated at the rate of exchange ruling on the date of the transaction. Where applicable, assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling as at 12 noon on 31 January 2014, being the last business day of the financial year.

e) Derivative financial instruments

The treatment of the returns on forward currency contracts and derivative contracts depends upon the nature of the transaction. Both motive and circumstances are used to determine whether the returns should be treated as capital or revenue. Where positions are undertaken to protect or enhance capital, and the circumstances support this, the returns are recognised in net capital gains; similarly where the motives and circumstances are to generate or protect revenue, and the circumstances support this, the returns are included within net revenue / (expense) before taxation. Where positions generate total returns it will generally be appropriate to apportion such returns between capital and revenue to properly reflect the nature of the transaction.

f) Dividend and interest income

Dividends from quoted equity and non-equity shares are recognised net of attributable tax credits when the security is quoted ex-dividend.

Overseas dividends received after the deduction of withholding tax are shown gross of taxation, with the taxation consequences shown within the taxation charge.

Dividends are recognised as either revenue or capital depending upon the nature and circumstances of the dividend receivable.

Interest on debt securities is recognised on an accruals basis, taking into account the effective yield on the investment and is treated as revenue. The effective yield basis amortises any discount or premium on the purchase of an investment over its remaining life based on estimated future cashflows. Any adjustments resulting from changes in cashflow estimates are treated as capital.

Bank interest is recognised on an accruals basis and treated as revenue.

g) Expenses

All expenses (other than those relating to the purchase and sale of investments and Stamp Duty Reserve Tax) are charged against revenue for the year on an accruals basis.

h) Apportionment of income and expenses to multiple share classes

With the exception of the ACD's periodic charge and share class hedging fees, which are directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

i) Taxation

The rate of corporation tax for the sub-fund is 20%, with relief for double taxation taken where appropriate. The tax accounting treatment follows the principal amounts involved.

j) Deferred taxation

Deferred tax is provided for in respect of timing differences that have originated but not reversed by the balance sheet date, with the exception of those regarded as permanent differences. Any liability to deferred tax is provided at the average rate of tax expected to apply. A deferred tax asset is recognised to the extent that it is expected to be utilised, based on the likelihood of taxable profits arising in the next twelve month period from which the future reversal of timing differences can be deducted. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

k) Distribution policy

The policy of the sub-fund is to distribute all available income, excluding any items treated as capital in accordance with the above policies and after deduction of expenses properly chargeable against revenue.

Income attributable to Accumulation shareholders is retained at the end of each distribution period and represents a reinvestment of income. All remaining income is distributed in accordance with the Collective Investment Schemes sourcebook.

2 Risk management policies

In pursuing the sub-fund's investment objective, as set out in the Authorised Corporate Director's (ACD's) Report, the ACD accepts market price risk, interest rate risk and currency risk in relation to the investment portfolio. The Prospectus permits the sub-fund to use derivative instruments for both investment purposes and to hedge against medium and long-term risk.

The sub-fund may undertake transactions in derivatives both on exchange and over the counter (OTC). These may include but are not limited to, credit default swaps, interest rate swaps, options, contracts for differences and futures for the purposes of meeting the investment objective and protecting the risk to capital, duration and credit management, as well as for hedging. Although the fund manager will select the counterparties with which it enters into derivative transactions with due skill and care, there will be residual risk that the counterparty may default on its obligations or become insolvent. The use of these instruments may expose the sub-fund to volatile investment returns and increase the volatility of the net asset value of the sub-fund. All derivative positions are disclosed separately in the portfolio statement.

M&G Episode Defensive Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

2 Risk management policies (continued)

Credit default swaps are bought and sold in response to detailed credit research to take advantage of anticipated movements in credit spreads on individual stocks and baskets of securities. When the sub-fund buys a credit default swap the default risk associated with the underlying security transfers to the counterparty. Conversely when the sub-fund sells a credit default swap the sub-fund assumes the credit risk of the underlying security.

Interest rate swaps are bought and sold in response to detailed research to take advantage of anticipated movements in interest rates or the relationship between them. When the sub-fund enters into an interest rate swap there is an exchange of cashflows with another party which may result in a gain or loss. The sub-fund may also use the instrument to hedge exposure to interest rate fluctuations arising from holdings of debt and floating rate securities.

The ACD will also use forward currency contracts to reduce the exposure of shareholders of the euro, sterling and Swiss franc share classes to movements in the sub-fund's base currency. The total benefits and costs of these forward currency contracts are assigned solely to the respective euro, sterling and Swiss franc share class.

The ACD considers the credit rating, yield and maturity of each interest-bearing security, in order to ensure that the yield fully reflects any perceived risk. The capital value of interest-bearing securities within the sub-fund will fall in the event of the default or perceived increased credit risk of an issuer.

The capital value of interest-bearing securities within the sub-fund may also be affected by interest rate fluctuations such that when interest rates rise, the capital value of the interest-bearing securities is likely to fall and visa versa.

The sub-fund holds investments denominated in currencies other than the base currency therefore exchange rate fluctuations can affect both income and capital values. Short-term foreign currency exposures are generally covered by short-dated currency contracts. Income arising in foreign currencies is generally converted into US dollars shortly after receipt and is not hedged in advance of receipt.

Liquidity risk relates to the capacity to meet liabilities. The primary source of this risk to the sub-fund is the liability to shareholders for any redemption of shares. The risk is minimised by holding cash and readily realisable securities and via access to overdraft facilities.

These policies have been consistently applied since the beginning of the financial year (31.01.13: same).

3 Net capital gains

	2014 £'000	2013 £'000
Non-derivative securities	(539)	89
Derivative contracts	474	44
Forward currency contracts	184	10
Currency gains / (losses)	25	(17)
Transaction charges	(5)	(2)
Net capital gains	139	124

4 Revenue

	2014 £'000	2013 £'000
Bank interest	5	1
Derivative revenue	(69)	(7)
Interest on debt securities	155	19
Overseas dividends	36	1
UK dividends	2	0
Total revenue	129	14

5 Expenses

	2014 £'000	2013 £'000
Payable to the Authorised Corporate Director or associate		
Authorised Corporate Director's periodic charge	4	1
Administration fee	31	11
	35	12
Payable to the Depository or associate		
Depository's fee (including VAT)	2	1
Other expenses		
Audit fee (including VAT)	7	7
Regulatory fees	7	0
Safe custody charge	1	0
Tax consultancy fees (including VAT) ^[a]	10	6
	25	13
Total expenses	62	26

[a] Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP.

6 Taxation

	2014 £'000	2013 £'000
a) Analysis of charge in the year		
Corporation tax	4	0
Overseas tax	5	0
Current tax charge (note 6b)	9	0
Deferred tax (note 6c)	0	0
Total taxation	9	0
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	67	(12)
Corporation tax at 20%	13	(2)
Effects of:		
Overseas dividends not taxable	(7)	0
Prior period expenses utilised	(2)	0
Current period expenses not utilised	0	2
Overseas tax	5	0
Current tax charge (note 6a)	9	0
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
Provision at the end of the year	0	0

The sub-fund does not have an unrecognised deferred tax asset at the year end (31.01.13: £2,000).

7 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (31.01.13: same).

M&G Episode Defensive Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

8 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the sub-fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the statement of change in net assets attributable to shareholders and note 12. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in the balance sheet where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's periodic charge, administration fee and share class hedging fee are disclosed in note 5. Amounts due at the year end to the ACD of £1,000 (31.01.13: £1,000) in respect of the ACD's periodic charge, administration fee and share class hedging fee are disclosed in the balance sheet.

At the balance sheet date, material shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 96.91% (31.01.13: 98.80%) of the sub-fund's shares.

9 Financial instruments

The policies applied in the management of financial instruments are set out in note 2.

Short-term debtors and creditors have been included in respect of the currency exposure only when this is applicable (31.01.13: same).

Currency exposure

The currency profile of the sub-fund's financial instruments at the balance sheet date was:

	Portfolio of investments		Net other assets / (liabilities)		Total	
	as at 31.01.14 £'000	as at 31.01.13 £'000	as at 31.01.14 £'000	as at 31.01.13 £'000	as at 31.01.14 £'000	as at 31.01.13 £'000
Australian dollar	57	0	23	0	80	0
Canadian dollar	29	36	5	(36)	34	0
Danish krone	1	0	0	0	1	0
Euro	9	(122)	37	24	46	(98)
Hong Kong dollar	2	0	33	0	35	0
Indonesian rupiah	113	0	0	0	113	0
Japanese yen	(44)	(96)	12	0	(32)	(96)
Malaysian ringgit	0	301	0	0	0	301
Mexican peso	167	0	17	0	184	0
New Taiwan dollar	1	0	0	0	1	0
Philippine peso	2	0	0	0	2	0
South African rand	168	0	9	0	177	0
South Korean won	(10)	0	176	0	166	0
Swiss franc	(43)	42	0	0	(43)	42
Thailand baht	0	7	21	18	21	25
US dollar	(753)	251	27	(13)	(726)	238
	(301)	419	360	(7)	59	412
Sterling	20,153	19,244	829	778	20,982	20,022
Total	19,852	19,663	1,189	771	21,041	20,434

Interest rate profile

	Floating rate financial assets		Fixed rate financial assets		Total	
	as at 31.01.14 £'000	as at 31.01.13 £'000	as at 31.01.14 £'000	as at 31.01.13 £'000	as at 31.01.14 £'000	as at 31.01.13 £'000
Australian dollar	20	0	0	0	20	0
Canadian dollar	5	0	0	0	5	0
Euro	11	24	1,321	0	1,332	24
Hong Kong dollar	33	0	0	0	33	0
Japanese yen	16	0	0	0	16	0
Mexican peso	14	0	384	0	398	0
South African rand	8	0	165	0	173	0
South Korean won	176	0	0	0	176	0
Sterling	855	895	12,470	18,639	13,325	19,534
Thai baht	21	18	0	0	21	18
US dollar	6	31	2,153	0	2,159	31
Total	1,165	968	16,493	18,639	17,658	19,607

	Weighted average gross interest rate of fixed interest-bearing assets		Weighted average period for which interest rates are fixed ^[a]	
	as at 31.01.14 %	as at 31.01.13 %	as at 31.01.14 years	as at 31.01.13 years
Euro	2.22	0.00	8.61	0.00
Mexican peso	6.64	0.00	9.88	0.00
South African rand	8.76	0.00	12.90	0.00
Sterling	0.32	0.00	0.11	0.11
US dollar	3.90	0.00	19.89	0.00

[a] Assuming the earliest maturity date for those assets with variable maturity dates.

Floating rate interest-bearing assets at the balance sheet date consist of bank balances, on which interest is calculated at a variable rate by reference to sterling bank deposit rates or the international equivalent; floating rate notes, on which interest is calculated at a variable rate by reference to the London Interbank Offered Rate (LIBOR) or the Euro Interbank Offered Rate (EURIBOR); and variable rate bond (31.01.13: same).

Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.01.13: same).

Risk analysis

Our core method of estimating each sub-fund's overall risk position is to use value at risk based (VaR) techniques that enable us to measure each sub-fund's sensitivity to core market risk factors such as credit and interest rates. VaR is a technique used to estimate the probability of portfolio losses based on the statistical analysis of historical price trends and volatilities.

The MAGIM risk model for VaR production was originally created in 2001 utilising the Algorithmics RiskWatch software, a market leading risk solution. From the variance / covariance matrices, a parametric Monte Carlo scenario set of 5,000 simulations is derived and applied to the M&G Episode Defensive Fund.

The key assumption within the variance / covariance matrix is the exponential weighted moving average approach that utilises a decay factor of 0.94 thereby weighting more recent data history with a higher significance.

The VaR analysis for the M&G Episode Defensive Fund is produced on a daily basis. Market risk factors that are analysed include LIBOR / swap rates, government yield curves, equity prices, foreign exchange rates, market volatility and credit spreads.

M&G Episode Defensive Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

9 Financial instruments (continued)

Risk analysis (continued)

With a statistical level of confidence of 99%, the VaR model suggests that the potential loss incurred could be £577,273 over the next 30 days from the balance sheet date, 31 January 2014.

Please note, the market risk information is a relative estimate of risk rather than a precise and accurate number. The model is based on historical data and cannot take account of the fact that future market price movements, correlations between markets and levels of market liquidity in conditions of market stress may bear no relation to historical patterns.

10 Portfolio transaction costs

	2014 £'000	2013 £'000
a) Purchases ^[a]		
Purchases excluding transaction costs	205,516	49,899
Commissions	7	1
Taxes	2	1
Total transaction costs	9	2
Total purchases including transaction costs	205,525	49,901
b) Sales ^[a]		
Sales excluding transaction costs	221,629	36,123
Commissions	(4)	(1)
Total sales net of transaction costs	221,625	36,122

^[a] Purchases and sales of Futures have been included at the value of their exposure.

11 Shareholder funds

This sub-fund contains Sterling Class 'A' (Net Accumulation) shares, Sterling Class 'I' (Net Accumulation) shares, Sterling Class 'N' (Net Accumulation) shares and Sterling Class 'R' (Net Accumulation) shares.

This sub-fund also contains Euro Class 'A-H' (Net Accumulation) shares and Euro Class 'C-H' (Net Accumulation) shares.

This sub-fund also contains Swiss franc Class 'A-H' (Net Accumulation) shares and Swiss franc Class 'C-H' (Net Accumulation) shares.

This sub-fund also contains Swiss franc Class 'A-H' (Net Accumulation) shares and Swiss franc Class 'C-H' (Net Accumulation) shares.

The charging structure for each share class, as at 31 January 2014, is set out in the following table:

CHARGES AND EXPENSES

	Initial charge %	Withdrawal fee %	ACD's annual remuneration ^[a] %	Share class hedging fee %
Sterling				
Class 'A'	4.00	n/a	1.20	n/a
Class 'I'	1.00	n/a	0.50	n/a
Class 'N' ^[b]	nil	n/a	nil	n/a
Class 'R'	1.00	n/a	0.70	n/a
Euro				
Class 'A-H'	4.00	n/a	1.20	0.025 ^[c]
Class 'C-H'	1.25	n/a	0.50	0.025 ^[c]
Swiss franc				
Class 'A-H'	4.00	n/a	1.20	0.025 ^[c]
Class 'C-H'	1.25	n/a	0.50	0.025 ^[c]
US dollar				
Class 'A-H'	4.00	n/a	1.20	0.025 ^[c]
Class 'C-H'	1.25	n/a	0.50	0.025 ^[c]

^[a] Please note that with effect from 15 November 2013 the ACD's annual remuneration for the M&G Episode Defensive Fund was increased by 0.05%. At the same time, the ACD's entitlement to a performance fee was removed and the share classes renamed. Please see the table above for further details.

^[b] Sterling Class 'N' shares are available only to a company which the ACD deems to be an associate company or to other collective investment schemes managed by the ACD.

^[c] This charge may vary between 0.01% and 0.06%.

With the exception of the Authorised Corporate Director's periodic charge and share class hedging fees which are directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

The net asset values for each share class are set out in the following table:

NET ASSET VALUES

	31.01.14 Acc £'000	31.01.13 Acc £'000
Sterling		
Class 'A'	168	212
Class 'I'	384	10
Class 'N'	20,319	20,117
Class 'R'	77	10
Euro		
Class 'A-H'	20	21
Class 'C-H'	21	22
Swiss franc		
Class 'A-H'	20	21
Class 'C-H'	20	21
US dollar		
Class 'A-H'	6	n/a
Class 'C-H'	6	n/a

The net asset value per share and the number of shares are given in the net assets table on page 12. The distribution per share is given in the distribution table on page 19. Each share class has the same rights on winding-up.

M&G Episode Defensive Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

12 Finance costs

	2014 £'000	2013 £'000
Accumulation shares (Sterling)		
Class 'A' - Final	0	0
Class 'I' - Final	0	0
Class 'N' - Final	59	0
Class 'R' - Final	0	0
Accumulation shares (Euro)		
Class 'A-H' - Final	0	0
Class 'C-H' - Final	0	0
Accumulation shares (Swiss franc)		
Class 'A-H' - Final	0	0
Class 'C-H' - Final	0	0
Accumulation shares (US dollar)		
Class 'A-H' - Final	0	0
Class 'C-H' - Final	0	0
Finance costs: Distributions	59	0
Net revenue / (expense) per statement of total return	58	(12)
Income deficit transferred to capital	1	12
Finance costs: Distributions	59	0

DISTRIBUTION TABLE

Dividend distributions on Accumulation shares	Net income	Equalisation	Amount reinvested	
			2014	2013
Sterling	p	p	p	p
Class 'A' - Final				
Group 1:	nil	-	nil	nil
Group 2:	nil	nil	nil	nil
Class 'I' - Final				
Group 1:	nil	-	nil	nil
Group 2:	nil	nil	nil	nil
Class 'N' - Final				
Group 1:	0.2967	-	0.2967	nil
Group 2:	0.2967	-	0.2967	nil
Class 'R' - Final				
Group 1:	nil	-	nil	nil
Group 2:	nil	nil	nil	nil
Euro	€	€	€	€
Class 'A-H' - Final				
Group 1:	nil	-	nil	nil
Group 2:	nil	nil	nil	nil
Class 'C-H' - Final				
Group 1:	nil	-	nil	nil
Group 2:	nil	nil	nil	nil
Swiss franc	¢	¢	¢	¢
Class 'A-H' - Final				
Group 1:	nil	-	nil	nil
Group 2:	nil	nil	nil	nil
Class 'C-H' - Final				
Group 1:	nil	-	nil	nil
Group 2:	nil	nil	nil	nil
US dollar	¢	¢	¢	¢
Class 'A-H' - Final				
Group 1:	nil	-	nil	n/a
Group 2:	nil	nil	nil	n/a
Class 'C-H' - Final				
Group 1:	nil	-	nil	n/a
Group 2:	nil	nil	nil	n/a

Final period 01.02.13 - 31.01.14

Group 1: Shares purchased prior to a distribution period.

Group 2: Shares purchased during a distribution period.

Equalisation applies only to shares purchased during the distribution period (Group 2). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes.

M&G Episode Defensive Fund

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M&G European Strategic Value Fund

AUTHORISED CORPORATE DIRECTOR'S REPORT

Note to shareholders

In November 2013, we took the opportunity to clarify the meaning of the term "total return" within the Fund's Investment Objective by adding the phrase "(the combination of income and growth of capital)". This additional wording does not indicate a change in the way the Fund is managed.

Investment objective of the M&G European Strategic Value Fund

The Fund aims to maximise long term total return (the combination of income and growth of capital) to investors by investing predominantly in undervalued European equities.

Investment policy of the M&G European Strategic Value Fund

The Fund seeks to maximise total return to investors through investment in European equities of companies whose share prices do not, in the opinion of the Investment Manager, fully reflect their potential value. The Fund will invest across a wide range of geographies, sectors and market capitalisations. The Fund may also invest in other assets including other non EU transferable securities, collective investment schemes, money market instruments, cash and near cash, deposits and derivative instruments. Derivative instruments may be used in support of achieving the Fund's investment objective.

Investment approach

The M&G European Strategic Value Fund is an actively managed fund with a bottom-up stockpicking approach, driven by the fundamental analysis of individual companies. While value strategies have tended to outperform over time, the fund manager believes an understanding of a company's qualitative aspects – financial strength, business durability and management behaviour – will help him to avoid the shortcomings of a purely quantitative approach.

The fund manager employs a three-stage investment process – screening, fundamental analysis and portfolio construction – to create a diversified portfolio with exposure to a broad range of countries and sectors. The portfolio is designed to have a value bias, and the fund manager invests with a long-term view and a typical holding period of three to five years.

Risk and reward profile*



- The above risk number is based on the rate at which the value of the Fund has moved up and down in the past.
- This risk number is based on historical data and may not be a reliable indicator of the future risk profile of the Fund.
- The risk number shown is not guaranteed and may change over time.

- The lowest risk number does not mean risk free.
- * This 'Risk and reward profile' section is based on Sterling Class 'A' shares.

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 3 February 2014, for the year ended 31 January 2014

Significant inflows during the period under review led to material increases in most of the fund's existing holdings, including Novartis, BP and Total. Swiss healthcare group Novartis has recently announced a change in management, which we regard as a positive move. The business also has a strong product pipeline over the next two years that should help to offset patent expirations.

UK-based BP and French-headquartered Total both offer a high dividend yield ^[a], which provides an element of safety in an uncertain environment and adds to the attractiveness of the shares.

All of the positions that were closed during the period under review were small. Of note were RSA Insurance Group and hotel operator Millenium & Copthorne Hotels. In February 2013, RSA slashed its dividend and announced a change in its business strategy. As a result, we decided to sell the holding, because of concerns about its capital discipline.

Millenium & Copthorne had been a long-term holding in the fund that had performed strongly and we felt it had reached a valuation which better reflected the company's earnings potential.

Several new holdings joined the portfolio during the review period. Notable among them were Deutsche Lufthansa, Elisa and Bankia. German airline Lufthansa is going through a period of restructuring and is committed to reducing costs and improving profitability. The company's shares are cheap in our opinion and have the potential for significant upside if the restructuring programme is successful.

Finland's Elisa is very attractively valued in our opinion as we believe investors are overly pessimistic about the competitive nature of the industry. However, unlike most other European markets, the Finnish telecommunications sector only has three providers which, in our view, should support Elisa's solid profitability.

Bankia is a Spanish bank created out of the merger of regional savings banks in the wake of the global financial crisis. We believe the bank's valuation does not reflect the potential for a stabilisation of the domestic property market.

Richard Halle Fund manager

An employee of M&G Limited which is an associate of M&G Securities Limited. At the start of the review period Richard Halle and Daniel White were co-fund managers.

^[a] 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. The yield refers to the dividends received expressed annually as a percentage based on the investment's cost, its current market value or face value.

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 European Strategic Value Fund

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	02.02.15	31.03.15

	Final distribution		Ongoing Charges Figure ^[b]	
	Inc 31.03.14 ^[a]	Acc 03.02.14 ^[a]	31.01.14	31.01.13
Sterling	p	p	%	%
Class 'A'	1.4803	1.6269	1.69	1.84
Class 'I'	2.4014	2.7416	0.94	0.96
Class 'R'	2.2424	2.3193	1.17	1.20 ^[c]
Euro	€	€	%	%
Class 'A'	n/a	14.7721	1.68	1.86
Class 'C'	n/a	25.0577	0.92	0.97

^[a] The date on which the final distribution will be paid to Income shareholders and credited to Accumulation shareholders.

^[b] The Ongoing Charges Figure is the ratio of the relevant annualised total disclosable costs of each share class from the most recent reporting period to the average net asset value for that share class over the same period.

^[c] The comparative Ongoing Charges Figure shown here is an estimate of the charges, as the share class had not been in existence for a full financial year.

FUND PERFORMANCE

Performance of share classes

	Net asset value per share as at 31.01.14		Net asset value per share as at 31.01.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	124.21	137.53	109.31	119.63	+13.63	+14.96
Class 'I'	124.29	145.12	109.46	125.29	+13.55	+15.83
Class 'R'	135.86	138.47	119.56	119.83	+13.63	+15.56
Euro	€	€	€	€	%	%
Class 'A'	n/a	12.5072	n/a	10.4334	n/a	+19.88
Class 'C'	n/a	13.1929	n/a	10.9239	n/a	+20.77

PERFORMANCE SINCE LAUNCH

	six months 01.08.13 %	one year 01.02.13 %	five years 03.02.09 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	+3.0	+13.7	+10.8	+3.9 ^[c]
Class 'I'	+2.7	+13.7	+10.9	+3.9 ^[c]
Class 'R'	+2.8	+13.7	n/a	+23.7 ^[d]
Euro ^[e]				
Class 'A'	+9.8	+19.9	+14.5	+4.0 ^[c]
Class 'C'	+10.2	+20.8	+15.5	+4.9 ^[c]

^[a] Shows the compound rate of return, per annum, over the period.

^[b] Bid to bid excluding reinvested income.

^[c] 1 February 2008, the launch date of the fund.

^[d] 3 August 2012, the launch date of the share class.

^[e] Bid to bid with net income reinvested.

SINGLE YEAR PERFORMANCE (5 YEARS ENDING JANUARY)

From	31.01.13	31.01.12	31.01.11	29.01.10	30.01.09
To	31.01.14	31.01.13	31.01.12	31.01.11	29.01.10
	%	%	%	%	%
Sterling					
Class 'A'	+14.2	+16.2	-9.3	+12.9	+28.7

Source: Morningstar, Inc., bid to bid with net income reinvested.

PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
Sterling (net)		p	p	p	p
Class 'A'	2009	108.49	65.82	111.56	67.68
	2010	109.60	89.23	114.17	92.95
	2011	115.61	86.57	121.65	91.10
	2012	104.16	85.44	111.95	91.83
	2013	131.48	104.41	143.84	112.23
	2014 ^[a]	133.31	125.55	145.84	137.40
Class 'I'	2009	108.89	65.77	113.08	68.30
	2010	110.28	89.50	117.03	94.98
	2011	116.06	87.11	125.56	94.23
	2012	104.93	85.66	117.16	95.65
	2013	132.27	105.20	151.51	117.46
	2014 ^[a]	134.33	126.05	153.86	144.96
Class 'R'	2012 ^[b]	112.02	100.00	112.02	100.00
	2013	144.26	112.31	144.65	112.31
	2014 ^[a]	146.43	137.77	146.82	138.31
Euro (net)		€	€	€	€
Class 'A'	2009	n/a	n/a	9.0188	5.5885
	2010	n/a	n/a	9.8961	8.3270
	2011	n/a	n/a	10.4691	7.8228
	2012	n/a	n/a	10.2245	8.5491
	2013	n/a	n/a	12.8188	10.3340
	2014 ^[a]	n/a	n/a	13.1769	12.4934
Class 'C'	2009	n/a	n/a	9.1419	5.6373
	2010	n/a	n/a	10.1499	8.4910
	2011	n/a	n/a	10.7556	8.0794
	2012	n/a	n/a	10.6973	8.9004
	2013	n/a	n/a	13.5126	10.8132
	2014 ^[a]	n/a	n/a	13.8960	13.1783

^[a] To 3 February 2014.

^[b] From 3 August 2012 (the launch date of the share class).

Past performance is no indication of current or future performance and the performance data does not take account of the commissions and costs incurred on the issue and redemption of shares.

The price of shares and the income from them may go down as well as up, and you may get back less than you invested.

M&G European Strategic Value Fund

FUND STATISTICS

INCOME

Dividend income per share

	Calendar year	Distributed	Reinvested
Sterling (net)			
Class 'A'		p	p
	2009	2.1370	2.1370
	2010	1.2760	1.3121
	2011	1.1140	1.1604
	2012	2.0700	2.1780
	2013	1.9895	2.1419
	2014 [a]	1.4803	1.6269
Class 'I'			
	2009	2.9060	2.9060
	2010	2.1400	2.2224
	2011	2.1350	2.2656
	2012	3.1280	3.3590
	2013	2.8506	3.1685
	2014 [a]	2.4014	2.7416
Class 'R'			
	2013	0.2660	0.2660
	2014 [a]	2.2424	2.3193
Euro (net)			
Class 'A'		¢	¢
	2009	n/a	18.0490
	2010	n/a	11.3300
	2011	n/a	10.0850
	2012	n/a	19.7390
	2013	n/a	18.2620
	2014 [a]	n/a	14.7721
Class 'C'			
	2009	n/a	24.1460
	2010	n/a	18.4100
	2011	n/a	19.6770
	2012	n/a	29.8970
	2013	n/a	28.5870
	2014 [a]	n/a	25.0577

[a] Up to final: ex-distribution date 3 February 2014;
payment date 31 March 2014.

NET ASSETS

	Year ended	Value per share Inc	Value per share Acc	Number of shares Inc	Number of shares Acc
Sterling					
Class 'A'	Jan 2012	95.77	102.95	27,303,042	60,028,000
	Jan 2013	109.31	119.63	26,996,042	27,812,000
	Jan 2014	124.21	137.53	566,042	523,700
Class 'I'	Jan 2012	95.68	106.88	7,500	15,784,000
	Jan 2013	109.46	125.29	17,500	16,682,000
	Jan 2014	124.29	145.12	65,500	2,549,000
Class 'R'	Jan 2013	119.56	119.83	1,000	1,000
	Jan 2014	135.86	138.47	11,000	11,000
Euro					
		€	€		
Class 'A'	Jan 2012	n/a	9.2371	n/a	166,800
	Jan 2013	n/a	10.4334	n/a	136,400
	Jan 2014	n/a	12.5072	n/a	423,300
Class 'C'	Jan 2012	n/a	9.5740	n/a	102,100
	Jan 2013	n/a	10.9239	n/a	24,100
	Jan 2014	n/a	13.1929	n/a	89,673,107
Total net asset value of sub-fund					
	Year ended	£	€ [a]		
	Jan 2012	106,928,000	128,095,000		
	Jan 2013	85,153,000	99,167,000		
	Jan 2014	983,583,000	1,194,701,000		

[a] Based on the midday exchange rate on the last business day of each financial year.

PORTFOLIO

PORTFOLIO STATEMENT

as at 31 January 2014

Holding	Value £'000	31.01.14 %	31.01.13 %
Oil & gas producers			
7,941,468 BP	37,547	3.82	
1,082,876 Repsol	15,468	1.57	
14,161 Royal Dutch Shell 'A'	300	0.03	
1,183,133 Royal Dutch Shell 'B'	26,532	2.70	
952,086 Total	32,815	3.34	
Oil equipment, services & distribution			
7,165,124 Lamprell	10,246	1.04	0.86
Chemicals			
285,600 Bayer	22,768	2.31	
72,439 Solvay	6,152	0.63	
Forestry & paper			
1,364,712 UPM-Kymmene	12,685	1.29	1.15
Industrial metals & mining			
554,794 Aperam	5,977	0.61	
196,319 Salzgitter	5,182	0.53	
Construction & materials			
268,014 Buzzi Unicem	2,959	0.30	0.85
222,670 Buzzi Unicem Pref. (non voting)	1,276	0.13	
General industrials			
2,028 Vetropack	2,448	0.25	0.75
Electronic & electrical equipment			
		0.00	0.44
Industrial engineering			
		0.00	0.53

M&G European Strategic Value Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 31 January 2014

Holding	Value £'000	31.01.14 %	31.01.13 %
Industrial transportation			
1,326,467 Groupe Eurotunnel	8,913	0.91	
1,030,282 TNT Express	5,497	0.56	
Support services			
2,037,470 Securitas 'B'	12,697	1.29	
1,874,671 Serco Group	8,114	0.82	
Automobiles & parts			
137,518 Bayerische Motoren Werke	8,944	0.91	
92,136 Daimler	4,611	0.47	
216,758 Rheinmetall	8,421	0.86	
127,307 Valeo	8,475	0.86	
54,592 Volkswagen Pref.	8,342	0.85	
Beverages			
290,132 Heineken Holding	10,118	1.03	
Food producers			
321,512 Nestlé (Regd.)	14,074	1.43	
1,572,783 Orkla	7,428	0.76	
Household goods & home construction			
116,094 BIC	8,162	0.83	
Leisure goods			
656,373 Philips (formerly Philips Electronics)	13,699	1.39	
Personal goods			
243,119 Oriflame Cosmetics	4,023	0.41	
553,277 Svenska Cellulosa 'B'	9,453	0.96	
Pharmaceuticals & biotechnology			
540,572 AstraZeneca	20,726	2.11	
1,233,525 GlaxoSmithKline	19,163	1.95	
451,639 H. Lundbeck	6,797	0.69	
131,520 Merck	12,371	1.26	
854,384 Novartis (Regd.)	40,997	4.17	
453,565 Sanofi	27,095	2.75	
Food & drug retailers			
216,519 Kesko	4,854	0.49	
459,161 Metro	11,403	1.16	
2,849,006 Wm. Morrison Supermarkets	6,783	0.69	
General retailers			
4,348,647 Darty	5,686	0.58	
261,785 Groupe Fnac	4,951	0.50	
178,829 Hornbach Holding Pref. (non-voting)	8,835	0.90	
535,791 Inchcape	3,081	0.31	
243,039 Signet Jewelers	11,937	1.21	
Media			
170,786 Lagardère	3,609	0.37	
1,535,910 Vivendi	24,809	2.52	
1,200,180 Wolters Kluwer	20,132	2.05	
Travel & leisure			
592,778 Deutsche Lufthansa	8,455	0.86	
Fixed line telecommunications			
711,247 Elisa	10,962	1.11	
691,129 Orange (formerly France Telecom)	5,121	0.52	
2,560,347 Telekom Austria	13,497	1.37	
Mobile telecommunications			
1,915,217 Deutsche Telekom	18,819	1.91	
377,149 Mobistar	4,279	0.44	
11,791,067 Vodafone Group	26,129	2.66	

PORTFOLIO STATEMENT (continued)

as at 31 January 2014

Holding	Value £'000	31.01.14 %	31.01.13 %
Electricity			
296,795 BKW	5,717	0.58	
188,938 Public Power	1,507	0.15	
Gas, water & multi-utilities			
754,362 E.ON	8,328	0.85	
Banks			
5,032,682 Asya Katilim Bankasi	1,511	0.15	
9,712,601 Bankia	10,147	1.03	
297,541 BNP Paribas	13,862	1.41	
378,651 Deutsche Bank	11,029	1.12	
5,723,798 Intesa Sanpaolo	9,114	0.93	
165,420 JYSKE Bank	5,059	0.51	
20,489,428 Lloyds Banking Group	16,724	1.70	
2,566,443 Royal Bank of Scotland Group	8,677	0.88	
140,405 Sberbank (UK Listing)	917	0.09	
634,863 Sberbank (US Listing)	4,154	0.42	
310,522 Société Générale	10,641	1.08	
4,074,428 Türkiye Vakıflar Bankası	3,757	0.38	
1,220,420 UBS (Regd.)	14,556	1.48	
Non-life insurance			
135,023 Allianz	13,606	1.38	
355,467 AXA	5,623	0.57	
88,155 Baloise Holdings (Regd.)	6,370	0.65	
403,723 FBD Holdings	5,885	0.60	
204,567 Munich Re	25,574	2.60	
Life insurance			
4,449,000 Resolution	15,447	1.57	
4,141,319 Storebrand	14,911	1.52	
Real estate investment trusts			
182,848 Corio	4,728	0.48	
Financial services			
1,060,927 Investor 'B'	20,805	2.12	
26,561 Sofina	1,874	0.19	
Software & computer services			
220,087 Tieto	2,964	0.30	
Technology hardware & equipment			
2,007,922 Alcatel-Lucent	4,854	0.49	
1,267,216 Ericsson 'B'	9,514	0.97	
1,622,937 Nokia	6,901	0.70	
1,789,187 STMicroelectronics	8,853	0.90	
'AAA' rated money market funds [a]			
66,661,000 Northern Trust Global Fund - Sterling	66,661	6.78	
Portfolio of investments (notes 1b & 1d on page 26)	984,087	100.05	100.00
Net other liabilities	(504)	(0.05)	0.00
Net assets attributable to shareholders	983,583	100.00	100.00

[a] Uncommitted surplus cash is placed into 'AAA' rated money market funds with the aim of reducing counterparty risk.

M&G European Strategic Value Fund

PORTFOLIO

PORTFOLIO TRANSACTIONS

for the year ended 31 January 2014

Largest purchases	£'000
Novartis (Regd.)	38,262
BP	32,873
Sanofi	31,938
Total	30,282
Royal Dutch Shell 'B'	23,623
Munich Re	23,266
Investor 'B'	21,973
Vodafone Group	21,620
Vivendi	21,303
Bayer	20,486
Wolters Kluwer	18,799
GlaxoSmithKline	18,642
AstraZeneca	17,475
Nestlé (Regd.)	16,484
Resolution	16,399
UBS (Regd.)	15,811
Repsol	15,476
Merck	14,527
Heineken Holding	14,446
Deutsche Telekom	14,239
Northern Trust Global Fund - Sterling ^[a]	278,119
Other purchases	473,863
Total purchases	1,179,906
Largest sales	£'000
Deutsche Post	9,408
Delhaize Group	7,745
LEONI	6,602
Millennium & Copthorne Hotels	6,385
Svenska Cellulosa 'B'	6,362
Inchcape	6,113
Resolution	5,879
Sanofi	5,590
Heineken Holding	4,571
FBD Holdings	3,902
Nestlé (Regd.)	3,884
Bayer	3,795
Banca Popolare di Milano	3,755
BIC	3,708
Merck	3,428
Investor 'B'	3,408
Sofina	2,957
UBS (Regd.)	2,956
Groupe Eurotunnel	2,613
Société Générale	2,390
Northern Trust Global Fund - Sterling ^[a]	215,478
Other sales	29,346
Total sales	340,275

^[a] Uncommitted surplus cash is placed into 'AAA' rated money market funds with the aim of reducing counterparty risk.

FINANCIAL STATEMENTS

For the year ended 31 January 2014.

STATEMENT OF TOTAL RETURN

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	3		60,019		10,484
Revenue	4	14,619		4,466	
Expenses	5	(5,690)		(1,635)	
Net revenue before taxation		8,929		2,831	
Taxation	6	(1,259)		(309)	
Net revenue after taxation			7,670		2,522
Total return before distributions			67,689		13,006
Finance costs: Distributions	12		(7,674)		(2,523)
Change in net assets attributable to shareholders from investment activities			60,015		10,483

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

		2014		2013	
		£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders			85,153		106,928
Amounts received on issue of shares	1,041,696			16,712	
Amounts paid on cancellation of shares	(221,759)			(50,113)	
			819,937		(33,401)
Stamp Duty Reserve Tax (SDRT)			(152)		(9)
Change in net assets attributable to shareholders from investment activities (see above)			60,015		10,483
Retained distributions on Accumulation shares			18,630		1,152
Closing net assets attributable to shareholders			983,583		85,153

M&G European Strategic Value Fund

FINANCIAL STATEMENTS

BALANCE SHEET

	as at 31 January 2014		as at 31 January 2013	
	£'000	£'000	£'000	£'000
Assets				
Investment assets		984,087		85,150
Debtors				
Amounts receivable on issues	138		86	
Currency deals outstanding	149		0	
Distributions receivable	19		1	
Dividends receivable	423		46	
Overseas tax recoverable	683		508	
Prepaid expenses	0		1	
Sales awaiting settlement	7		0	
		1,419		642
Cash and bank balances				
Cash held as bank balances	621		48	
		621		48
Total other assets		2,040		690
Total assets		986,127		85,840
Liabilities				
Creditors				
Amounts payable on cancellations	(195)		(73)	
Currency deals outstanding	(148)		0	
Expenses payable	(348)		(77)	
Net distributions payable on Income shares	(10)		(537)	
Purchases awaiting settlement	(1,842)		0	
SDRT payable	(1)		0	
Total liabilities		(2,544)		(687)
Net assets attributable to shareholders		983,583		85,153

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

a) Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010.

b) Basis of valuation of investments

All investments are valued at their fair value as at 12 noon on 31 January 2014, being the last business day of the financial year. The fair value of non-derivative securities is bid price.

c) Investment gains and losses

Gains and losses, including exchange differences, on the realisation of investments and increases and decreases in the valuation of investments held at the balance sheet date, including unrealised exchange differences, are treated as capital.

d) Exchange rates

Transactions in foreign currencies are translated at the rate of exchange ruling on the date of the transaction. Where applicable, assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling as at 12 noon on 31 January 2014, being the last business day of the financial year.

e) Dividend and interest income

Dividends from quoted equity and non-equity shares are recognised net of attributable tax credits when the security is quoted ex-dividend.

Overseas dividends received after the deduction of withholding tax are shown gross of taxation, with the taxation consequences shown within the taxation charge.

Dividends are recognised as either revenue or capital depending upon the nature and circumstances of the dividend receivable.

Distributions from collective investment schemes are recognised net of attributable tax credits when the security is quoted ex-distribution and are treated as revenue.

Bank interest is recognised on an accruals basis and treated as revenue.

f) Stock dividends

The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the sub-fund. Any enhancement above the cash dividend is treated as capital.

g) Expenses

All expenses (other than those relating to the purchase and sale of investments and Stamp Duty Reserve Tax) are charged against revenue for the year on an accruals basis.

h) Apportionment of income and expenses to multiple share classes

With the exception of the Authorised Corporate Director's (ACD's) periodic charge, which is directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

i) Taxation

The rate of corporation tax for the sub-fund is 20%, with relief for double taxation taken where appropriate. The tax accounting treatment follows the principal amounts involved.

j) Deferred taxation

Deferred tax is provided for in respect of timing differences that have originated but not reversed by the balance sheet date, with the exception of those regarded as permanent differences. Any liability to deferred tax is provided at the average rate of tax expected to apply. A deferred tax asset is recognised to the extent that it is expected to be utilised, based on the likelihood of taxable profits arising in the next twelve month period from which the future reversal of timing differences can be deducted. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

M&G European Strategic Value Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies (continued)

k) Distribution policy

The policy of the sub-fund is to distribute all available income, excluding any items treated as capital in accordance with the above policies and after deduction of expenses properly chargeable against revenue. Stock dividends form part of the distributable income.

Income attributable to Accumulation shareholders is retained at the end of each distribution period and represents a reinvestment of income. All remaining income is distributed in accordance with the Collective Investment Schemes sourcebook.

Distributions which have remained unclaimed by shareholders for more than six years are credited to the capital property of the sub-fund.

2 Risk management policies

In pursuing the sub-fund's investment objective, as set out in the Authorised Corporate Director's (ACD's) Report, the ACD accepts market price risk and currency risk in relation to the investment portfolio and euro cash positions. Generally, the ACD will not seek to hedge these exposures since the ACD believes that, in the long term, such hedging would be detrimental to total return.

The sub-fund holds overseas investments and exchange rate fluctuations can affect both capital and income values. Short-term exposures to foreign currencies, other than euros, are generally covered by short-dated currency contracts. Income arising in foreign currencies is generally converted into sterling shortly after receipt and is not hedged in advance of receipt.

Since the objective of the sub-fund is to deliver returns over the long term, transactions with the sole objective of realising short-term returns are generally not undertaken.

The sub-fund's assets comprise securities that can be readily realised to meet obligations that may arise on the redemption of shares. As noted on page 69, the ACD's policy is that the sub-fund should normally be close to fully invested.

These policies have been consistently applied since the beginning of the financial year (31.01.13: same).

3 Net capital gains

	2014 £'000	2013 £'000
Non-derivative securities	59,306	10,444
Currency gains	340	45
Special dividends taken to capital	394	4
Transaction charges	(21)	(9)
Net capital gains	60,019	10,484

4 Revenue

	2014 £'000	2013 £'000
Interest distributions	121	20
Interest on overseas tax previously withheld at source	16	0
Overseas dividends	10,618	3,285
Stock dividends	1,234	311
UK dividends	2,630	850
Total revenue	14,619	4,466

5 Expenses

	2014 £'000	2013 £'000
Payable to the Authorised Corporate Director or associate		
Authorised Corporate Director's periodic charge	4,686	1,444
Administration fee	888	147
	5,574	1,591
Payable to the Depositary or associate		
Depositary's fee (including VAT)	36	9
Distribution fees	1	0
	37	9
Other expenses		
Audit fee (including VAT)	10	10
Regulatory fees	7	6
Safe custody charge	54	11
Tax consultancy fees (including VAT) ^[a]	8	8
	79	35
Total expenses	5,690	1,635

[a] Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP.

6 Taxation

	2014 £'000	2013 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Overseas tax	1,311	315
Overseas tax recoverable: exchange rate movements	29	(6)
Overseas tax recovered: previously withheld at source	(81)	0
Current tax charge (note 6b)	1,259	309
Deferred tax (note 6c)	0	0
Total taxation	1,259	309
b) Factors affecting taxation charge for the year		
Net revenue before taxation	8,929	2,831
Corporation tax at 20%	1,786	566
Effects of:		
UK dividends not taxable	(526)	(170)
Stock dividends not taxable	(247)	(62)
Overseas dividends not taxable	(2,118)	(657)
Current year expenses not utilised	1,105	323
Overseas tax	1,311	315
Overseas tax recoverable: exchange rate movements	29	(6)
Overseas tax recovered: previously withheld at source	(81)	0
Current tax charge (note 6a)	1,259	309
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
Provision at the end of the year	0	0

The sub-fund has not recognised a deferred tax asset of £1,960,000 (31.01.13: £855,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

M&G European Strategic Value Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

7 Contingent assets, liabilities and outstanding commitments

The sub-fund has not recognised a contingent asset of £322,000 (31.01.13: £294,000). In May 2012 there was a European Court of Justice (ECJ) ruling confirming the ability to recover excess withholding tax applied by French tax authorities suffered on dividends in prior accounting periods. Full recovery of this asset is not certain, however, an estimated accrual is included within the daily price of the sub-fund's shares. The contingent asset will be reflected in the financial statements when receipt of the reclaims becomes virtually certain.

There were no contingent liabilities or outstanding commitments at the balance sheet date (31.01.13: same).

8 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the sub-fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the statement of change in net assets attributable to shareholders and note 12. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in the balance sheet where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's periodic charge and administration fee are disclosed in note 5. Amounts due at the year end to the ACD of £276,000 (31.01.13: £34,000) in respect of the ACD's periodic charge and administration fees are disclosed in the balance sheet.

At the balance sheet date, material shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 95.48% (31.01.13: 57.76%) of the sub-fund's shares.

9 Financial instruments

The policies applied in the management of financial instruments are set out in note 2.

Short-term debtors and creditors have been included in respect of the currency exposure only when this is applicable (31.01.13: same).

Currency exposure

The currency profile of the sub-fund's financial instruments at the balance sheet date was:

	Portfolio of investments		Net other assets / (liabilities)		Total	
	as at 31.01.14 £'000	as at 31.01.13 £'000	as at 31.01.14 £'000	as at 31.01.13 £'000	as at 31.01.14 £'000	as at 31.01.13 £'000
Danish krone	11,856	0	0	0	11,856	0
Euro	515,146	45,945	377	458	515,523	46,403
Norwegian krone	22,339	1,598	30	27	22,369	1,625
Swedish krona	56,492	4,971	599	11	57,091	4,982
Swiss franc	84,162	8,678	113	144	84,275	8,822
Turkish lira	5,268	0	0	0	5,268	0
US dollar	17,008	0	25	4	17,033	4
	712,271	61,192	1,144	644	713,415	61,836
Sterling	271,816	23,958	(1,648)	(641)	270,168	23,317
Total	984,087	85,150	(504)	3	983,583	85,153

Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.01.13: same).

Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.01.13: same).

10 Portfolio transaction costs

	2014 £'000	2013 £'000
a) Purchases		
Purchases excluding transaction costs	1,178,419	60,272
Commissions	291	20
Taxes	1,196	18
Total transaction costs	1,487	38
Total purchases including transaction costs	1,179,906	60,310
b) Sales		
Sales excluding transaction costs	340,374	92,563
Commissions	(99)	(25)
Total sales net of transaction costs	340,275	92,538

M&G European Strategic Value Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

11 Shareholder funds

This sub-fund contains Sterling Class 'A' (Net Income and Net Accumulation) shares, Sterling Class 'I' (Net Income and Net Accumulation) shares and Sterling Class 'R' (Net Income and Net Accumulation) shares.

This sub-fund also contains Euro Class 'A' (Net Accumulation) shares and Euro Class 'C' (Net Accumulation) shares.

The charging structure for each share class, as at 31 January 2014, is set out in the following table:

CHARGES AND EXPENSES

	Initial charge %	Withdrawal fee %	ACD's annual remuneration %
Sterling			
Class 'A'	4.00	n/a	1.50
Class 'I'	1.00	n/a	0.75
Class 'R'	1.00	n/a	1.00
Euro			
Class 'A'	4.00	n/a	1.50
Class 'C'	1.25	n/a	0.75

With the exception of the Authorised Corporate Director's periodic charge, which is directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

The net asset values for each share class are set out in the following table:

NET ASSET VALUES

	31.01.14		31.01.13	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Sterling				
Class 'A'	703	720	29,511	33,273
Class 'I'	82	3,699	19	20,900
Class 'R'	15	15	1	1
Euro				
Class 'A'	n/a	4,359	n/a	1,222
Class 'C'	n/a	973,990	n/a	226

The net asset value per share and the number of shares are given in the net assets table on page 23. The distribution per share is given in the distribution table on page 30. Each share class has the same rights on winding-up.

12 Finance costs

	2014 £'000	2013 £'000
Income shares (Sterling)		
Class 'A' - Final	8	537
Class 'I' - Final ^[a]	2	0
Class 'R' - Final ^[b]	0	0
Accumulation shares (Sterling)		
Class 'A' - Final	9	596
Class 'I' - Final	70	529
Class 'R' - Final ^[c]	0	0
Accumulation shares (Euro)		
Class 'A' - Final	52	21
Class 'C' - Final	18,499	6
Finance costs: Dividend distributions	18,640	1,689
Income deducted on cancellation of shares	2,686	1,120
Income received on issue of shares	(13,652)	(286)
Finance costs: Distributions	7,674	2,523
Net revenue per statement of total return	7,670	2,522
Undistributed income brought forward	4	5
Undistributed income carried forward	0	(4)
Finance costs: Distributions	7,674	2,523

^[a] The comparative final distribution for Sterling Class 'I' (Income) shares was £499.

^[b] The final distribution for Sterling Class 'R' (Income) shares was £247 (2013: £3).

^[c] The final distribution for Sterling Class 'R' (Accumulation) shares was £255 (2013: £3).

M&G European Strategic Value Fund

FINANCIAL STATEMENTS

DISTRIBUTION TABLE

Dividend distributions on Income shares	Net income	Equalisation	Distribution payable/paid	
	p	p	2014	2013
Sterling				
Class 'A' - Final				
Group 1:	1.4803	-	1.4803	1.9895
Group 2:	0.0320	1.4483	1.4803	1.9895
Class 'I' - Final				
Group 1:	2.4014	-	2.4014	2.8506
Group 2:	-	2.4014	2.4014	2.8506
Class 'R' - Final				
Group 1:	2.2424	-	2.2424	0.2660
Group 2:	-	2.2424	2.2424	0.2660
Dividend distributions on Accumulation shares	Net income	Equalisation	Amount reinvested	
	p	p	2014	2013
Sterling				
Class 'A' - Final				
Group 1:	1.6269	-	1.6269	2.1419
Group 2:	-	1.6269	1.6269	2.1419
Class 'I' - Final				
Group 1:	2.7416	-	2.7416	3.1685
Group 2:	0.0162	2.7254	2.7416	3.1685
Class 'R' - Final				
Group 1:	2.3193	-	2.3193	0.2660
Group 2:	-	2.3193	2.3193	0.2660
Euro	€	€	€	€
Class 'A' - Final				
Group 1:	14.7721	-	14.7721	18.2620
Group 2:	11.9321	2.8400	14.7721	18.2620
Class 'C' - Final				
Group 1:	25.0577	-	25.0577	28.5870
Group 2:	8.6003	16.4574	25.0577	28.5870

Final period 01.02.13 - 31.01.14

Group 1: Shares purchased prior to a distribution period.

Group 2: Shares purchased during a distribution period.

Equalisation applies only to shares purchased during the distribution period (Group 2). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes.

M&G Global Convertibles Fund

AUTHORISED CORPORATE DIRECTOR'S REPORT

Note to shareholders

In November 2013, we took the opportunity to clarify the meaning of the term "total return" within the Fund's Investment Objective by adding the phrase "(the combination of income and growth of capital)". This additional wording does not indicate a change in the way the Fund is managed.

Investment objective of the M&G Global Convertibles Fund

The Fund aims to maximise long term total return (the combination of income and growth of capital) to investors by investing mainly in global convertible assets.

Investment policy of the M&G Global Convertibles Fund

The Fund seeks to maximise the risk-reward profile through investment in convertible assets whose issuers may be in any country, including emerging markets. Global convertible assets includes all assets that either directly or via a combination of instruments achieve exposure of a convertible bond nature. Such exposure can be achieved by investing directly or through the use of derivative instruments. Additionally, derivative instruments may be used to manage the risk characteristics of the Fund. The remainder of the Fund may be invested in securities in support of the fund objective, such as, equities, bonds, collective investment schemes, derivative instruments, money market instruments, cash and near cash.

Investment approach

The manager of the M&G Global Convertibles Fund aims to take advantage of the special characteristics of convertibles as these financial instruments can participate in the rise of share prices whilst providing an amount of protection against share price falls. He looks for the fund to participate in the equity upside whilst also benefiting from the unique protection features of convertibles. Convertibles are bonds that are issued with an option that allows investors to convert them into shares of the issuing company within a set time period and at a specified price, called the conversion price. So, as the share price of the company increases, convertibles become more and more valuable (as investors can exchange their convertible bonds for shares in the company). But because they are not pure equity, they offer investors some protection against falls in share prices: if the share price goes down, the option can become worthless but the investor still keeps the value of the bond.

The fund is managed without reference to any benchmark, expected yield or target return. Instead, the investment process focuses purely on delivering the best possible risk-adjusted returns over the cycle. The fund aims to invest in convertibles that provide the best risk-reward features. For these convertibles, the potential gain from the option on the share price exceeds the potential loss from the share price falling back to the value of the bond. Risk is also managed by minimising the potential loss that the convertible might suffer if the share price of the company declined markedly and the value of the embedded option fell to zero.

Key to the performance of the fund is a bottom-up, global approach to stockpicking among convertibles based on the assessment of company fundamentals. The fund manager has no set geographical guidelines or limits determined by macroeconomic or sector views.

Risk and reward profile*



- The above risk number is based on the rate at which the value of the Fund has moved up and down in the past.
- This risk number is based on historical data and may not be a reliable indicator of the future risk profile of the Fund.
- The risk number shown is not guaranteed and may change over time.
- The lowest risk number does not mean risk free.

* This 'Risk and reward profile' section is based on Sterling Class 'A' shares.

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 3 February 2014, for the year ended 31 January 2014

The 12 month review period was relatively active in terms of purchasing and selling convertible bonds^[a] within the portfolio. We took advantage of strong performance to dispose of certain holdings and replaced them with others that we thought were better placed to deliver superior risk-adjusted returns.

One of the features of the convertibles market during the review period was a surge in new issues. Higher share prices and the prospect of rising interest rates encouraged companies to raise money by issuing convertibles. This increased the choice of investments in the market and we added a number of new positions to the fund.

The largest purchases were convertibles issued by real estate developers and technology companies. However, this does not necessarily imply a positive view on these sectors since we allocate capital on a 'bottom-up' basis, investing purely on the individual characteristics of particular convertibles. We aim to buy convertibles issued by companies with solid credit quality, giving exposure to shares that we consider undervalued.

In the real estate sector, we bought convertibles from CapitaLand in Singapore, British Land in the UK, SL Green in the US and Deutsche Wohnen in Germany. The latter replaced a convertible from another German property developer, GSW Immobilien, which was acquired by Deutsche Wohnen. Among the entrants from technology firms were convertibles from 3D graphics processor manufacturer Nvidia, internet media business Yahoo and flash memory developer Sandisk, all from the US, as well as Spanish consulting and technology firm Indra Sistemas.

M&G Global Convertibles Fund

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

We were able to realise profits by selling convertibles from KDDI, a Japanese telecommunications group, and Salix Pharmaceuticals, a US developer of gastro-intestinal drugs. It is important to note that, when the price of the convertibles we own starts to rise, we tend not to sell the position straightaway but will gradually trim the size of the holding. This enables us to reduce risk while still benefiting from potential further appreciation. We followed this process with convertibles from Endo Health Solutions and another issue from Salix Pharmaceuticals in the US, as well as Orix, a Japanese financial group.

Léonard Vinville

Fund manager

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

[a] Convertibles are fixed income securities that can be exchanged for predetermined amounts of company shares at certain times during their life.

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.

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	02.02.15	31.03.15

	Final distribution		Ongoing Charges Figure [b]	
	Inc 31.03.14 [a]	Acc 03.02.14 [a]	31.01.14	31.01.13
Sterling	p	p	%	%
Class 'A'	1.7648	1.9424	1.67	1.67
Class 'A-H'	n/a	1.4472	1.68	1.73 [c]
Class 'I'	21.0072	2.9272	0.92	0.92
Class 'I-H'	n/a	2.1420	0.93	0.98 [c]
Class 'R'	1.8872	1.8928	1.17	1.17 [c]
Class 'R-H'	n/a	1.9096	1.18	1.23 [c]
Euro	¢	¢	%	%
Class 'A'	20.7482	20.7299	1.66	1.67
Class 'A-H'	19.8023	19.9362	1.69	1.71
Class 'B'	n/a	13.9201	2.17 [d]	n/a
Class 'B-H'	n/a	13.5396	2.21 [d]	n/a
Class 'C'	n/a	31.4887	0.92	0.92
Class 'C-H'	n/a	30.2828	0.94	0.98
Swiss franc	¢	¢	%	%
Class 'A-H'	n/a	18.0829	1.70	1.73 [c]
Class 'C-H'	n/a	27.3506	0.94	0.98 [c]
US dollar	¢	¢	%	%
Class 'A-H'	n/a	17.8305	1.71	1.73 [c]
Class 'C-H'	n/a	26.9702	0.94	0.98 [c]

[a] The date on which the final distribution will be paid to Income shareholders and credited to Accumulation shareholders.

[b] The Ongoing Charges Figure is the ratio of the relevant annualised total disclosable costs of each share class from the most recent reporting period to the average net asset value for that share class over the same period.

[c] The comparative Ongoing Charges Figure shown here is an estimate of the charges, as the share class had not been in existence for a full financial year.

[d] The Ongoing Charges Figure shown here is an estimate of the charges, as the share class has not been in existence for a full financial year.

Income accrued from interest-bearing securities is distributed on an effective yield basis.

M&G Global Convertibles Fund

FUND STATISTICS

FUND PERFORMANCE

Performance of share classes

	Net asset value per share as at 31.01.14		Net asset value per share as at 31.01.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	136.06	152.46	129.81	143.62	+4.81	+6.16
Class 'A-H'	n/a	115.06	n/a	103.84	n/a	+10.81
Class 'I'	1,111.51	158.47	1,060.35	148.40	+4.82	+6.79
Class 'I-H'	n/a	115.99	n/a	104.06	n/a	+11.46
Class 'R'	111.15	114.19	106.06	107.14	+4.80	+6.58
Class 'R-H'	n/a	115.68	n/a	103.98	n/a	+11.25
Euro	€	€	€	€	%	%
Class 'A'	0.1268	12.8872	n/a	11.6017	n/a	+11.08
Class 'A-H'	0.1252	12.7079	n/a	11.4902	n/a	+10.60
Class 'B'	n/a	10.2595	n/a	n/a	n/a	n/a
Class 'B-H'	n/a	10.3526	n/a	n/a	n/a	n/a
Class 'C'	n/a	13.5345	n/a	12.0945	n/a	+11.91
Class 'C-H'	n/a	13.1801	n/a	11.8316	n/a	+11.40
Swiss franc	CHF	CHF	CHF	CHF	%	%
Class 'A-H'	n/a	11.4016	n/a	10.3613	n/a	+10.04
Class 'C-H'	n/a	11.5646	n/a	10.4088	n/a	+11.10
US dollar	\$	\$	\$	\$	%	%
Class 'A-H'	n/a	11.4710	n/a	10.3631	n/a	+10.69
Class 'C-H'	n/a	11.5726	n/a	10.3920	n/a	+11.36

PERFORMANCE SINCE LAUNCH

	six months 01.08.13 %	one year 01.02.13 %	five years 03.02.09 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	-2.4	+6.7	+7.6	+6.7 ^[c]
Class 'A-H'	+4.0	+11.2	n/a	+11.7 ^[d]
Class 'I'	-2.1	+7.4	+8.2	+7.4 ^[c]
Class 'I-H'	+4.0	+11.2	n/a	+11.7 ^[d]
Class 'R'	-2.2	+7.2	n/a	+9.7 ^[e]
Class 'R-H'	+4.0	+11.2	n/a	+11.7 ^[d]
Euro ^[f]				
Class 'A'	+2.9	+11.6	+10.0	+4.0 ^[c]
Class 'A-H'	+3.6	+10.4	n/a	+6.7 ^[g]
Class 'B'	+2.6	n/a	n/a	+2.9 ^[h]
Class 'B-H'	+3.3	n/a	n/a	+3.6 ^[h]
Class 'C'	+3.3	+12.4	+10.8	+4.8 ^[c]
Class 'C-H'	+4.0	+11.2	n/a	+7.8 ^[g]
Swiss franc ^[f]				
Class 'A-H'	+3.3	+9.8	n/a	+10.3 ^[d]
Class 'C-H'	-2.4	+5.2	+7.8	+6.2 ^[d]
US dollar ^[f]				
Class 'A-H'	+3.7	+10.4	n/a	+10.7 ^[d]
Class 'C-H'	+4.0	+11.1	n/a	+11.5 ^[d]

^[a] Shows the compound rate of return, per annum, over the period.

^[b] Bid to bid with net income reinvested.

^[c] 13 July 2007, the launch date of the fund.

^[d] 28 September 2012, the launch date of the share class.

^[e] 3 August 2012, the launch date of the share class.

^[f] Bid to bid with gross income reinvested.

^[g] 21 May 2010, the launch date of the share class.

^[h] 26 July 2013, the launch date of the share class. Not annualised.

SINGLE YEAR PERFORMANCE (5 YEARS ENDING JANUARY)

From	31.01.13	31.01.12	31.01.11	29.01.10	30.01.09
To	31.01.14	31.01.13	31.01.12	31.01.11	29.01.10
	%	%	%	%	%
Sterling					
Class 'A'	+6.2	+8.5	-4.9	+12.9	+16.7

Source: Morningstar, Inc., bid to bid with net income reinvested.

M&G Global Convertibles Fund

FUND STATISTICS

PRICES

		Income shares		Accumulation shares	
Calendar year		Highest	Lowest	Highest	Lowest
Sterling (net)					
		p	p	p	p
Class 'A'	2009	124.73	99.29	128.06	101.93
	2010 ^[a]	135.17	117.58	141.85	123.38
	2011	134.85	119.07	143.52	127.15
	2012	126.81	116.74	137.83	126.89
	2013	143.33	126.09	158.54	137.04
	2014 ^[b]	141.64	137.02	156.68	151.97
Class 'A-H'	2012 ^[c]	n/a	n/a	102.10	99.07
	2013	n/a	n/a	116.55	102.27
	2014 ^[b]	n/a	n/a	117.66	115.14
Class 'I'	2009	n/a	n/a	129.88	103.04
	2010 ^[a]	n/a	n/a	144.74	125.40
	2011	n/a	n/a	146.67	130.49
	2012	1,028.67 ^[d]	994.28 ^[d]	142.33	130.55
	2013	1,174.20	1,022.91	164.33	141.53
	2014 ^[b]	1,163.55	1,119.25	162.81	157.94
Class 'I-H'	2012 ^[c]	n/a	n/a	102.25	99.16
	2013	n/a	n/a	117.43	102.43
	2014 ^[b]	n/a	n/a	118.59	116.06
Class 'R'	2012 ^[e]	102.81	99.41	102.81	99.41
	2013	117.30	102.23	118.51	102.23
	2014 ^[b]	116.14	111.93	117.33	113.81
Class 'R-H'	2012 ^[c]	n/a	n/a	102.20	99.13
	2013	n/a	n/a	117.13	102.38
	2014 ^[b]	n/a	n/a	118.27	115.75
Euro (gross)					
		€	€	€	€
Class 'A'	2009	n/a	n/a	9.7191	7.7345
	2010 ^[a]	n/a	n/a	11.4295	9.7426
	2011	n/a	n/a	11.5877	10.0435
	2012	n/a	n/a	12.0101	10.5597
	2013	13.0244 ^[f]	12.4128 ^[f]	13.0239	11.5796
	2014 ^[b]	13.1950	12.7137	13.1945	12.8401
Class 'A-H'	2010 ^[a] ^[g]	n/a	n/a	11.1760	9.8296
	2011	n/a	n/a	11.6135	9.9433
	2012	n/a	n/a	11.3048	10.1270
	2013	12.8782 ^[f]	12.1316 ^[f]	12.8766	11.3228
	2014 ^[b]	13.0021	12.5231	12.9930	12.7154
Class 'B'	2013 ^[h]	n/a	n/a	10.3789	9.9041
	2014 ^[b]	n/a	n/a	10.5057	10.2225
Class 'B-H'	2013 ^[h]	n/a	n/a	10.4941	9.9383
	2014 ^[b]	n/a	n/a	10.5934	10.3613
Class 'C'	2009	n/a	n/a	9.9008	7.8206
	2010 ^[a]	n/a	n/a	11.7298	9.9255
	2011	n/a	n/a	11.8979	10.3576
	2012	n/a	n/a	12.4771	10.9199
	2013	n/a	n/a	13.6570	12.0716
	2014 ^[b]	n/a	n/a	13.8540	13.4843

PRICES (continued)

		Income shares		Accumulation shares	
Calendar year		Highest	Lowest	Highest	Lowest
Euro (gross)					
		€	€	€	€
Class 'C-H'	2010 ^[a] ^[g]	n/a	n/a	11.3463	9.8305
	2011	n/a	n/a	11.8292	10.1569
	2012	n/a	n/a	11.6315	10.3560
	2013	n/a	n/a	13.3427	11.6516
	2014 ^[b]	n/a	n/a	13.4791	13.1867
Swiss franc (gross)					
		CHF	CHF	CHF	CHF
Class 'A-H'	2012 ^[c]	n/a	n/a	10.1949	9.8992
	2013	n/a	n/a	11.5545	10.2095
	2014 ^[b]	n/a	n/a	11.6647	11.4092
Class 'C-H'	2012 ^[c]	n/a	n/a	10.2344	9.9286
	2013	n/a	n/a	11.7094	10.2506
	2014 ^[b]	n/a	n/a	11.8286	11.5711
US dollar (gross)					
		\$	\$	\$	\$
Class 'A-H'	2012 ^[c]	n/a	n/a	10.1870	9.8850
	2013	n/a	n/a	11.6239	10.2045
	2014 ^[b]	n/a	n/a	11.7344	11.4744
Class 'C-H'	2012 ^[c]	n/a	n/a	10.2119	9.8985
	2013	n/a	n/a	11.7194	10.2308
	2014 ^[b]	n/a	n/a	11.8361	11.5761

^[a] The Scottish Amicable Insurance Fund merged into the M&G Global Convertibles Fund immediately after 22 September 2010.

^[b] To 3 February 2014.

^[c] From 28 September 2012 (the launch date of the share class).

^[d] From 3 August 2012 (the launch date of the Income shares).

^[e] From 3 August 2012 (the launch date of the share class).

^[f] From 12 July 2013 (the launch date of the Income shares).

^[g] From 21 May 2010 (the launch date of the share class).

^[h] From 26 July 2013 (the launch date of the share class).

Past performance is no indication of current or future performance and the performance data does not take account of the commissions and costs incurred on the issue and redemption of shares.

The price of shares and the income from them may go down as well as up, and you may get back less than you invested.

M&G Global Convertibles Fund

FUND STATISTICS

INCOME

Interest income per share			
	Calendar year	Distributed	Reinvested
Sterling (net)			
		p	p
Class 'A'	2009	1.8896	1.9053
	2010	2.5960	2.6656
	2011	2.3000	2.4148
	2012	2.1820	2.3308
	2013	2.3300	2.5320
	2014 [a]	1.7648	1.9424
Class 'A-H'	2013	n/a	0.5780
	2014 [a]	n/a	1.4472
Class 'I'	2009	n/a	2.5148
	2010	n/a	3.3680
	2011	n/a	3.2692
	2012	n/a	3.2212
	2013	12.3080	3.4520
	2014 [a]	21.0072	2.9272
Class 'I-H'	2013	n/a	0.7824
	2014 [a]	n/a	2.1420
Class 'R'	2013	1.1200	1.0820
	2014 [a]	1.8872	1.8928
Class 'R-H'	2013	n/a	0.7140
	2014 [a]	n/a	1.9096
Euro (gross)			
		€	€
Class 'A'	2009	n/a	17.1870
	2010	n/a	27.8596
	2011	n/a	23.9979
	2012	n/a	23.9787
	2013	n/a	25.3937
	2014 [a]	20.7482	20.7299
Class 'A-H'	2011	n/a	15.2935
	2012	n/a	23.7808
	2013	n/a	24.5589
	2014 [a]	19.8023	19.9362
Class 'B'	2014 [a]	n/a	13.9201
Class 'B-H'	2014 [a]	n/a	13.5396
Class 'C'	2009	n/a	23.8000
	2010	n/a	34.6836
	2011	n/a	32.7048
	2012	n/a	33.3566
	2013	n/a	34.8186
	2014 [a]	n/a	31.4887
Class 'C-H'	2011	n/a	20.9261
	2012	n/a	33.0084
	2013	n/a	33.2558
	2014 [a]	n/a	30.2828

INCOME (continued)

Interest income per share			
	Calendar year	Distributed	Reinvested
Swiss francs (gross)			
		¢	¢
Class 'A-H'	2013	n/a	6.8270
	2014 [a]	n/a	18.0829
Class 'C-H'	2013	n/a	9.7736
	2014 [a]	n/a	27.3506
US dollar (gross)			
		¢	¢
Class 'A-H'	2013	n/a	6.8763
	2014 [a]	n/a	17.8305
Class 'C-H'	2013	n/a	9.6187
	2014 [a]	n/a	26.9702

[a] Up to final: ex-distribution date 3 February 2014; payment date 31 March 2014.

NET ASSETS

	Year ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
Sterling					
		p	p		
Class 'A'	Jan 2012	121.45	132.02	73,668,000	38,496,000
	Jan 2013	129.81	143.62	57,974,500	36,121,500
	Jan 2014	136.06	152.46	74,336,500	46,347,500
Class 'A-H'	Jan 2013	n/a	103.84	n/a	20,000
	Jan 2014	n/a	115.06	n/a	20,000
Class 'I'	Jan 2012	n/a	135.59	n/a	34,155,000
	Jan 2013	1,060.35	148.40	2,955,800	15,066,000
	Jan 2014	1,111.51	158.47	8,010,500	30,263,000
Class 'I-H'	Jan 2013	n/a	104.06	n/a	20,000
	Jan 2014	n/a	115.99	n/a	20,000
Class 'R'	Jan 2013	106.06	107.14	1,000	46,000
	Jan 2014	111.15	114.19	31,000	111,000
Class 'R-H'	Jan 2013	n/a	103.98	n/a	20,000
	Jan 2014	n/a	115.68	n/a	20,000
Euro					
		€	€		
Class 'A'	Jan 2012	n/a	10.9226	n/a	3,605,200
	Jan 2013	n/a	11.6017	n/a	6,045,800
	Jan 2014	12.6800	12.8872	158,700	18,841,600
Class 'A-H'	Jan 2012	n/a	10.5448	n/a	3,581,300
	Jan 2013	n/a	11.4902	n/a	6,002,400
	Jan 2014	12.5161	12.7079	95,300	9,272,200
Class 'B'	Jan 2014	n/a	10.2595	n/a	5,500
Class 'B-H'	Jan 2014	n/a	10.3526	n/a	2,500
Class 'C'	Jan 2012	n/a	11.3017	n/a	13,196,900
	Jan 2013	n/a	12.0945	n/a	17,476,450
	Jan 2014	n/a	13.5345	n/a	26,839,950
Class 'C-H'	Jan 2012	n/a	10.7895	n/a	17,058,000
	Jan 2013	n/a	11.8316	n/a	21,022,300
	Jan 2014	n/a	13.1801	n/a	32,572,000
Swiss franc					
		CHF	CHF		
Class 'A-H'	Jan 2013	n/a	10.3613	n/a	33,000
	Jan 2014	n/a	11.4016	n/a	106,500
Class 'C-H'	Jan 2013	n/a	10.4088	n/a	3,000
	Jan 2014	n/a	11.5646	n/a	217,100

M&G Global Convertibles Fund

FUND STATISTICS

NET ASSETS (continued)

	Year ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
US dollar					
		\$	\$		
Class 'A-H'	Jan 2013	n/a	10.3631	n/a	81,900
	Jan 2014	n/a	11.4710	n/a	1,141,915
Class 'C-H'	Jan 2013	n/a	10.3920	n/a	99,500
	Jan 2014	n/a	11.5726	n/a	3,307,400
Total net asset value of sub-fund					
	Year ended	£		€ [a]	
	Jan 2012	529,132,000		633,879,000	
	Jan 2013	696,924,000		811,621,000	
	Jan 2014	1,294,886,000		1,572,823,000	

[a] Based on the midday exchange rate on the last business day of each financial year.

PORTFOLIO

PORTFOLIO STATEMENT

as at 31 January 2014

Holding [a]	Value £'000	31.01.14 %	31.01.13 %
Equities		4.88	4.30
France		1.10	0.52
63,497 AtoS	3,364	0.26	
93,361 Michelin	5,976	0.46	
124,422 Vinci	4,900	0.38	
Germany		0.49	0.48
446,418 Deutsche Lufthansa	6,367	0.49	
4,523 Deutsche Wohnen	50	0.00	
Italy		0.00	0.21
Netherlands		0.73	0.55
205,217 Wereldhave	9,514	0.73	
Russia		0.73	0.00
1,933,934 Severstal GDR	9,412	0.73	
Spain		0.00	0.04
United Kingdom		0.00	0.43
Hong Kong		0.47	0.12
7,569,590 China Unicorn	6,030	0.47	
Bermuda		0.00	0.75
United States		1.36	1.20
734,932 Dana Holding	8,707	0.67	
353,419 Symantec	4,803	0.37	
151,749 Teva Pharmaceuticals	4,203	0.32	
Bonds		89.46	91.88
Belgium		1.21	0.00
€10,881,902 Confinimmo 2% 2018 (Confinimmo)	9,048	0.70	
€7,549,108 Econocom 1.5% 2019 (Econocom)	6,594	0.51	
Cyprus		0.00	2.51
Finland		0.04	0.54
€7,900,000 Talvivaara Mining 4% 2015 (Talvivaara Mining Company) [b]	501	0.04	

PORTFOLIO STATEMENT (continued)

as at 31 January 2014

Holding [a]	Value £'000	31.01.14 %	31.01.13 %
France		8.82	10.42
€13,255,416 Artemis Conseil 4.25% 2015 (Vinci)	11,832	0.91	
€5,979,068 Cap Gemini 0% 2019 (Cap Gemini)	5,494	0.42	
€10,718,690 CGG (formerly CGG-Veritas) 1.25% 2019 (CGG)	7,665	0.59	
€19,398,840 CGG (formerly CGG-Veritas) 1.75% 2016 (CGG)	15,537	1.20	
€12,713,004 Gecina 2.125% 2016 (Gecina)	11,972	0.92	
€19,891,912 Michelin 0% 2017 (Michelin)	21,715	1.68	
€20,037,550 Nexans 4% 2016 (Nexans)	17,575	1.36	
€13,414,871 Rallye 1% 2020 (Casino Guichard - Perrachon)	12,001	0.93	
€11,407,200 Unibail-Rodamco 0.75% 2018 (Unibail-Rodamco)	10,478	0.81	
Germany		1.56	1.21
€24,800,000 Deutsche Wohnen 0.5% 2020 (Deutsche Wohnen)	20,137	1.56	
Hungary		0.29	0.00
€4,400,000 CEZ 0% 2017 (CEZ)	3,749	0.29	
Italy		2.98	0.96
€18,700,000 Azimut Holdings 2.125% 2020 (Azimut Holdings)	16,458	1.27	
€16,800,000 Buzzi Unicem 1.375% 2019 (Buzzi Unicem)	15,370	1.19	
€7,979,349 Società Iniziative Autostradali 2.625% 2017 (Società Iniziative Autostradali)	6,705	0.52	
Jersey		2.67	4.41
\$13,400,000 Great Portland Estates 1% 2018 (Great Portland Estates)	14,137	1.09	
€26,600,000 Magnolia Finance Var. Rate Perp (MOL Hungarian Oil and Gas)	20,501	1.58	
Luxembourg		0.28	0.37
\$5,400,000 Aperam 2.625% 2020 (Aperam)	3,630	0.28	
Netherlands		5.38	7.66
\$51,200,000 Lukoil International Finance 2.625% 2015 (Lukoil ADR)	32,663	2.52	
\$16,000,000 Siemens Financier. 1.05% 2017	10,973	0.85	
\$28,000,000 Siemens Financier. 1.65% 2019	19,632	1.52	
€6,700,000 Volkswagen International Finance 5.5% 2015 (Volkswagen)	6,315	0.49	
Norway		1.43	0.00
€1,700,000 Marine Harvest 2.375% 2018 (Marine Harvest)	1,521	0.12	
\$28,200,000 Subsea 7 1% 2017 (Subsea 7)	17,003	1.31	
Portugal		0.76	0.00
€11,750,000 Portugal Telecom 4.125% 2014 (Portugal Telecom)	9,809	0.76	
Spain		1.66	0.00
€23,400,000 Indra Sistemas 1.75% 2018 (Indra Sistemas)	21,452	1.66	
Sweden		1.65	2.66
SEK189,131,540 Elekta 2.75% 2017 (Elektra)	21,304	1.65	
Switzerland		0.42	0.00
CHF7,940,000 Schindler Holding 0.375% 2017 (Also Holding)	5,494	0.42	
United Kingdom		9.00	6.06
\$27,600,000 British Land 1.5% 2017 (British Land)	31,312	2.42	
\$7,600,000 Hochschild Mining 5.75% 2014 (Hochschild Mining)	4,690	0.36	
\$47,000,000 Holdgrove 1% 2017 (Severstal GDR)	28,156	2.17	
\$700,000 J Sainsbury 4.25% 2014 (J Sainsbury)	720	0.06	

M&G Global Convertibles Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 31 January 2014

Holding ^[a]		Value £'000	31.01.14 %	31.01.13 %
United Kingdom (continued)				
\$20,400,000	Petropavlovsk 4% 2015 (Petropavlovsk)	9,135	0.71	
\$13,982,000	Premier Oil Finance 2.5% 2018 (Premier Oil)	8,993	0.69	
\$9,800,000	TUI Travel 4.9% 2017 (TUI Travel)	12,196	0.94	
\$17,700,000	TUI Travel 6% 2014 (TUI Travel)	21,306	1.65	
Hong Kong				
CNY18,300,000	China Power International Development 2.25% 2016 (China Power International Development)	2,337	0.18	0.63
CNY50,000,000	China Power International Development 2.75% 2017 (China Power International Development)	5,890	0.45	0.62
India				
\$3,800,000	Sesa Goa 5% 2014 (Sesa Goa)	2,308	0.18	0.18
Japan				
¥737,000,000	Asahi Group Holdings 0% 2028 (Ashai Group Holdings)	6,035	0.47	0.64
¥165,000,000	ORIX 1% 2014 (ORIX)	2,266	0.17	5.18
Mauritius				
\$33,400,000	Golden Agri-Resources 2.5% 2017 (Golden Agri-Resources)	19,241	1.49	1.49
Singapore				
SGD15,500,000	Capita Commercial Trust 2.5% 2017 (Capita Commercial)	7,844	0.61	4.07
SGD60,000,000	CapitaLand 1.95% 2023 (CapitaLand)	27,691	2.14	1.93
SGD22,000,000	Ruby Assets 1.6% 2019 (Ascendas Real Estate Investment Trust)	11,518	0.89	
\$8,900,000	Shizuoka Bank 0% 2018 (Shizuoka Bank)	5,634	0.43	
South Korea				
Australia				
AUD14,800,000	Beach Energy 3.95% 2017 (Beach Energy)	8,174	0.63	1.61
AUD20,222,000	Commonwealth Property Office Fund 5.25% 2016 (Commonwealth Property Office Fund)	12,680	0.98	1.85
Bermuda				
\$1,792,000	Noble 8.5% Perp.	1,209	0.09	0.09
British Virgin Islands				
\$35,200,000	Billion Express Investment 0.75% 2015 (China Unicom)	21,487	1.66	1.66
Cayman Islands				
HKD82,000,000	China Precious Metal Resources 7.25% 2018 (China Precious Metal Resources)	4,347	0.34	0.34
Canada				
CAD21,328,000	Davis Henderson 6% 2018 (Davis Henderson)	12,896	1.00	1.00
United States				
\$10,410,000	AGCO 1.25% 2036 (AGCO)	8,491	0.66	39.60
\$20,334,000	Allscripts Healthcare 1.25% 2020 (Allscripts Healthcare)	14,218	1.10	32.90
\$8,679,000	American Equity Investment Life Holding 3.5% 2015 (American Equity Investment Life Holding)	9,752	0.75	
\$5,120,000	Bristow Group 3% 2038 (Bristow Group)	3,609	0.28	
\$21,410,000	CACI International 2.125% 2014	17,667	1.36	

PORTFOLIO STATEMENT (continued)

as at 31 January 2014

Holding ^[a]	Value £'000	31.01.14 %	31.01.13 %
United States (continued)			
\$14,103,000	CSG Systems International 3% 2017 (CSG Systems International)	11,750	0.91
\$8,204,000	Dana Holdings 5.375% 2021	5,002	0.39
\$7,999,000	Endo Pharmaceutica 1.75% 2015 (Endo Health Solutions)	11,016	0.85
\$2,169,000	Finisar 0.5% 2033 (Finisar)	1,386	0.11
\$29,468,000	General Cable Corporation 4.5% 2029 (General Cable Corporation)	19,280	1.49
\$2,608,000	Gilead Sciences 1.625% 2016 (Gilead Sciences)	5,686	0.44
\$11,000,000	Haitian International Holdings 2% 2019 (Haitian International Holdings)	6,591	0.51
\$16,276,000	Helix Energy Solutions 3.25% 2032 (Helix Energy Solutions)	11,190	0.86
\$18,890,000	Hologic 2% 2037 (Hologic)	12,969	1.00
\$26,177,000	Hologic 2% 2042 (Hologic)	15,974	1.23
\$1,366,000	Jarden 1.5% 2019 (Jarden)	1,003	0.08
\$12,738,000	Jarden 1.875% 2018 (Jarden)	10,741	0.83
\$24,628,000	JDS Uniphase 0.625% 2033 (JDS Uniphase)	14,594	1.13
\$15,577,000	Lam Research 0.5% 2016 (Lam Research)	10,561	0.82
\$31,254,000	Lam Research 1.25% 2018 (Lam Research)	22,478	1.74
\$28,498,000	Liberty Interactive 1% 2043	17,910	1.38
\$24,928,000	Medidata Solutions 1% 2018 (Medidata Solutions)	19,453	1.50
\$1,614,000	Micron Technology 1.625% 2033 (Micron Technology)	2,139	0.16
\$11,231,000	Newmont Mining 1.25% 2014 (Newmont Mining)	6,820	0.53
\$47,434,000	Nvidia 1% 2018 (Nvidia)	29,339	2.27
\$9,864,000	Omnicare 3.25% 2035 (Omnicare)	6,427	0.50
\$19,757,000	Omnicare 3.75% 2042 (Omnicare)	18,831	1.45
\$9,910,000	Owens-Brockway 3% 2015 (Owens-Illinois)	6,228	0.48
\$896,000	Pacira Pharmaceuticals 3.25% 2019 (Pacira Pharmaceuticals)	1,396	0.11
\$13,435,000	QVC 4.375% 2023	7,835	0.60
\$3,971,000	RPM International 2.25% 2020 (RPM International)	2,773	0.21
\$16,217,000	Salesforce.com 0.25% 2018 (Salesforce.com)	11,393	0.88
\$30,151,000	Salix Pharmaceuticals 1.5% 2019 (Salix Pharmaceuticals)	29,528	2.28
\$10,092,000	Salix Pharmaceuticals 6% 2021	6,392	0.49
\$36,316,000	Sandisk 0.5% 2020 (Sandisk)	22,078	1.70
\$29,788,000	Shutterfly 0.25% 2018 (Shutterfly)	18,498	1.43
\$34,000,000	SL Green Realty 3% 2017 (SL Green Realty)	25,685	1.98
\$27,220,000	Stillwater Mining 1.75% 2032 (Stillwater Mining)	18,828	1.45
\$20,449,000	Stone Energy 1.75% 2017 (Stone Energy)	13,279	1.03
\$1,575,000	TRW Automotive 3.5% 2015 (TRW Automotive Holdings)	2,428	0.19
\$52,353,000	Yahoo 0% 2018 (Yahoo)	31,654	2.44
Forward currency contracts			(0.12) 0.47
AUD162,876	Bought for €104,814 (expires 21.02.14)	0	0.00
AUD27	Bought for £14 (expires 21.02.14)	0	0.00
AUD(39)	Sold for £21 (expires 21.02.14)	0	0.00
AUD928	Bought for CHF734 (expires 21.02.14)	0	0.00
AUD11,190	Bought for \$9,810 (expires 21.02.14)	0	0.00
CAD242,039	Bought for €158,947 (expires 21.02.14)	1	0.00
CAD29	Bought for £16 (expires 21.02.14)	0	0.00

M&G Global Convertibles Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 31 January 2014

Holding ^[a]	Value £'000	31.01.14 %	31.01.13 %
Forward currency contracts (continued)			
CAD(1,344) Sold for £752 (expires 21.02.14)	0	0.00	
CAD2,703 Bought for CHF2,217 (expires 21.02.14)	0	0.00	
CAD10,957 Bought for \$9,820 (expires 21.02.14)	0	0.00	
€152,784 Bought for AUD237,357 (expires 21.02.14)	1	0.00	
€5,939,025 Bought for CAD8,850,523 (expires 21.02.14)	89	0.01	
€4,913,481 Bought for HKD51,865,649 (expires 21.02.14)	(14)	0.00	
€3,726,013 Bought for ¥530,286,918 (expires 21.02.14)	(85)	(0.01)	
€20,317,854 Bought for SGD35,212,452 (expires 21.02.14)	(5)	0.00	
€68,361,250 Bought for £56,913,510 (expires 21.02.14)	(626)	(0.05)	
€(8,289,042) Sold for £6,854,252 (expires 21.02.14)	29	0.00	
€9,345,853 Bought for SEK82,446,591 (expires 21.02.14)	45	0.00	
€2,368,305 Bought for CHF2,923,119 (expires 21.02.14)	(19)	0.00	
€318,780,733 Bought for \$433,881,086 (expires 21.02.14)	(1,168)	(0.09)	
HKD3,775,203 Bought for €358,367 (expires 21.02.14)	0	0.00	
HKD696 Bought for £55 (expires 21.02.14)	0	0.00	
HKD(7,946) Sold for £627 (expires 21.02.14)	0	0.00	
HKD30,315 Bought for CHF3,533 (expires 21.02.14)	0	0.00	
HKD252,245 Bought for \$32,515 (expires 21.02.14)	0	0.00	
¥42,766,424 Bought for €306,198 (expires 21.02.14)	2	0.00	
¥7,163 Bought for £42 (expires 21.02.14)	0	0.00	
¥(81,290) Sold for £476 (expires 21.02.14)	0	0.00	
¥335,081 Bought for CHF2,933 (expires 21.02.14)	0	0.00	
¥3,054,166 Bought for \$29,794 (expires 21.02.14)	0	0.00	
SGD(5,324) Sold for £2,561 (expires 21.02.14)	0	0.00	
SGD8,548 Bought for CHF6,081 (expires 21.02.14)	0	0.00	
SGD45,349 Bought for \$35,581 (expires 21.02.14)	0	0.00	
SEK409,052 Bought for €46,539 (expires 21.02.14)	0	0.00	
SEK282 Bought for £27 (expires 21.02.14)	0	0.00	
SEK(12,757) Sold for £1,205 (expires 21.02.14)	0	0.00	
SEK22,572 Bought for CHF3,158 (expires 21.02.14)	0	0.00	
SEK91,962 Bought for \$14,271 (expires 21.02.14)	0	0.00	
CHF1,056 Bought for AUD1,338 (expires 21.02.14)	0	0.00	
CHF41,666 Bought for CAD50,248 (expires 21.02.14)	1	0.00	
CHF906,601 Bought for €734,440 (expires 21.02.14)	6	0.00	
CHF34,452 Bought for HKD294,510 (expires 21.02.14)	0	0.00	
CHF26,196 Bought for ¥3,022,208 (expires 21.02.14)	0	0.00	
CHF143,449 Bought for SGD201,332 (expires 21.02.14)	1	0.00	
CHF480,889 Bought for £324,420 (expires 21.02.14)	(1)	0.00	
CHF(71,491) Sold for £48,070 (expires 21.02.14)	0	0.00	
CHF66,447 Bought for SEK474,759 (expires 21.02.14)	1	0.00	
CHF2,189,009 Bought for \$2,413,127 (expires 21.02.14)	8	0.00	
\$14,290 Bought for AUD16,321 (expires 21.02.14)	0	0.00	
\$34,980,360 Bought for AUD39,711,600 (expires 19.03.14)	300	0.02	
\$542,856 Bought for CAD594,226 (expires 21.02.14)	8	0.00	
\$14,330,576 Bought for €10,537,587 (expires 21.02.14)	31	0.00	
\$455,514 Bought for HKD3,532,461 (expires 21.02.14)	0	0.00	
\$347,002 Bought for ¥36,279,326 (expires 21.02.14)	(5)	0.00	
\$1,909,041 Bought for SGD2,431,251 (expires 21.02.14)	5	0.00	
\$6,233,855 Bought for £3,812,407 (expires 21.02.14)	(25)	0.00	
\$(712,226) Sold for £433,038 (expires 21.02.14)	0	0.00	

PORTFOLIO STATEMENT (continued)

as at 31 January 2014

Holding ^[a]	Value £'000	31.01.14 %	31.01.13 %
Forward currency contracts (continued)			
\$874,641 Bought for SEK5,668,554 (expires 21.02.14)	5	0.00	
\$238,652 Bought for CHF216,418 (expires 21.02.14)	(1)	0.00	
		0.00	0.30
Options			
'AAA' rated money market funds ^[c]			
60,579,000 Northern Trust Global Fund - Sterling	60,579	4.68	0.09
Portfolio of investments (notes 1b & 1d on page 40)		1,280,691	98.90
Net other assets		14,195	1.10
Net assets attributable to shareholders		1,294,886	100.00

^[a] The underlying stock for each convertible bond is shown in brackets.

^[b] Defaulted bond.

^[c] Uncommitted surplus cash is placed into 'AAA' rated money market funds with the aim of reducing counterparty risk.

Asset class split	Value £'000	31.01.14 %	31.01.13 %
'AAA' credit rated bonds	11,518	0.89	0.64
'AA' credit rated bonds	-	0.00	-
'A' credit rated bonds	63,198	4.88	6.18
'BBB' credit rated bonds	128,625	9.93	11.70
'BB' credit rated bonds	244,052	18.85	13.24
'B' credit rated bonds	117,281	9.06	7.21
Bonds with no credit rating	593,529	45.84	52.91
Other investments	136,683	10.55	8.12
		1,294,886	100.00

COUNTERPARTY EXPOSURE

Counterparty	Financial derivative exposure		
	Forward currency contracts £'000	Options £'000	Total as at 31.01.14 £'000
State Street Bank	(1,416)	0	(1,416)
Total	(1,416)	0	(1,416)

M&G Global Convertibles Fund

PORTFOLIO

PORTFOLIO TRANSACTIONS

for the year ended 31 January 2014

Largest purchases ^[a]	£'000
Yahoo 0% 2018 (Yahoo) (\$)	32,340
CapitalLand 1.95% 2023 (CapitalLand) (SGD)	30,139
British Land 1.5% 2017 (British Land) (£)	29,900
Nvidia 1% 2018 (Nvidia) (\$)	29,302
SL Green Realty 3% 2017 (SL Green Realty) (\$)	26,412
Sandisk 0.5% 2020 (Sandisk) (\$)	22,640
Michelin 0% 2017 (Michelin) (€)	22,018
Deutsche Wohnen 0.5% 2020 (Deutsche Wohnen) (€)	20,682
Shutterfly 0.25% 2018 (Shutterfly) (\$)	20,423
Indra Sistemas 1.75% 2018 (Indra Sistemas) (€)	19,972
Subsea 7 1% 2017 (Subsea 7) (\$)	18,612
Liberty Interactive 1% 2043 (\$)	18,316
Medidata Solutions 1% 2018 (Medidata Solutions) (\$)	17,369
Hologic 2% 2042 (Hologic) (\$)	17,064
JDS Uniphase 0.625% 2033 (JDS Uniphase) (\$)	15,974
Azimut Holdings 2.125% 2020 (Azimut Holdings) (€)	15,648
Buzzi Unicem 1.375% 2019 (Buzzi Unicem) (€)	14,502
Marine Harvest 2.375% 2018 (Marine Harvest) (€)	14,033
AtoS 1.5% 2016 (AtoS) (€)	13,870
Davis Henderson 6% 2018 (Davis Henderson) (CAD)	13,535
Northern Trust Global Fund - Sterling ^[b]	559,120
Other purchases	593,051
Total purchases	1,564,922
Largest sales ^[a]	£'000
Endo Pharmaceutica 1.75% 2015 (Endo Health Solutions) (\$)	24,000
CapitalLand 2.875% 2016 (CapitalLand) (SGD)	22,244
KDDI Corporation 0% 2015 (KDDI)	20,329
ORIX 1% 2014 (¥)	17,975
GSW Immobilien 2% 2019 (GSW Immobilien) (€)	17,951
Salix Pharmaceuticals 2.75% 2015 (Salix Pharmaceuticals) (\$)	15,505
AtoS 1.5% 2016 (AtoS) (€)	14,367
Nexans 2.5% 2019 (Nexans) (€)	14,020
Affiliated Managers Group 3.95% 2038 (Affiliated Managers Group) (\$)	13,398
AtoS 2.5% 2016 (AtoS) (€)	13,241
SK Telecom 1.75% 2014 (SK Telecom) (\$)	12,937
Marine Harvest 2.375% 2018 (Marine Harvest) (€)	12,860
Beijing Enterprises	12,243
Sterile Industries 4% 2014 (Sterile Industries ADS) (\$)	11,613
Cap Gemini 1% 2014 (Cap Gemini) (€)	11,187
ARRIS Group 2% 2026 (ARRIS Group) (\$)	11,069
Alliance Oil 7.25% 2014 (Alliance Oil) (\$)	10,881
WPP Group	10,604
Wereldhave 4.375% 2014 (Wereldhave) (€)	10,185
Micron Technology 1.5% 2031 (Micron Technology) (\$)	9,770
Northern Trust Global Fund - Sterling ^[b]	499,202
Other sales	203,877
Total sales	989,458

^[a] The underlying stock for each convertible bond is shown in brackets.

^[b] Uncommitted surplus cash is placed into 'AAA' rated money market funds with the aim of reducing counterparty risk.

FINANCIAL STATEMENTS

For the year ended 31 January 2014.

STATEMENT OF TOTAL RETURN

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	3		25,899		43,574
Revenue	4	33,718		21,943	
Expenses	5	(12,671)		(6,631)	
Finance costs: Interest	12	(2)		(3)	
Net revenue before taxation		21,045		15,309	
Taxation	6	(163)		(21)	
Net revenue after taxation			20,882		15,288
Total return before distributions			46,781		58,862
Finance costs: Distributions	12		(20,762)		(15,288)
Change in net assets attributable to shareholders from investment activities			26,019		43,574

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2014		2013	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		696,924		529,132
Amounts received on issue of shares	790,537		278,241	
Amounts paid on cancellation of shares	(240,543)		(169,217)	
		549,994		109,024
Stamp Duty Reserve Tax (SDRT)		(376)		(65)
Change in net assets attributable to shareholders from investment activities (see above)		26,019		43,574
Retained distributions on Accumulation shares		22,325		15,259
Closing net assets attributable to shareholders		1,294,886		696,924

M&G Global Convertibles Fund

FINANCIAL STATEMENTS

BALANCE SHEET

	as at 31 January 2014		as at 31 January 2013	
	£'000	£'000	£'000	£'000
Assets				
Investment assets		1,282,640		676,577
Debtors				
Amounts receivable on issues	18,861		10,884	
Currency deals outstanding	15,514		449	
Debt security interest receivable	5,938		3,857	
Distributions receivable	20		5	
Overseas tax recoverable	134		17	
Prepaid expenses	0		1	
Sales awaiting settlement	14,022		787	
		54,489		16,000
Cash and bank balances				
Amounts held at futures clearing houses and brokers	0		120	
Cash held as bank balances	8,236		17,084	
		8,236		17,204
Total other assets		62,725		33,204
Total assets		1,345,365		709,781
Liabilities				
Investment liabilities		(1,949)		(254)
Creditors				
Amounts payable on cancellations	(4,986)		(1,466)	
Currency deals outstanding	(15,512)		(448)	
Expenses payable	(519)		(275)	
Income tax payable	(922)		(901)	
Net distributions payable on Income shares	(3,038)		(1,715)	
Purchases awaiting settlement	(23,536)		(7,798)	
SDRT payable	(17)		0	
Total other liabilities		(48,530)		(12,603)
Total liabilities		(50,479)		(12,857)
Net assets attributable to shareholders		1,294,886		696,924

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

a) Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010.

b) Basis of valuation of investments

All investments are valued at their fair value as at 12 noon on 31 January 2014, being the last business day of the financial year. The fair value of non-derivative securities is bid price, excluding any accrued interest; the fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles and the fair value of exchange traded options is the cost of closing out the contract at the balance sheet date. Options are valued by Markit Valuations Limited, an independent derivative price provider.

c) Investment gains and losses

Gains and losses, including exchange differences, on the realisation of investments and increases and decreases in the valuation of investments held at the balance sheet date, including unrealised exchange differences, are treated as capital.

d) Exchange rates

Transactions in foreign currencies are translated at the rate of exchange ruling on the date of the transaction. Where applicable, assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling as at 12 noon on 31 January 2014, being the last business day of the financial year.

e) Derivative financial instruments

The treatment of the returns on forward currency contracts and derivative contracts depends upon the nature of the transaction. Both motive and circumstances are used to determine whether the returns should be treated as capital or revenue. Where positions are undertaken to protect or enhance capital, and the circumstances support this, the returns are recognised in net capital gains or losses; similarly where the motives and circumstances are to generate or protect revenue, and the circumstances support this, the returns are included within net revenue before taxation. Where positions generate total returns it will generally be appropriate to apportion such returns between capital and revenue to properly reflect the nature of the transaction.

f) Dividend and interest income

Dividends from quoted equity and non-equity shares are recognised net of attributable tax credits when the security is quoted ex-dividend.

Overseas dividends received after the deduction of withholding tax are shown gross of taxation, with the taxation consequences shown within the taxation charge.

Dividends are recognised as either revenue or capital depending upon the nature and circumstances of the dividend receivable.

Distributions from collective investment schemes are recognised net of attributable tax credits when the security is quoted ex-distribution and are treated as revenue.

Interest on debt securities is recognised on an accruals basis, taking into account the effective yield on the investment and is treated as revenue. The effective yield basis amortises any discount or premium on the purchase of an investment over its remaining life based on estimated future cashflows. Any adjustments resulting from changes in cashflow estimates are treated as capital.

Bank interest is recognised on an accruals basis and treated as revenue.

g) Stock dividends

The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the sub-fund. Any enhancement above the cash dividend is treated as capital.

h) Expenses

All expenses (other than those relating to the purchase and sale of investments and Stamp Duty Reserve Tax) are charged against revenue for the year on an accruals basis.

M&G Global Convertibles Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies (continued)

i) Apportionment of income and expenses to multiple share classes

With the exception of the Authorised Corporate Director's (ACD's) periodic charge and share class hedging fees, which are directly attributable to individual share classes, all income and expenses are apportioned to the fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

j) Taxation

The rate of corporation tax for the sub-fund is 20%, with relief for double taxation taken where appropriate. The tax accounting treatment follows the principal amounts involved.

k) Deferred taxation

Deferred tax is provided for in respect of timing differences that have originated but not reversed by the balance sheet date, with the exception of those regarded as permanent differences. Any liability to deferred tax is provided at the average rate of tax expected to apply. A deferred tax asset is recognised to the extent that it is expected to be utilised, based on the likelihood of taxable profits arising in the next twelve month period from which the future reversal of timing differences can be deducted. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

l) Distribution policy

The policy of the sub-fund is to distribute all available income, excluding any items treated as capital in accordance with the above policies and after deduction of expenses properly chargeable against revenue. Stock dividends do not form part of the distributable income.

Income attributable to Accumulation shareholders is retained at the end of each distribution period and represents a reinvestment of income. All remaining income is distributed in accordance with the Collective Investment Schemes sourcebook.

Distributions which have remained unclaimed by shareholders for more than six years are credited to the capital property of the sub-fund.

2 Risk management policies

In pursuing the sub-fund's investment objective, as set out in the Authorised Corporate Director's (ACD's) Report, the ACD accepts market price risk, interest rate risk, currency risk and counterparty risk in relation to the investment portfolio and cash positions. The Prospectus permits the sub-fund to use derivative instruments for both investment purposes and to hedge against medium and long-term risk.

Convertible securities expose the sub-fund to market price risk in relation to the underlying equity element and interest rate and credit risk in relation to the bond element. The ACD manages the

associated risks by analysing both the distance to the bond floor (the maximum loss that the convertible can suffer in relation to a fall in the share price of the underlying equity) and the quality of the bond floor (the perceived credit risk of the issuer).

The ACD considers the credit rating, yield and maturity of all other interest-bearing securities, in order to ensure that the yield fully reflects any perceived risk as the capital value of these securities will fall in the event of the default or perceived increased credit risk of an issuer. The capital value of interest-bearing securities within the sub-fund may also be affected by interest rate fluctuations such that when interest rates rise, the capital value of the interest-bearing securities is likely to fall and vice versa.

The sub-fund may undertake transactions in derivatives both on exchange and over the counter (OTC). These may include, but are not limited to, credit default swaps, dividend swaps, asset swaps, options, contracts for differences, forward currency contracts and interest rate futures for the purposes of meeting the investment objective, and protecting the risk to capital, duration and credit management, as well as for hedging. Although the fund manager will select the counterparties with which it enters into derivative transactions with due skill and care, there will be residual risk that the counterparty may default on its obligations or become insolvent. The use of these instruments may expose the sub-fund to volatile investment returns and increase the volatility of the net asset value of the sub-fund. All derivative positions are disclosed separately in the portfolio statement.

The sub-fund holds overseas investments and exchange rate fluctuations can affect both income and capital values. Short-term exposures to foreign currencies other than euros are generally covered by short-dated currency contracts. Income arising in foreign currencies is generally converted into sterling shortly after receipt and is not hedged in advance of receipt.

The ACD will also use forward currency contracts to reduce the exposure of shareholders of the euro, Swiss franc and US dollar share classes to movements in the sub-fund's base currency. The total benefits and costs of these forward currency contracts are assigned solely to the respective euro, Swiss franc and US dollar share class.

Since the objective of the sub-fund is to deliver returns over the long term, transactions with the sole objective of realising short-term returns are generally not undertaken.

The sub-fund's assets comprise securities that can be readily realised to meet obligations that may arise on the redemption of shares. As noted on page 69, the ACD's policy is that the sub-fund should normally be close to fully invested.

These policies have been consistently applied since the beginning of the financial year (31.01.13: same).

3 Net capital gains

	2014 £'000	2013 £'000
Non-derivative securities	21,994	37,983
Derivative contracts	190	(686)
Forward currency contracts	3,853	6,109
Currency (losses) / gains	(71)	176
Transaction charges	(67)	(8)
Net capital gains	25,899	43,574

M&G Global Convertibles Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

4 Revenue

	2014 £'000	2013 £'000
Bank interest	4	6
Currency hedge revenue	68	228
Interest distributions	167	26
Interest on debt securities	31,464	21,623
Overseas dividends	1,654	60
Stock dividends	142	0
UK dividends	219	0
Total revenue	33,718	21,943

5 Expenses

	2014 £'000	2013 £'000
Payable to the Authorised Corporate Director or associate		
Authorised Corporate Director's periodic charge	10,865	5,628
Administration fee	1,557	810
Share class hedging fee	96	111
	12,518	6,549
Payable to the Depository or associate		
Depository's fee (including VAT)	55	35
Other expenses		
Audit fee (including VAT)	13	12
Dividend charges	18	0
Regulatory fees	8	6
Safe custody charge	42	16
Tax consultancy fees (including VAT) ^[a]	17	13
	98	47
Total expenses	12,671	6,631

[a] Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP.

6 Taxation

	2014 £'000	2013 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Overseas tax	149	21
Prior year adjustment	14	0
Current tax charge (note 6b)	163	21
Deferred tax (note 6c)	0	0
Total taxation	163	21
b) Factors affecting taxation charge for the year		
Net revenue before taxation	21,045	15,309
Corporation tax at 20%	4,209	3,062
Effects of:		
UK dividends not taxable	(44)	0
Stock dividends not taxable	(28)	0
Overseas dividends not taxable	(292)	(12)
Interest distributions	(3,842)	(3,046)
Overseas tax	149	21
Overseas tax expensed	(3)	(4)
Prior year adjustment	14	0
Current tax charge (note 6a)	163	21
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
Provision at the end of the year	0	0

The sub-fund does not have an unrecognised deferred tax asset at the year end (31.01.13: same).

Interest distributions have been made in respect of all distributions during the current and preceding periods. Income tax at 20% will be accounted for on shareholders' behalf to HM Revenue & Customs where applicable.

7 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (31.01.13: same).

8 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the sub-fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the statement of change in net assets attributable to shareholders and note 12. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in the balance sheet where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's periodic charge, administration fee and share class hedging fee are disclosed in note 5. Amounts due at the year end to the ACD of £466,000 (31.01.13: £225,000) in respect of the ACD's periodic charge, administration fee and share class hedging fee are disclosed in the balance sheet.

At the balance sheet date, material shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 37.87% (31.01.13: 41.14%) of the sub-fund's shares.

M&G Global Convertibles Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

9 Financial instruments

The policies applied in the management of financial instruments are set out in note 2.

Short-term debtors and creditors have been included in respect of the currency exposure only when this is applicable (31.01.13: same).

Currency exposure

The currency profile of the sub-fund's financial instruments at the balance sheet date was:

	Portfolio of investments		Net other assets / (liabilities)		Total	
	as at 31.01.14 £'000	as at 31.01.13 £'000	as at 31.01.14 £'000	as at 31.01.13 £'000	as at 31.01.14 £'000	as at 31.01.13 £'000
Australian dollar	21,155	1,346	174	(331)	21,329	1,015
Canadian dollar	12,993	0	324	0	13,317	0
Chinese yuan renminbi	8,227	4,288	59	23	8,286	4,311
Euro	218,899	348,301	35,081	23,755	253,980	372,056
Hong Kong dollar	10,363	12,674	228	(4,867)	10,591	7,807
Japanese yen	8,210	22,193	8	96	8,218	22,289
Singapore dollar	47,051	13,438	315	146	47,366	13,584
Swedish krona	21,354	14,318	198	176	21,552	14,494
Swiss franc	5,102	259	13	0	5,115	259
US dollar	719,346	236,054	(18,942)	3,120	700,404	239,174
	1,072,700	652,871	17,458	22,118	1,090,158	674,989
Sterling	207,991	23,452	(3,263)	(1,517)	204,728	21,935
Total	1,280,691	676,323	14,195	20,601	1,294,886	696,924

Interest rate profile

	Floating rate financial assets		Fixed rate financial assets		Total	
	as at 31.01.14 £'000	as at 31.01.13 £'000	as at 31.01.14 £'000	as at 31.01.13 £'000	as at 31.01.14 £'000	as at 31.01.13 £'000
Australian dollar	0	0	20,855	12,895	20,855	12,895
Canadian dollar	0	0	12,896	0	12,896	0
Chinese yuan renminbi	0	0	8,227	4,288	8,227	4,288
Euro	8,235	28,084	252,427	114,303	260,662	142,387
Hong Kong dollar	0	0	4,347	16,867	4,347	16,867
Japanese yen	0	0	8,300	36,179	8,300	36,179
Singapore dollar	0	0	47,054	13,438	47,054	13,438
Sterling	1	0	79,671	35,944	79,672	35,944
Swedish krona	0	0	21,304	18,531	21,304	18,531
Swiss franc	0	0	5,495	0	5,495	0
US dollar	0	16	697,627	377,654	697,627	377,670
Total	8,236	28,100	1,158,203	630,099	1,166,439	658,199

	Weighted average gross interest rate of fixed interest-bearing assets		Weighted average period for which interest rates are fixed ^[a]	
	as at 31.01.14 %	as at 31.01.13 %	as at 31.01.14 years	as at 31.01.13 years
Australian dollar	0.22	2.56	3.98	4.01
Canadian dollar	6.00	0.00	4.67	0.00
Chinese yuan renminbi	4.25	(4.56)	4.25	3.80
Euro	0.88	1.57	4.74	3.21
Hong Kong dollar	17.71	(8.37)	5.01	2.60
Japanese yen	(83.90)	(13.20)	1.28	3.83
Singapore dollar	8.55	0.55	8.55	3.59
Sterling	(7.39)	(8.25)	3.92	1.68
Swedish krona	4.23	(1.97)	4.23	4.23
Swiss franc	4.35	0.00	4.35	0.00
US dollar	(4.43)	(0.35)	6.04	7.03

[a] Assuming the earliest maturity date for those assets with variable maturity dates.

Floating rate interest-bearing assets at the balance sheet date consist of bank balances, on which interest is calculated at a variable rate by reference to sterling bank deposit rates or the international equivalent; floating rate notes, on which interest is calculated at a variable rate by reference to the London Interbank Offered Rate (LIBOR) or the Euro Interbank Offered Rate (EURIBOR); and variable rate bonds (31.01.13: same).

Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.01.13: same).

Risk analysis

Our core method of estimating each sub-fund's overall risk position is to use value at risk based (VaR) techniques that enable us to measure each sub-fund's sensitivity to core market risk factors such as credit and interest rates. VaR is a technique used to estimate the probability of portfolio losses based on the statistical analysis of historical price trends and volatilities.

The MAGIM risk model for VaR production was originally created in 2001 utilising the Algorithmics RiskWatch software, a market leading risk solution. From the variance / covariance matrices, a parametric Monte Carlo scenario set of 5,000 simulations is derived and applied to the M&G Global Convertibles Fund.

The key assumption within the variance / covariance matrix is the exponential weighted moving average approach that utilises a decay factor of 0.94 thereby weighting more recent data history with a higher significance.

The VaR analysis for the M&G Global Convertibles Fund is produced on a daily basis. Market risk factors that are analysed include LIBOR / swap rates, government yield curves, equity prices, foreign exchange rates, market volatility and credit spreads.

With a statistical level of confidence of 99%, the VaR model suggests that the potential loss incurred could be £60,241,861 over the next 30 days from the balance sheet date, 31 January 2014.

Please note, the market risk information is a relative estimate of risk rather than a precise and accurate number. The model is based on historical data and cannot take account of the fact that future market price movements, correlations between markets and levels of market liquidity in conditions of market stress may bear no relation to historical patterns.

M&G Global Convertibles Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

10 Portfolio transaction costs

	2014 £'000	2013 £'000
a) Purchases		
Purchases excluding transaction costs	1,564,785	554,249
Commissions	93	39
Taxes	44	25
Total transaction costs	137	64
Total purchases including transaction costs	1,564,922	554,313
b) Sales		
Sales excluding transaction costs	987,367	439,131
Commissions	(121)	(4)
Taxes	(14)	0
Total transaction costs	(135)	(4)
Total sales net of transaction costs	987,232	439,127

11 Shareholder funds

This sub-fund contains Sterling Class 'A' (Net Income and Net Accumulation) shares, Sterling Class 'A-H' (Net Accumulation) shares, Sterling Class 'I' (Net Income and Net Accumulation) shares, Sterling Class 'I-H' (Net Accumulation) shares, Sterling Class 'R' (Net Income and Net Accumulation) shares and Sterling Class 'R-H' (Net Accumulation) shares.

This sub-fund also contains Euro Class 'A' (Gross Income and Gross Accumulation) shares, Euro Class 'A-H' (Gross Income and Gross Accumulation) shares, Euro Class 'B' (Gross Accumulation) shares, Euro Class 'B-H' (Gross Accumulation) shares, Euro Class 'C' (Gross Accumulation) shares and Euro Class 'C-H' (Gross Accumulation) shares.

This sub-fund also contains Swiss franc Class 'A-H' (Gross Accumulation) shares and Swiss franc Class 'C-H' (Gross Accumulation) shares.

This sub-fund also contains US dollar Class 'A-H' (Gross Accumulation) shares and US dollar Class 'C-H' (Gross Accumulation) shares.

The charging structure for each share class, as at 31 January 2014, is set out in the following table:

CHARGES AND EXPENSES

	Initial charge %	Withdrawal fee %	ACD's annual remuneration %	Share class hedging fee %
Sterling				
Class 'A'	4.00	n/a	1.50	n/a
Class 'A-H'	4.00	n/a	1.50	0.025 ^[a]
Class 'I'	1.00	n/a	0.75	n/a
Class 'I-H'	1.00	n/a	0.75	0.025 ^[a]
Class 'R'	1.00	n/a	1.00	n/a
Class 'R-H'	1.00	n/a	1.00	0.025 ^[a]
Euro				
Class 'A'	4.00	n/a	1.50	n/a
Class 'A-H'	4.00	n/a	1.50	0.025 ^[a]
Class 'B'	1.25	n/a	2.00	n/a
Class 'B-H'	1.25	n/a	2.00	0.025 ^[a]
Class 'C'	1.25	n/a	0.75	n/a
Class 'C-H'	1.25	n/a	0.75	0.025 ^[a]
Swiss franc				
Class 'A-H'	4.00	n/a	1.50	0.025 ^[a]
Class 'C-H'	1.25	n/a	0.75	0.025 ^[a]
US dollar				
Class 'A-H'	4.00	n/a	1.50	0.025 ^[a]
Class 'C-H'	1.25	n/a	0.75	0.025 ^[a]

^[a] This charge may vary between 0.01% and 0.06%.

With the exception of the Authorised Corporate Director's periodic charge and share class hedging fees which are directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

M&G Global Convertibles Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

11 Shareholder funds (continued)

The net asset values for each share class are set out in the following table:

NET ASSET VALUES

	31.01.14		31.01.13	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Sterling				
Class 'A'	101,144	70,662	75,255	51,876
Class 'A-H'	n/a	23	n/a	21
Class 'I'	89,037	47,958	31,342	22,359
Class 'I-H'	n/a	23	n/a	21
Class 'R'	34	127	1	49
Class 'R-H'	n/a	23	n/a	21
Euro				
Class 'A'	1,657	199,908	n/a	60,230
Class 'A-H'	982	97,008	n/a	59,222
Class 'B'	n/a	46	n/a	n/a
Class 'B-H'	n/a	21	n/a	n/a
Class 'C'	n/a	299,072	n/a	181,498
Class 'C-H'	n/a	353,439	n/a	213,578
Swiss franc				
Class 'A-H'	n/a	818	n/a	237
Class 'C-H'	n/a	1,691	n/a	21
US dollar				
Class 'A-H'	n/a	7,958	n/a	538
Class 'C-H'	n/a	23,255	n/a	655

The net asset value per share and the number of shares are given in the net assets table on pages 35 and 36. The distribution per share is given in the distribution table on page 46. Each share class has the same rights on winding-up.

12 Finance costs

	2014 £'000	2013 £'000
Income shares (Sterling)		
Class 'A' - Final	1,312	1,351
Class 'I' - Final	1,683	364
Class 'R' - Final ^[a]	1	0
Income shares (Euro)		
Class 'A' - Final	27	n/a
Class 'A-H' - Final	15	n/a
Accumulation shares (Sterling)		
Class 'A' - Final	900	915
Class 'A-H' - Final ^[b]	0	0
Class 'I' - Final	886	520
Class 'I-H' - Final ^[c]	0	0
Class 'R' - Final ^[d]	2	0
Class 'R-H' - Final ^[e]	0	0
Accumulation shares (Euro)		
Class 'A' - Final	3,216	1,318
Class 'A-H' - Final	1,522	1,266
Class 'B' - Final	1	n/a
Class 'B-H' - Final ^[f]	0	n/a
Class 'C' - Final	6,958	5,225
Class 'C-H' - Final	8,121	6,003
Accumulation shares (Swiss franc)		
Class 'A-H' - Final	13	2
Class 'C-H' - Final ^[g]	40	0
Accumulation shares (US dollar)		
Class 'A-H' - Final	124	4
Class 'C-H' - Final	542	6
	25,363	16,974
Income tax deducted at source	922	901
Finance costs: Interest distributions	26,285	17,875
Net income deducted as a result of conversions	0	357
Income deducted on cancellation of shares	2,405	1,788
Income received on issue of shares	(7,928)	(4,732)
Finance costs: Distributions	20,762	15,288
Finance costs: Interest	2	3
Total finance costs	20,764	15,291
Net revenue per statement of total return	20,882	15,288
Stock dividends not distributed	(142)	0
Tax relief on stock dividends not distributed	21	0
Undistributed income brought forward	1	1
Undistributed income carried forward	0	(1)
Finance costs: Distributions	20,762	15,288

^[a] The comparative final distribution for Sterling Class 'R' (Income) shares was £11.

^[b] The final distribution for Sterling Class 'A-H' (Accumulation) shares were £289 (2013: £116).

^[c] The final distribution for Sterling Class 'I-H' (Accumulation) shares was £428 (2013: £156).

^[d] The comparative final distributions for Sterling Class 'R' (Accumulation) shares was £498.

^[e] The final distribution for Sterling Class 'R-H' (Accumulation) shares was £382 (2013: £143).

^[f] The final distribution for Euro Class 'B-H' (Accumulation) shares was €338.

^[g] The comparative final distributions for Swiss franc Class 'C-H' (Accumulation) shares was CHF293.

M&G Global Convertibles Fund

FINANCIAL STATEMENTS

DISTRIBUTION TABLE						
Interest distributions on Income shares	Gross income	Income tax deducted	Net income	Equalisation	Distribution paid/payable	
					2014	2013
Sterling						
Class 'A' - Final						
Group 1:	2.2060	0.4412	1.7648	-	1.7648	2.3300
Group 2:	1.5844	0.3169	1.2675	0.4973	1.7648	2.3300
Class 'I' - Final						
Group 1:	26.2590	5.2518	21.0072	-	21.0072	12.3080
Group 2:	8.3941	1.6788	6.7153	14.2919	21.0072	12.3080
Class 'R' - Final						
Group 1:	2.3590	0.4718	1.8872	-	1.8872	1.1200
Group 2:	0.6665	0.1333	0.5332	1.3540	1.8872	1.1200
Euro						
Class 'A' - Final						
Group 1:	20.7482	-	20.7482	-	20.7482	n/a
Group 2:	1.4781	-	1.4781	19.2701	20.7482	n/a
Class 'A-H' - Final						
Group 1:	19.8023	-	19.8023	-	19.8023	n/a
Group 2:	2.8758	-	2.8758	16.9265	19.8023	n/a
Interest distributions on Accumulation shares						
	Gross income	Income tax deducted	Net income	Equalisation	Amount reinvested	
					2014	2013
Sterling						
Class 'A' - Final						
Group 1:	2.4280	0.4856	1.9424	-	1.9424	2.5320
Group 2:	1.2625	0.2525	1.0100	0.9324	1.9424	2.5320
Class 'A-H' - Final						
Group 1:	1.8090	0.3618	1.4472	-	1.4472	0.5780
Group 2:	1.8090	0.3618	1.4472	-	1.4472	0.5780
Class 'I' - Final						
Group 1:	3.6590	0.7318	2.9272	-	2.9272	3.4520
Group 2:	1.2236	0.2447	0.9789	1.9483	2.9272	3.4520
Class 'I-H' - Final						
Group 1:	2.6775	0.5355	2.1420	-	2.1420	0.7824
Group 2:	2.6775	0.5355	2.1420	-	2.1420	0.7824
Class 'R' - Final						
Group 1:	2.3660	0.4732	1.8928	-	1.8928	1.0820
Group 2:	1.0889	0.2178	0.8711	1.0217	1.8928	1.0820
Class 'R-H' - Final						
Group 1:	2.3870	0.4774	1.9096	-	1.9096	0.7140
Group 2:	2.3870	0.4774	1.9096	-	1.9096	0.7140

DISTRIBUTION TABLE (continued)

Interest distributions on Accumulation shares	Gross income	Income tax deducted	Net income	Equalisation	Amount reinvested	
					2014	2013
Euro						
Class 'A' - Final						
Group 1:	20.7299	-	20.7299	-	20.7299	25.3937
Group 2:	11.7401	-	11.7401	8.9898	20.7299	25.3937
Class 'A-H' - Final						
Group 1:	19.9362	-	19.9362	-	19.9362	24.5589
Group 2:	8.1771	-	8.1771	11.7591	19.9362	24.5589
Class 'B' - Final						
Group 1:	13.9201	-	13.9201	-	13.9201	n/a
Group 2:	1.4093	-	1.4093	12.5108	13.9201	n/a
Class 'B-H' - Final						
Group 1:	13.5396	-	13.5396	-	13.5396	n/a
Group 2:	13.5396	-	13.5396	-	13.5396	n/a
Class 'C' - Final						
Group 1:	31.4887	-	31.4887	-	31.4887	34.8186
Group 2:	15.6200	-	15.6200	15.8687	31.4887	34.8186
Class 'C-H' - Final						
Group 1:	30.2828	-	30.2828	-	30.2828	33.2558
Group 2:	12.2309	-	12.2309	18.0519	30.2828	33.2558
Swiss franc						
Class 'A-H' - Final						
Group 1:	18.0829	-	18.0829	-	18.0829	6.8270
Group 2:	11.5656	-	11.5656	6.5173	18.0829	6.8270
Class 'C-H' - Final						
Group 1:	27.3506	-	27.3506	-	27.3506	9.7736
Group 2:	22.7441	-	22.7441	4.6065	27.3506	9.7736
US dollar						
Class 'A-H' - Final						
Group 1:	17.8305	-	17.8305	-	17.8305	6.8763
Group 2:	2.5090	-	2.5090	15.3215	17.8305	6.8763
Class 'C-H' - Final						
Group 1:	26.9702	-	26.9702	-	26.9702	9.6187
Group 2:	17.6632	-	17.6632	9.3070	26.9702	9.6187

Final period 01.02.13 - 31.01.14

Group 1: Shares purchased prior to a distribution period.

Group 2: Shares purchased during a distribution period.

Equalisation applies only to shares purchased during the distribution period (Group 2). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes.

M&G Global Emerging Markets Fund

AUTHORISED CORPORATE DIRECTOR'S REPORT

Investment objective of the M&G Global Emerging Markets Fund

The Fund aims to maximise long term total return (the combination of capital growth and income) by investing in emerging market countries.

Investment policy of the M&G Global Emerging Markets Fund

The Fund will invest mainly in the securities of companies domiciled in or conducting the major part of their economic activity in emerging market countries*. Exposure to these securities may be gained through the use of derivatives. The Fund may invest across a wide range of geographies, sectors and market capitalisations. The Fund may also invest in other assets including collective investment schemes, other transferable securities, cash and near cash, deposits, warrants, money market instruments and derivatives.

* The current reference point for defining emerging market countries are those included within the MSCI Emerging Markets index and/or those included in the World Bank definition of developing economies as updated from time to time.

Investment approach

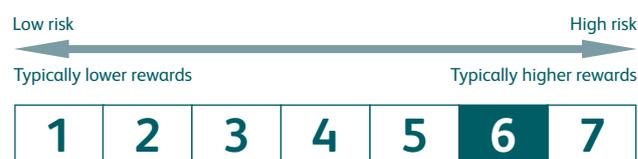
The M&G Global Emerging Markets Fund is an equity fund invested in publicly listed companies throughout Asia, Latin America and EMEA (Europe, Middle East and Africa) or companies that conduct the majority of their business activities in these regions. The fund manager aims to deliver consistent top-quartile performance in the global emerging markets sector by focusing exclusively on bottom-up stock selection. (In the UK, it is the IMA Global Emerging Markets sector; in Europe, the Morningstar Global Emerging Markets Equity sector.)

It is the core belief of the fund manager that value creation for shareholders, not economic growth, drives share prices over the long run. Consequently, investment decisions are determined by the fundamental analysis of individual companies and the fund's country and sector exposure is not influenced by top-down views.

The investment strategy of the fund is to identify companies that are undergoing improvements in their return on capital, either through external change or internal change. The fund also invests in higher returning businesses where the market does not believe these levels of returns are sustainable; we define these as asset growth and quality companies.

The fund manager aims to hold between 50 and 70 stocks, with a typical holding period of three to five years. Taking a long term view enables the manager to align his interest with the strategic value-creating decisions of company management. It also enables him to take advantage of valuation anomalies created by the short-term nature of emerging market investors.

Risk and reward profile*



- The above risk number is based on the rate at which the value of the Fund has moved up and down in the past.
- This risk number is based on simulated historical data and may not be a reliable indicator of the future risk profile of the Fund.
- The risk number shown is not guaranteed and may change over time.
- The lowest risk number does not mean risk free.

* This 'Risk and reward profile' section is based on Sterling Class 'A' shares.

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 3 February 2014, for the year ended 31 January 2014

We see market turbulence as an opportunity to find mispriced companies. As contrarian, value-focused investors, we are drawn to markets and sectors that have underperformed. One area that struggled during the review period was financials and we took advantage of the share price weakness to establish a position in Sberbank, Russia's largest deposit bank. The lender has taken steps to improve its efficiency and product offering, but investors appear to be focusing on the country's economic difficulties and underestimating Sberbank's future profitability.

We also invested in Standard Chartered, a UK-based bank that operates across Asia. We considered investors were concentrating on the slowdown in the region rather than the strength of the bank's franchise and its long-term prospects.

Elsewhere, we added to several existing holdings that had fallen in value, including Banco Bradesco, one of Brazil's largest non-state-owned banks and Brazilian insurance broker Brasil Insurance, as well as Axis Bank from India.

Dongfeng Motor Group, a carmaker from China, and Korean auto makers Hyundai Motor and Kia Motors joined the portfolio too. In our opinion, concerns about China's slowing economy and the challenge posed by a weaker Japanese yen are exaggerated and we believe these firms trade at attractive valuations. Hyundai Motor, in particular, should benefit from a shift towards more profitable premium products and better operational efficiency.

These purchases were funded by taking profits from holdings that had performed well, including NHN, a Korean internet company. NHN's share price rallied as investors had high expectations for its online messaging application. However, we took the view that future growth was already priced in and closed the position. Grupo Financiero Banorte, a Mexican bank, left the portfolio after making impressive gains. We were concerned that rather than consolidating and focusing

M&G Global Emerging Markets Fund

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

on operational improvements after a series of acquisitions, the bank appeared keen to keep growing. The holdings in Banco do Brasil, a state-run bank from Brazil, and Colombian bank Bancolombia were sold too as we found better opportunities elsewhere.

Matthew Vaight
Fund manager

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

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

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	02.02.15	31.03.15

	Final distribution		Ongoing Charges Figure ^[b]	
	Inc 31.03.14 ^[a]	Acc 03.02.14 ^[a]	31.01.14	31.01.13
Sterling	p	p	%	%
Class 'A'	1.4413	1.4684	1.75	1.74
Class 'I'	3.0616	3.2062	1.00	0.99
Class 'R'	1.3388	1.3027	1.25	1.24 ^[c]
Euro	¢	¢	%	%
Class 'A'	n/a	10.1335	1.99	2.01
Class 'C'	n/a	34.4975	1.00	0.98
US dollar	¢	¢	%	%
Class 'A'	n/a	10.8501	2.00	1.99
Class 'C'	n/a	36.3490	1.00	1.00

^[a] The date on which the final distribution will be paid to Income shareholders and credited to Accumulation shareholders.

^[b] The Ongoing Charges Figure is the ratio of the relevant annualised total disclosable costs of each share class from the most recent reporting period to the average net asset value for that share class over the same period.

^[c] The comparative Ongoing Charges Figure shown here is an estimate of the charges, as the share class had not been in existence for a full financial year.

FUND PERFORMANCE

Performance of share classes	Net asset value per share as at 31.01.14		Net asset value per share as at 31.01.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	188.74	193.80	222.63	226.87	-15.22	-14.58
Class 'I'	188.93	201.08	223.09	233.63	-15.31	-13.93
Class 'R'	97.28	98.75	114.87	115.03	-15.31	-14.15
Euro	€	€	€	€	%	%
Class 'A'	n/a	20.6320	n/a	23.2173	n/a	-11.14
Class 'C'	n/a	21.6672	n/a	24.1359	n/a	-10.23
US dollar	\$	\$	\$	\$	%	%
Class 'A'	n/a	21.7101	n/a	24.4358	n/a	-11.15
Class 'C'	n/a	22.8143	n/a	25.4210	n/a	-10.25

PERFORMANCE SINCE LAUNCH

	six months 01.08.13 %	one year 01.02.13 %	five years 03.02.09 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	-10.4	-15.4	n/a	+13.7 ^[c]
Class 'I'	-10.8	-15.5	n/a	+13.7 ^[c]
Class 'R'	-10.7	-15.5	n/a	-1.5 ^[d]
Euro ^[e]				
Class 'A'	-5.0	-11.5	n/a	+15.6 ^[c]
Class 'C'	-4.6	-10.6	n/a	+16.7 ^[c]
US dollar ^[e]				
Class 'A'	-3.1	-12.3	n/a	+16.7 ^[c]
Class 'C'	-2.6	-11.4	n/a	+17.9 ^[c]

^[a] Shows the compound rate of return, per annum, over the period.

^[b] Bid to bid excluding reinvested income.

^[c] 5 February 2009, the launch date of the fund.

^[d] 3 August 2012, the launch date of the share class.

^[e] Bid to bid with net income reinvested.

SINGLE YEAR PERFORMANCE (5 YEARS ENDING JANUARY)

From To	31.01.13 31.01.14 %	31.01.12 31.01.13 %	31.01.11 31.01.12 %	29.01.10 31.01.11 %	30.01.09 29.01.10 %
Sterling					
Class 'A'	-14.5	+13.6	-7.4	+23.6	n/a

Source: Morningstar, Inc., bid to bid with net income reinvested.

M&G Global Emerging Markets Fund

FUND STATISTICS

PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
Sterling (net)					
		p	p	p	p
Class 'A'	2009 ^[a]	187.30	91.75	187.30	91.75
	2010	228.70	175.50	229.28	175.50
	2011	231.74	173.11	232.33	174.49
	2012	213.66	183.30	216.66	185.88
	2013	237.75	195.29	242.28	199.00
	2014 ^[b]	205.06	189.12	208.96	192.71
Class 'I'	2009 ^[a]	188.46	91.80	188.46	91.80
	2010	230.50	175.90	232.44	176.70
	2011	233.60	174.22	235.56	177.90
	2012	215.40	183.96	222.96	190.42
	2013	238.44	196.27	249.69	205.55
	2014 ^[b]	206.89	190.91	216.67	199.94
Class 'R'	2012 ^[c]	109.80	98.73	109.80	98.73
	2013	122.74	100.97	122.91	101.11
	2014 ^[b]	106.29	98.06	106.44	98.20
Euro (net)					
		€	€	€	€
Class 'A'	2009 ^[a]	n/a	n/a	18.3894	9.0626
	2010	n/a	n/a	23.5779	17.8436
	2011	n/a	n/a	24.4106	17.8262
	2012	n/a	n/a	23.2903	19.8468
	2013	n/a	n/a	24.7170	20.2246
	2014 ^[b]	n/a	n/a	22.1173	20.4634
Class 'C'	2009 ^[a]	n/a	n/a	18.5361	9.0691
	2010	n/a	n/a	24.0033	18.0051
	2011	n/a	n/a	24.8605	18.2892
	2012	n/a	n/a	24.1919	20.4125
	2013	n/a	n/a	25.7704	21.1495
	2014 ^[b]	n/a	n/a	23.2086	21.4889
US dollar (net)					
		\$	\$	\$	\$
Class 'A'	2009 ^[a]	n/a	n/a	20.5547	8.8629
	2010	n/a	n/a	24.4111	18.1722
	2011	n/a	n/a	25.2157	18.3701
	2012	n/a	n/a	23.8462	19.8687
	2013	n/a	n/a	25.0427	20.9562
	2014 ^[b]	n/a	n/a	23.5115	21.6898
Class 'C'	2009 ^[a]	n/a	n/a	20.7361	8.8692
	2010	n/a	n/a	24.8740	18.4057
	2011	n/a	n/a	25.7754	18.8597
	2012	n/a	n/a	24.7883	20.5189
	2013	n/a	n/a	26.1241	21.8893
	2014 ^[b]	n/a	n/a	24.6867	22.7929

^[a] From 5 February 2009 (the launch date of the fund).

^[b] To 3 February 2014.

^[c] From 3 August 2012 (the launch date of the share class).

Past performance is no indication of current or future performance and the performance data does not take account of the commissions and costs incurred on the issue and redemption of shares.

The price of shares and the income from them may go down as well as up, and you may get back less than you invested.

INCOME

Dividend income per share			
	Calendar year	Distributed	Reinvested
Sterling (net)			
		p	p
Class 'A'	2010	0.4480	0.4480
	2011	1.1570	1.1599
	2012	1.1930	1.2026
	2013	1.0970	1.1146
	2014 ^[a]	1.4413	1.4684
Class 'I'	2010	1.4920	1.4920
	2011	2.6960	2.7186
	2012	2.7100	2.7675
	2013	2.6080	2.6990
	2014 ^[a]	3.0616	3.2062
Class 'R'	2013	0.1780	0.1624
	2014 ^[a]	1.3388	1.3027
Euro (net)			
		€	€
Class 'A'	2010	n/a	nil
	2011	n/a	6.7820
	2012	n/a	7.3250
	2013	n/a	6.2800
	2014 ^[a]	n/a	10.1335
Class 'C'	2010	n/a	15.2160
	2011	n/a	28.0140
	2012	n/a	29.3880
	2013	n/a	27.8948
	2014 ^[a]	n/a	34.4975
US dollar (net)			
		\$	\$
Class 'A'	2010	n/a	0.3120
	2011	n/a	7.0600
	2012	n/a	7.5300
	2013	n/a	6.5859
	2014 ^[a]	n/a	10.8501
Class 'C'	2010	n/a	16.4950
	2011	n/a	29.7690
	2012	n/a	30.0970
	2013	n/a	29.3891
	2014 ^[a]	n/a	36.3490

^[a] Up to final: ex-distribution date 3 February 2014; payment date 31 March 2014.

M&G Global Emerging Markets Fund

FUND STATISTICS

NET ASSETS					
	Year ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
Sterling					
Class 'A'	Jan 2012	196.75	199.52	53,098,000	72,360,500
	Jan 2013	222.63	226.87	59,167,500	95,716,100
	Jan 2014	188.74	193.80	65,563,000	135,272,900
Class 'I'	Jan 2012	197.00	203.93	2,807,300	50,123,096
	Jan 2013	223.09	233.63	6,398,300	41,378,596
	Jan 2014	188.93	201.08	18,902,900	82,607,096
Class 'R'	Jan 2013	114.87	115.03	1,000	41,000
	Jan 2014	97.28	98.75	78,000	256,000
Euro					
		€	€		
Class 'A'	Jan 2012	n/a	21.0580	n/a	713,900
	Jan 2013	n/a	23.2173	n/a	4,528,200
	Jan 2014	n/a	20.6320	n/a	6,143,600
Class 'C'	Jan 2012	n/a	21.6783	n/a	8,517,500
	Jan 2013	n/a	24.1359	n/a	9,809,100
	Jan 2014	n/a	21.6672	n/a	12,145,300
US dollar					
		\$	\$		
Class 'A'	Jan 2012	n/a	21.5556	n/a	2,089,400
	Jan 2013	n/a	24.4358	n/a	3,788,950
	Jan 2014	n/a	21.7101	n/a	8,677,750
Class 'C'	Jan 2012	n/a	22.1958	n/a	2,512,100
	Jan 2013	n/a	25.4210	n/a	6,730,500
	Jan 2014	n/a	22.8143	n/a	14,659,850
Total net asset value of sub-fund					
	Year ended	£		€ [a]	
	Jan 2012	587,111,000		703,335,000	
	Jan 2013	920,503,000		1,071,996,000	
	Jan 2014	1,226,713,000		1,490,017,000	

[a] Based on the midday exchange rate on the last business day of each financial year.

PORTFOLIO

PORTFOLIO STATEMENT

as at 31 January 2014

Holding	Value £'000	31.01.14 %	31.01.13 %
Finland			
1,756,221 Tikkurila	26,503	2.16	2.32
Russia			
902,000 Lukoil ADR	30,854	2.52	2.44
758,000 O'Key Group GDR	4,840	0.39	
2,410,000 Sberbank of Russia ADR	15,770	1.29	
Spain			
7,603,810 Prosegur Compania Seguridad	27,983	2.28	1.46
Turkey			
27,770,000 Asya Katilim Bankasi	8,338	0.68	5.03
1,450,000 Tüpraş	14,202	1.16	
10,950,000 Türkiye Garanti Bankasi	17,284	1.41	
United Kingdom			
11,100,000 AZ Electronic Materials	43,856	3.58	5.92
2,030,000 Ophir Energy	5,619	0.46	2.92
1,786,000 Standard Chartered	23,045	1.88	
China			
59,951,000 AMVIG Holdings	14,542	1.19	16.81
16,780,800 China Resources Power Holdings	24,160	1.97	14.66
26,500,027 China Unicom (Hong Kong)	21,109	1.72	
25,100,000 CNOOC	23,922	1.95	
21,680,000 Dongfeng Motor Group	19,373	1.58	
2,785,000 HollySys	28,511	2.32	
1,340,000 Mindray Medical International ADR	28,992	2.36	
14,320,000 PICC Property & Casualty	11,720	0.96	
54,770,000 Shanghai Electric Group 'H'	10,543	0.86	
51,895,166 Shui On Land	10,111	0.82	
24,782,000 Yingde Gases	13,186	1.08	
Hong Kong			
11,900,000 Hang Lung Properties	20,019	1.63	1.04
India			
2,175,000 Axis Bank	23,685	1.93	9.95
5,716,640 CESC	24,316	1.98	9.77
12,440,000 Crompton Greaves	13,927	1.14	
2,610,000 Genpact	26,974	2.20	
8,870,000 Idea Cellular	12,326	1.01	
6,223,000 Indiabulls Housing Finance	12,443	1.01	
2,414,224 Power Grid Corporation of India	2,233	0.18	
942,000 Punjab National Bank	5,056	0.41	
20,125,000 REI Agro	1,103	0.09	
Philippines			
358,400,000 Energy Development	24,985	2.04	2.04
Singapore			
5,136,000 Petra Foods	7,907	0.64	0.64
South Korea			
1,080,000 Hana Financial Group	25,043	2.04	14.72
875,240 SK Hynix	18,780	1.53	11.58
279,972 Hyundai Motor	37,188	3.03	
357,000 Kia Motors	10,923	0.89	
81,700 Samsung Electronic	59,361	4.84	
1,130,000 Shinhan Financial Group	29,281	2.39	
Taiwan			
21,440,026 Compal Electronics	9,781	0.80	5.70
8,360,000 Delta Electronics	27,829	2.27	6.18
15,300,000 Taiwan Semiconductor Manufacturing	32,216	2.63	

M&G Global Emerging Markets Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 31 January 2014

Holding	Value £'000	31.01.14 %	31.01.13 %
Thailand		1.73	2.45
69,699,902 Krung Thai Bank	21,167	1.73	
United Arab Emirates		2.22	2.16
2,479,800 DP World	27,278	2.22	
Canada		2.24	2.70
2,175,000 First Quantum Minerals	23,912	1.95	
1,887,000 Sherritt International	3,584	0.29	
Brazil		12.49	14.42
5,600,000 ALL America Latina Logistica	9,006	0.73	
3,780,000 Banco Bradesco	24,297	1.98	
5,300,000 Brasil Insurance	24,788	2.02	
3,113,000 Cremer	11,679	0.95	
5,300,000 Energias Do Brasil	12,261	1.00	
6,269,000 MRV Engenharia	13,155	1.07	
6,250,000 Petrobras	22,947	1.87	
1,830,000 TOTVS	14,637	1.19	
2,775,000 Vale Non-cum. Pref.	20,648	1.68	
Colombia		0.00	1.08
Mexico		1.91	4.97
13,236,784 Grupo Comercial Chedraui	23,463	1.91	
Egypt		1.89	1.39
3,680,000 Commercial International Bank	10,775	0.88	
9,943,427 Juhayna Food Industries	12,436	1.01	
South Africa		7.25	7.48
2,065,000 Barloworld	11,689	0.95	
2,179,726 Imperial Holdings	21,599	1.76	
1,090,000 MTN Group	11,432	0.93	
720,000 Sasol	20,475	1.67	
3,820,000 Standard Bank	23,788	1.94	
'AAA' rated money market funds [a]		0.20	0.00
4,025,000 Northern Trust Global Fund - US dollar	2,445	0.20	
Portfolio of investments (notes 1b & 1d on page 52)	1,217,300	99.23	97.87
Net other assets	9,413	0.77	2.13
Net assets attributable to shareholders	1,226,713	100.00	100.00

[a] Uncommitted surplus cash is placed into 'AAA' rated money market funds with the aim of reducing counterparty risk.

PORTFOLIO TRANSACTIONS

for the year ended 31 January 2014

	£'000
Largest purchases	
Hyundai Motor	38,616
Brasil Insurance	33,062
Banco Bradesco	27,681
Standard Chartered	26,574
Samsung Electronic	26,419
Dongfeng Motor Group	19,684
Mindray Medical International ADR	19,547
AZ Electronic Materials	19,380
Sberbank of Russia ADR	18,869
Axis Bank	18,389
SK Hynix	17,871
Hang Lung Properties	17,783
Prosegur Compania Seguridad	17,451
Lukoil ADR	16,116
HollySys	16,061
Barloworld	15,971
First Quantum Minerals	15,733
Vale Non-cum. Pref.	15,425
Türkiye Garanti Bankasi	15,353
MRV Engenharia	15,065
Northern Trust Global Fund - US dollar [a]	350,144
Other purchases	324,118
Total purchases	1,085,312
Largest sales	
NHN	25,997
Grupo Financiero Banorte	18,308
Delta Electronics	13,142
Grupo Bancolombia ADR	10,903
Fibria Celulose	10,829
Banco do Brasil	10,410
MTN Group	9,334
Idea Cellular	8,513
Yingde Gases	7,429
Mindray Medical International ADR	7,005
America Movil	6,985
First Quantum Minerals	6,056
LG Life Sciences	5,969
Kolon Industries	5,959
Krung Thai Bank	5,862
Vale Non-cum. Pref.	4,580
Bank of India	4,485
AZ Electronic Materials	4,346
Shanghai Electric Group 'H'	3,907
Barloworld	3,728
Northern Trust Global Fund - US dollar [a]	347,948
Other sales	40,634
Total sales	562,329

[a] Uncommitted surplus cash is placed into 'AAA' rated money market funds with the aim of reducing counterparty risk.

M&G Global Emerging Markets Fund

FINANCIAL STATEMENTS

For the year ended 31 January 2014.

STATEMENT OF TOTAL RETURN

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Income					
Net capital (losses) / gains	3		(208,674)		94,374
Revenue	4	30,135		17,042	
Expenses	5	(16,778)		(9,836)	
Finance costs: Interest	12	(9)		2	
Net revenue before taxation		13,348		7,208	
Taxation	6	(2,957)		(1,481)	
Net revenue after taxation			10,391		5,727
Total return before distributions			(198,283)		100,101
Finance costs: Distributions	12		(10,402)		(5,495)
Change in net assets attributable to shareholders from investment activities			(208,685)		94,606

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2014		2013	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		920,503		587,111
Amounts received on issue of shares	778,843		330,499	
Amounts paid on cancellation of shares	(276,335)		(97,897)	
		502,508		232,602
Stamp Duty Reserve Tax (SDRT)		(23)		(5)
Change in net assets attributable to shareholders from investment activities (see above)		(208,685)		94,606
Retained distributions on Accumulation shares		12,410		6,189
Closing net assets attributable to shareholders		1,226,713		920,503

BALANCE SHEET

	as at		as at	
	31 January 2014	£'000	31 January 2013	£'000
Assets				
Investment assets		1,217,300		900,910
Debtors				
Amounts receivable on issues	8,201		31,433	
Bank interest receivable	1		0	
Currency deals outstanding	12,676		16,271	
Distributions receivable	0		2	
Dividends receivable	1,822		541	
Overseas tax recoverable	41		29	
Sales awaiting settlement	12,034		8,257	
		34,775		56,533
Cash and bank balances				
Cash held as bank balances	5,426		13,747	
		5,426		13,747
Total other assets		40,201		70,280
Total assets		1,257,501		971,190
Liabilities				
Creditors				
Amounts payable on cancellations	(15,013)		(13,600)	
Currency deals outstanding	(12,607)		(16,273)	
Expenses payable	(997)		(844)	
Net distributions payable on Income shares	(1,525)		(816)	
Purchases awaiting settlement	(643)		(19,154)	
SDRT payable	(3)		0	
		(30,788)		(50,687)
Total liabilities		(30,788)		(50,687)
Net assets attributable to shareholders		1,226,713		920,503

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

a) Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010.

b) Basis of valuation of investments

All investments are valued at their fair value as at 12 noon on 31 January 2014, being the last business day of the financial year. The fair value of non-derivative securities is bid price.

c) Investment gains and losses

Gains and losses, including exchange differences, on the realisation of investments and increases and decreases in the valuation of investments held at the balance sheet date, including unrealised exchange differences, are treated as capital.

d) Exchange rates

Transactions in foreign currencies are translated at the rate of exchange ruling on the date of the transaction. Where applicable, assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling as at 12 noon on 31 January 2014, being the last business day of the financial year.

M&G Global Emerging Markets Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies (continued)

e) Dividend and interest income

Dividends from quoted equity and non-equity shares are recognised net of attributable tax credits when the security is quoted ex-dividend.

Overseas dividends received after the deduction of withholding tax are shown gross of taxation, with the taxation consequences shown within the taxation charge.

Dividends are recognised as either revenue or capital depending upon the nature and circumstances of the dividend receivable.

Distributions from collective investment schemes are recognised net of attributable tax credits when the security is quoted ex-distribution and are treated as revenue.

Bank interest is recognised on an accruals basis and treated as revenue.

f) Stock dividends

The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the sub-fund. Any enhancement above the cash dividend is treated as capital.

g) Expenses

All expenses (other than those relating to the purchase and sale of investments and Stamp Duty Reserve Tax) are charged against revenue for the year on an accruals basis.

h) Apportionment of income and expenses to multiple share classes

With the exception of the Authorised Corporate Director's (ACD's) periodic charge, which is directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

i) Taxation

The rate of corporation tax for the sub-fund is 20%, with relief for double taxation taken where appropriate. The tax accounting treatment follows the principal amounts involved.

j) Deferred taxation

Deferred tax is provided for in respect of timing differences that have originated but not reversed by the balance sheet date, with the exception of those regarded as permanent differences. Any liability to deferred tax is provided at the average rate of tax expected to apply. A deferred tax asset is recognised to the extent that it is expected to be utilised, based on the likelihood of taxable profits arising in the next twelve month period from which the future reversal of timing differences can be deducted. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

k) Distribution policy

The policy of the sub-fund is to distribute all available income, excluding any items treated as capital in accordance with the above policies and after deduction of expenses properly chargeable against revenue. Stock dividends do not form part of the distributable income.

Income attributable to Accumulation shareholders is retained at the end of each distribution period and represents a reinvestment of income. All remaining income is distributed in accordance with the Collective Investment Schemes sourcebook.

Distributions which have remained unclaimed by shareholders for more than six years are credited to the capital property of the sub-fund.

2 Risk management policies

In pursuing the sub-fund's investment objective, as set out in the Authorised Corporate Director's (ACD's) Report, the ACD accepts market price risk and currency risk in relation to the investment portfolio. Generally, the ACD will not seek to hedge these exposures since the ACD believes that, in the long term, such hedging would be detrimental to total return.

Emerging markets tend to be more volatile and less liquid and investors should expect wider than average price fluctuations. The ACD mitigates this risk through both stock selection and portfolio diversification strategies.

The sub-fund holds overseas investments and exchange rate fluctuations can affect both capital and income values. Short-term exposures to foreign currencies, other than euros, are generally covered by short-dated currency contracts. Income arising in foreign currencies is generally converted into sterling shortly after receipt and is not hedged in advance of receipt.

Since the objective of the sub-fund is to deliver returns over the long term, transactions with the sole objective of realising short-term returns are generally not undertaken.

The sub-fund's assets comprise securities that can be readily realised to meet obligations that may arise on the redemption of shares. As noted on page 69, the ACD's policy is that the sub-fund should normally be close to fully invested.

These policies have been consistently applied since the beginning of the financial year (31.01.13: same).

3 Net capital (losses) / gains

	2014 £'000	2013 £'000
Non-derivative securities	(206,593)	89,687
Currency losses	(2,077)	(157)
Special dividends taken to capital	49	4,865
Transaction charges	(53)	(21)
Net capital (losses) / gains	(208,674)	94,374

M&G Global Emerging Markets Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

4 Revenue

	2014 £'000	2013 £'000
Bank interest	11	6
Interest distributions	14	25
Interest on overseas tax previously withheld at source	1	0
Overseas dividends	29,545	16,411
Stock dividends	0	225
UK dividends	564	375
Total revenue	30,135	17,042

5 Expenses

	2014 £'000	2013 £'000
Payable to the Authorised Corporate Director or associate		
Authorised Corporate Director's periodic charge	13,942	8,199
Administration fee	1,765	1,042
	15,707	9,241
Payable to the Depositary or associate		
Depositary's fee (including VAT)	59	45
Other expenses		
Audit fee (including VAT)	10	10
Regulatory fees	8	7
Safe custody charge	979	519
Tax consultancy fees (including VAT) ^[a]	15	14
	1,012	550
Total expenses	16,778	9,836

[a] Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP.

6 Taxation

	2014 £'000	2013 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Overseas tax	2,967	1,481
Overseas tax recoverable: exchange rate movements	3	0
Overseas tax recovered: previously withheld at source	(13)	0
	2,957	1,481
Current tax charge (note 6b)	2,957	1,481
Deferred tax (note 6c)	0	0
Total taxation	2,957	1,481
b) Factors affecting taxation charge for the year		
Net revenue before taxation	13,348	7,208
Corporation tax at 20%	2,670	1,442
Effects of:		
UK dividends not taxable	(112)	(75)
Stock dividends not taxable	0	(45)
Overseas dividends not taxable	(4,916)	(2,888)
Current year expenses not utilised	2,517	1,862
Overseas tax	2,967	1,481
Overseas tax recoverable: exchange rate movements	3	0
Overseas tax recovered: previously withheld at source	(13)	0
Overseas tax expensed	(159)	(296)
Current tax charge (note 6a)	2,957	1,481
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
Provision at the end of the year	0	0

The sub-fund has not recognised a deferred tax asset of £5,973,000 (31.01.13: £3,662,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

7 Contingent assets, liabilities and outstanding commitments

The sub-fund has not recognised a contingent asset of £81,000 (31.01.13: £33,000). In May 2012 there was a European Court of Justice (ECJ) ruling confirming the ability to recover excess withholding tax applied by French tax authorities suffered on dividends in prior accounting periods. Full recovery of this asset is not certain, however, an estimated accrual is included within the daily price of the sub-fund's shares. The contingent asset will be reflected in the financial statements when receipt of the reclaims becomes virtually certain.

There were no contingent liabilities or outstanding commitments at the balance sheet date (31.01.13: same).

M&G Global Emerging Markets Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

8 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the sub-fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the statement of change in net assets attributable to shareholders and note 12. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in the balance sheet where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's periodic charge and administration fee are disclosed in note 5. Amounts due at the year end to the ACD of £500,000 (31.01.13: £338,000) in respect of the ACD's periodic charge and administration fees are disclosed in the balance sheet.

At the balance sheet date, material shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 29.07% (31.01.13: 39.61%) of the sub-fund's shares.

9 Financial instruments

The policies applied in the management of financial instruments are set out in note 2.

Short-term debtors and creditors have been included in respect of the currency exposure only when this is applicable (31.01.13: same).

Currency exposure

The currency profile of the sub-fund's financial instruments at the balance sheet date was:

	Portfolio of investments		Net other assets / (liabilities)		Total	
	as at 31.01.14 £'000	as at 31.01.13 £'000	as at 31.01.14 £'000	as at 31.01.13 £'000	as at 31.01.14 £'000	as at 31.01.13 £'000
Brazilian real	153,418	132,701	575	(1,855)	153,993	130,846
Canadian dollar	27,496	24,862	0	0	27,496	24,862
Egyptian pound	23,211	12,799	1,241	(15)	24,452	12,784
Euro	54,486	34,788	(178)	11,559	54,308	46,347
Hong Kong dollar	191,730	114,959	532	(930)	192,262	114,029
Indian rupee	95,089	71,377	422	0	95,511	71,377
Mexican peso	23,463	45,781	0	4,605	23,463	50,386
Philippine peso	24,985	21,582	0	0	24,985	21,582
Singapore dollar	7,907	13,658	44	0	7,951	13,658
South African rand	88,983	68,917	1,321	(5,518)	90,304	63,399
South Korean won	180,576	106,561	823	185	181,399	106,746
Taiwanese dollar	69,826	56,892	5,181	2,279	75,007	59,171
Thailand baht	21,167	22,517	0	2,756	21,167	25,273
Turkish lira	39,824	46,336	0	0	39,824	46,336
US dollar	138,386	121,495	3,005	3,211	141,391	124,706
	1,140,547	895,225	12,966	16,277	1,153,513	911,502
Sterling	76,753	5,685	(3,553)	3,316	73,200	9,001
Total	1,217,300	900,910	9,413	19,593	1,226,713	920,503

Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.01.13: same).

Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.01.13: same).

10 Portfolio transaction costs

	2014 £'000	2013 £'000
a) Purchases		
Purchases excluding transaction costs	1,083,847	553,577
Commissions	1,068	611
Taxes	397	157
Total transaction costs	1,465	768
Total purchases including transaction costs	1,085,312	554,345
b) Sales		
Sales excluding transaction costs	562,852	318,543
Commissions	(298)	(160)
Taxes	(225)	(41)
Total transaction costs	(523)	(201)
Total sales net of transaction costs	562,329	318,342

11 Shareholder funds

This sub-fund contains Sterling Class 'A' (Net Income and Net Accumulation) shares, Sterling Class 'I' (Net Income and Net Accumulation) shares and Sterling Class 'R' (Net Income and Net Accumulation) shares.

This sub-fund also contains Euro Class 'A' (Net Accumulation) shares and Euro Class 'C' (Net Accumulation) shares.

This sub-fund also contains US dollar Class 'A' (Net Accumulation) shares and US dollar Class 'C' (Net Accumulation) shares.

The charging structure for each share class, as at 31 January 2014, is set out in the following table:

CHARGES AND EXPENSES			
	Initial charge %	Withdrawal fee %	ACD's annual remuneration %
Sterling			
Class 'A'	4.00	n/a	1.50
Class 'I'	1.00	n/a	0.75
Class 'R'	1.00	n/a	1.00
Euro			
Class 'A'	4.00	n/a	1.75
Class 'C'	1.25	n/a	0.75
US dollar			
Class 'A'	4.00	n/a	1.75
Class 'C'	1.25	n/a	0.75

With the exception of the Authorised Corporate Director's periodic charge, which is directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

M&G Global Emerging Markets Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

11 Shareholder funds (continued)

The net asset values for each share class are set out in the following table:

NET ASSET VALUES

	31.01.14		31.01.13	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Sterling				
Class 'A'	123,742	262,152	131,726	217,151
Class 'I'	35,713	166,103	14,274	96,672
Class 'R'	76	253	1	47
Euro				
Class 'A'	n/a	104,355	n/a	90,275
Class 'C'	n/a	216,652	n/a	203,295
US dollar				
Class 'A'	n/a	114,463	n/a	58,660
Class 'C'	n/a	203,204	n/a	108,402

The net asset value per share and the number of shares are given in the net assets table on page 50. The distribution per share is given in the distribution table on page 57. Each share class has the same rights on winding-up.

12 Finance costs

	2014 £'000	2013 £'000
Income shares (Sterling)		
Class 'A' - Final	945	649
Class 'I' - Final	579	167
Class 'R' - Final ^[a]	1	0
Accumulation shares (Sterling)		
Class 'A' - Final	1,986	1,067
Class 'I' - Final	2,649	1,117
Class 'R' - Final ^[b]	3	0
Accumulation shares (Euro)		
Class 'A' - Final	513	244
Class 'C' - Final	3,449	2,350
Accumulation shares (US dollar)		
Class 'A' - Final	572	158
Class 'C' - Final	3,238	1,253
Finance costs: Dividend distributions	13,935	7,005
Net income created as a result of conversions	0	(26)
Income deducted on cancellation of shares	2,545	745
Income received on issue of shares	(6,078)	(2,229)
Finance costs: Distributions	10,402	5,495
Finance costs: Interest	9	(2)
Total finance costs	10,411	5,493
Net revenue per statement of total return	10,391	5,727
Stock dividends not distributed	0	(225)
Undistributed income brought forward	12	5
Undistributed income carried forward	(1)	(12)
Finance costs: Distributions	10,402	5,495

^[a] The comparative final distribution for Sterling Class 'R' (Income) shares was £2.

^[b] The comparative final distribution for Sterling Class 'R' (Accumulation) shares was £67.

M&G Global Emerging Markets Fund

FINANCIAL STATEMENTS

DISTRIBUTION TABLE

Dividend distributions on Income shares	Net income	Equalisation	Distribution payable/paid	
	p	p	2014	2013
Sterling				
Class 'A' - Final				
Group 1:	1.4413	-	1.4413	1.0970
Group 2:	-	1.4413	1.4413	1.0970
Class 'I' - Final				
Group 1:	3.0616	-	3.0616	2.6080
Group 2:	0.5037	2.5579	3.0616	2.6080
Class 'R' - Final				
Group 1:	1.3388	-	1.3388	0.1780
Group 2:	0.2539	1.0849	1.3388	0.1780
Dividend distributions on Accumulation shares	Net income	Equalisation	Amount reinvested	
	p	p	2014	2013
Sterling				
Class 'A' - Final				
Group 1:	1.4684	-	1.4684	1.1146
Group 2:	-	1.4684	1.4684	1.1146
Class 'I' - Final				
Group 1:	3.2062	-	3.2062	2.6990
Group 2:	0.6640	2.5422	3.2062	2.6990
Class 'R' - Final				
Group 1:	1.3027	-	1.3027	0.1624
Group 2:	0.1887	1.1140	1.3027	0.1624
Euro	€	€	€	€
Class 'A' - Final				
Group 1:	10.1335	-	10.1335	6.2800
Group 2:	1.6534	8.4801	10.1335	6.2800
Class 'C' - Final				
Group 1:	34.4975	-	34.4975	27.8948
Group 2:	15.5943	18.9032	34.4975	27.8948
US dollar	¢	¢	¢	¢
Class 'A' - Final				
Group 1:	10.8501	-	10.8501	6.5859
Group 2:	1.3979	9.4522	10.8501	6.5859
Class 'C' - Final				
Group 1:	36.3490	-	36.3490	29.3891
Group 2:	9.7051	26.6439	36.3490	29.3891

Final period 01.02.13 - 31.01.14

Group 1: Shares purchased prior to a distribution period.

Group 2: Shares purchased during a distribution period.

Equalisation applies only to shares purchased during the distribution period (Group 2). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes.

M&G Global Emerging Markets Fund

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M&G Pan European Dividend Fund

AUTHORISED CORPORATE DIRECTOR'S REPORT

Investment objective of the M&G Pan European Dividend Fund

The Fund aims to deliver a dividend yield above the market average, by investing mainly in a range of European equities. The Fund aims to increase distributions over the long term whilst also maximising total return (the combination of income and growth of capital).

Investment policy of the M&G Pan European Dividend Fund

The Fund aims to deliver a dividend yield above the market average, whilst aiming to increase annual distributions over the long term, by investing in a range of European equities. The Fund's exposure to European equities may be gained through the use of derivatives. The Fund may invest across a wide range of geographies, sectors and market capitalisations. The Fund may also invest in other assets including collective investment schemes, other transferable securities, cash and near cash, deposits, warrants, money market instruments and derivatives.

Investment approach

The M&G Pan European Dividend Fund employs a bottom-up stockpicking approach, driven by the fundamental analysis of individual companies. The fund seeks to invest in companies that understand capital discipline, have the potential to increase dividends consistently and are undervalued by the stockmarket. Dividend yield is not the primary consideration for stock selection.

The fund manager aims to create a diversified portfolio with exposure to a broad range of countries and sectors. He selects stocks with different drivers of dividend growth to construct a portfolio that can perform well in a variety of market conditions. The fund will usually hold around 50 stocks with a long-term investment view and a typical holding period of three to five years.

Risk and reward profile*



- The above risk number is based on the rate at which the value of the Fund has moved up and down in the past.
- This risk number is based on historical data and may not be a reliable indicator of the future risk profile of the Fund.
- The risk number shown is not guaranteed and may change over time.
- The lowest risk number does not mean risk free.

* This 'Risk and reward profile' section is based on Sterling Class 'A' shares.

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 3 February 2014, for the year ended 31 January 2014

Holdings in the fund are grouped into three distinct dividend-producing categories, which help the portfolio to perform and grow its income in different market conditions. The main thrust of fund activity over the past 12 months has been to increase the portfolio's exposure to the 'assets' category, which tends to include more cyclical, or economically sensitive companies, as valuations were looking more attractive. This was achieved partly through reducing the portfolio's exposure to the 'quality' category, following significant strength in these stocks at the start of 2013. 'Quality' companies tend to be more defensive, maintain steady growth in their dividend^[a] payout to shareholders and are less susceptible to the vicissitudes of the economic cycle.

The balance of the switch into the 'assets' category came through removing the remainder of the holdings that did not pay a dividend or exhibited little prospect of growing their dividend. These had formed part of the portfolio before the fund manager changeover in the previous year. This process has been drawn out and conducted in a prudent manner in order to protect the fund's capital and income performance. Towards the end of the reporting period, as the market had undergone a strong rally, particularly amongst the more cyclical areas, the focus of activity shifted towards finding attractive 'dividend growth', or 'rapid growth', companies on cheaper valuations. This group includes companies that are growing fast by virtue of their geography, industry or product line.

At a sector level, portfolio activity resulted in the fund's exposure to the more defensive consumer staples sectors being reduced. For example, the positions in telecommunications and energy were closed, while the exposure to pharmaceuticals & biotechnology was reduced. Conversely, fund weightings in the industrials, consumer discretionary, materials and financials sectors all rose, reflecting the increase in the fund's cyclical exposure.

Of note amongst the individual transactions were the purchases of French speciality chemicals business Arkema, Swedish financial services group Nordea Bank, UK life insurer Resolution and Finnish winter tyre manufacturer Nokian Renkaat – all in the 'assets' category. Within the fund's holdings in dividend growth stocks, leading Franco-Dutch property company Unibail-Rodamco was added to the portfolio, while a substantial increase was made to a position in German drugs manufacturer Merck, which has just gained approval in the US for Zontivity, its anti-blood clotting drug.

Phil Cliff Fund manager

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

^[a] 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.

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 Pan European Dividend Fund

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Interim	01.08.14	30.09.14
Final	02.02.15	31.03.15

	Final distribution		Ongoing Charges Figure ^[b]	
	Inc 31.03.14 ^[a]	Acc 03.02.14 ^[a]	31.01.14	31.01.13
Sterling	p	p	%	%
Class 'A'	2.2178	2.5940	1.74	1.78
Class 'I'	23.7534	24.2135	1.00	1.03 ^[c]
Class 'R'	2.3666	2.4220	1.24	1.28 ^[c]
Euro	€	€	%	%
Class 'A'	24.5401	24.8466	1.75	1.76
Class 'C'	n/a	25.8675	0.99	1.09

^[a] The date on which the final distribution will be paid to Income shareholders and credited to Accumulation shareholders.

^[b] The Ongoing Charges Figure is the ratio of the relevant annualised total disclosable costs of each share class from the most recent reporting period to the average net asset value for that share class over the same period.

^[c] The comparative Ongoing Charges Figure shown here is an estimate of the charges, as the share class had not been in existence for a full financial year.

FUND PERFORMANCE

Performance of share classes

	Net asset value per share as at 31.01.14		Net asset value per share as at 31.01.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	112.48	134.99	108.62	125.48	+3.55	+7.58
Class 'I'	1,210.72	1,269.49	1,158.79	1,171.21	+4.48	+8.39
Class 'R'	120.59	126.38	115.69	116.92	+4.24	+8.09
Euro	€	€	€	€	%	%
Class 'A'	12.5346	13.0052	n/a	11.5911	n/a	+12.20
Class 'C'	n/a	13.5678	n/a	12.0051	n/a	+13.02

PERFORMANCE SINCE LAUNCH

	six months 01.08.13 %	one year 01.02.13 %	five years 03.02.09 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	-4.3	+4.2	+6.2	+2.5 ^[c]
Class 'I'	-3.9	+5.1	n/a	+14.9 ^[d]
Class 'R'	-4.0	+4.8	n/a	+14.6 ^[d]
Euro ^[e]				
Class 'A'	+2.8	+12.7	+11.9	+5.1 ^[c]
Class 'C'	+3.1	+13.5	+12.8	+5.9 ^[c]

^[a] Shows the compound rate of return, per annum, over the period.

^[b] Bid to bid excluding reinvested income.

^[c] 18 July 2008, the launch date of the fund.

^[d] 3 August 2012, the launch date of the share class.

^[e] Bid to bid with net income reinvested.

SINGLE YEAR PERFORMANCE (5 YEARS ENDING JANUARY)

From To	31.01.13 31.01.14 %	31.01.12 31.01.13 %	31.01.11 31.01.12 %	29.01.10 31.01.11 %	30.01.09 29.01.10 %
Sterling					
Class 'A'	+7.4	+18.3	-7.6	+8.9	+22.2

Source: Morningstar, Inc., bid to bid with net income reinvested.

PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
Sterling (net)		p	p	p	p
Class 'A'	2009	111.87	73.08	114.91	73.74
	2010	112.88	92.07	116.57	95.67
	2011	113.30	85.04	121.51	92.84
	2012	103.83	88.23	117.91	98.12
	2013	123.10	104.19	144.86	118.32
	2014 ^[a]	121.73	114.43	143.25	135.67
Class 'I'	2012 ^[b]	1,099.44	1,000.00	1,099.44	1,000.00
	2013	1,322.23	1,103.41	1,359.71	1,103.41
	2014 ^[a]	1,309.70	1,231.77	1,346.80	1,275.89
Class 'R'	2012 ^[b]	109.79	100.00	109.79	100.00
	2013	131.79	110.18	135.50	110.18
	2014 ^[a]	130.47	122.69	134.10	127.02
Euro (net)		€	€	€	€
Class 'A'	2009	n/a	n/a	10.0975	6.4537
	2010	n/a	n/a	10.6262	9.1477
	2011	n/a	n/a	11.1025	8.4557
	2012	n/a	n/a	11.4936	9.6750
	2013	13.4150 ^[c]	12.3664 ^[c]	13.6506	11.5290
	2014 ^[a]	13.5116	12.6960	13.7490	13.0710
Class 'C'	2009	n/a	n/a	10.2089	6.4851
	2010	n/a	n/a	10.8227	9.2761
	2011	n/a	n/a	11.3210	8.6604
	2012	n/a	n/a	11.8936	9.9751
	2013	n/a	n/a	14.2334	11.9372
	2014 ^[a]	n/a	n/a	14.3421	13.6362

^[a] To 3 February 2014.

^[b] From 3 August 2012 (the launch date of the share class).

^[c] From 12 July 2013 (the launch date of the Income shares).

Past performance is no indication of current or future performance and the performance data does not take account of the commissions and costs incurred on the issue and redemption of shares.

The price of shares and the income from them may go down as well as up, and you may get back less than you invested.

M&G Pan European Dividend Fund

FUND STATISTICS

INCOME

Dividend income per share

	Calendar year	Final	Distributed Interim	Total	Reinvested
Sterling (net)		p	p	p	p
Class 'A'	2010	1.1930	1.7830	2.9760	3.0783
	2011	1.4690	1.9000	3.3690	3.4541
	2012	1.7910	1.9950	3.7860	4.2857
	2013	1.9390	2.1000	4.0390	4.6085
	2014 [a]	2.2178	-	2.2178	2.5940
Class 'I'	2013	12.2323	22.4180	34.6503	34.9840
	2014 [a]	23.7534	-	23.7534	24.2135
Class 'R'	2013	1.2290	2.2370	3.4660	3.4910
	2014 [a]	2.3666	-	2.3666	2.4220
Euro (net)		€	€	€	€
Class 'A'	2010	n/a	n/a	n/a	25.6240
	2011	n/a	n/a	n/a	41.3520
	2012	n/a	n/a	n/a	30.4153
	2013	n/a	22.1370	22.1370	46.5417
	2014 [a]	24.5401	-	24.5401	24.8466
Class 'C'	2010	n/a	n/a	n/a	25.7670
	2011	n/a	n/a	n/a	41.7850
	2012	n/a	n/a	n/a	31.7578
	2013	n/a	n/a	n/a	47.8210
	2014 [a]	n/a	n/a	n/a	25.8675

[a] Up to final: ex-distribution date 3 February 2014;
payment date 31 March 2014.

NET ASSETS

	Year ended	Value per share Inc	Value per share Acc	Number of shares Inc	Number of shares Acc
Sterling		p	p		
Class 'A'	Jan 2012	95.53	106.26	234,000	20,183,800
	Jan 2013	108.62	125.48	433,000	20,200,800
	Jan 2014	112.48	134.99	19,333,200	20,310,800
Class 'I'	Jan 2013	1,158.79	1,171.21	1,100	100
	Jan 2014	1,210.72	1,269.49	2,300	5,100
Class 'R'	Jan 2013	115.69	116.92	1,000	1,000
	Jan 2014	120.59	126.38	21,000	1,000
Euro		€	€		
Class 'A'	Jan 2012	n/a	10.1110	n/a	166,700
	Jan 2013	n/a	11.5911	n/a	225,700
	Jan 2014	12.5346	13.0052	23,600	441,100
Class 'C'	Jan 2012	n/a	10.3900	n/a	1,000
	Jan 2013	n/a	12.0051	n/a	1,000
	Jan 2014	n/a	13.5678	n/a	176,800
Total net asset value of sub-fund		£	€ [a]		
	Year ended				
	Jan 2012	23,086,000	27,656,000		
	Jan 2013	28,092,000	32,715,000		
	Jan 2014	56,224,000	68,292,000		

[a] Based on the midday exchange rate on the last business day of each financial year.

PORTFOLIO

PORTFOLIO STATEMENT

as at 31 January 2014

Holding	Value £'000	31.01.14 %	31.01.13 %
Oil & gas producers		0.00	5.25
Oil equipment, services & distribution		5.32	6.33
21,200 Fugro	672	1.20	
82,750 Petrofac	962	1.71	
128,100 Prosafe	523	0.93	
54,000 TGS Nopec Geophysical	832	1.48	
Chemicals		8.86	8.21
18,025 Arkema	1,160	2.06	
11,200 Bayer	893	1.59	
16,200 Koninklijke DSM	652	1.16	
16,680 Solvay	1,417	2.52	
4,027 Syngenta (Regd.)	862	1.53	
Forestry & paper		0.00	1.42
Mining		0.00	2.70
Construction & materials		1.82	0.00
26,000 Vinci	1,024	1.82	
General industrials		4.18	3.34
169,192 RPC Group	1,014	1.80	
17,625 Siemens	1,337	2.38	
Industrial engineering		5.78	1.83
37,700 ABB	566	1.01	
53,700 IMI	795	1.42	
30,000 Konecranes	647	1.15	
405,000 Melrose Industries	1,238	2.20	
Industrial transportation		2.67	1.24
55,000 Abertis Infraestructuras	742	1.32	
35,400 Golar LNG	759	1.35	
Support services		2.25	6.11
103,909 De La Rue	810	1.44	
104,430 Serco Group	452	0.81	
Automobiles & parts		2.39	2.66
52,100 Nokian Renkaat	1,343	2.39	
Food producers		1.64	4.46
41,100 Unilever	923	1.64	
Household goods & home construction		1.50	3.98
18,750 Reckitt Benckiser	841	1.50	
Personal goods		3.90	4.08
19,350 HUGO BOSS	1,482	2.64	
41,500 Svenska Cellulosa 'B'	709	1.26	
Tobacco		3.56	5.14
43,000 British American Tobacco	1,250	2.22	
33,900 Imperial Tobacco	755	1.34	
Pharmaceuticals & biotechnology		13.55	14.56
91,200 GlaxoSmithKline	1,417	2.52	
11,250 Merck	1,058	1.88	
43,300 Novartis (Regd.)	2,078	3.70	
9,050 Roche Holding 'Genusscheine'	1,497	2.66	
26,300 Sanofi	1,571	2.79	
Food & drug retailers		0.00	1.09
General retailers		1.30	0.00
70,250 WH Smith	731	1.30	
Media		9.04	2.81
90,000 Reed Elsevier	1,121	1.99	
7,600 RTL	565	1.00	
129,500 SES Global	2,508	4.46	
71,700 WPP (formerly WPP Group)	892	1.59	

M&G Pan European Dividend Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 31 January 2014

Holding	Value £'000	31.01.14 %	31.01.13 %
Travel & leisure		1.31	2.32
81,349 Compass Group	739	1.31	
Fixed line telecommunications		0.00	1.44
Banks		9.26	6.34
3,460 Banque Cantonale Vaudoise	1,139	2.03	
265,780 HSBC Holdings	1,645	2.93	
185,000 Nordea Bank	1,492	2.65	
32,070 Svenska Handelsbanken 'A'	925	1.65	
Non-life insurance		6.80	9.56
211,000 Amlin	890	1.58	
100,000 Hiscox	634	1.13	
7,400 Munich Re	925	1.64	
48,900 Sampo	1,378	2.45	
Life insurance		5.59	2.47
124,000 Prudential	1,510	2.69	
470,000 Resolution	1,632	2.90	
Real estate investment trusts		2.33	0.00
9,000 Unibail-Rodamco	1,309	2.33	
Financial services		3.33	1.35
167,833 IG Group Holdings	1,039	1.85	
225,000 Jupiter Fund Management	830	1.48	
'AAA' rated money market funds ^[a]		3.04	0.23
1,712,000 Northern Trust Global Fund - Sterling	1,712	3.04	
Portfolio of investments (notes 1b & 1d on page 63)	55,897	99.42	98.92
Net other assets	327	0.58	1.08
Net assets attributable to shareholders	56,224	100.00	100.00

^[a] Uncommitted surplus cash is placed into 'AAA' rated money market funds with the aim of reducing counterparty risk.

PORTFOLIO TRANSACTIONS

for the year ended 31 January 2014

	£'000
Largest purchases	£'000
SES Global	2,312
Unibail-Rodamco	1,793
Arkema	1,510
Vinci	1,467
Nordea Bank	1,421
Resolution	1,400
HSBC Holdings	1,272
Nokian Renkaat	1,272
Melrose Industries	1,184
Banque Cantonale Vaudoise	1,158
Novartis (Regd.)	1,092
Reed Elsevier	1,085
Prudential	1,047
Syngenta (Regd.)	987
HUGO BOSS	920
Solvay	895
Jupiter Fund Management	843
AMEC	805
Furgo	781
GlaxoSmithKline	759
Northern Trust Global Fund - Sterling ^[a]	16,061
Other purchases	15,498
Total purchases	55,562
Largest sales	£'000
BHP Billiton	978
Ziggo NV	912
BIC	809
AMEC	802
BP	789
Amadeus IT Holdings	739
Vinci	704
AXA	679
Nestlé (Regd.)	626
Total	607
DSM	531
Capita Group	527
Prosegur Compania Seguridad	497
Prosafe	493
Brenntag	485
Prudential	484
Munich Re	451
Unibail-Rodamco	399
Arkema	369
UPM-Kymmene	353
Northern Trust Global Fund - Sterling ^[a]	14,414
Other sales	1,240
Total sales	27,888

^[a] Uncommitted surplus cash is placed into 'AAA' rated money market funds with the aim of reducing counterparty risk.

M&G Pan European Dividend Fund

FINANCIAL STATEMENTS

For the year ended 31 January 2014.

STATEMENT OF TOTAL RETURN

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	3		435		3,642
Revenue	4	1,462		1,053	
Expenses	5	(756)		(413)	
Finance costs: Interest	12	(1)		0	
Net revenue before taxation		705		640	
Taxation	6	(55)		(72)	
Net revenue after taxation			650		568
Total return before distributions			1,085		4,210
Finance costs: Distributions	12		(1,407)		(918)
Change in net assets attributable to shareholders from investment activities			(322)		3,292

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2014		2013	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		28,092		23,086
Amounts received on issue of shares	34,556		2,143	
Amounts paid on cancellation of shares	(7,412)		(1,369)	
		27,144		774
Stamp Duty Reserve Tax		(5)		0
Change in net assets attributable to shareholders from investment activities (see above)		(322)		3,292
Retained distributions on Accumulation shares		1,315		937
Unclaimed distributions		0		3
Closing net assets attributable to shareholders		56,224		28,092

BALANCE SHEET

	as at		as at	
	31 January 2014	£'000	31 January 2013	£'000
Assets				
Investment assets		55,897		27,789
Debtors				
Amounts receivable on issues	6		50	
Currency deals outstanding	0		227	
Distributions receivable	1		0	
Dividends receivable	50		54	
Overseas tax recoverable	86		94	
Prepaid expenses	0		1	
Sales awaiting settlement	674		0	
		817		426
Cash and bank balances				
Cash held as bank balances	372		254	
		372		254
Total other assets		1,189		680
Total assets		57,086		28,469
Creditors				
Amounts payable on cancellations	0		(25)	
Currency deals outstanding	0		(227)	
Expenses payable	(55)		(40)	
Net distributions payable on Income shares	(435)		(9)	
Purchases awaiting settlement	(372)		(76)	
Total liabilities		(862)		(377)
Net assets attributable to shareholders		56,224		28,092

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

a) Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010.

b) Basis of valuation of investments

All investments are valued at their fair value as at 12 noon on 31 January 2014, being the last business day of the financial year. The fair value of non-derivative securities is bid price.

c) Investment gains and losses

Gains and losses, including exchange differences, on the realisation of investments and increases and decreases in the valuation of investments held at the balance sheet date, including unrealised exchange differences, are treated as capital.

d) Exchange rates

Transactions in foreign currencies are translated at the rate of exchange ruling on the date of the transaction. Where applicable, assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling as at 12 noon on 31 January 2014, being the last business day of the financial year.

M&G Pan European Dividend Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies (continued)

e) Dividend and interest income

Dividends from quoted equity and non-equity shares are recognised net of attributable tax credits when the security is quoted ex-dividend.

Overseas dividends received after the deduction of withholding tax are shown gross of taxation, with the taxation consequences shown within the taxation charge.

Dividends are recognised as either revenue or capital depending upon the nature and circumstances of the dividend receivable.

Bank interest is recognised on an accruals basis and treated as revenue.

f) Stock dividends

The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the sub-fund. Any enhancement above the cash dividend is treated as capital.

g) Expenses

All expenses (other than those relating to the purchase and sale of investments and Stamp Duty Reserve Tax) are charged against revenue for the year on an accruals basis.

h) Apportionment of income and expenses to multiple share classes

With the exception of the Authorised Corporate Director's (ACD's) periodic charge, which is directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

i) Taxation

The rate of corporation tax for the sub-fund is 20%, with relief for double taxation taken where appropriate. The tax accounting treatment follows the principal amounts involved.

j) Deferred taxation

Deferred tax is provided for in respect of timing differences that have originated but not reversed by the balance sheet date, with the exception of those regarded as permanent differences. Any liability to deferred tax is provided at the average rate of tax expected to apply. A deferred tax asset is recognised to the extent that it is expected to be utilised, based on the likelihood of taxable profits arising in the next twelve month period from which the future reversal of timing differences can be deducted. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

k) Distribution policy

The policy of the sub-fund is to distribute all available income, excluding any items treated as capital in accordance with the above policies and after deduction of expenses properly chargeable against revenue. Stock dividends form part of the distributable income.

Income attributable to Accumulation shareholders is retained at the end of each distribution period and represents a reinvestment of income. All remaining income is distributed in accordance with the Collective Investment Schemes sourcebook.

Distributions which have remained unclaimed by shareholders for more than six years are credited to the capital property of the sub-fund.

2 Risk management policies

In pursuing the sub-fund's investment objective, as set out in the Authorised Corporate Director's (ACD's) Report, the ACD accepts market price risk and currency risk in relation to the investment portfolio and euro cash positions. Generally, the ACD will not seek to hedge these exposures since the ACD believes that, in the long term, such hedging would be detrimental to total return.

The sub-fund holds overseas investments and exchange rate fluctuations can affect both capital and income values. Short-term exposures to foreign currencies, other than euros, are generally covered by short-dated currency contracts. Income arising in foreign currencies is generally converted into sterling shortly after receipt and is not hedged in advance of receipt.

The ACD's periodic charge, net of any tax relief available, is offset against capital in determining the distribution of the sub-fund, thereby increasing the level of distributable income whilst restraining the sub-fund's capital performance to an equivalent extent. This policy increases investment opportunities in lower yielding securities and the ACD believes that this should facilitate maximising the total return of the sub-fund.

Since the objective of the sub-fund is to deliver returns over the long term, transactions with the sole objective of realising short-term returns are generally not undertaken.

The sub-fund's assets comprise securities that can be readily realised to meet obligations that may arise on the redemption of shares. As noted on page 69, the ACD's policy is that the sub-fund should normally be close to fully invested.

These policies have been consistently applied since the beginning of the financial year (31.01.13: same).

3 Net capital gains

	2014 £'000	2013 £'000
Non-derivative securities	434	3,648
Currency gains / (losses)	7	(6)
Special dividends taken to capital	0	2
Transaction charges	(6)	(2)
Net capital gains	435	3,642

M&G Pan European Dividend Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

4 Revenue

	2014 £'000	2013 £'000
Interest distributions	3	1
Interest on overseas tax previously withheld at source	5	0
Overseas dividends	909	637
Stock dividends	95	43
UK dividends	450	372
Total revenue	1,462	1,053

5 Expenses

	2014 £'000	2013 £'000
Payable to the Authorised Corporate Director or associate		
Authorised Corporate Director's periodic charge	652	350
Administration fee	68	35
	720	385
Payable to the Depository or associate		
Depository's fee (including VAT)	4	2
Distribution fees	1	0
	5	2
Other expenses		
Audit fee (including VAT)	10	10
Regulatory fees	7	6
Safe custody charge	4	2
Tax consultancy fees (including VAT) ^[a]	10	8
	31	26
Total expenses	756	413

[a] Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP.

6 Taxation

	2014 £'000	2013 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Overseas tax	81	72
Overseas tax recovered: previously withheld at source	(26)	0
Current tax charge (note 6b)	55	72
Deferred tax (note 6c)	0	0
Total taxation	55	72
b) Factors affecting taxation charge for the year		
Net revenue before taxation	705	640
Corporation tax at 20%	141	128
Effects of:		
UK dividends not taxable	(90)	(74)
Stock dividends not taxable	(19)	(9)
Overseas dividends not taxable	(182)	(127)
Current year expenses not utilised	150	82
Overseas tax	81	72
Overseas tax recovered: previously withheld at source	(26)	0
Current tax charge (note 6a)	55	72
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
Provision at the end of the year	0	0

The sub-fund has not recognised a deferred tax asset of £371,000 (31.01.13: £221,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

7 Contingent assets, liabilities and outstanding commitments

The sub-fund has not recognised a contingent asset of £116,000 (31.01.13: £106,000). In May 2012 there was a European Court of Justice (ECJ) ruling confirming the ability to recover excess withholding tax applied by French tax authorities suffered on dividends in prior accounting periods. Full recovery of this asset is not certain, however, an estimated accrual is included within the daily price of the sub-fund's shares. The contingent asset will be reflected in the financial statements when receipt of the reclaims becomes virtually certain.

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (31.01.13: same).

8 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the sub-fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the statement of change in net assets attributable to shareholders and note 12. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in the balance sheet where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's periodic charge and administration fee are disclosed in note 5. Amounts due at the year end to the ACD of £29,000 (31.01.13: £13,000) in respect of the ACD's periodic charge and administration fees are disclosed in the balance sheet.

During the year, there were transactions in shares in related parties of M&G Securities Limited with a total value of £1,530,000 (2013: 540,000).

At the balance sheet date, the sub-fund held shares in related parties of M&G Securities Limited with a value of £1,510,000 (31.01.13: £693,000).

At the balance sheet date, material shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 45.41% (31.01.13: 94.16%) of the sub-fund's shares.

M&G Pan European Dividend Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

9 Financial instruments

The policies applied in the management of financial instruments are set out in note 2.

Short-term debtors and creditors have been included in respect of the currency exposure only when this is applicable (31.01.13: same).

Currency exposure

The currency profile of the sub-fund's financial instruments at the balance sheet date was:

	Portfolio of investments		Net other assets / (liabilities)		Total	
	as at 31.01.14	as at 31.01.13	as at 31.01.14	as at 31.01.13	as at 31.01.14	as at 31.01.13
	£'000	£'000	£'000	£'000	£'000	£'000
Euro	22,727	12,071	462	225	23,189	12,296
Norwegian krona	1,355	1,332	4	1	1,359	1,333
Swedish krona	3,126	1,012	1	1	3,127	1,013
Swiss franc	6,142	2,772	52	37	6,194	2,809
US dollar	759	349	0	7	759	356
	34,109	17,536	519	271	34,628	17,807
Sterling	21,788	10,253	(192)	32	21,596	10,285
Total	55,897	27,789	327	303	56,224	28,092

Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.01.13: same).

Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.01.13: same).

10 Portfolio transaction costs

	2014 £'000	2013 £'000
a) Purchases		
Purchases excluding transaction costs	55,473	18,265
Commissions	23	13
Taxes	66	23
Total transaction costs	89	36
Total purchases including transaction costs	55,562	18,301
b) Sales		
Sales excluding transaction costs	27,900	17,171
Commissions	(12)	(11)
Total sales net of transaction costs	27,888	17,160

11 Shareholder funds

This sub-fund contains Sterling Class 'A' (Net Income and Net Accumulation) shares, Sterling Class 'I' (Net Income and Net Accumulation) shares and Sterling Class 'R' (Net Income and Net Accumulation) shares.

This sub-fund also contains Euro Class 'A' (Net Income and Net Accumulation) shares and Euro Class 'C' (Net Accumulation) shares.

The charging structure for each share class, as at 31 January 2014, is set out in the following table:

CHARGES AND EXPENSES

	Initial charge %	Withdrawal fee %	ACD's annual remuneration %
Sterling			
Class 'A'	4.00	n/a	1.50
Class 'I'	1.00	n/a	0.75
Class 'R'	1.00	n/a	1.00
Euro			
Class 'A'	4.00	n/a	1.50
Class 'C'	1.25	n/a	0.75

With the exception of the Authorised Corporate Director's periodic charge, which is directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

The net asset values for each share class are set out in the following table:

NET ASSET VALUES

	31.01.14		31.01.13	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Sterling				
Class 'A'	21,746	27,417	471	25,349
Class 'I'	28	65	13	1
Class 'R'	25	1	1	1
Euro				
Class 'A'	244	4,723	n/a	2,246
Class 'C'	n/a	1,975	n/a	10

The net asset value per share and the number of shares are given in the net assets table on page 61. The distribution per share is given in the distribution table on page 67. Each share class has the same rights on winding-up.

M&G Pan European Dividend Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

12 Finance costs

	2014 £'000	2013 £'000
Income shares (Sterling)		
Class 'A' - Interim	185	6
- Final	429	8
Class 'I' - Interim ^[a]	0	n/a
- Final ^[b]	1	0
Class 'R' - Interim ^[c]	0	n/a
- Final ^[c] ^[d]	0	0
Income shares (Euro)		
Class 'A' - Interim ^[e]	0	n/a
- Final	5	n/a
Accumulation shares (Sterling)		
Class 'A' - Interim	492	448
- Final	527	440
Class 'I' - Interim	1	n/a
- Final ^[f]	1	0
Class 'R' - Interim ^[g]	0	n/a
- Final ^[g] ^[h]	0	0
Accumulation shares (Euro)		
Class 'A' - Interim	51	2
- Final	90	47
Class 'C' - Interim ^[i]	115	0
- Final ^[i]	38	0
Finance costs: Dividend distributions	1,935	951
Income deducted on cancellation of shares	119	2
Income received on issue of shares	(647)	(35)
Finance costs: Distributions	1,407	918
Finance costs: Interest	1	0
Total finance costs	1,408	918
Net revenue per statement of total return	650	568
Expenses offset against capital	756	350
Relief on expenses offset against capital	0	0
Undistributed income brought forward	1	1
Undistributed income carried forward	0	(1)
Finance costs: Distributions	1,407	918

[a] The interim distribution for Sterling Class 'I' (Income) shares was £247.

[b] The comparative final distribution for Sterling Class 'I' (Income) shares was £135.

[c] The total distribution for Sterling Class 'R' (Income) shares was £631.

[d] The comparative final distribution for Sterling Class 'R' (Income) shares was £12.

[e] The interim distribution for Euro Class 'A' (Income) shares was €221.

[f] The comparative final distribution for Sterling Class 'I' (Accumulation) shares was £12.

[g] The total distribution for Sterling Class 'R' (Accumulation) shares was £47.

[h] The comparative final distribution for Sterling Class 'R' (Accumulation) shares was £12.

[i] The total comparative distribution for Euro Class 'C' (Accumulation) shares was €430.

DISTRIBUTION TABLE

Dividend distributions on Income shares	Net income	Equalisation	Distribution payable/paid	
			2014	2013
Sterling				
Class 'A' - Interim				
Group 1:	2.1000	-	2.1000	1.9950
Group 2:	-	2.1000	2.1000	1.9950
- Final				
Group 1:	2.2178	-	2.2178	1.9390
Group 2:	0.8195	1.3983	2.2178	1.9390
Class 'I' - Interim				
Group 1:	22.4180	-	22.4180	n/a
Group 2:	17.9384	4.4796	22.4180	n/a
- Final				
Group 1:	23.7534	-	23.7534	12.2323
Group 2:	1.7330	22.0204	23.7534	12.2323
Class 'R' - Interim				
Group 1:	2.2370	-	2.2370	n/a
Group 2:	-	2.2370	2.2370	n/a
- Final				
Group 1:	2.3666	-	2.3666	1.2290
Group 2:	0.4541	1.9125	2.3666	1.2290
Euro				
Class 'A' - Interim				
Group 1:	22.1370	-	22.1370	n/a
Group 2:	22.1370	-	22.1370	n/a
- Final				
Group 1:	24.5401	-	24.5401	n/a
Group 2:	4.1153	20.4248	24.5401	n/a
Dividend distributions on Accumulation shares				
Sterling				
Class 'A' - Interim				
Group 1:	2.4290	-	2.4290	2.2187
Group 2:	0.5055	1.9235	2.4290	2.2187
- Final				
Group 1:	2.5940	-	2.5940	2.1795
Group 2:	0.5223	2.0717	2.5940	2.1795
Class 'I' - Interim				
Group 1:	22.6290	-	22.6290	n/a
Group 2:	-	22.6290	22.6290	n/a
- Final				
Group 1:	24.2135	-	24.2135	12.3550
Group 2:	3.5879	20.6256	24.2135	12.3550
Class 'R' - Interim				
Group 1:	2.2620	-	2.2620	n/a
Group 2:	2.2620	-	2.2620	n/a
- Final				
Group 1:	2.4220	-	2.4220	1.2290
Group 2:	2.4220	-	2.4220	1.2290

M&G Pan European Dividend Fund

FINANCIAL STATEMENTS

DISTRIBUTION TABLE (continued)

Dividend distributions on Accumulation shares	Net income	Equalisation	Amount reinvested	
			2014	2013
Euro	€	€	€	€
Class 'A' - Interim				
Group 1:	22.1360	-	22.1360	17.5983
Group 2:	-	22.1360	22.1360	17.5983
- Final				
Group 1:	24.8466	-	24.8466	24.4057
Group 2:	5.1960	19.6506	24.8466	24.4057
Class 'C' - Interim				
Group 1:	22.9920	-	22.9920	18.1668
Group 2:	-	22.9920	22.9920	18.1668
- Final				
Group 1:	25.8675	-	25.8675	24.8290
Group 2:	11.4604	14.4071	25.8675	24.8290

Interim period 01.02.13 - 31.07.13

Final period 01.08.13 - 31.01.14

Group 1: Shares purchased prior to a distribution period.

Group 2: Shares purchased during a distribution period.

Equalisation applies only to shares purchased during the distribution period (Group 2). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes.

Further Information

LIQUIDITY

The ACD's policy is that the sub-funds should normally be close to fully invested but this is subject to the need to retain liquidity for the purpose of effecting the redemption of shares, and the efficient management of the sub-funds in accordance with their objectives. There may, therefore, be occasions when there will be higher levels of liquidity, for example following the issue of shares or the realisation of investments. Higher liquidity levels may also arise when a sub-fund's asset allocation policy is changed.

DILUTION

The actual cost of purchasing or selling a sub-fund's investments may deviate from the mid-market price due to dealing costs and these costs can have an adverse effect on the value of the sub-fund, known as 'dilution'. The Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Conduct Authority, allows the cost of dilution to be recovered from investors on the purchase or redemption of shares by means of a dilution adjustment to the dealing price, and this is the policy which has been adopted by the ACD.

Further information on the ACD's dilution adjustment policy is in the Prospectus, which is available free of charge from the ACD, M&G Securities Limited.

THE EU SAVINGS DIRECTIVE

The percentage of the following M&G sub-funds held in interest-bearing assets (as defined by the UK rules for the EU Savings Directive 2003/48/EC) is as follows:

M&G Episode Defensive Fund	83.92%
M&G European Strategic Value Fund	6.84%
M&G Global Convertibles Fund	94.76%
M&G Global Emerging Markets Fund	0.64%
M&G Pan European Dividend Fund	3.71%

OTHER

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.

PORTFOLIO TURNOVER RATES

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within each sub-fund over the course of a 12 month period. The PTR is calculated by taking the sum of all transactions in securities less the sum of all transactions in the sub-fund's shares and is expressed as a percentage of the sub-fund's average net asset value.

The unaudited PTRs for the sub-funds currently registered in Switzerland are as follows:

	as at 31.01.14	as at 31.01.13
M&G Episode Defensive Fund	669.95%	324.17%
M&G European Strategic Value Fund	-40.13%	5.39%
M&G Global Convertibles Fund	35.74%	26.55%
M&G Global Emerging Markets Fund	-24.07%	3.62%
M&G Pan European Dividend Fund	24.49%	83.50%

TOTAL EXPENSE RATIOS

The Total Expense Ratio (TER) is shown only for those share classes currently available in Switzerland. The TER shows the relevant annualised operating expenses of each share class from the most recent reporting period as a single percentage of the average net asset value for that share class over the same period.

The unaudited TERs for the sub-funds currently registered in Switzerland are as follows:

			Total Expense Ratio		
Share class			31.01.14	31.01.13	
			%	%	
M&G Episode Defensive Fund	Euro	Class 'A-H'	1.50	1.57	
		Class 'C-H'	0.79	0.87	
	Swiss franc	Class 'A-H'	1.50	1.60	
		Class 'C-H'	0.80	0.89	
M&G European Strategic Value Fund	US dollar	Class 'A-H'	1.50	n/a	
		Class 'C-H'	0.80	n/a	
	Euro	Class 'A'	1.68	1.86	
		Class 'C'	0.92	0.97	
M&G Global Convertibles Fund	Euro	Class 'A'	1.66	1.67	
		Class 'A-H'	1.69	1.71	
		Class 'C'	0.92	0.92	
		Class 'C-H'	0.94	0.98	
	Swiss franc	Class 'A-H'	1.70	1.73	
		Class 'C-H'	0.94	0.96	
		US dollar	Class 'A-H'	1.71	1.74
			Class 'C-H'	0.94	0.98
M&G Global Emerging Markets Fund	Euro	Class 'A'	1.99	2.01	
		Class 'C'	1.00	0.98	
	US dollar	Class 'A'	2.00	1.59	
		Class 'C'	1.00	1.00	
M&G Pan European Dividend Fund	Euro	Class 'A'	1.75	1.76	
		Class 'C'	0.99	1.09	

M&G Securities Limited is authorised and regulated by the Financial Conduct Authority and provides investment products. The Company's registered office is Laurence Pountney Hill, London EC4R 0HH. Registered in England number 90776.

