

M&G Investment Funds (1)



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

Introduction

COMPANY INFORMATION

Company

M&G Investment Funds (1)

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)

Investment Manager for the M&G Japan Fund & the M&G Japan Smaller Companies Fund

Eastspring Investments (Singapore) Limited,
10 Marina Boulevard #32-01, Marina Bay Financial Centre Tower 2,
Singapore 018983

Investment Manager for the M&G North American Value Fund

Up to 31 August 2013:
PPM America Inc.,
225 West Wacker Drive, Suite 1200, Chicago, IL, USA 60606
From 1 September 2013:
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 American Fund

Aled Smith

M&G Asian Fund

Matthew Vaight

M&G European Fund

Greg Aldridge & Charles Annis

M&G European Index Tracker Fund

Nigel Booth

M&G European Smaller Companies Fund

Charles Annis

M&G Global Basics Fund

Graham French

M&G Global Growth Fund

Greg Aldridge

M&G Global Leaders Fund

Aled Smith

M&G North American Value Fund

Daniel White

During the review period Richard Brody (an employee of PPM America Inc., which is an associate of M&G Securities Limited) was the fund manager. Daniel White was appointed fund manager in September 2013.

M&G Pan European Fund

Greg Aldridge & Charles Annis

The following fund managers are employed by Eastspring Investments (Singapore) Limited which is an associate of M&G Securities Limited.

M&G Japan Fund

Dean Cashman

M&G Japan Smaller Companies Fund

Max Godwin

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.

Note to shareholders

Please note that with effect from 1 September 2013, the investment management of the M&G North American Value Fund transferred from PPM America Inc. to M&G Investment Management Limited, and Richard Brody was replaced by Daniel White as fund manager. As a result of this change, there was a significant adjustment to the individual companies held in the fund's portfolio. The impact of this adjustment was a cost to the fund of no more than 0.04% of its value (as at 3 September 2013). The fund's investment objective, investment policy and risk profile have not altered as a result of the change in investment manager.

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.

Introduction

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

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

FOR HONG KONG INVESTORS

The following sub-funds are not authorised in Hong Kong and not available to Hong Kong residents:

M&G Asian Fund

M&G European Fund

M&G European Index Tracker Fund

M&G European Smaller Companies Fund

M&G Global Growth Fund

M&G Japan Fund

M&G Japan Smaller Companies Fund

M&G North American Value Fund

Introduction

AUTHORISED CORPORATE DIRECTOR'S REPORT

The Authorised Corporate Director (ACD) presents its annual investment report and audited financial statements for the year ended 31 August 2013.

The sub-funds in this report are all part of an umbrella Open-Ended Investment Company (OEIC), M&G Investment Funds (1). 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 (1), as an umbrella OEIC, contains 12 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 American Fund
- M&G Asian Fund
- M&G European Fund
- M&G European Index Tracker Fund
- M&G European Smaller Companies Fund
- M&G Global Basics Fund
- M&G Global Growth Fund
- M&G Global Leaders Fund
- M&G Japan Fund
- M&G Japan Smaller Companies Fund
- M&G North American Value Fund
- M&G Pan European Fund

The Company was authorised on 6 June 2001 and was launched on 1 November 2001, following the conversion of a series of authorised unit trusts.

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 August 2013 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

16 October 2013

M&G Investment Funds (1)

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 gains / (losses) 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 (1) for the year ended 31 August 2013

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
16 October 2013

National Westminster Bank Plc
Trustee and Depositary Services

M&G Investment Funds (1)

INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the shareholders of M&G Investment Funds (1) ICVC

We have audited the financial statements of M&G Investment Funds (1) ICVC ('the Company') for the year ended 31 August 2013 which comprise the aggregated statement of total return, the aggregated statement of change in net assets attributable to shareholders, the aggregated balance sheet and related notes and for each of the Company's sub-funds, the statement of total return, the statement of change in net assets attributable to shareholders, the balance sheet, the related notes 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').

Respective responsibilities of the Authorised Corporate Director and auditors

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 International Standards on Auditing (UK and 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.

Scope of the audit of the financial statements

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 M&G Investment Funds (1) annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company and each of the sub-funds at 31 August 2013 and of the net revenue and the net capital 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 the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Opinion on other 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if, in our opinion:

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

London
16 October 2013

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.

M&G Investment Funds (1)

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Aggregated Financial Statements (audited)

For the year ended 31 August 2013.

STATEMENT OF TOTAL RETURN					
	Note	2013		2012	
		£'000	£'000	£'000	£'000
Income					
Net capital gains / (losses)	3		1,208,135		(161,078)
Revenue	4	206,550		217,967	
Expenses	5	(149,170)		(158,511)	
Finance costs: Interest	12	(5)		(3)	
Net revenue before taxation		57,375		59,453	
Taxation	6	(15,286)		(21,869)	
Net revenue after taxation			42,089		37,584
Total return before distributions			1,250,224		(123,494)
Finance costs: Distributions	12		(55,491)		(47,429)
Change in net assets attributable to shareholders from investment activities			1,194,733		(170,923)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS					
		2013		2012	
		£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders			8,796,587		10,434,259
Amounts received on issue of shares		1,151,120		1,224,355	
Transfer of assets from merged funds		0		76,716	
Value of assets transferred from in-specie issues		0		118,755	
Amounts paid on cancellation of shares		(2,587,876)		(2,918,462)	
			(1,436,756)		(1,498,636)
Stamp Duty Reserve Tax (SDRT)			(624)		(989)
Change in net assets attributable to shareholders from investment activities (see above)			1,194,733		(170,923)
Retained distributions on Accumulation shares			40,426		32,855
Unclaimed distributions			18		21
Closing net assets attributable to shareholders			8,594,384		8,796,587

BALANCE SHEET

	as at 31 August 2013		as at 31 August 2012	
	£'000	£'000	£'000	£'000
Assets				
Investment assets		8,524,070		8,767,106
Debtors				
Amounts due from merged funds		98		259
Amounts receivable on issues		11,838		5,878
Currency deals outstanding		13,603		11,774
Deposit interest receivable		0		1
Distributions receivable		7		4
Dividends receivable		25,612		24,606
Overseas tax recoverable		10,602		6,452
Prepaid expenses		10		10
Sales awaiting settlement		43,857		25,448
			105,627	74,432
Cash and bank balances				
Amounts held at futures clearing houses and brokers		112		421
Cash held as bank balances		25,821		16,799
Cash held on deposit		10,672		4,228
			36,605	21,448
Total other assets		142,232		95,880
Total assets		8,666,302		8,862,986
Liabilities				
Investment liabilities		(238)		(3)
Creditors				
Amounts payable on cancellations		(26,789)		(25,894)
Corporation tax payable		(38)		0
Currency deals outstanding		(13,648)		(11,780)
Expenses payable		(5,200)		(5,763)
Net distributions payable on Income shares		(12,750)		(11,347)
Purchases awaiting settlement		(13,221)		(11,555)
SDRT payable		(34)		(51)
			(71,680)	(66,390)
Bank overdraft		0		(6)
			0	(6)
Total other liabilities		(71,680)		(66,396)
Total liabilities		(71,918)		(66,399)
Net assets attributable to shareholders		8,594,384		8,796,587

Aggregated Financial Statements (audited)

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.

3 Net capital gains / (losses)

	2013 £'000	2012 £'000
Non-derivative securities	1,202,659	(138,538)
Currency gains / (losses)	1,375	(3,237)
Derivative contracts	(10)	89
Forward currency contracts	2,223	(20,495)
Special dividends taken to capital	2,012	1,540
Tax on overseas investments ^[a]	0	(251)
Transaction charges	(124)	(186)
Net capital gains / (losses)	1,208,135	(161,078)

[a] Brazilian IOF tax chargeable on the purchase of Brazilian securities.

4 Revenue

	2013 £'000	2012 £'000
Bank interest	44	83
Deposit interest	153	572
HM Revenue & Customs interest	0	7
Interest distributions	58	72
Interest on overseas tax previously withheld at source	415	0
Overseas dividends	177,143	187,324
Property income dividends	172	0
Stock dividends	3,681	8,146
UK dividends	24,884	21,763
Total revenue	206,550	217,967

5 Expenses

	2013 £'000	2012 £'000
Payable to the Authorised Corporate Director or associate		
Authorised Corporate Director's periodic charge	133,593	142,083
Administration fee	13,538	14,373
Share class hedging fee	23	52
	147,154	156,508
Payable to the Depositary or associate		
Depositary's fee (including VAT)	429	438
Distribution fee	1	0
	430	438
Other expenses		
Audit fee (including VAT)	112	119
Dividend charges	17	23
Regulatory fees	62	85
Safe custody charge	1,316	1,108
Tax consultancy fees ^[a]	146	282
	1,653	1,617
VAT recovered		
Current year	(15)	(13)
Prior year	(52)	(39)
	(67)	(52)
Total expenses	149,170	158,511

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

6 Taxation

	2013 £'000	2012 £'000
a) Analysis of charge in the year		
Corporation tax	38	0
Overseas tax	17,401	21,708
Overseas tax recoverable: exchange rate movements	(8)	(16)
Overseas tax recovered: previously withheld at source	(2,145)	0
Overseas tax recoverable: written off	0	162
Prior period adjustment	0	15
Current tax charge (note 6b)	15,286	21,869
Deferred tax (note 6c)	0	0
Total taxation	15,286	21,869
b) Factors affecting taxation charge for the year		
Net revenue before taxation	57,375	59,453
Corporation tax at 20%	11,474	11,893
Effects of:		
Tax on special dividends taken to capital	16	0
UK dividends not taxable	(4,977)	(4,353)
Stock dividends not taxable	(736)	(1,630)
Overseas dividends not taxable	(35,091)	(37,109)
Current year expenses not utilised	29,368	31,237
Overseas tax	17,401	21,708
Overseas tax recoverable: exchange rate movements	(8)	(16)
Overseas tax recovered: previously withheld at source	(2,145)	0
Overseas tax recoverable: written off	0	162
Overseas tax expensed	(54)	(38)
Corporation tax: adjustment in respect of prior years	38	0
Prior period adjustment	0	15
Current tax charge (note 6a)	15,286	21,869
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

Aggregated Financial Statements (audited)

NOTES TO THE FINANCIAL STATEMENTS

7 Contingent assets, liabilities and outstanding commitments

Contingent assets

At the balance sheet date, the Company had not recognised a contingent asset totalling £12,691,862 (31.08.12: £nil), details of which are disclosed in the notes to the financial statements of the relevant sub-funds.

Rights issues

At the balance sheet date, the Company had a contingent liability totalling £123,855 (31.08.12: £3,867,767), details of which are disclosed in the notes to the financial statements of the relevant sub-funds.

Warrants

At the balance sheet date, the Company had a commitment to warrants outstanding totalling £6,367 (31.08.12: £6,537), details of which are disclosed in the notes to the financial statements of the relevant sub-funds.

Underwritten shares

There were no outstanding commitments at the balance sheet date (31.08.12: 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.

10 Portfolio transaction costs

	2013 £'000	2012 £'000
a) Purchases		
Purchases excluding transaction costs	3,400,373	4,299,474
Commissions	2,336	3,759
Taxes	1,661	1,719
Total transaction costs	3,997	5,478
Total purchases including transaction costs	3,404,370	4,304,952
b) Sales		
Sales excluding transaction costs	4,852,659	5,443,077
Commissions	(3,921)	(4,720)
Taxes	(308)	(208)
Total transaction costs	(4,229)	(4,929)
Total sales net of transaction costs	4,848,430	5,438,149

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

	2013 £'000	2012 £'000
Income shares (Sterling)		
Class 'A' - Dividend distributions	11,809	12,261
Class 'I' - Dividend distributions	1,239	0
Class 'R' - Dividend distributions	12	0
Class 'X' - Dividend distributions	869	691
Income shares (Euro)		
Class 'A' - Dividend distributions	0	n/a
Accumulation shares (Sterling)		
Class 'A' - Dividend distributions	16,284	15,067
Class 'I' - Dividend distributions	1,212	0
Class 'R' - Dividend distributions	8	0
Class 'X' - Dividend distributions	2,650	2,102
Accumulation shares (Euro)		
Class 'A' - Dividend distributions	10,138	6,068
Class 'A-H' - Dividend distributions	0	0
Class 'B' - Dividend distributions	1	3
Class 'C' - Dividend distributions	7,372	7,702
Class 'C-H' - Dividend distributions	302	203
Accumulation shares (US dollar)		
Class 'A' - Dividend distributions	430	248
Class 'C' - Dividend distributions	2,029	1,462
	54,355	45,807
Income deducted on cancellation of shares	4,214	3,929
Income received on issue of shares	(3,078)	(2,307)
Finance costs: Distributions	55,491	47,429
Finance costs: Interest	5	3
Total finance costs	55,496	47,432
Net revenue per statement of total return	42,089	37,584
Expenses offset against capital	16,302	15,640
Stock dividends not distributed	(3,322)	(7,939)
Overseas tax offset against capital	14	337
Undistributed income brought forward	80	67
Undistributed income carried forward	0	(80)
Share class deficits transferred to capital	328	1,820
Finance costs: Distributions	55,491	47,429

Aggregated Financial Statements (audited)

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

16 October 2013

M&G American Fund

AUTHORISED CORPORATE DIRECTOR'S REPORT

Investment objective and policy of the M&G American Fund

The Fund's objective is long term capital growth through investment wholly or mainly in securities of North American (including Canadian) issuers. When not wholly invested as above, it may only invest in companies which are listed, registered or trading within North America.

Investment approach

The M&G American Fund is an equity fund designed to give investors broad exposure to US equities. The fund manager aims to outperform the S&P 500 Composite Index in the long run and deliver competitive returns against the North American peer group. (In the UK, this is the IMA North America sector; in Europe, the Morningstar US Large Cap Blend Equity sector.)

Stock selection is designed to be the key driver of fund performance. It is the core belief of the fund manager that value creation for shareholders – a company's return in excess of the cost of capital – drives share prices over the long term.

The fund manager looks for investment ideas derived from four alpha generating strategies in order to achieve an appropriate level of portfolio diversification. They are: 'quality', 'internal change', 'external change' and 'asset growth'. Stocks are selected on a bottom-up basis and the fund manager's skill lies in understanding valuation, business models from first principles and management ability, particularly with respect to their approach to capital allocation.

Risk management is an integral part of the investment process and the fund aims to add value through efficient portfolio construction. The fund usually holds between 50 and 80 stocks, with 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.

* Please note that this 'Risk and reward profile' section is based on Sterling Class 'A' shares, the nominated share class.

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 2 September 2013, for the year ended 31 August 2013

Our strategy is to identify companies that are improving their returns on capital or that are generating sustainable high returns, but where this potential for long-term value creation is not reflected in the current share price.

Over the review period, we increased the fund's weighting in financials, adding new holdings in regional bank Huntington Bancshares and insurer MetLife. Huntington is not involved in investment banking and we believe the bank should benefit from the attractive economic environment in the American mid-west.

Meanwhile, MetLife, which is primarily involved in life assurance, substantially raised its payout to shareholders recently and has carried out a strategic review to improve the future allocation of capital. Conversely, we sold the fund's holding in Capital One Financial and reduced the weighting in Wells Fargo, which has had a very strong run.

We made a number of changes within pharmaceuticals, reducing the holdings in Eli Lilly and Pfizer on valuation grounds and initiating a position in Amgen. Amgen develops medicines for grievous illnesses and has been improving its capital discipline.

The fund had a substantial exposure to materials at the start of the period, which we have since scaled back, as we sold a number of holdings on the back of a deterioration in the outlook for growth in developing markets. Disposals included gold producer Agnico Eagle Mines and Newmont Mining, where we were concerned about the lack of progress at the company's gold and copper mine in Peru. We also sold agricultural biotechnology business Monsanto, as we felt the company's shares had become overvalued.

Consumer technology company Apple exited the portfolio too, as we felt the company's valuation had become stretched. Elsewhere in technology, we added to our position in global software giant Microsoft, which we believe is very attractively valued, despite weakening demand for its Windows software.

Aled Smith
Fund manager

Aled Smith is 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.

M&G American Fund

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.09.14	31.10.14

	Final distribution		Ongoing Charges Figure ^[b]	
	Inc 31.10.13 ^[a]	Acc 02.09.13 ^[a]	31.08.13	31.08.12
Sterling	p	p	%	%
Class 'A'	nil	nil	1.66	1.66
Class 'I'	8.2708	8.2750	0.91	0.92 ^[c]
Class 'R'	0.5418	0.5421	1.16	1.17 ^[c]
Class 'X'	nil	nil	1.66	1.67
Euro	¢	¢	%	%
Class 'A'	n/a	nil	1.66	1.66
Class 'A-H'	n/a	nil	1.70	1.73
Class 'C'	n/a	7.9625	0.91	0.91
Class 'C-H'	n/a	7.6094	0.95	0.98
US dollar	¢	¢	%	%
Class 'A'	n/a	nil	1.66	1.66
Class 'C'	n/a	8.0608	0.91	0.91

^[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 31.08.13		Net asset value per share as at 31.08.12		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	1,047.84	1,348.55	866.31	1,114.92	+20.95	+20.95
Class 'I'	1,231.00	1,240.87	1,016.94	1,018.23	+21.05	+21.87
Class 'R'	123.09	123.76	101.70	101.80	+21.03	+21.57
Class 'X'	1,046.62	1,328.89	865.30	1,098.67	+20.95	+20.95
Euro	€	€	€	€	%	%
Class 'A'	n/a	11.2411	n/a	9.9927	n/a	+12.49
Class 'A-H'	n/a	12.3420	n/a	10.4412	n/a	+18.20
Class 'C'	n/a	12.0924	n/a	10.6668	n/a	+13.36
Class 'C-H'	n/a	12.5459	n/a	10.5261	n/a	+19.19
US dollar	\$	\$	\$	\$	%	%
Class 'A'	n/a	11.6840	n/a	9.8692	n/a	+18.39
Class 'C'	n/a	12.2577	n/a	10.2766	n/a	+19.28

PERFORMANCE SINCE LAUNCH

	six months 01.03.13 %	one year 03.09.12 %	five years 02.09.08 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	+2.1	+19.6	+7.5	+7.7 ^[c]
Class 'I'	+1.8	+19.7	n/a	+20.1 ^[d]
Class 'R'	+2.0	+19.7	n/a	+20.1 ^[d]
Class 'X'	+2.1	+19.6	+7.5	+8.3 ^[e]
Euro ^[f]				
Class 'A'	+4.3	+11.5	+6.6	+1.0 ^[g]
Class 'A-H'	+6.2	+17.1	n/a	+4.2 ^[h]
Class 'C'	+4.7	+12.4	+7.4	+1.6 ^[g]
Class 'C-H'	+6.6	+18.1	n/a	+7.9 ^[i]
US dollar ^[f]				
Class 'A'	+5.9	+17.3	+4.7	+2.4 ^[j]
Class 'C'	+6.4	+18.2	+5.5	+3.1 ^[j]

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

^[b] Bid to bid excluding reinvested income.

^[c] 18 December 1972, the end of the initial offer period of the predecessor unit trust.

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

^[e] 1 October 2002, the launch date of the share class.

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

^[g] 28 November 2001, the launch date of the share class.

^[h] 12 September 2008, the launch date of the share class.

^[i] 1 October 2010, the launch date of the share class.

^[j] 9 March 2007, the launch date of the share class.

SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From	31.08.12	31.08.11	31.08.10	31.08.09	29.08.08
To	30.08.13	31.08.12	31.08.11	31.08.10	31.08.09
	%	%	%	%	%
Sterling					
Class 'A'	+20.9	+16.8	+5.0	+8.2	-7.8

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'	2008	730.19	471.50	937.18	605.16
	2009	733.13	470.09	943.34	603.35
	2010	875.06	685.42	1,125.96	881.94
	2011 ^[a]	883.05	675.83	1,136.23	869.80
	2012	889.18	794.65	1,144.36	1,022.70
	2013 ^[b]	1,114.82	885.27	1,434.75	1,139.32
Class 'I'	2012 ^[c]	1,044.73	990.54	1,046.06	991.80
	2013 ^[b]	1,317.69	1,041.84	1,319.36	1,043.17
Class 'R'	2012 ^[c]	104.44	99.01	104.55	99.11
	2013 ^[b]	131.49	104.11	131.62	104.21
Class 'X'	2008	729.10	470.84	923.41	596.32
	2009	732.12	469.43	929.57	594.54
	2010	873.87	684.48	1,109.55	869.08
	2011 ^[a]	881.84	675.06	1,119.67	857.12
	2012	888.14	793.73	1,127.68	1,007.79
	2013 ^[b]	1,113.52	884.24	1,413.83	1,122.71

M&G American Fund

FUND STATISTICS

PRICES (continued)

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
Euro (net)		€	€	€	€
Class 'A'	2008	n/a	n/a	9.0177	5.1351
	2009	n/a	n/a	7.4317	4.8037
	2010	n/a	n/a	9.4206	7.3115
	2011 ^[a]	n/a	n/a	9.6371	7.0734
	2012	n/a	n/a	10.3125	8.7124
	2013 ^[b]	n/a	n/a	11.8128	9.9752
Class 'A-H'	2008 ^[d]	n/a	n/a	10.0963	5.6256
	2009	n/a	n/a	8.9946	5.2982
	2010	n/a	n/a	10.3547	8.0446
	2011 ^[a]	n/a	n/a	10.9627	8.2558
	2012	n/a	n/a	10.8831	9.4850
	2013 ^[b]	n/a	n/a	12.8247	10.9240
Class 'C'	2008	n/a	n/a	9.2959	5.3292
	2009	n/a	n/a	7.7767	4.9964
	2010	n/a	n/a	9.9305	7.6518
	2011 ^[a]	n/a	n/a	10.1624	7.4937
	2012	n/a	n/a	11.0067	9.2551
	2013 ^[b]	n/a	n/a	12.6800	10.6772
Class 'C-H'	2010 ^[e]	n/a	n/a	10.3818	9.1418
	2011 ^[a]	n/a	n/a	11.0020	8.3203
	2012	n/a	n/a	10.9920	9.5050
	2013 ^[b]	n/a	n/a	13.0287	11.0430
US dollar (net)		\$	\$	\$	\$
Class 'A'	2008	n/a	n/a	10.3972	5.0692
	2009	n/a	n/a	8.3642	4.7934
	2010	n/a	n/a	9.7052	7.4891
	2011 ^[a]	n/a	n/a	10.2922	7.8042
	2012	n/a	n/a	10.3292	8.9225
	2013 ^[b]	n/a	n/a	12.1462	10.3768
Class 'C'	2008	n/a	n/a	10.4517	5.1307
	2009	n/a	n/a	8.5369	4.8630
	2010	n/a	n/a	9.9802	7.6733
	2011 ^[a]	n/a	n/a	10.5952	8.0713
	2012	n/a	n/a	10.7800	9.2450
	2013 ^[b]	n/a	n/a	12.7350	10.8328

^[a] The Prudential North American Trust merged into the M&G American Fund immediately after 17 June 2011.

^[b] To 2 September 2013.

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

^[d] From 12 September 2008 (the launch date of the share class).

^[e] From 1 October 2010 (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'	2008	nil	nil
	2009	1.6500	2.1177
	2010	nil	nil
	2011	nil	nil
	2012	nil	nil
	2013 ^[a]	nil	nil
Class 'I'	2012	1.2930	1.2930
	2013 ^[a]	8.2708	8.2750
Class 'R'	2012	0.1050	0.1050
	2013 ^[a]	0.5418	0.5421
Class 'X'	2008	nil	nil
	2009	1.6350	2.0707
	2010	nil	nil
	2011	nil	nil
	2012	nil	nil
	2013 ^[a]	nil	nil
Euro (net)		¢	¢
Class 'A'	2008	n/a	nil
	2009	n/a	1.7140
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	nil
	2013 ^[a]	n/a	nil
Class 'A-H'	2009	n/a	1.9620
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	nil
	2013 ^[a]	n/a	nil
Class 'C'	2008	n/a	nil
	2009	n/a	6.4600
	2010	n/a	2.6140
	2011	n/a	1.1080
	2012	n/a	5.9718
	2013 ^[a]	n/a	7.9625
Class 'C-H'	2011	n/a	1.0490
	2012	n/a	5.7060
	2013 ^[a]	n/a	7.6094
US dollar (net)		¢	¢
Class 'A'	2008	n/a	nil
	2009	n/a	1.2910
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	nil
	2013 ^[a]	n/a	nil
Class 'C'	2008	n/a	nil
	2009	n/a	7.0830
	2010	n/a	2.5610
	2011	n/a	1.2440
	2012	n/a	5.9040
	2013 ^[a]	n/a	8.0608

^[a] Up to final: ex-distribution date 2 September 2013; payment date 31 October 2013.

M&G American Fund

FUND STATISTICS

NET ASSETS					
	Year ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
Sterling					
Class 'A'	Aug 2011	743.40	956.73	26,621,745	52,562,627
	Aug 2012	866.31	1,114.92	16,704,945	39,668,227
	Aug 2013	1,047.84	1,348.55	10,728,945	32,819,827
Class 'I'	Aug 2012	1,016.94	1,018.23	1,000	1,000
	Aug 2013	1,231.00	1,240.87	1,462,400	1,290,600
Class 'R'	Aug 2012	101.70	101.80	10,000	10,000
	Aug 2013	123.09	123.76	56,500	45,000
Class 'X'	Aug 2011	742.53	942.77	861,862	5,240,672
	Aug 2012	865.30	1,098.67	1,144,062	5,776,172
	Aug 2013	1,046.62	1,328.89	1,144,062	5,829,072
Euro					
		€	€		
Class 'A'	Aug 2011	n/a	7.6847	n/a	30,890,237
	Aug 2012	n/a	9.9927	n/a	10,714,037
	Aug 2013	n/a	11.2411	n/a	9,709,237
Class 'A-H'	Aug 2011	n/a	9.2743	n/a	26,928,000
	Aug 2012	n/a	10.4412	n/a	1,219,900
	Aug 2013	n/a	12.3420	nil	1,049,600
Class 'C'	Aug 2011	n/a	8.1422	n/a	24,161,340
	Aug 2012	n/a	10.6668	n/a	8,020,340
	Aug 2013	n/a	12.0924	n/a	5,411,040
Class 'C-H'	Aug 2011	n/a	9.3292	n/a	4,885,500
	Aug 2012	n/a	10.5261	n/a	4,463,700
	Aug 2013	n/a	12.5459	n/a	4,638,600
US dollar					
		\$	\$		
Class 'A'	Aug 2011	n/a	8.7079	n/a	31,605,200
	Aug 2012	n/a	9.8692	n/a	5,936,600
	Aug 2013	n/a	11.6840	n/a	4,847,000
Class 'C'	Aug 2011	n/a	8.9997	n/a	29,283,750
	Aug 2012	n/a	10.2766	n/a	8,870,750
	Aug 2013	n/a	12.2577	n/a	10,870,950
Total net asset value of sub-fund					
	Year ended	£	€ [a]		
	Aug 2011	1,734,058,000	1,956,094,000		
	Aug 2012	955,416,000	1,202,565,000		
	Aug 2013	1,010,943,000	1,183,704,000		

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

PORTFOLIO

PORTFOLIO STATEMENT

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
Oil & gas producers		7.61	10.52
300,000 Anadarko Petroleum	17,733	1.75	
225,000 Chevron	17,467	1.73	
136,900 EOG Resources	13,872	1.37	
1,966,600 Talisman Energy	13,600	1.35	
619,100 Valero Energy	14,297	1.41	
Oil equipment, services & distribution		2.29	0.00
340,000 Halliburton	12,579	1.24	
240,000 Schlumberger	10,614	1.05	
Forestry & paper		0.89	1.20
175,000 West Fraser Timber	8,950	0.89	
Industrial metals & mining		1.42	0.00
220,000 Parker Hannifin	14,305	1.42	
Mining		0.00	3.74
Aerospace & defence		0.00	1.32
General industrials		4.99	4.29
2,250,000 General Electric	33,542	3.32	
780,000 ITT	16,866	1.67	
Electronic & electrical equipment		5.09	0.88
1,092,100 Jabil Circuit	16,344	1.62	
400,000 Motorola Solutions	14,494	1.43	
969,600 Trimble Navigation	16,068	1.59	
200,000 Veeco Instruments	4,547	0.45	
Industrial transportation		3.34	2.19
99,800 Norfolk Southern	4,680	0.46	
1,300,000 Orbital Sciences	14,919	1.48	
1,300,083 UTI Worldwide	14,182	1.40	
Support services		1.35	1.55
400,000 G & K Services	13,671	1.35	
Automobiles & parts		1.50	0.84
393,000 Harley-Davidson	15,213	1.50	
Beverages		3.76	5.81
670,431 Coca-Cola	16,478	1.63	
750,000 Dr Pepper Snapple	21,568	2.13	
Food producers		1.91	4.30
492,900 Kellogg	19,265	1.91	
Household goods & home construction		5.23	5.70
500,000 Fortune Brands Home & Security	12,079	1.19	
500,000 Procter & Gamble	24,936	2.47	
260,000 Snap-on	15,900	1.57	
Leisure goods		0.70	0.00
1,123,457 LeapFrog Enterprises	7,102	0.70	
Healthcare equipment & services		4.90	3.61
539,886 Abaxis	13,631	1.35	
352,000 Covidien	13,663	1.35	
860,000 Haemonetics	22,279	2.20	
Pharmaceuticals & biotechnology		7.64	9.99
409,300 Amgen	28,740	2.84	
575,000 Eli Lilly	19,084	1.89	
326,482 Mallinckrodt Pharmaceuticals	9,284	0.92	
1,107,650 Pfizer	20,078	1.99	
Food & drug retailers		2.83	1.49
209,933 CST Brands	4,030	0.40	
400,000 CVS Caremark	14,919	1.48	
2,036,995 SuperValu	9,566	0.95	

M&G American Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
General retailers		3.46	6.48
84,922 Amazon	15,556	1.54	
591,300 eBay	19,446	1.92	
Media		3.48	3.78
344,700 CBS 'B'	11,467	1.13	
490,150 News Corporation	5,043	0.50	
920,600 Twenty-First Century Fox	18,713	1.85	
Travel & leisure		2.17	2.47
225,000 Madison Square Garden	8,446	0.83	
1,181,635 MGM Resorts International	13,553	1.34	
Electricity		2.43	1.65
650,000 Dominion Resources	24,542	2.43	
Gas, water & multi-utilities		1.09	0.70
688,100 Xylem	11,023	1.09	
Banks		8.42	6.00
1,068,910 Citigroup	33,415	3.31	
4,850,000 Huntington Bancshares	25,842	2.56	
967,600 Wells Fargo	25,747	2.55	
Non-life insurance		1.77	0.00
315,000 Ace	17,934	1.77	
Life insurance		2.22	0.00
750,000 MetLife	22,468	2.22	
Real estate investment trusts		1.20	0.00
1,018,792 BioMed Realty Trust	12,158	1.20	
Financial services		5.03	5.33
401,800 Equifax	15,647	1.55	
544,826 Morgan Stanley	9,110	0.90	
409,000 Waddell & Reed Financial	12,743	1.26	
240,000 World Acceptance	13,328	1.32	
Software & computer services		5.11	5.57
425,000 Intuit	17,434	1.72	
1,582,000 Microsoft	34,248	3.39	
Technology hardware & equipment		5.61	9.28
1,183,500 Intel	16,842	1.67	
205,692 KLA-Tencor	7,339	0.73	
551,596 Qualcomm	23,612	2.34	
96,800 Tech Data Corporation	3,117	0.31	
475,000 Tessera	5,684	0.56	
Forward currency contracts		(0.02)	0.12
C\$116,465 Bought for €84,071 (expires 23.09.13)	0	0.00	
C\$(2,325,890) Sold for €1,693,449 (expires 23.09.13)	21	0.00	
US\$3,056,158 Bought for €2,293,468 (expires 23.09.13)	12	0.00	
US\$(96,030,714) Sold for €72,272,872 (expires 23.09.13)	(218)	(0.02)	
'AAA' rated money market funds [a]		2.47	0.71
38,717,000 Northern Trust Global Fund - US dollar	24,975	2.47	
Portfolio of investments (notes 1b & 1d on pages 16 & 17)	1,009,792	99.89	99.52
Net other assets	1,151	0.11	0.48
Net assets attributable to shareholders	1,010,943	100.00	100.00

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

COUNTERPARTY EXPOSURE

Financial derivative exposure

Counterparty	Forward currency contracts £'000	Total as at 31.08.13 £'000
State Street Bank	(185)	(185)
Total	(185)	(185)

PORTFOLIO TRANSACTIONS

for the year ended 31 August 2013

Largest purchases	£'000
Amgen	27,212
Microsoft	25,613
Huntington Bancshares	21,849
Kellogg	20,941
MetLife	19,041
Twenty-First Century Fox	17,852
Trimble Navigation	17,348
Amazon	16,683
Ace	16,172
Xylem	15,614
Motorola Solutions	15,541
Parker Hannifin	15,475
Covidien	14,646
Valero Energy	14,445
Jabil Circuit	14,124
BioMed Realty Trust	13,804
Dominion Resources	12,969
Haemonetics	11,671
Schlumberger	11,459
Halliburton	10,780
Northern Trust Global Fund - US dollar [a]	290,622
Other purchases	192,263
Total purchases	816,124

Largest sales	£'000
Pfizer	31,946
Monsanto	26,400
Eli Lilly	26,105
H.J. Heinz	24,571
Coca-Cola	23,900
Chevron	22,872
Lowe's	22,009
Capital One Financial	21,888
Wells Fargo	18,697
Oracle	18,582
Time Warner Cable	18,445
Microsoft	17,877
eBay	17,655
Cisco Systems	16,404
Apple	16,332
Myriad Genetics	16,193
Newmont Mining	14,453
Aaron's	14,370
CBS 'B'	13,829
Agnico Eagle Mines	13,568
Northern Trust Global Fund - US dollar [a]	271,581
Other sales	267,506
Total sales	935,183

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

M&G American Fund

FINANCIAL STATEMENTS

For the year ended 31 August 2013.

STATEMENT OF TOTAL RETURN

	Note	2013		2012	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	3		181,897		170,139
Revenue	4	18,464		21,996	
Expenses	5	(14,808)		(18,396)	
Finance costs: Interest	12	(1)		(2)	
Net revenue before taxation		3,655		3,598	
Taxation	6	(2,720)		(4,518)	
Net revenue / (expense) after taxation			935		(920)
Total return before distributions			182,832		169,219
Finance costs: Distributions	12		(1,278)		(1,218)
Change in net assets attributable to shareholders from investment activities			181,554		168,001

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2013		2012	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		955,416		1,734,058
Amounts received on issue of shares	270,767		264,367	
Amounts paid on cancellation of shares	(398,136)		(1,211,928)	
		(127,369)		(947,561)
Change in net assets attributable to shareholders from investment activities (see above)		181,554		168,001
Retained distributions on Accumulation shares		1,342		914
Unclaimed distributions		0		4
Closing net assets attributable to shareholders		1,010,943		955,416

BALANCE SHEET

	as at 31 August 2013		as at 31 August 2012	
	£'000	£'000	£'000	£'000
Assets				
Investment assets		1,010,010		950,861
Debtors				
Amounts receivable on issues	2,763		5,119	
Currency deals outstanding	352		1,004	
Distributions receivable	2		1	
Dividends receivable	2,035		2,054	
Overseas tax recoverable	95		96	
Prepaid expenses	1		1	
Sales awaiting settlement	0		7,578	
		5,248		15,853
Cash and bank balances				
Amounts held at futures clearing houses and brokers	0		421	
Cash held as bank balances	1,809		395	
		1,809		816
Total other assets		7,057		16,669
Total assets		1,017,067		967,530
Liabilities				
Investment liabilities		(218)		(3)
Creditors				
Amounts payable on cancellations	(3,402)		(3,235)	
Currency deals outstanding	(354)		(1,007)	
Expenses payable	(527)		(496)	
Net distributions payable on Income shares	(121)		0	
Purchases awaiting settlement	(1,502)		(7,373)	
Total other liabilities		(5,906)		(12,111)
Total liabilities		(6,124)		(12,114)
Net assets attributable to shareholders		1,010,943		955,416

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 30 August 2013, being the last business day of the financial year. The fair value of non-derivative securities is bid price, and the fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

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.

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 30 August 2013, 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 depend 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 before taxation.

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.

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

g) Expenses

For accounting purposes, 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 and share class hedging fee, 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 share class hedging fee is only allocated to the Euro 'A-H' and Euro 'C-H' share classes.

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.

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 US dollar cash positions.

The sub-fund holds overseas investments and exchange rate fluctuations can affect both capital and income values. The ACD will also use forward currency contracts to reduce the exposure of shareholders of the Euro Class 'A-H' and Euro Class 'C-H' shares to movements in the sub-fund's base currency. The total benefits and costs of these forward currency contracts are assigned solely to the Euro Class 'A-H' and Euro Class 'C-H' shares. Short-term exposures to foreign currencies, other than US dollars, 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 137, 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 (31.08.12: same).

M&G American Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

3 Net capital gains

	2013 £'000	2012 £'000
Non-derivative securities	179,320	190,436
Currency gains / (losses)	264	(782)
Forward currency contracts	2,223	(20,559)
Special dividends taken to capital	94	1,058
Transaction charges	(4)	(14)
Net capital gains	181,897	170,139

4 Revenue

	2013 £'000	2012 £'000
Bank interest	4	3
Interest distributions	10	11
Overseas dividends	18,335	21,982
Property income dividends	115	0
Total revenue	18,464	21,996

5 Expenses

	2013 £'000	2012 £'000
Payable to the Authorised Corporate Director or associate		
Authorised Corporate Director's periodic charge	13,233	16,378
Administration fee	1,457	1,804
Share class hedging fee	23	52
	14,713	18,234
Payable to the Depositary or associate		
Depositary's fee (including VAT)	53	60
Other expenses		
Audit fee (including VAT)	10	10
Regulatory fees	5	6
Safe custody charge	19	26
Tax consultancy fees (including VAT) ^[a]	17	68
	51	110
VAT recovered		
Current year	(3)	(2)
Prior year	(6)	(6)
	(9)	(8)
Total expenses	14,808	18,396

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

6 Taxation

	2013 £'000	2012 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Overseas tax	2,720	4,518
Current tax charge (note 6b)	2,720	4,518
Deferred tax (note 6c)	0	0
Total taxation	2,720	4,518
b) Factors affecting taxation charge for the year		
Net revenue before taxation	3,655	3,598
Corporation tax at 20%	731	720
Effects of:		
Overseas dividends not taxable	(3,667)	(4,396)
Current year expenses not utilised	2,936	3,676
Overseas tax	2,720	4,518
Current tax charge (note 6a)	2,720	4,518
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 £17,460,000 (31.08.12: £14,524,000) 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

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (31.08.12: 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, share class hedging fee and administration fee are disclosed in note 5. Amounts due at the year end to the ACD of £494,000 (31.08.12: £441,000) in respect of the ACD's periodic charge, share class hedging fee and administration 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 1.13% (31.08.12: 2.38%) of the sub-fund's shares.

M&G American 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 (31.08.12: 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 31.08.13 £'000	as at 31.08.12 £'000	as at 31.08.13 £'000	as at 31.08.12 £'000	as at 31.08.13 £'000	as at 31.08.12 £'000
Canadian dollar	23,940	28,908	0	(4,221)	23,940	24,687
Euro	(61,415)	0	1,373	2,797	(60,042)	2,797
US dollar	1,047,267	921,950	772	6,858	1,048,039	928,808
	1,009,792	950,858	2,145	5,434	1,011,937	956,292
Sterling	0	0	(994)	(876)	(994)	(876)
Total	1,009,792	950,858	1,151	4,558	1,010,943	955,416

Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.12: same).

Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.12: same).

10 Portfolio transaction costs

	2013 £'000	2012 £'000
a) Purchases		
Purchases excluding transaction costs	815,774	1,237,941
Commissions	350	669
Total purchases including transaction costs	816,124	1,238,610
b) Sales		
Sales excluding transaction costs	935,628	2,223,931
Commissions	(431)	(1,282)
Taxes	(14)	(31)
Total transaction costs	(445)	(1,313)
Total sales net of transaction costs	935,183	2,222,618

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, Sterling Class 'R' (Net Income and Net Accumulation) shares and Sterling Class 'X' (Net Income and Net Accumulation) shares.

This sub-fund also contains Euro Class 'A' (Net Accumulation) shares, Euro Class 'A-H' (Net Accumulation) shares, Euro Class 'C' (Net Accumulation) shares and Euro Class 'C-H' (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 August 2013, is set out in the following table (31.08.12: same):

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 'I'	1.00	n/a	0.75	n/a
Class 'R'	1.00	n/a	1.00	n/a
Class 'X'	nil	4.50 ^[a]	1.50	n/a
Euro				
Class 'A'	5.25	n/a	1.50	n/a
Class 'A-H'	5.25	n/a	1.50	0.06 ^[b]
Class 'C'	3.25	n/a	0.75	n/a
Class 'C-H'	3.25	n/a	0.75	0.06 ^[b]
US dollar				
Class 'A'	5.25	n/a	1.50	n/a
Class 'C'	3.25	n/a	0.75	n/a

^[a] The withdrawal fee diminishes over a period of five years. Please refer to the Key Investor Information Document (KIID) in conjunction with the Important Information for Investors document.

^[b] With effect from 5 March 2013, the share class hedging fee was reduced from 0.06% to 0.025%.

With the exception of the Authorised Corporate Director's periodic charge and share class hedging fee, 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

	31.08.13		31.08.12	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Sterling				
Class 'A'	112,422	442,591	144,717	442,270
Class 'I'	18,002	16,015	10	10
Class 'R'	70	56	10	10
Class 'X'	11,974	77,462	9,900	63,461
Euro				
Class 'A'	n/a	93,213	n/a	85,060
Class 'A-H'	n/a	11,064	n/a	10,119
Class 'C'	n/a	55,882	n/a	67,969
Class 'C-H'	n/a	49,702	n/a	37,329
US dollar				
Class 'A'	n/a	36,532	n/a	36,993
Class 'C'	n/a	85,958	n/a	57,558

The net asset value per share and the number of shares are given in the net assets table on page 14. The distribution per share is given in the distribution table on page 20. Each share class has the same rights on winding-up.

M&G American Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

12 Finance costs

	2013 £'000	2012 £'000
Income shares (Sterling)		
Class 'A' - Final	0	0
Class 'I' - Final ^[a]	121	0
Class 'R' - Final ^[b]	0	0
Class 'X' - Final	0	0
Accumulation shares (Sterling)		
Class 'A' - Final	0	0
Class 'I' - Final ^[c]	107	0
Class 'R' - Final ^[d]	0	0
Class 'X' - Final	0	0
Accumulation shares (Euro)		
Class 'A' - Final	0	0
Class 'A-H' - Final	0	0
Class 'C' - Final	368	381
Class 'C-H' - Final	302	203
Accumulation shares (US dollar)		
Class 'A' - Final	0	0
Class 'C' - Final	565	330
Finance costs: Dividend distributions	1,463	914
Income deducted on cancellation of shares	256	372
Income received on issue of shares	(441)	(68)
Finance costs: Distributions	1,278	1,218
Finance costs: Interest	1	2
Total finance costs	1,279	1,220
Net revenue/(expense) per statement of total return	935	(920)
Overseas tax offset against capital	14	322
Undistributed income brought forward	1	4
Undistributed income carried forward	0	(1)
Share class deficit transferred to capital	328	1,813
Finance costs: Distributions	1,278	1,218

[a] The comparative final distribution for Sterling Class 'I' (Income) shares was £13.

[b] The final distribution for Sterling Class 'R' (Income) shares was £306 (2012: £11).

[c] The comparative final distribution for Sterling Class 'I' (Accumulation) shares was £13.

[d] The final distribution for Sterling Class 'R' (Accumulation) shares was £244 (2012: £11).

DISTRIBUTION TABLE

Dividend distributions on Income shares	Net income	Equalisation	Distribution payable/paid	
			2013	2012
Sterling				
Class 'A' - Final	p	p	p	p
Group 1:	nil	-	nil	nil
Group 2:	nil	nil	nil	nil
Class 'I' - Final				
Group 1:	8.2708	-	8.2708	1.2930
Group 2:	2.5310	5.7398	8.2708	1.2930
Class 'R' - Final				
Group 1:	0.5418	-	0.5418	0.1050
Group 2:	0.2519	0.2899	0.5418	0.1050
Class 'X' - Final				
Group 1:	nil	-	nil	nil
Group 2:	nil	nil	nil	nil
Dividend distributions on Accumulation shares				
	Net income	Equalisation	Amount reinvested	
			2013	2012
Sterling				
Class 'A' - Final	p	p	p	p
Group 1:	nil	-	nil	nil
Group 2:	nil	nil	nil	nil
Class 'I' - Final				
Group 1:	8.2750	-	8.2750	1.2930
Group 2:	2.4454	5.8296	8.2750	1.2930
Class 'R' - Final				
Group 1:	0.5421	-	0.5421	0.1050
Group 2:	0.1550	0.3871	0.5421	0.1050
Class 'X' - Final				
Group 1:	nil	-	nil	nil
Group 2:	nil	nil	nil	nil
Euro				
Class 'A' - Final	€	€	€	€
Group 1:	nil	-	nil	nil
Group 2:	nil	nil	nil	nil
Class 'A-H' - Final				
Group 1:	nil	-	nil	nil
Group 2:	nil	nil	nil	nil
Class 'C' - Final				
Group 1:	7.9625	-	7.9625	5.9718
Group 2:	4.6164	3.3461	7.9625	5.9718
Class 'C-H' - Final				
Group 1:	7.6094	-	7.6094	5.7060
Group 2:	2.0313	5.5781	7.6094	5.7060
US dollar				
Class 'A' - Final	¢	¢	¢	¢
Group 1:	nil	-	nil	nil
Group 2:	nil	nil	nil	nil
Class 'C' - Final				
Group 1:	8.0608	-	8.0608	5.9040
Group 2:	2.8334	5.2274	8.0608	5.9040

Final period 01.09.12 - 31.08.13

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 Asian Fund

AUTHORISED CORPORATE DIRECTOR'S REPORT

Investment objective and policy of the M&G Asian Fund

The Fund's sole objective is long term capital growth. It invests wholly or mainly in a range of Asian (including Australasian) securities. When not wholly invested as above, the Fund may also invest in global securities with the exception of Japanese securities.

Investment approach

The M&G Asian Fund is an equity fund invested in publicly listed companies throughout Asia, excluding Japan, regardless of sector or size. The fund can also invest in companies outside Asia that conduct a significant part of their business activities in the region.

The fund manager focuses exclusively on bottom-up stock selection aiming to deliver consistent top-quartile performance in the Asia Pacific ex Japan sector. (In the UK, this is the IMA Asia Pacific ex Japan sector; in Europe, the Morningstar Asia Pacific ex Japan 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, internal change or asset growth. The fund also invests in quality businesses with high and sustainable returns.

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 interests with the strategic value-creating decisions of company management. It also allows him to take advantage of valuation anomalies created by the short-term nature of Asian stockmarkets.

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.

* Please note that this 'Risk and reward profile' section is based on Sterling Class 'A' shares, the nominated share class.

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 2 September 2013, for the year ended 31 August 2013

As long-term, value investors, we seek firms whose future prospects are being under-appreciated. During the period, we established a holding in ALS, an Australian testing business that analyses minerals, food and water, which we considered to be attractively valued. Investors were concerned about ALS's exposure to the mining industry, which is experiencing a slowdown. However, we believe it is an increasingly diversified business with a good reputation and strong market positions.

We also bought shares in Axis Bank, an Indian bank that operates retail and corporate services across Asia, and China's HollySys. HollySys provides sophisticated control devices and signalling systems to industrial, railway and nuclear projects. The company invests heavily in research & development and has recently won several contracts for its innovative, high-quality equipment.

Two carmakers, Korea's Hyundai Motor and Dongfeng Motor Group from China, joined the portfolio as well. We were attracted by the changes taking place within Hyundai, such as the shift in focus from volume towards more profitable premium products. Meanwhile, we believe shares in Dongfeng, which has joint ventures with Honda and Nissan, were undervalued due to political tensions between China and Japan. In our view, Dongfeng is well placed to capture the long-term trend of rising car sales in China.

In terms of sales, Axiata Group, a Malaysian telecommunications business, and Fraser and Neave (F&N), a Singapore-based conglomerate, were sold on valuation grounds. F&N was the subject of rival takeover bids that triggered a surge in its share price. The position in Chinese real estate developer Soho China was closed when it changed its strategy from selling to leasing buildings. On the other hand, we increased our stakes in Shui On Land and Hang Lung Properties, our preferred holdings in this sector.

We also reduced our positions in several holdings that had performed well, including Krung Thai Bank from Thailand, Techtronic Industries, a Hong Kong-listed maker of domestic appliances, UK insurer Prudential and Taiwanese electronic components firm Delta Electronics.

Matthew Vaight
Fund manager

Matthew Vaight is 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.

M&G Asian Fund

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.09.14	31.10.14

	Final distribution		Ongoing Charges Figure ^[b]	
	Inc 31.10.13 ^[a]	Acc 02.09.13 ^[a]	31.08.13	31.08.12
Sterling	p	p	%	%
Class 'A'	3.2531	3.9056	1.73	1.72
Class 'I'	12.4785	12.6898	1.02	0.99 ^[c]
Class 'R'	1.1335	1.1477	1.25	1.24 ^[c]
Class 'X'	3.3702	5.2202	1.73	1.72
Euro	¢	¢	%	%
Class 'A'	n/a	10.5665	1.73	1.72
Class 'C'	n/a	32.7831	0.98	0.97
US dollar	¢	¢	%	%
Class 'A'	n/a	8.5121	1.73	1.73
Class 'C'	n/a	23.8828	0.99	0.98

^[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 31.08.13		Net asset value per share as at 31.08.12		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	989.79	1,525.92	876.14	1,346.32	+12.97	+13.34
Class 'I'	1,117.49	1,133.38	989.50	992.46	+12.93	+14.20
Class 'R'	111.64	113.06	98.96	99.22	+12.81	+13.95
Class 'X'	988.76	1,511.70	875.28	1,333.67	+12.96	+13.35
Euro	€	€	€	€	%	%
Class 'A'	n/a	27.3147	n/a	25.9062	n/a	+5.44
Class 'C'	n/a	29.4840	n/a	27.7547	n/a	+6.23
US dollar	\$	\$	\$	\$	%	%
Class 'A'	n/a	20.9159	n/a	18.8539	n/a	+10.94
Class 'C'	n/a	21.6550	n/a	19.3741	n/a	+11.77

PERFORMANCE SINCE LAUNCH

	six months 01.03.13 %	one year 03.09.12 %	five years 02.09.08 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	-11.6	+13.3	+8.2	+7.9 ^[c]
Class 'I'	-11.9	+13.3	n/a	+10.9 ^[d]
Class 'R'	-11.9	+13.1	n/a	+10.8 ^[d]
Class 'X'	-11.6	+13.3	+8.2	+13.6 ^[e]
Euro ^[f]				
Class 'A'	-9.4	+6.0	+7.8	+9.0 ^[g]
Class 'C'	-9.0	+6.8	+8.6	+9.7 ^[g]
US dollar ^[f]				
Class 'A'	-7.9	+11.4	n/a	+17.1 ^[h]
Class 'C'	-7.6	+12.3	n/a	+18.0 ^[h]

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

^[b] Bid to bid excluding reinvested income.

^[c] 14 September 1973, the end of the initial offer period of the predecessor unit trust.

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

^[e] 1 October 2002, the launch date of the share class.

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

^[g] 28 November 2001, the launch date of the share class.

^[h] 19 December 2008, the launch date of the share class.

SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From To	31.08.12 30.08.13 %	31.08.11 31.08.12 %	31.08.10 31.08.11 %	31.08.09 31.08.10 %	29.08.08 31.08.09 %
Sterling					
Class 'A'	+14.5	-1.5	+5.6	+19.9	+6.3

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

M&G Asian Fund

FUND STATISTICS

PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
Sterling (net)					
		p	p	p	p
Class 'A'	2008	784.07	394.99	1,171.81	594.20
	2009	796.39	442.44	1,208.79	665.58
	2010	1,001.81	747.21	1,527.81	1,134.14
	2011	1,017.47	768.05	1,551.71	1,173.65
	2012	997.89	837.16	1,533.40	1,279.26
	2013 ^[a]	1,136.62	954.50	1,746.56	1,466.69
Class 'I'	2012 ^[b]	1,129.75	976.63	1,133.11	979.53
	2013 ^[a]	1,288.74	1,084.61	1,292.59	1,087.85
Class 'R'	2012 ^[b]	112.91	97.67	113.21	97.93
	2013 ^[a]	128.77	108.30	129.10	108.57
Class 'X'	2008	783.29	394.68	1,160.78	588.66
	2009	795.71	442.10	1,197.45	659.40
	2010	1,000.94	746.57	1,513.47	1,123.50
	2011	1,016.59	767.26	1,537.13	1,162.62
	2012	996.92	836.60	1,518.98	1,267.23
	2013 ^[a]	1,135.51	953.62	1,730.16	1,453.02
Euro (net)					
		€	€	€	€
Class 'A'	2008	n/a	n/a	23.0047	11.2442
	2009	n/a	n/a	20.5175	11.4052
	2010	n/a	n/a	27.3060	19.8874
	2011	n/a	n/a	28.1225	20.7867
	2012	n/a	n/a	28.7876	23.3995
	2013 ^[a]	n/a	n/a	31.0598	26.3789
Class 'C'	2008	n/a	n/a	23.8578	11.7152
	2009	n/a	n/a	21.5467	11.9074
	2010	n/a	n/a	28.8890	20.9020
	2011	n/a	n/a	29.7614	22.1192
	2012	n/a	n/a	30.9071	24.9454
	2013 ^[a]	n/a	n/a	33.4563	28.4340
US dollar (net)					
		\$	\$	\$	\$
Class 'A'	2008 ^[c]	n/a	n/a	10.0000	9.4794
	2009	n/a	n/a	17.0903	8.3167
	2010	n/a	n/a	20.9141	15.1476
	2011	n/a	n/a	22.2251	16.0549
	2012	n/a	n/a	21.8500	17.6085
	2013 ^[a]	n/a	n/a	23.4212	19.9996
Class 'C'	2008 ^[c]	n/a	n/a	10.0000	9.4801
	2009	n/a	n/a	17.2115	8.3267
	2010	n/a	n/a	21.2198	15.3007
	2011	n/a	n/a	22.6523	16.3863
	2012	n/a	n/a	22.5077	18.0544
	2013 ^[a]	n/a	n/a	24.1918	20.6773

[a] To 2 September 2013.

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

[c] From 19 December 2008 (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'	2008	4.3570	6.5117
	2009	6.3750	9.5902
	2010	4.0740	6.1837
	2011	1.7780	2.6400
	2012	4.9170	7.7860
	2013 ^[a]	3.2531	3.9056
Class 'I'	2012	2.9550	2.9550
	2013 ^[a]	12.4785	12.6898
Class 'R'	2012	0.2660	0.2660
	2013 ^[a]	1.1335	1.1477
Class 'X'	2008	4.2860	6.3516
	2009	6.3620	9.4890
	2010	4.0820	6.1429
	2011	1.9220	2.8640
	2012	4.8680	7.8640
	2013 ^[a]	3.3702	5.2202
Euro (net)			
		¢	¢
Class 'A'	2008	n/a	12.2510
	2009	n/a	16.7790
	2010	n/a	13.0740
	2011	n/a	4.4600
	2012	n/a	16.8830
	2013 ^[a]	n/a	10.5665
Class 'C'	2008	n/a	25.8840
	2009	n/a	26.8580
	2010	n/a	29.8930
	2011	n/a	24.9560
	2012	n/a	35.9910
	2013 ^[a]	n/a	32.7831
US dollar (net)			
		¢	¢
Class 'A'	2009	n/a	8.8550
	2010	n/a	11.1880
	2011	n/a	10.6850
	2012	n/a	12.1760
	2013 ^[a]	n/a	8.5121
Class 'C'	2009	n/a	14.6580
	2010	n/a	20.9400
	2011	n/a	19.9240
	2012	n/a	25.2170
	2013 ^[a]	n/a	23.8828

[a] Up to final: ex-distribution date 2 September 2013; payment date 31 October 2013.

M&G Asian Fund

FUND STATISTICS

NET ASSETS					
	Year ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
Sterling					
Class 'A'	Aug 2011	896.18	1,371.90	12,810,983	8,656,099
	Aug 2012	876.14	1,346.32	15,350,341	9,119,902
	Aug 2013	989.79	1,525.92	14,831,041	5,999,352
Class 'I'	Aug 2012	989.50	992.46	100	100
	Aug 2013	1,117.49	1,133.38	160,100	314,950
Class 'R'	Aug 2012	98.96	99.22	1,000	1,000
	Aug 2013	111.64	113.06	111,500	73,000
Class 'X'	Aug 2011	895.25	1,356.57	1,231,093	403,690
	Aug 2012	875.28	1,333.67	1,196,893	570,490
	Aug 2013	988.76	1,511.70	1,199,793	434,440
Euro					
		€	€		
Class 'A'	Aug 2011	n/a	23.6171	n/a	3,717,295
	Aug 2012	n/a	25.9062	n/a	4,159,795
	Aug 2013	n/a	27.3147	n/a	3,528,395
Class 'C'	Aug 2011	n/a	25.1118	n/a	4,660,810
	Aug 2012	n/a	27.7547	n/a	3,840,460
	Aug 2013	n/a	29.4840	n/a	4,063,560
US dollar					
		\$	\$		
Class 'A'	Aug 2011	n/a	19.7189	n/a	613,600
	Aug 2012	n/a	18.8539	n/a	1,380,000
	Aug 2013	n/a	20.9159	n/a	1,355,800
Class 'C'	Aug 2011	n/a	20.1118	n/a	1,017,700
	Aug 2012	n/a	19.3741	n/a	458,300
	Aug 2013	n/a	21.6550	n/a	914,600
Total net asset value of sub-fund					
	Year ended	£		€ [a]	
	Aug 2011	451,640,000		509,470,000	
	Aug 2012	467,697,000		588,682,000	
	Aug 2013	478,042,000		559,735,000	

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

PORTFOLIO

PORTFOLIO STATEMENT

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
United Kingdom			
3,808,767 AZ Electronic Materials	11,739	2.45	
1,005,000 Prudential	11,035	2.31	
2,950,000 Salamander Energy	3,805	0.80	
		9.14	7.83
Australia			
2,202,902 ALS	11,598	2.43	
3,000,000 BlueScope Steel	8,633	1.81	
4,040,000 Downer EDI	9,668	2.02	
1,330,000 Iluka Resources	8,237	1.72	
1,125,000 Mesoblast	3,549	0.74	
8,400,000 Panoramic Resources	1,187	0.25	
2,025,000 Rex Minerals	835	0.17	
		20.40	19.86
China			
29,850,000 AMVIG Holdings	8,466	1.77	
5,572,600 China Resources Power	8,223	1.72	
10,028,000 China Unicom	9,776	2.05	
10,600,000 CNOOC	13,543	2.83	
6,901,000 Dongfeng Motor	6,142	1.28	
4,100,000 Hang Lung Properties	8,236	1.72	
1,204,000 HollySys	10,446	2.19	
420,000 Mindray Medical International ADR	10,729	2.24	
35,146,000 Shanghai Electric Group 'H'	8,390	1.76	
28,200,353 Shui On Land	5,606	1.17	
13,795,000 Yingde Gases	7,975	1.67	
		15.08	12.12
Hong Kong			
6,980,000 Esprit	7,675	1.60	
2,110,000 HSBC Holdings	14,383	3.01	
2,539,500 Hutchison Whampoa	18,916	3.96	
36,290,000 PCCW	10,504	2.20	
377,000 Standard Chartered	5,469	1.14	
5,755,000 Techtronic Industries	9,095	1.90	
6,554,438 The Hongkong and Shanghai Hotels	6,062	1.27	
		10.47	8.98
India			
810,000 Axis Bank	6,631	1.39	
2,010,000 Bank of India	2,804	0.59	
3,138,000 CESC	9,398	1.97	
3,900,000 Crompton Greaves	3,060	0.64	
904,000 Genpact	11,312	2.37	
5,852,477 Idea Cellular	9,128	1.91	
1,692,293 Indiabulls Housing Finance	3,272	0.68	
525,000 Punjab National Bank	2,204	0.46	
27,776,987 REI Agro	2,224	0.46	
		0.00	0.90
Malaysia			
Philippines			
149,999,950 Energy Development	12,258	2.56	
		2.56	2.90
Singapore			
11,500,000 CSE Global	5,035	1.05	
1,390,471 DBS Group Holdings	11,121	2.33	
313,020 Jardine Matheson	10,702	2.24	
4,565,000 Petra Foods	8,180	1.71	
687,727 United Overseas Bank	6,924	1.45	

M&G Asian Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
South Korea			
515,007 Hana Financial Group	10,475	2.19	
75,300 Hyundai Motor	10,896	2.28	
130,003 LG Life Sciences	3,898	0.82	
28,599 Naver Corporation (formerly NHN)	7,412	1.55	
14,400 NHN Entertainment	908	0.19	
33,000 Samsung Electronic	26,177	5.48	
507,280 Shinhan Financial Group	11,969	2.50	
Taiwan			
13,310,564 Compal Electronics	5,767	1.21	
4,660,000 Delta Electronics	13,561	2.84	
8,020,178 Taiwan Semiconductor Manufacturing	17,289	3.62	
1,625,000 Yungtay Engineering	2,431	0.51	
Thailand			
21,660,000 Krung Thai Bank	7,162	1.50	3.18
Brazil			
1,145,000 Vale ADR	9,580	2.00	2.09
Eire ('AAA' rated money market funds) ^[a]			
177,000 Northern Trust Global Fund - US dollar	114	0.02	0.01
Portfolio of investments (notes 1b & 1d on page 26)	471,814	98.70	98.69
Net other assets	6,228	1.30	1.31
Net assets attributable to shareholders	478,042	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 August 2013

	£'000
Largest purchases	
ALS	14,281
Axis Bank	11,628
Hyundai Motor	10,216
PCCW	10,210
HollySys	10,105
Dongfeng Motor	6,135
Salamander Energy	5,872
Standard Chartered	5,637
Iluka Resources	5,422
Shui On Land	5,174
Indiabulls Housing Finance	5,134
Vale ADR	4,431
Crompton Greaves	3,725
AZ Electronic Materials	3,620
Krung Thai Bank	3,240
Esprit	2,953
Hutchison Whampoa	2,923
Hang Lung Properties	2,503
Delta Electronics	2,419
Yung Tay Engineering	2,223
Northern Trust Global Fund - US dollar ^[a]	128,702
Other purchases	28,779
Total purchases	275,332
Largest sales	
Fraser & Neave	15,772
Krung Thai Bank	11,723
Techtronic Industries	11,215
Santos	8,584
China Mobile	7,672
United Overseas Bank	7,205
Prudential	7,159
Taiwan Semiconductor Manufacturing	6,785
Esprit	6,680
Delta Electronics	6,602
Soho China	6,520
Petra Foods	6,423
Jardine Matheson	5,099
HSBC Holdings	5,004
Naver Corporation (formerly NHN)	4,817
Kolon Industries	4,598
AZ Electronic Materials	4,457
Axiata Group	4,417
CSL	4,259
Samsung Electronic	4,076
Northern Trust Global Fund - US dollar ^[a]	128,993
Other sales	49,527
Total sales	317,587

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

M&G Asian Fund

FINANCIAL STATEMENTS

For the year ended 31 August 2013.

STATEMENT OF TOTAL RETURN

	Note	2013		2012	
		£'000	£'000	£'000	£'000
Income					
Net capital gains / (losses)	3		53,936		(12,412)
Revenue	4	12,795		12,061	
Expenses	5	(8,153)		(7,048)	
Net revenue before taxation		4,642		5,013	
Taxation	6	(662)		(627)	
Net revenue after taxation			3,980		4,386
Total return before distributions			57,916		(8,026)
Finance costs: Distributions	12		(2,694)		(3,432)
Change in net assets attributable to shareholders from investment activities			55,222		(11,458)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2013		2012	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		467,697		451,640
Amounts received on issue of shares	147,361		177,174	
Value of assets transferred from in-specie issues	0		27,125	
Amounts paid on cancellation of shares	(194,161)		(179,340)	
		(46,800)		24,959
Stamp Duty Reserve Tax (SDRT)		(46)		(34)
Change in net assets attributable to shareholders from investment activities (see above)		55,222		(11,458)
Retained distributions on Accumulation shares		1,969		2,590
Closing net assets attributable to shareholders		478,042		467,697

BALANCE SHEET

	as at		as at	
	31 August 2013	£'000	31 August 2012	£'000
Assets				
Investment assets		471,814		461,547
Debtors				
Amounts receivable on issues	791		131	
Currency deals outstanding	65		2,791	
Distributions receivable	0		1	
Dividends receivable	1,408		1,692	
Prepaid expenses	1		1	
Sales awaiting settlement	3,349		7,113	
		5,614		11,729
Cash and bank balances				
Cash held as bank balances	3,078		1,304	
		3,078		1,304
Total other assets		8,692		13,033
Total assets		480,506		474,580
Liabilities				
Creditors				
Amounts payable on cancellations	(359)		(2,806)	
Currency deals outstanding	(65)		(2,797)	
Expenses payable	(369)		(466)	
Net distributions payable on Income shares	(544)		(813)	
Purchases awaiting settlement	(1,125)		0	
SDRT payable	(2)		(1)	
Total liabilities		(2,464)		(6,883)
Net assets attributable to shareholders		478,042		467,697

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 30 August 2013, 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 30 August 2013, being the last business day of the financial year.

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.

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.

Asian stockmarkets tend to be volatile and investors should expect wider than average price fluctuations.

The sub-fund holds overseas investments and exchange rate fluctuations can affect both capital and income values. Short-term foreign currency exposures 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 137, 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 (31.08.12: same).

3 Net capital gains / (losses)

	2013 £'000	2012 £'000
Non-derivative securities	52,522	(11,814)
Currency losses	(37)	(572)
Special dividends taken to capital	1,464	0
Transaction charges	(13)	(26)
Net capital gains / (losses)	53,936	(12,412)

4 Revenue

	2013 £'000	2012 £'000
Bank interest	1	4
Interest distributions	6	10
Overseas dividends	10,184	10,412
Stock dividends	1,288	954
UK dividends	1,316	681
Total revenue	12,795	12,061

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

5 Expenses

	2013 £'000	2012 £'000
Payable to the Authorised Corporate Director or associate		
Authorised Corporate Director's periodic charge	6,957	6,065
Administration fee	784	683
	7,741	6,748
Payable to the Depository or associate		
Depository's fee (including VAT)	36	32
Other expenses		
Audit fee (including VAT)	9	10
Regulatory fees	7	8
Safe custody charge	350	236
Tax consultancy fees (including VAT) [a]	15	20
	381	274
VAT recovered		
Current year	(2)	(1)
Prior year	(3)	(5)
	(5)	(6)
Total expenses	8,153	7,048

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

6 Taxation

	2013 £'000	2012 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Overseas tax	662	627
Current tax charge (note 6b)	662	627
Deferred tax (note 6c)	0	0
Total taxation	662	627
b) Factors affecting taxation charge for the year		
Net revenue before taxation	4,642	5,013
Corporation tax at 20%	928	1,003
Effects of:		
UK dividends not taxable	(263)	(136)
Stock dividends not taxable	(258)	(191)
Overseas dividends not taxable	(2,009)	(2,082)
Current year expenses not utilised	1,602	1,406
Overseas tax	662	627
Current tax charge (note 6a)	662	627
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 £5,699,000 (31.08.12: £4,100,000) 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

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (31.08.12: a contingent liability of £2,189,776 in respect of 8,625,000 Krung Thai Bank nil paid shares resulting from a rights issue).

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 £229,000 (31.08.12: £175,000) in respect of the ACD's periodic charge and administration fee 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 £7,159,000 (2012: £2,675,000).

At the balance sheet date, the sub-fund held shares in related parties of M&G Securities Limited with a value of £11,035,000 (31.08.12: £13,353,000).

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 35.73% (31.08.12: 32.98%) 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 (31.08.12: 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 31.08.13 £'000	as at 31.08.12 £'000	as at 31.08.13 £'000	as at 31.08.12 £'000	as at 31.08.13 £'000	as at 31.08.12 £'000
Australian dollar	43,707	36,632	307	1,097	44,014	37,729
Euro	0	0	365	(1,602)	365	(1,602)
Hong Kong dollar	148,460	137,826	1,681	3,080	150,141	140,906
Indian rupee	38,721	30,042	(50)	5	38,671	30,047
Malaysian ringgit	0	4,217	0	952	0	5,169
New Taiwan dollar	39,048	37,974	1,685	1,044	40,733	39,018
Philippine peso	12,258	13,542	1	1	12,259	13,543
Singapore dollar	31,260	51,995	425	2,798	31,685	54,793
South Korean won	71,735	61,952	1,196	0	72,931	61,952
Thailand baht	7,162	14,881	0	270	7,162	15,151
US dollar	52,884	46,961	1,481	237	54,365	47,198
	445,235	436,022	7,091	7,882	452,326	443,904
Sterling	26,579	25,525	(863)	(1,732)	25,716	23,793
Total	471,814	461,547	6,228	6,150	478,042	467,697

M&G Asian Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

9 Financial instruments (continued)

Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.12: same).

Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.12: same).

10 Portfolio transaction costs

	2013 £'000	2012 £'000
a) Purchases		
Purchases excluding transaction costs	275,033	261,875
Commissions	204	223
Taxes	95	71
Total transaction costs	299	294
Total purchases including transaction costs	275,332	262,169
b) Sales		
Sales excluding transaction costs	318,031	248,541
Commissions	(271)	(136)
Taxes	(173)	(112)
Total transaction costs	(444)	(248)
Total sales net of transaction costs	317,587	248,293

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, Sterling Class 'R' (Net Income and Net Accumulation) shares and Sterling Class 'X' (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 August 2013, is set out in the following table (31.08.12: same):

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
Class 'X'	nil	4.50 ^[a]	1.50
Euro			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75
US dollar			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75

^[a] The withdrawal fee diminishes over a period of five years. Please refer to the Key Investor Information Document (KIID) in conjunction with the Important Information for Investors document.

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

	31.08.13		31.08.12	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Sterling				
Class 'A'	146,797	91,545	134,490	122,783
Class 'I'	1,789	3,570	1	1
Class 'R'	124	83	1	1
Class 'X'	11,863	6,567	10,476	7,608
Euro				
Class 'A'	n/a	82,311	n/a	85,617
Class 'C'	n/a	102,324	n/a	84,685
US dollar				
Class 'A'	n/a	18,293	n/a	16,428
Class 'C'	n/a	12,776	n/a	5,606

The net asset value per share and the number of shares are given in the net assets table on page 24. The distribution per share is given in the distribution table on page 30. Each share class has the same rights on winding-up.

M&G Asian Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

12 Finance costs

	2013 £'000	2012 £'000
Income shares (Sterling)		
Class 'A' - Final	483	755
Class 'I' - Final ^[a]	20	0
Class 'R' - Final ^[b]	1	0
Class 'X' - Final	40	58
Accumulation shares (Sterling)		
Class 'A' - Final	234	710
Class 'I' - Final ^[c]	40	0
Class 'R' - Final ^[d]	1	0
Class 'X' - Final	23	45
Accumulation shares (Euro)		
Class 'A' - Final	318	558
Class 'C' - Final	1,138	1,098
Accumulation shares (US dollar)		
Class 'A' - Final	74	106
Class 'C' - Final	141	73
Finance costs: Dividend distributions	2,513	3,403
Income deducted on cancellation of shares	332	435
Income received on issue of shares	(151)	(406)
Finance costs: Distributions	2,694	3,432
Net revenue per statement of total return	3,980	4,386
Stock dividends not distributed	(1,288)	(954)
Undistributed income brought forward	2	2
Undistributed income carried forward	0	(2)
Finance costs: Distributions	2,694	3,432

^[a] The comparative final distribution for Sterling Class 'I' (Income) shares was £3.

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

^[c] The comparative final distribution for Sterling Class 'I' (Accumulation) shares was £3.

^[d] The comparative final distribution for Sterling Class 'R' (Accumulation) shares was £3.

DISTRIBUTION TABLE

Dividend distributions on Income shares	Net income	Equalisation	Distribution payable/paid	
			2013	2012
Sterling	p	p	p	p
Class 'A' - Final				
Group 1:	3.2531	-	3.2531	4.9170
Group 2:	2.5371	0.7160	3.2531	4.9170
Class 'I' - Final				
Group 1:	12.4785	-	12.4785	2.9550
Group 2:	8.0565	4.4220	12.4785	2.9550
Class 'R' - Final				
Group 1:	1.1335	-	1.1335	0.2660
Group 2:	0.7823	0.3512	1.1335	0.2660
Class 'X' - Final				
Group 1:	3.3702	-	3.3702	4.8680
Group 2:	3.0685	0.3017	3.3702	4.8680
Dividend distributions on Accumulation shares	Net income	Equalisation	Amount reinvested	
			2013	2012
Sterling	p	p	p	p
Class 'A' - Final				
Group 1:	3.9056	-	3.9056	7.7860
Group 2:	3.2431	0.6625	3.9056	7.7860
Class 'I' - Final				
Group 1:	12.6898	-	12.6898	2.9550
Group 2:	3.3484	9.3414	12.6898	2.9550
Class 'R' - Final				
Group 1:	1.1477	-	1.1477	0.2660
Group 2:	0.8530	0.2947	1.1477	0.2660
Class 'X' - Final				
Group 1:	5.2202	-	5.2202	7.8640
Group 2:	4.6249	0.5953	5.2202	7.8640
Euro	€	€	€	€
Class 'A' - Final				
Group 1:	10.5665	-	10.5665	16.8830
Group 2:	9.8917	0.6748	10.5665	16.8830
Class 'C' - Final				
Group 1:	32.7831	-	32.7831	35.9910
Group 2:	27.3417	5.4414	32.7831	35.9910
US dollar	\$	\$	\$	\$
Class 'A' - Final				
Group 1:	8.5121	-	8.5121	12.1760
Group 2:	7.9171	0.5950	8.5121	12.1760
Class 'C' - Final				
Group 1:	23.8828	-	23.8828	25.2170
Group 2:	18.3300	5.5528	23.8828	25.2170

Final period 01.09.12 - 31.08.13

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 European Fund

AUTHORISED CORPORATE DIRECTOR'S REPORT

Investment objective and policy of the M&G European Fund

The Fund's prime objective is long term capital growth. It invests wholly or predominantly in a diversified portfolio of securities of European (excluding United Kingdom) issuers. When not wholly invested as above, it may also invest in companies which are listed or registered outside Europe but trade within it. Income is of secondary importance when investments are selected.

Investment approach

The M&G European Fund is a concentrated portfolio of between 40 and 60 holdings. It seeks to capitalise on compelling investment opportunities from across the European investment universe. The fund managers adopt a bottom-up approach to stock selection, based upon a strong foundation of detailed fundamental research.

Consistent with the managers' investment philosophy, the portfolio has a growth bias. However, the managers do not define growth in the traditional sense that focuses on rapid growth in earnings or sales. Instead, their innovative approach to growth rests upon the identification of companies with world-class scarce assets that are not easily replicable, and which give such companies an edge over international competitors to drive profitability, grow their businesses and create long-term value.

By virtue of their scarce assets, these companies can compete effectively on the world stage, and generate sustainable returns above the cost of capital through time. By reinvesting in the business at attractive rates of return, the fundamental value of these companies should grow over time, thereby rewarding long-term investors.

Accordingly, the fund managers are prepared to be long-term investors in companies with scarce assets whose long-term potential is not fully recognised by the market, in the expectation that the true intrinsic value of these assets will be recognised by other market participants over time.

The fund managers regard meeting a company's management team as an important element of the research process, allowing them to gauge their conviction in the company's abilities and assets. The fund managers also work closely with the portfolio construction and risk team to ensure that the primary driver of the portfolio's risk is stock selection, and that unintended risks are minimised. Investors can therefore expect a long-term, bottom-up stock-selection investment approach with moderate turnover.

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.
- * Please note that this 'Risk and reward profile' section is based on Sterling Class 'A' shares, the nominated share class.

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 2 September 2013, for the year ended 31 August 2013

We established a number of new holdings over the review period in companies generating high sustainable returns, with scarce assets and structural growth drivers that should allow them to grow the fundamental value of their businesses. These included two property companies, Swedish-listed Hufvudstaden and Netherlands-listed Eurocommerical Properties, as well as Germany-based business services company TAKKT, which produces industrial catalogues selling office, plant and warehouse equipment.

We also purchased shares in French-listed international software creator Gameloft and food producer Danone in addition to branded jewellery creator and distributor Pandora. Pandora had gone through a difficult period, but a new management team has taken a disciplined, pragmatic approach to the business, and its sales and profitability have improved as a result.

Conversely, we closed positions where we felt there were better long-term growth prospects available at more attractive valuations. These included Austrian brick and tile manufacturer Wienerberger, Russian bank NOMOS-BANK, Swiss-listed oil services company Weatherford International, automotive glass repair business D'leteren Trading and defence and automotive company Rheinmetall. Merger and acquisition activity also played a role during the period, leading us to dispose of Dutch postal delivery firm TNT Express, as its share price appreciated significantly on expectation of the company being taken over by US logistics firm UPS. Similarly CFAO, a French firm that distributes cars and pharmaceuticals throughout Africa, left the portfolio after the Japanese conglomerate TTC bid to take over the company.

Elsewhere, we exited from Germany-based business software firm Software AG, as we had become concerned over the company's legacy mainframe business declining at a less manageable rate than previously anticipated, as well as the sustainability of growth reported in other parts of the business.

Greg Aldridge & Charles Anniss Co-fund managers

Greg Aldridge and Charles Anniss are employees of M&G Limited which is an associate of M&G Securities Limited.

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

M&G European Fund

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.09.14	31.10.14

	Final distribution		Ongoing Charges Figure ^[b]	
	Inc 31.10.13 ^[a]	Acc 02.09.13 ^[a]	31.08.13	31.08.12
Sterling	p	p	%	%
Class 'A'	10.6476	15.3357	1.69	1.70
Class 'I'	19.0756	18.2932	0.94	0.95 ^[c]
Class 'R'	1.5518	1.5714	1.19	1.20 ^[c]
Class 'X'	10.5983	15.1976	1.69	1.70
Euro	¢	¢	%	%
Class 'A'	n/a	12.0041	1.70	1.69
Class 'C'	n/a	18.2411	0.94	0.94

^[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 31.08.13		Net asset value per share as at 31.08.12		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	1,406.82	2,039.89	1,120.67	1,612.49	+25.53	+26.51
Class 'I'	1,275.67	1,295.29	1,015.83	1,016.26	+25.58	+27.46
Class 'R'	127.65	129.24	101.59	101.61	+25.65	+27.19
Class 'X'	1,393.27	2,018.41	1,109.79	1,595.53	+25.54	+26.50
Euro	€	€	€	€	%	%
Class 'A'	n/a	11.5600	n/a	9.8232	n/a	+17.68
Class 'C'	n/a	12.6646	n/a	10.6815	n/a	+18.57

PERFORMANCE SINCE LAUNCH

	six months 01.03.13	one year 03.09.12	five years 02.09.08	since launch
	%	%	% p.a. ^[a]	% p.a. ^[a]
Sterling ^[b]				
Class 'A'	+2.0	+26.7	+1.8	+8.3 ^[c]
Class 'I'	+1.7	+26.7	n/a	+25.9 ^[d]
Class 'R'	+1.8	+26.8	n/a	+26.0 ^[d]
Class 'X'	+2.0	+26.7	+1.8	+8.4 ^[e]
Euro ^[f]				
Class 'A'	+5.0	+18.9	+1.8	+1.3 ^[g]
Class 'C'	+5.4	+19.9	+2.6	+2.1 ^[g]

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

^[b] Bid to bid excluding reinvested income.

^[c] 24 July 1972, the end of the initial offer period of the predecessor unit trust.

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

^[e] 1 October 2002, the launch date of the share class.

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

^[g] 26 November 2001, the launch date of the share class.

SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From To	31.08.12 30.08.13	31.08.11 31.08.12	31.08.10 31.08.11	31.08.09 31.08.10	29.08.08 31.08.09
	%	%	%	%	%
Sterling					
Class 'A'	+26.9	+2.0	+8.8	-9.1	-10.0

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'	2008	1,541.33	837.07	2,104.39	1,162.86
	2009	1,293.20	823.33	1,810.75	1,143.77
	2010	1,285.34	1,003.99	1,799.74	1,405.79
	2011	1,343.17	964.94	1,898.60	1,377.44
	2012	1,243.94	1,033.06	1,790.15	1,474.69
	2013 ^[a]	1,467.19	1,242.25	2,111.45	1,787.71
Class 'I'	2012 ^[b]	1,130.50	1,000.00	1,130.98	1,000.00
	2013 ^[a]	1,339.37	1,129.10	1,339.93	1,129.58
Class 'R'	2012 ^[b]	112.99	100.00	113.01	100.00
	2013 ^[a]	133.68	112.85	133.72	112.87
Class 'X'	2008	1,526.79	828.44	2,081.73	1,150.50
	2009	1,279.04	814.93	1,791.70	1,131.73
	2010	1,271.27	993.00	1,780.81	1,391.00
	2011	1,328.01	953.98	1,878.63	1,362.95
	2012	1,232.01	1,021.33	1,771.32	1,459.18
	2013 ^[a]	1,453.12	1,230.33	2,089.22	1,768.91
Euro (net)	€	€	€	€	
Class 'A'	2008	n/a	n/a	13.7644	6.7697
	2009	n/a	n/a	9.4000	6.1191
	2010	n/a	n/a	9.8549	8.1585
	2011	n/a	n/a	10.3654	7.7044
	2012	n/a	n/a	10.6037	8.8510
	2013 ^[a]	n/a	n/a	11.8988	10.6407
Class 'C'	2008	n/a	n/a	14.3875	7.1267
	2009	n/a	n/a	10.0065	6.4563
	2010	n/a	n/a	10.5831	8.7232
	2011	n/a	n/a	11.1602	8.3184
	2012	n/a	n/a	11.5567	9.5780 ^[c]
	2013 ^[a]	n/a	n/a	13.0313	11.5999

^[a] To 2 September 2013.

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

^[c] In the Annual report for the year ended 31 August 2012, this figure was incorrectly quoted as €8.8730.

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 Fund

FUND STATISTICS

INCOME

Dividend income per share			
	Calendar year	Distributed	Reinvested
Sterling (net)			
Class 'A'	2008	p 22.5180	p 30.7439
	2009	8.8450	12.2875
	2010	10.0920	14.1309
	2011	11.0060	15.4890
	2012	8.9250	12.7754
	2013 [a]	10.6476	15.3357
Class 'I'	2012	0.4250	0.4250
	2013 [a]	19.0756	18.2932
Class 'R'	2012	0.0210	0.0210
	2013 [a]	1.5518	1.5714
Class 'X'	2008	23.6040	32.1833
	2009	9.5940	13.3236
	2010	10.3360	14.4788
	2011	10.9620	15.3860
	2012	6.9770	12.9092
	2013 [a]	10.5983	15.1976
Euro (net)			
Class 'A'	2008	¢ n/a	¢ 17.1910
	2009	n/a	6.9900
	2010	n/a	nil
	2011	n/a	8.4860
	2012	n/a	8.8200
	2013 [a]	n/a	12.0041
Class 'C'	2008	n/a	nil
	2009	n/a	13.5860
	2010	n/a	16.7070
	2011	n/a	16.8820
	2012	n/a	16.3914
	2013 [a]	n/a	18.2411

[a] Up to final: ex-distribution date 2 September 2013;
payment date 31 October 2013.

NET ASSETS

	Year ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
Sterling					
Class 'A'	Aug 2011	p 1,108.97	p 1,583.09	5,642,463	4,872,242
	Aug 2012	1,120.67	1,612.49	5,178,033	4,422,222
	Aug 2013	1,406.82	2,039.89	7,432,983	3,292,622
Class 'I'	Aug 2012	1,015.83	1,016.26	100	100
	Aug 2013	1,275.67	1,295.29	33,300	54,800
Class 'R'	Aug 2012	101.59	101.61	1,000	1,000
	Aug 2013	127.65	129.24	48,100	15,000
Class 'X'	Aug 2011	1,096.37	1,566.44	94,294	40,742
	Aug 2012	1,109.79	1,595.53	94,194	38,242
	Aug 2013	1,393.27	2,018.41	96,869	38,307
Euro					
Class 'A'	Aug 2011	€ n/a	€ 8.6434	n/a	48,760
	Aug 2012	n/a	9.8232	n/a	37,760
	Aug 2013	n/a	11.5600	n/a	56,760
Class 'C'	Aug 2011	n/a	9.3273	n/a	2,225
	Aug 2012	n/a	10.6815	n/a	2,225
	Aug 2013	n/a	12.6646	n/a	4,725
Total net asset value of sub-fund					
	Year ended	£		€ [a]	
	Aug 2011	141,769,000		159,922,000	
	Aug 2012	131,310,000		165,278,000	
	Aug 2013	175,684,000		205,707,000	

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

PORTFOLIO

PORTFOLIO STATEMENT

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
Oil & gas producers		7.34	7.22
260,973 Repsol	3,942	2.24	
203,000 Statoil	2,869	1.63	
170,000 Total	6,096	3.47	
Oil equipment, services & distribution		0.00	1.17
Chemicals		6.89	7.56
72,500 Bayer	5,252	2.99	
122,000 Symrise	3,450	1.96	
114,000 Umicore	3,412	1.94	
Construction & materials		1.96	2.79
78,000 Holcim (Regd.)	3,440	1.96	
Aerospace & defence		2.23	2.33
105,000 European Aeronautic Defence and Space	3,926	2.23	
General industrials		0.00	1.58
Industrial engineering		6.63	6.26
59,500 Andritz	2,173	1.24	
76,500 Atlas Copco 'A'	1,334	0.76	
61,000 MTU Aero Engines	3,558	2.03	
116,000 Vallourec	4,564	2.60	
Industrial transportation		0.00	1.54
Support services		4.77	5.22
134,000 Amadeus IT Holdings	2,812	1.60	
97,500 DCC	2,502	1.42	
905,000 Prosegur Compania Seguridad	3,076	1.75	

M&G European Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
Automobiles & parts			
72,000 Bayerische Motoren Werke	4,403	2.51	
57,000 Delticom	1,872	1.07	
94,500 ElringKlinger	2,264	1.29	
		4.87	5.81
Food producers			
102,500 Christian Hansen Holding	2,202	1.25	
78,500 Danone	3,777	2.15	
209,000 Nestlé (Regd.)	8,840	5.03	
216,500 Unilever	5,283	3.01	
		11.44	10.86
Leisure goods			
226,500 Amer Sports	2,898	1.65	
399,000 Gameloft	2,174	1.24	
		2.89	1.55
Personal goods			
59,500 adidas	4,088	2.33	
27,000 HUGO BOSS	2,124	1.21	
95,000 Pandora	2,236	1.27	
		4.81	3.55
Healthcare equipment & services			
88,000 Fresenius Medical Care	3,718	2.12	
33,500 Sonova Holding	2,399	1.37	
		3.49	3.24
Pharmaceuticals & biotechnology			
188,500 Novartis (Regd.)	8,855	5.04	
45,500 Roche Holding 'Genussscheine'	7,370	4.20	
		9.24	8.21
General retailers			
207,000 TAKKT	2,457	1.40	
		1.40	1.43
Media			
91,000 GFK	3,241	1.84	
95,578 Publicis Groupe	4,615	2.63	
		4.47	4.33
Banks			
155,000 Société Générale	4,423	2.52	
138,500 Svenska Handelsbanken 'A'	3,848	2.19	
		4.71	4.87
Non-life insurance			
112,000 Vienna Insurance Group	3,666	2.09	
33,000 Zurich Insurance (formerly Zurich Financial Services Group (Regd.))	5,311	3.02	
		5.11	5.13
Life insurance			
796,500 Storebrand	2,885	1.64	
		1.64	1.38
Real estate investment & services			
242,000 Hufvudstaden	1,907	1.09	
		1.09	0.00
Real estate investment trusts			
98,500 Eurocommercial Properties	2,352	1.34	
		1.34	0.00
Financial services			
335,000 GAM Holding (Regd.)	3,821	2.17	
		2.17	1.58
Software & computer services			
85,500 SAP	4,121	2.34	
99,500 Wincor Nixdorf	4,063	2.31	
		4.65	6.22
Technology hardware & equipment			
533,000 Ericsson 'B'	4,080	2.32	
		2.32	2.60
'AAA' rated money market funds ^[a]			
5,947,000 Northern Trust Global Fund - Euro	5,079	2.89	
		2.89	3.43
Portfolio of investments (notes 1b & 1d on page 35)	172,778	98.35	99.86
Net other assets	2,906	1.65	0.14
Net assets attributable to shareholders	175,684	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 August 2013

	£'000
Largest purchases	
Danone	3,326
Eurocommercial Properties	2,393
Pandora	2,203
TAKKT	2,069
Hufvudstaden	1,861
Gameloft	1,731
Fresenius Medical Care	1,693
Société Générale	1,452
Nestlé (Regd.)	1,348
Novartis (Regd.)	1,272
GAM Holding (Regd.)	1,039
Total	995
Delticom	991
European Aeronautic Defence and Space	968
Vallourec	924
Zurich Insurance (formerly Zurich Financial Services Group (Regd.))	869
Umicore	746
Publicis Groupe	726
Repsol	675
Bayerische Motoren Werke	649
Northern Trust Global Fund - Euro ^[a]	26,638
Other purchases	11,507
Total purchases	66,075
Largest sales	
Software	2,806
D'Ieteren Trading	2,325
Rheinmetall	2,180
CFAO	2,125
TNT Express	2,012
European Aeronautic Defence and Space	1,999
Weatherford International	1,531
NOMOS-BANK GDR	1,388
DCC	1,173
Bayer	1,134
Symrise	1,099
Amadeus IT Holdings	1,072
adidas	945
Wienerberger	900
Unilever	873
Amer Sports	735
Svenska Handelsbanken 'A'	695
Ericsson 'B'	694
Société Générale	665
GAM Holding (Regd.)	648
Northern Trust Global Fund - Euro ^[a]	26,351
Other sales	4,475
Total sales	57,825

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

M&G European Fund

FINANCIAL STATEMENTS

For the year ended 31 August 2013.

STATEMENT OF TOTAL RETURN

	Note	2013		2012	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	3		33,427		1,048
Revenue	4	4,496		3,859	
Expenses	5	(2,656)		(2,260)	
Net revenue before taxation		1,840		1,599	
Taxation	6	(253)		(516)	
Net revenue after taxation			1,587		1,083
Total return before distributions			35,014		2,131
Finance costs: Distributions	12		(1,303)		(1,083)
Change in net assets attributable to shareholders from investment activities			33,711		1,048

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2013		2012	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		131,310		141,769
Amounts received on issue of shares	44,650		1,519	
Amounts paid on cancellation of shares	(34,516)		(13,599)	
		10,134		(12,080)
Change in net assets attributable to shareholders from investment activities (see above)		33,711		1,048
Retained distributions on Accumulation shares		528		573
Unclaimed distributions		1		0
Closing net assets attributable to shareholders		175,684		131,310

BALANCE SHEET

	as at		as at	
	31 August 2013	£'000	31 August 2012	£'000
Assets				
Investment assets		172,778		131,131
Debtors				
Amounts receivable on issues	85		0	
Currency deals outstanding	0		100	
Dividends receivable	42		37	
Overseas tax recoverable	828		600	
Prepaid expenses	1		1	
Sales awaiting settlement	253		173	
		1,209		911
Cash and bank balances				
Cash held as bank balances	3,194		108	
		3,194		108
Total other assets		4,403		1,019
Total assets		177,181		132,150
Liabilities				
Creditors				
Amounts payable on cancellations	(347)		(171)	
Currency deals outstanding	0		(100)	
Expenses payable	(123)		(100)	
Net distributions payable on Income shares	(809)		(469)	
Purchases awaiting settlement	(218)		0	
Total liabilities		(1,497)		(840)
Net assets attributable to shareholders		175,684		131,310

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 30 August 2013, 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 30 August 2013, being the last business day of the financial year.

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 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 137, 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 (31.08.12: same).

3 Net capital gains

	2013 £'000	2012 £'000
Non-derivative securities	33,397	1,063
Currency gains / (losses)	34	(19)
Special dividends taken to capital	0	12
Transaction charges	(4)	(8)
Net capital gains	33,427	1,048

4 Revenue

	2013 £'000	2012 £'000
Bank interest	1	2
Interest distributions	0	6
Interest on overseas tax previously withheld at source	31	0
Overseas dividends	4,179	3,851
Stock dividends	285	0
Total revenue	4,496	3,859

M&G European Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

5 Expenses

	2013 £'000	2012 £'000
Payable to the Authorised Corporate Director or associate		
Authorised Corporate Director's periodic charge	2,359	2,007
Administration fee	237	201
	2,596	2,208
Payable to the Depository or associate		
Depository's fee (including VAT)	14	12
Other expenses		
Audit fee (including VAT)	9	10
Regulatory fees	5	5
Safe custody charge	24	18
Tax consultancy fees (including VAT) ^[a]	8	7
	46	40
Total expenses	2,656	2,260

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

6 Taxation

	2013 £'000	2012 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Overseas tax	385	516
Overseas tax recovered: previously withheld at source	(132)	0
Current tax charge (note 6b)	253	516
Deferred tax (note 6c)	0	0
Total taxation	253	516
b) Factors affecting taxation charge for the year		
Net revenue before taxation	1,840	1,599
Corporation tax at 20%	368	320
Effects of:		
Stock dividends not taxable	(57)	0
Overseas dividends not taxable	(836)	(770)
Current year expenses not utilised	525	450
Overseas tax	385	516
Overseas tax recovered: previously withheld at source	(132)	0
Current tax charge (note 6a)	253	516
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 £1,873,000 (31.08.12: £1,348,000) 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 £1,820,667. 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 (31.08.12: 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 £98,000 (31.08.12: £65,000) in respect of the ACD's periodic charge and administration 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 49.08% (31.08.12: 37.64%) 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 (31.08.12: 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 31.08.13 £'000	as at 31.08.12 £'000	as at 31.08.13 £'000	as at 31.08.12 £'000	as at 31.08.13 £'000	as at 31.08.12 £'000
Danish krone	4,438	2,284	0	0	4,438	2,284
Euro	108,880	84,811	3,412	275	112,292	85,086
Norwegian krone	5,754	4,611	53	42	5,807	4,653
Swedish krona	11,168	7,546	16	0	11,184	7,546
Swiss franc	40,036	30,479	416	252	40,452	30,731
US dollar	0	1,400	0	173	0	1,573
	170,276	131,131	3,897	742	174,173	131,873
Sterling	2,502	0	(991)	(563)	1,511	(563)
Total	172,778	131,131	2,906	179	175,684	131,310

Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.12: same).

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

9 Financial instruments (continued)

Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.12: same).

10 Portfolio transaction costs

	2013 £'000	2012 £'000
a) Purchases		
Purchases excluding transaction costs	66,030	30,069
Commissions	26	13
Taxes	19	2
Total transaction costs	45	15
Total purchases including transaction costs	66,075	30,084
b) Sales		
Sales excluding transaction costs	57,848	40,317
Commissions	(23)	(31)
Total sales net of transaction costs	57,825	40,286

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, Sterling Class 'R' (Net Income and Net Accumulation) shares and Sterling Class 'X' (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 August 2013, is set out in the following table (31.08.12: same):

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
Class 'X'	nil	4.50 ^[a]	1.50
Euro			
Class 'A'	5.35	n/a	1.50
Class 'C'	3.25	n/a	0.75

^[a] The withdrawal fee diminishes over a period of five years. Please refer to the Key Investor Information Document (KIID) in conjunction with the Important Information for Investors document.

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

	31.08.13		31.08.12	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Sterling				
Class 'A'	104,569	67,166	58,029	71,308
Class 'I'	425	710	1	1
Class 'R'	61	19	1	1
Class 'X'	1,350	773	1,045	610
Euro				
Class 'A'	n/a	560	n/a	295
Class 'C'	n/a	51	n/a	19

The net asset value per share and the number of shares are given in the net assets table on page 33. The distribution per share is given in the distribution table on page 39. Each share class has the same rights on winding-up.

12 Finance costs

	2013 £'000	2012 £'000
Income shares (Sterling)		
Class 'A' - Final	792	462
Class 'I' - Final ^[a]	6	0
Class 'R' - Final ^[b]	1	0
Class 'X' - Final	10	7
Accumulation shares (Sterling)		
Class 'A' - Final	505	565
Class 'I' - Final ^[c]	10	0
Class 'R' - Final ^[d]	0	0
Class 'X' - Final	6	5
Accumulation shares (Euro)		
Class 'A' - Final	6	3
Class 'C' - Final ^[e]	1	0
Finance costs: Dividend distributions	1,337	1,042
Income deducted on cancellation of shares	78	43
Income received on issue of shares	(112)	(2)
Finance costs: Distributions	1,303	1,083
Net revenue per statement of total return	1,587	1,083
Stock dividends not distributed	(285)	0
Undistributed income brought forward	1	1
Undistributed income carried forward	0	(1)
Finance costs: Distributions	1,303	1,083

^[a] The comparative final distribution for Sterling Class 'I' (Income) shares was £1.

^[b] The comparative final distribution for Sterling Class 'R' (Income) shares was £1.

^[c] The comparative final distribution for Sterling Class 'I' (Accumulation) shares was £1.

^[d] The final distribution for Sterling Class 'R' (Accumulation) shares was £236 (2012: £1).

^[e] The comparative final distribution for Euro Class 'C' (Accumulation) shares was €365.

M&G European Fund

FINANCIAL STATEMENTS

DISTRIBUTION TABLE

Dividend distributions on Income shares	Net income	Equalisation	Distribution payable/paid	
			2013	2012
Sterling	p	p	p	p
Class 'A' - Final				
Group 1:	10.6476	-	10.6476	8.9250
Group 2:	4.7216	5.9260	10.6476	8.9250
Class 'I' - Final				
Group 1:	19.0756	-	19.0756	0.4250
Group 2:	6.3576	12.7180	19.0756	0.4250
Class 'R' - Final				
Group 1:	1.5518	-	1.5518	0.0210
Group 2:	0.6829	0.8689	1.5518	0.0210
Class 'X' - Final				
Group 1:	10.5983	-	10.5983	6.9770
Group 2:	6.9413	3.6570	10.5983	6.9770
Dividend distributions on Accumulation shares	Net income	Equalisation	Amount reinvested	
			2013	2012
Sterling	p	p	p	p
Class 'A' - Final				
Group 1:	15.3357	-	15.3357	12.7754
Group 2:	7.8338	7.5019	15.3357	12.7754
Class 'I' - Final				
Group 1:	18.2932	-	18.2932	0.4250
Group 2:	3.4860	14.8072	18.2932	0.4250
Class 'R' - Final				
Group 1:	1.5714	-	1.5714	0.0210
Group 2:	0.4430	1.1284	1.5714	0.0210
Class 'X' - Final				
Group 1:	15.1976	-	15.1976	12.9092
Group 2:	11.8332	3.3644	15.1976	12.9092
Euro	€	€	€	€
Class 'A' - Final				
Group 1:	12.0041	-	12.0041	8.8200
Group 2:	11.4493	0.5548	12.0041	8.8200
Class 'C' - Final				
Group 1:	18.2411	-	18.2411	16.3914
Group 2:	5.6307	12.6104	18.2411	16.3914

Final period 01.09.12 - 31.08.13

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 European Fund

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M&G European Index Tracker Fund

AUTHORISED CORPORATE DIRECTOR'S REPORT

Investment objective and policy of the M&G European Index Tracker Fund

The Fund is designed to track the FTSE World Europe ex UK Index.

Investment approach

The M&G European Index Tracker Fund is a European ex UK fund that tracks the performance of the FTSE World Europe ex UK Index* using a technique called stratified sampling.

The fund will normally hold the largest 100 stocks in the index as well as a selection of the remaining smaller stocks to ensure that the fund's capitalisation and industry weights are in line with the index weightings.

* The shares in the M&G European Index Tracker Fund are not in any way sponsored, endorsed, sold or promoted by FTSE International Limited ('FTSE') or by the London Stock Exchange Limited (the 'Exchange') or by The Financial Times Limited ('FT') and neither FTSE nor Exchange nor FT makes any warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the FTSE World Europe ex UK Index ('the Index') and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The Index is compiled and calculated by FTSE. However, neither FTSE nor Exchange nor FT shall be liable (whether in negligence or otherwise) to any person for any error in the Index and neither FTSE or Exchange or FT shall be under any obligation to advise any person of any error therein.

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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.
- * Please note that this 'Risk and reward profile' section is based on Sterling Class 'A' shares, the nominated share class.

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 2 September 2013, for the year ended 31 August 2013

A significant number of transactions over the period under review were related to a change in the methodology for calculating the index weights. Major purchases involved Swiss food company Nestlé, Swedish retail clothing firm Hennes & Mauritz and Swiss pharmaceutical concern Roche, while sales included luxury goods conglomerate LVMH Moët Hennessy Louis Vuitton as well as drugs businesses Sanofi, of France, and Switzerland's Novartis.

Other purchases were related to rights issues, where companies issue new shares as a means of raising money. For example, we exercised our right to buy new shares in Spanish bank Banco Popular Español. Certain transactions were in connection with inflows of cash into the portfolio, notably Spanish banking group BBVA, Swiss financial services company Credit Suisse and Deutsche Bank of Germany.

A proportion of sales related to fund raising to meet redemptions at various dates over the 12-month period. Such trades involved trimming positions in Swiss food firm Nestlé, German engineering and electronics conglomerate Siemens and GDF Suez, a French electric utility company.

Nigel Booth Fund manager

Nigel Booth is 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.

M&G European Index Tracker Fund

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.09.14	31.10.14

	Final distribution		Ongoing Charges Figure ^[b]	
	Inc 31.10.13 ^[a]	Acc 02.09.13 ^[a]	31.08.13	31.08.12
Sterling	p	p	%	%
Class 'A'	1.4094	1.7889	0.72	0.75
Euro	¢	¢	%	%
Class 'A'	n/a	30.9619	0.72	0.75

^[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.

FUND PERFORMANCE

Performance of share classes

	Net asset value per share as at 31.08.13		Net asset value per share as at 31.08.12		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
	p	p	p	p	%	%
Sterling	60.40	78.73	49.03	62.46	+23.19	+26.05
Class 'A'						
Euro	€	€	€	€	%	%
Class 'A'	n/a	13.6242	n/a	11.6180	n/a	+17.27

The tracking difference between the fund's investment return and that of the FTSE World Europe ex UK Index for the 12 month period ending 31 August 2013 was +0.16%. The investment returns are calculated gross of fees using end of day pricing in order to be comparable with the index.

The historic tracking error of the investment return of the fund relative to the FTSE World Europe ex UK Index for the period ending 31 August 2013 was +0.15%, which falls within the predicted tracking error range of 0% to 0.50%. Historic tracking error is a measure of the monthly volatility of the investment returns relative to the index over a 36 month period.

Both the above differences relative to the index are due to the fact that we use a technique called 'stratified sampling' rather than 'full replication'.

PERFORMANCE SINCE LAUNCH

	six months 01.03.13 %	one year 03.09.12 %	five years 02.09.08 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	+1.8	+24.1	+0.7	+1.4 ^[c]
Euro ^[d]				
Class 'A'	+6.9	+18.8	+2.5	+2.8 ^[e]

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

^[b] Bid to bid excluding reinvested income.

^[c] 31 January 2000, the end of the initial offer period of the predecessor unit trust.

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

^[e] 28 November 2001, the launch date of the share class.

SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From	31.08.12	31.08.11	31.08.10	31.08.09	29.08.08
To	30.08.13	31.08.12	31.08.11	31.08.10	31.08.09
	%	%	%	%	%
Sterling					
Class 'A'	+27.2	+1.3	+3.4	-4.4	-5.3

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'	2008	67.01	37.85	74.97	43.45
	2009	58.80	35.14	69.10	40.34
	2010	59.41	49.12	71.37	57.73
	2011	63.67	42.79	76.60	53.03
	2012	54.61	44.28	69.56	54.89
	2013 ^[a]	64.91	54.77	82.68	69.76
Euro (net)		€	€	€	€
Class 'A'	2008	n/a	n/a	14.9749	7.8864
	2009	n/a	n/a	11.1260	6.5694
	2010	n/a	n/a	12.2005	10.0440
	2011	n/a	n/a	12.7111	8.9870
	2012	n/a	n/a	12.6054	10.0834
	2013 ^[a]	n/a	n/a	14.2437	12.5798

^[a] To 2 September 2013.

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'	2008	1.4950	1.6727
	2009	1.2320	1.4142
	2010	1.2160	1.4291
	2011	1.5000	1.8046
	2012	1.3530	1.6800
	2013 ^[a]	1.4094	1.7889
Euro (net)		¢	¢
Class 'A'	2008	n/a	30.7000
	2009	n/a	23.7800
	2010	n/a	25.6120
	2011	n/a	30.0850
	2012	n/a	31.2210
	2013 ^[a]	n/a	30.9619

^[a] Up to final: ex-distribution date 2 September 2013; payment date 31 October 2013.

M&G European Index Tracker Fund

FUND STATISTICS

NET ASSETS

	Year ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
Sterling		p	p		
Class 'A'	Aug 2011	49.52	61.38	44,086,890	51,408,176
	Aug 2012	49.03	62.46	45,138,890	46,862,176
	Aug 2013	60.40	78.73	45,607,890	45,069,676
Euro		€	€		
Class 'A'	Aug 2011	n/a	10.2331 ^[a]	n/a	282,645
	Aug 2012	n/a	11.6180	n/a	267,445
	Aug 2013	n/a	13.6242	n/a	223,845
Total net asset value of sub-fund					
	Year ended	£		€ ^[b]	
	Aug 2011	55,952,000		63,116,000	
	Aug 2012	53,870,000		67,805,000	
	Aug 2013	65,637,000		76,854,000	

^[a] In the Annual Report for the year ended 31 August 2011, this figure was incorrectly quoted as €9.0715.

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

PORTFOLIO

PORTFOLIO STATEMENT

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
Austria		0.75	0.60
1,000 Andritz	37	0.06	
6,768 Erste Group (formerly Erste Bank der oest. Sparkassen)	142	0.22	
20,000 Immofinanz (formerly Immofinanz Immobilien Anlage)	51	0.08	
3,327 OMV	100	0.15	
1,050 Raiffeisen International Bank	23	0.04	
6,787 Telekom Austria	32	0.05	
1,927 VERBUND	24	0.04	
2,500 voestalpine	69	0.11	
Belgium		2.53	2.41
4,933 Ageas	127	0.19	
15,089 Anheuser-Busch InBev	908	1.38	
5,872 Anheuser-Busch InBev VVPR Strip ^[a]	0	0.00	
3,500 Belgacom	54	0.08	
2,229 Delhaize Group	93	0.14	
2,919 GDF Suez VVPR Strip ^[a]	0	0.00	
1,536 Groupe Bruxelles Lambert	79	0.12	
286 Groupe Bruxelles Lambert VVPR Strip ^[a]	0	0.00	
4,590 KBC Group	132	0.20	
940 Solvay	85	0.13	
1,000 Telenet Group	31	0.05	
2,400 UCB	90	0.14	
2,200 Umicore	66	0.10	
Czech Republic		0.15	0.24
3,500 CEZ	52	0.08	
350 Komerční banka	49	0.07	
Denmark		2.67	3.03
39 AP Moller-Maersk	216	0.33	

PORTFOLIO STATEMENT (continued)

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
Denmark (continued)			
2,511 Carlsberg 'B'	157	0.24	
2,800 Coloplast	98	0.15	
16,203 Danske Bank	212	0.32	
3,500 DSV	59	0.09	
700 FLSmidth	25	0.04	
7,707 Novo-Nordisk 'B'	839	1.28	
5,000 Novozymes 'B' Shares	118	0.18	
5,000 TDC	26	0.04	
Eire		0.52	0.38
300,000 Bank of Ireland	56	0.09	
10,000 Elan	98	0.15	
16,490 Irish Bank Resolution Corporation ^[a]	0	0.00	
2,500 Kerry Group	100	0.15	
15,600 Ryanair Holdings	87	0.13	
Finland		1.82	1.69
9,000 Fortum	116	0.18	
3,262 Kone	173	0.26	
3,100 Metso	77	0.12	
3,000 Neste Oil	36	0.06	
72,674 Nokia	182	0.28	
2,500 Nokian Renkaat	76	0.12	
9,520 Sampo	259	0.39	
12,900 Stora Enso	65	0.10	
9,800 UPM-Kymmene	77	0.12	
4,112 Wartsila	124	0.19	
France		21.45	22.80
3,396 Accor	82	0.13	
940 Aéroports de Paris	59	0.09	
6,089 Air Liquide (prime de fidélité 2012)	522	0.80	
44,400 Alcatel-Lucent	75	0.11	
4,124 Alstom	94	0.14	
1,000 Arkema	66	0.10	
1,542 Atos (formerly Atos Origin)	75	0.11	
33,790 AXA	480	0.73	
650 BIC	48	0.07	
19,103 BNP Paribas	782	1.19	
3,218 Bouygues	66	0.10	
2,400 Bureau Veritas	47	0.07	
3,150 Cap Gemini	113	0.17	
12,343 Carrefour	252	0.38	
846 Casino Guichard Perrachon	52	0.08	
3,480 CGG (formerly CGG Veritas)	54	0.08	
1,012 Christian Dior	113	0.17	
3,895 CNP Assurances	46	0.07	
7,736 Compagnie de Saint Gobain	236	0.36	
9,964 Crédit Agricole	66	0.10	
10,000 Credit Agricole (prime de fidélité 2014)	66	0.10	
11,264 Danone (formerly Groupe Danone)	542	0.83	
907 Dassault Systemes	75	0.11	
4,796 Edenred	93	0.14	
1,399 EDF (formerly Électricité de France)	25	0.04	
3,522 EDF (formerly Électricité de France) (prime de fidélité 2014)	64	0.10	
800 Eiffage	28	0.04	
220 Eramet	13	0.02	
3,992 Essilor International	280	0.43	
1,348 Eurazeo	54	0.08	
9,728 European Aeronautic Defence and Space	364	0.55	
3,000 Eutelsat Communications	58	0.09	
500 Fonciere Des Regions	25	0.04	
25,669 GDF Suez	361	0.55	
350 Gecina	27	0.04	
10,000 Groupe Eurotunnel	48	0.07	

M&G European Index Tracker Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
France (continued)			
180 Hermes International	39	0.06	
250 Iliad	39	0.06	
1,545 Kering (formerly PPR)	228	0.35	
2,546 Klepierre	66	0.10	
350 Lafarge	14	0.02	
3,116 Lafarge (prime de fidélité 2010)	123	0.19	
2,500 Lagardère	50	0.08	
4,800 Legrand	159	0.24	
150 L'Oréal	16	0.02	
4,416 L'Oréal (prime de fidélité 2012)	483	0.74	
4,630 LVMH	531	0.81	
3,910 Michelin	245	0.37	
16,743 Natixis	47	0.07	
36,505 Orange (formerly France Telecom)	239	0.36	
4,160 Pernod Ricard	314	0.48	
6,222 Peugeot	59	0.09	
2,950 Publicis Groupe	142	0.22	
3,224 Renault	152	0.23	
3,000 Rexel	45	0.07	
4,400 Safran	159	0.24	
21,764 Sanofi	1,371	2.09	
10,212 Schneider Electric	508	0.77	
3,000 SCOR	61	0.09	
6,200 SES FDR (formerly SES Global)	116	0.18	
12,875 Société Générale	367	0.56	
329 Sodexo	19	0.03	
1,500 Sodexo (prime de fidélité 2016)	86	0.13	
13,200 STMicroelectronics	69	0.11	
5,228 Suez Environnement	50	0.08	
2,052 Technip	155	0.24	
5,653 TF1	50	0.08	
2,000 Thales	64	0.10	
39,021 Total	1,399	2.13	
1,795 Unibail-Rodamco	263	0.40	
1,200 Valeo	59	0.09	
2,064 Vallourec	81	0.12	
7,975 Veolia Environnement	79	0.12	
9,003 Vinci	302	0.46	
23,923 Vivendi	319	0.49	
700 Zodiac Aerospace	66	0.10	
Germany			
		19.16	18.60
4,082 adidas	280	0.43	
8,689 Allianz	811	1.24	
17,582 BASF	1,005	1.53	
15,918 Bayer	1,153	1.76	
6,159 Bayerische Motoren Werke	377	0.57	
1,927 Beiersdorf	108	0.16	
600 Bilfinger	36	0.05	
1,000 Brenntag	99	0.15	
2,000 Ceesio	27	0.04	
15,076 Commerzbank	114	0.17	
1,680 Continental	166	0.25	
19,032 Daimler	852	1.30	
20,187 Deutsche Bank	572	0.87	
3,733 Deutsche Börse	169	0.26	
4,300 Deutsche Lufthansa	50	0.08	
17,041 Deutsche Post	318	0.48	
59,270 Deutsche Telekom	491	0.75	
35,525 E.ON	364	0.55	

PORTFOLIO STATEMENT (continued)

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
Germany (continued)			
2,177 Fresenius	170	0.26	
4,126 Fresenius Medical Care	174	0.27	
3,600 Gea Group	95	0.14	
700 Hannover Re	32	0.05	
3,024 HeidelbergCement	136	0.21	
5,643 Henkel	356	0.54	
800 Hochtief	37	0.06	
600 HUGO BOSS	47	0.07	
18,912 Infineon Technologies	111	0.17	
4,272 K+S	67	0.10	
1,900 Kabel Deutschland	139	0.21	
1,990 LANXESS	83	0.13	
3,605 Linde	451	0.69	
650 MAN	48	0.07	
1,200 Merck	118	0.18	
3,400 Metro	81	0.12	
600 MTU Aero Engines	35	0.05	
3,235 Munich Re	383	0.58	
1,546 OSRAM	40	0.06	
3,125 Porsche Pref.	172	0.26	
150 PUMA	28	0.04	
9,045 RWE	161	0.25	
850 Salzgitter	21	0.03	
17,642 SAP	850	1.30	
15,462 Siemens	1,064	1.62	
1,600 Software	32	0.05	
1,000 Südzucker	21	0.03	
7,346 ThyssenKrupp	100	0.15	
5,613 TUI	42	0.06	
2,275 Volkswagen	329	0.50	
1,188 Volkswagen Pref.	176	0.27	
Greece			
		0.07	0.20
7,800 Hellenic Telecommunications	45	0.07	
Hungary			
		0.21	0.31
2,850 Gedeon Richter	29	0.04	
800 MOL Hungarian Oil and Gas	37	0.06	
6,000 OTP Bank	72	0.11	
Italy			
		4.86	5.36
24,634 Assicurazioni Generali	308	0.47	
7,753 Atlantia	91	0.14	
107,415 Banca Monte dei Paschi di Siena	20	0.03	
31,824 Banco Popolare	30	0.05	
126,873 Enel	273	0.42	
25,000 Enel Green Power	34	0.05	
47,238 Eni	702	1.07	
18,800 Fiat	93	0.14	
16,300 Fiat Industrial	128	0.20	
16,300 Fiat Industrial (Subscription rights)	0	0.00	
10,589 Finmeccanica	35	0.05	
225,190 Intesa Sanpaolo	289	0.44	
2,900 Luxottica Group	99	0.15	
18,811 Mediaset	50	0.08	
11,025 Mediobanca	44	0.07	
3,800 Prysmian	55	0.08	
5,400 Saipem	77	0.12	
41,756 Snam (formerly Snam Rete Gas)	126	0.19	
252,076 Telecom Italia	112	0.17	
111,731 Telecom Italia (Savings shares)	39	0.06	
9,191 Tenaris	131	0.20	
28,622 Terna	79	0.12	
18,916 UBI Banca	60	0.09	
82,808 UniCredit	306	0.47	
171 Unipol wts. 2013	0	0.00	

M&G European Index Tracker Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

aas at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
Netherlands			
		6.34	6.32
38,512 Aegon	179	0.27	
19,214 Ahold	199	0.30	
4,472 Akzo Nobel	173	0.26	
18,101 ArcelorMittal	151	0.23	
5,928 ASML Holding	336	0.51	
1,040 Boskalis	27	0.04	
2,062 Corio	52	0.08	
11,500 D.E MASTER BLENDEERS 1753	121	0.18	
3,421 DSM	165	0.25	
986 Fugro	39	0.06	
1,500 Gemalto	110	0.17	
7,083 Heineken	315	0.48	
300 Heineken Holding	12	0.02	
71,718 ING Groep	511	0.78	
68,598 KPN	127	0.19	
18,288 Philips Electronics	367	0.56	
4,400 QIAGEN	57	0.09	
2,800 Randstad Holding	85	0.13	
13,118 Reed Elsevier	156	0.24	
3,300 SBM Offshore	42	0.06	
9,783 TNT Express	56	0.09	
29,677 Unilever	724	1.10	
7,549 Wolters Kluwer	115	0.18	
1,800 Ziggo	46	0.07	
Norway			
		1.85	2.57
2,800 Aker Solutions	27	0.04	
21,611 DnB	221	0.34	
4,500 Gjensidige Forsikring	42	0.06	
17,941 Norsk Hydro	47	0.07	
17,030 Orkla	79	0.12	
7,327 Seadrill	218	0.33	
18,794 Statoil	265	0.40	
5,500 Subsea 7	73	0.11	
12,100 Telenor	164	0.25	
3,402 Yara International	87	0.13	
Poland			
		0.91	0.91
2,958 Bank Pekao	102	0.16	
1,500 Jastrzebska Spolka Weglowa	20	0.03	
2,800 KGHM Polska Miedz	69	0.11	
16,000 PGE Polska Grupa	53	0.08	
7,000 PKN Orlen	63	0.10	
17,750 PKO Bank Polski	134	0.20	
1,150 PZU	101	0.15	
40,000 TAURON Polska Energia	34	0.05	
13,000 Telekomunikacja Polska	20	0.03	
Portugal			
		0.35	0.47
31,120 EDP - Energias de Portugal	71	0.11	
5,700 Galp Energia 'B'	63	0.10	
4,700 Jerónimo Martins	58	0.09	
13,358 Portugal Telecom	33	0.05	
Spain			
		6.50	6.28
8,415 Abertis Infraestructuras	96	0.15	
780 Acciona	26	0.04	
1,688 Acerinox	11	0.02	
3,656 ACS Actividades	67	0.10	
6,300 Amadeus IT Holdings	132	0.20	
47,988 Banco de Sabadell	72	0.11	
20,021 Banco Popular Español	61	0.09	

PORTFOLIO STATEMENT (continued)

aas at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
Spain (continued)			
209,312 Banco Santander	962	1.47	
14,970 Bankinter	45	0.07	
102,806 BBVA (formerly Banco Bilbao Vizcaya Argentaria)	641	0.98	
26,838 Caixabank	65	0.10	
14,383 Distribuidora International	74	0.11	
6,000 EDP Renováveis	20	0.03	
3,000 Enagas	44	0.07	
2,000 Endesa	30	0.05	
7,200 Ferrovial (formerly Grupo Ferrovial)	78	0.12	
6,264 Gas Natural	80	0.12	
3,150 Grifols 'A'	82	0.12	
197 Grifols 'B'	4	0.01	
84,017 Iberdrola	289	0.44	
4,389 Inditex	380	0.58	
18,101 Mapfre	40	0.06	
500 Red Eléctrica	17	0.03	
16,446 Repsol	248	0.38	
77,579 Telefónica	689	1.05	
Sweden			
		7.27	7.37
3,000 Alfa Laval	42	0.06	
6,208 Assa Abloy 'B'	170	0.26	
19,149 Atlas Copco 'A'	334	0.51	
7,000 Boliden	66	0.10	
4,323 Electrolux 'B'	74	0.11	
4,000 Elekta 'B'	41	0.06	
57,806 Ericsson 'B'	442	0.67	
4,300 Getinge 'B'	96	0.15	
18,241 Hennes & Mauritz 'B'	436	0.66	
4,500 Hexagon 'B'	84	0.13	
12,149 Husqvarna 'B'	49	0.07	
5,988 Industrivarden 'A'	71	0.11	
9,700 Investor 'B'	182	0.28	
4,000 Kinnevik Investment 'B'	81	0.12	
3,500 Lundin Petroleum	49	0.07	
53,126 Nordea Bank	405	0.62	
3,500 Ratos 'B'	20	0.03	
23,663 Sandvik	206	0.31	
6,500 Scania 'B'	84	0.13	
8,180 Securitas 'B'	56	0.09	
27,851 Skandinaviska Enskilda 'A'	186	0.28	
7,620 Skanska 'B'	88	0.13	
8,300 SKF 'B'	142	0.22	
6,375 SSAB 'A' (formerly SSAB Svenskt Stål 'A')	29	0.04	
11,620 Svenska Cellulosa 'B'	187	0.28	
9,236 Svenska Handelsbanken 'A'	257	0.39	
19,685 Swedbank 'A'	289	0.44	
3,900 Swedish Match	89	0.14	
7,100 Tele2 'B'	58	0.09	
40,812 TeliaSonera	189	0.29	
30,390 Volvo 'B'	285	0.43	
Switzerland			
		20.45	19.45
43,796 ABB (Regd.)	607	0.93	
2,000 Actelion (Regd.)	88	0.13	
2,752 Adecco (Regd.)	113	0.17	
1,700 ARYZTA	70	0.11	
1,000 Baloise Holdings (Regd.)	68	0.10	
6,000 Clariant (Regd.)	62	0.09	
3,516 Coca-Cola Hellenic Bottling Company	62	0.09	
9,414 Compagnie Financière Richemont (Bearer)	580	0.88	
28,879 Credit Suisse Group (Regd.)	539	0.82	
150 EMS-Chemie Holdings	31	0.05	

M&G European Index Tracker Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
Switzerland (continued)			
4,800 GAM Holding (Regd.)	55	0.08	
850 Geberit	134	0.20	
161 Givaudan	139	0.21	
4,473 Holcim (Regd.)	197	0.30	
4,545 Julius Baer Gruppe (Regd.)	131	0.20	
1,062 Kuehne & Nagel	85	0.13	
4 Lindt & Sprüngli	119	0.18	
1,069 Lonza Group (Regd.)	49	0.07	
62,086 Nestlé (Regd.)	2,626	4.00	
44,622 Novartis (Regd.)	2,096	3.19	
900 Pargesa Holdings (Bearer)	42	0.06	
250 Partners Group (Regd.)	41	0.06	
950 PSP Swiss Property	53	0.08	
13,521 Roche Holding 'Genussscheine'	2,190	3.34	
1,500 Schindler Holding	130	0.20	
111 SGS (Regd.)	163	0.25	
20 Sika	36	0.06	
900 Sonova Holding	64	0.10	
300 Sulzer (Regd.)	28	0.04	
751 Swatch Group (Bearer)	281	0.43	
613 Swiss Life Holdings (Regd.)	75	0.11	
1,210 Swiss Prime Site	57	0.09	
7,164 Swiss Re	357	0.54	
384 Swisscom (Regd.)	112	0.17	
1,787 Syngenta (Regd.)	450	0.69	
6,200 Transocean	182	0.28	
69,223 UBS (Regd.)	866	1.32	
2,846 Zurich Insurance (formerly Zurich Financial Services Group (Regd.))	458	0.70	
Turkey			
		1.02	1.23
38,000 Akbank	82	0.13	
5,000 Anadolu Efes	37	0.06	
4,400 BIM Birllesik Magazalar	52	0.08	
19,199 ENKA	30	0.05	
26,183 Eregli Demir Celik Fabrikalari	18	0.03	
11,000 Halkbank	45	0.07	
18,250 Koç Holding	48	0.07	
10,000 Sabanci Holdings	28	0.04	
2,500 Tüpraş	31	0.05	
15,000 Türk Telekom	30	0.05	
16,000 Turkcell Iletisim	54	0.08	
23,000 Turkish Airlines	46	0.07	
38,000 Türkiye Garanti Bankası	85	0.13	
35,000 Türkiye İş Bankası	53	0.08	
15,000 Türkiye Vakıflar Bankası	19	0.03	
Futures contracts		(0.03)	0.06
55 DowJones EURO STOXX 50 Index Futures (20)		(0.03)	
Eire ('AAA' rated money market funds) ^[b]		0.06	0.01
38,000 Northern Trust Global Fund - Sterling	38	0.06	
Portfolio of investments (notes 1b & 1d on pages 47 & 48)			
	64,921	98.91	100.29
Net other assets / (liabilities)			
	716	1.09	(0.29)
Net assets attributable to shareholders			
	65,637	100.00	100.00

^[a] Delisted.

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

COUNTERPARTY EXPOSURE

Financial derivative exposure

Counterparty	Futures £'000	Total as at 31.08.13 £'000
Royal Bank of Scotland	(20)	(20)
Total	(20)	(20)

PORTFOLIO TRANSACTIONS

for the year ended 31 August 2013

Largest purchases	£'000
Nestlé (Regd.)	194
Hennes & Mauritz 'B'	182
Roche Holding 'Genussscheine'	140
Linde	127
Commerzbank	120
KPN	111
Banco Santander	94
Banco Popular Español	92
European Aeronautic Defence and Space	90
BBVA (formerly Banco Bilbao Vizcaya Argentaria)	88
Credit Suisse Group (Regd.)	87
Deutsche Bank	83
Anheuser-Busch InBev	73
Bayer	72
Swedbank 'A'	71
Banco Comercial Portugues	70
Total	70
Allianz	65
Novartis (Regd.)	65
Clariant (Regd.)	57
Northern Trust Global Fund - Sterling ^[a]	3,009
Other purchases	3,021
Total purchases	7,981
Largest sales	£'000
LVMH	280
Nestlé (Regd.)	258
Sanofi	180
Novartis (Regd.)	162
AXA	141
Siemens	139
GDF Suez	133
Total	127
Novo-Nordisk 'B'	126
Statoil	101
Skandinaviska Enskilda 'A'	98
L'Oréal	91
Assicurazioni Generali	86
Commerzbank (Rights)	84
Volvo 'B'	79
Compagnie de Saint Gobain	77
Pernod Ricard	77
Svenska Handelsbanken 'A'	76
Kering (formerly PPR)	61
Eni	61
Northern Trust Global Fund - Sterling ^[a]	2,978
Other sales	3,755
Total sales	9,170

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

M&G European Index Tracker Fund

FINANCIAL STATEMENTS

For the year ended 31 August 2013.

STATEMENT OF TOTAL RETURN

	Note	2013		2012	
		£'000	£'000	£'000	£'000
Income					
Net capital gains / (losses)	3		12,367		(580)
Revenue	4	2,007		2,116	
Expenses	5	(441)		(384)	
Net revenue before taxation		1,566		1,732	
Taxation	6	(66)		(249)	
Net revenue after taxation			1,500		1,483
Total return before distributions			13,867		903
Finance costs: Distributions	12		(1,504)		(1,484)
Change in net assets attributable to shareholders from investment activities			12,363		(581)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2013		2012	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		53,870		55,952
Amounts received on issue of shares	6,157		2,278	
Amounts paid on cancellation of shares	(7,618)		(4,633)	
		(1,461)		(2,355)
Change in net assets attributable to shareholders from investment activities (see above)		12,363		(581)
Retained distributions on Accumulation shares		865		854
Closing net assets attributable to shareholders		65,637		53,870

BALANCE SHEET

	as at		as at	
	31 August 2013	£'000	31 August 2012	£'000
Assets				
Investment assets		64,941		54,027
Debtors				
Amounts receivable on issues	138			35
Currency deals outstanding	0			50
Dividends receivable	22			25
Overseas tax recoverable	322			236
Prepaid expenses	1			1
		483		347
Cash and bank balances				
Amounts held at futures clearing houses and brokers	112			0
Cash held as bank balances	836			283
		948		283
Total other assets		1,431		630
Total assets		66,372		54,657
Liabilities				
Investment liabilities		(20)		0
Creditors				
Amounts payable on cancellations	0			(82)
Corporation tax payable	(38)			0
Currency deals outstanding	0			(50)
Expenses payable	(34)			(38)
Net distributions payable on Income shares	(643)			(611)
		(715)		(781)
Bank overdrafts	0			(6)
		0		(6)
Total other liabilities		(715)		(787)
Total liabilities		(735)		(787)
Net assets attributable to shareholders		65,637		53,870

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 30 August 2013, being the last business day of the financial year. The fair value of non-derivative securities is bid price and the fair value of exchange traded futures is the cost of closing out the contract at the balance sheet date. 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 European Index Tracker 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 30 August 2013, 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 depend 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 / (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.

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

For accounting purposes, 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.

i) Apportionment of income and expenses to multiple share classes

With the exception of the 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.

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 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.

The capital value of investments within the sub-fund will depend on the performance of the FTSE World Europe ex UK Index and the success of the sub-fund in tracking that index.

The sub-fund holds overseas investments and exchange rate fluctuations can affect both capital and income values. Short-term foreign currency exposures 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.

M&G European Index Tracker Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

2 Risk management policies (continued)

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 137, 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 (31.08.12: same).

3 Net capital gains / (losses)

	2013 £'000	2012 £'000
Non-derivative securities	12,136	(595)
Currency gains / (losses)	131	(74)
Derivative contracts	(10)	89
Special dividends taken to capital	117	16
Transaction charges	(7)	(16)
Net capital gains / (losses)	12,367	(580)

4 Revenue

	2013 £'000	2012 £'000
Bank interest	1	1
Interest on overseas tax previously withheld at source	30	0
Overseas dividends	1,871	2,014
Stock dividends	105	101
Total revenue	2,007	2,116

5 Expenses

	2013 £'000	2012 £'000
Payable to the Authorised Corporate Director or associate		
Authorised Corporate Director's periodic charge	312	268
Administration fee	93	80
	405	348
Payable to the Depositary or associate		
Depositary's fee (including VAT)	6	5
Other expenses		
Audit fee (including VAT)	9	10
Regulatory fees	4	4
Safe custody charge	11	10
Tax consultancy fees (including VAT) ^[a]	6	7
	30	31
Total expenses	441	384

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

6 Taxation

	2013 £'000	2012 £'000
a) Analysis of charge in the year		
Corporation tax	38	0
Overseas tax	187	210
Overseas tax recovered: previously withheld at source	(159)	0
Overseas tax recoverable: written off	0	35
Prior year adjustment	0	4
Current tax charge (note 6b)	66	249
Deferred tax (note 6c)	0	0
Total taxation	66	249
b) Factors affecting taxation charge for the year		
Net revenue before taxation	1,566	1,732
Corporation tax at 20%	313	347
Effects of:		
Stock dividends not taxable	(21)	(20)
Overseas dividends not taxable	(372)	(403)
Current year expenses not utilised	80	76
Overseas tax	187	210
Overseas tax recovered: previously withheld at source	(159)	0
Overseas tax recoverable: written off	0	35
Corporation tax: adjustment in respect of prior years	38	0
Prior year adjustment	0	4
Current tax charge (note 6a)	66	249
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 £270,000 (31.08.12: £196,000) 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 £551,447. 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.

Rights issues

At the balance sheet date, the sub-fund had a contingent liability of £123,855 (31.08.13: £nil) in respect of 16,300 Fiat Industrial nil paid shares resulting from a rights issue whereby one nil paid share was issued for every ordinary share held. The nil paid shares may be exercised on 10 September 2013 at €8.90 per share.

Warrants

At the balance sheet date, the sub-fund had an outstanding commitment to Unipol warrants of £6,367 (31.08.12: £6,537) in respect of 171 warrants whereby, until 16 December 2013, one preference share may be acquired for €43.49 in respect of each warrant held.

M&G European Index Tracker 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 Authorised Corporate Director's periodic charge and administration fee are disclosed in note 5. Amounts due at the year end to the ACD of £14,000 (31.08.12: £11,000) in respect of the ACD's periodic charge and administration fee are disclosed in the balance sheet.

At the balance sheet date, there were no material shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary (31.08.12: same).

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 (31.08.12: 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 31.08.13	as at 31.08.12	as at 31.08.13	as at 31.08.12	as at 31.08.13	as at 31.08.12
	£'000	£'000	£'000	£'000	£'000	£'000
Czech koruna	101	129	0	0	101	129
Danish krone	1,750	1,498	0	0	1,750	1,498
Euro	42,198	35,217	1,328	385	43,526	35,602
Hungarian forint	138	165	0	0	138	165
Norwegian krone	1,223	1,380	15	13	1,238	1,393
Polish zloty	596	484	11	15	607	499
Swedish krona	4,786	3,970	7	0	4,793	3,970
Swiss franc	13,371	10,486	155	95	13,526	10,581
Turkish lira	658	658	0	0	658	658
US dollar	0	0	3	2	3	2
	64,821	53,987	1,519	510	66,340	54,497
Sterling	100	40	(803)	(667)	(703)	(627)
Total	64,921	54,027	716	(157)	65,637	53,870

Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.12: same).

Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.12: same).

10 Portfolio transaction costs

	2013 £'000	2012 £'000
a) Purchases		
Purchases excluding transaction costs	7,977	4,049
Commissions	2	1
Taxes	2	0
Total transaction costs	4	1
Total purchases including transaction costs	7,981	4,050
b) Sales		
Sales excluding transaction costs	9,173	5,700
Commissions	(3)	(2)
Total sales net of transaction costs	9,170	5,698

11 Shareholder funds

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

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

The charging structure for each share class, as at 31 August 2013, is set out in the following table (31.08.12: same):

CHARGES AND EXPENSES

	Initial charge %	Withdrawal fee %	ACD's annual remuneration %
Sterling			
Class 'A'	nil	n/a	0.50
Euro			
Class 'A'	nil	n/a	0.50

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

	31.08.13		31.08.12	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Sterling				
Class 'A'	27,549	35,483	22,133	29,268
Euro				
Class 'A'	n/a	2,605	n/a	2,469

The net asset value per share and the number of shares are given in the net assets table on page 43. The distribution per share is given in the distribution table on page 51. Each share class has the same rights on winding-up.

M&G European Index Tracker Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

12 Finance costs

	2013 £'000	2012 £'000
Income shares (Sterling)		
Class 'A' - Final	643	611
Accumulation shares (Sterling)		
Class 'A' - Final	806	787
Accumulation shares (Euro)		
Class 'A' - Final	59	67
Finance costs: Dividend distributions	1,508	1,465
Income deducted on cancellation of shares	26	43
Income received on issue of shares	(30)	(24)
Finance costs: Distributions	1,504	1,484
Net revenue per statement of total return	1,500	1,483
Undistributed income brought forward	4	5
Undistributed income carried forward	0	(4)
Finance costs: Distributions	1,504	1,484

DISTRIBUTION TABLE

Dividend distributions on Income shares	Net income	Equalisation	Distribution payable/paid	
			2013	2012
Sterling	p	p	p	p
Class 'A' - Final				
Group 1:	1.4094	-	1.4094	1.3530
Group 2:	0.7054	0.7040	1.4094	1.3530

Dividend distributions on Accumulation shares	Net income	Equalisation	Amount reinvested	
			2013	2012
Sterling	p	p	p	p
Class 'A' - Final				
Group 1:	1.7889	-	1.7889	1.6800
Group 2:	1.1904	0.5985	1.7889	1.6800
Euro	€	€	€	€
Class 'A' - Final				
Group 1:	30.9619	-	30.9619	31.2210
Group 2:	30.0615	0.9004	30.9619	31.2210

Final period 01.09.12 - 31.08.13

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 European Index Tracker Fund

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M&G European Smaller Companies Fund

AUTHORISED CORPORATE DIRECTOR'S REPORT

Investment objective and policy of the M&G European Smaller Companies Fund

The Fund invests in smaller companies in Europe, with the sole objective of long term capital growth. It will invest wholly or mainly in securities of European companies which constitute the bottom third in terms of total market capitalisation of all publicly listed equity in Europe. When not wholly invested as above, the Fund may only invest in medium and larger capitalised companies in order to enhance the liquidity of the Fund.

Investment approach

The M&G European Smaller Companies Fund aims to select attractive investment opportunities from a diverse universe of smaller companies that is often less well covered and understood than a universe of larger companies. The fund manager picks stocks on a purely bottom-up basis, resulting in a concentrated portfolio of high conviction positions.

Key to the fund's investment strategy is the identification of companies with world-class scarce assets and resources that are not easily replicable. Scarce assets give such companies an edge over competitors, enabling them to generate sustainable returns above the cost of capital through time. In combination with reinvesting in the business at attractive rates of return, taking advantage of external growth opportunities, the fundamental value of these companies grows over time. In the fund manager's view, investing in such growing companies at attractive valuations rewards long-term investors.

Investment ideas are generated through the systematic use of screening tools such as cashflow return on investment analysis, augmented by the fund manager's broad knowledge of firms in the smaller companies' universe. He is also supported by the wider M&G Equities team and internal research analysts, all of whom offer invaluable opportunities for idea-generation and discussion.

The manager aims to hold a concentrated portfolio of around 40 to 60 stocks in the fund, where every holding is of a material size. The fund manager is 'benchmark aware', ensuring that the risk taken in the fund relative to the index benchmark is understood, although no reference is made to the benchmark in the stock selection process.

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.

* Please note that this 'Risk and reward profile' section is based on Sterling Class 'A' shares, the nominated share class.

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 2 September 2013, for the year ended 31 August 2013

We established a number of new holdings over the review period in companies generating high sustainable returns, with scarce assets and structural growth drivers that should allow them to grow the fundamental value of their businesses. These included French software company ESI, a specialist producer of virtual prototyping software, UK property company Shaftesbury and branded jewellery creator and distributor Pandora. Pandora had gone through a difficult period, but a new management team has taken a disciplined, pragmatic approach to the business, and its sales and profitability have improved as a result.

We also purchased shares in French-listed international software creator Gameloft, Germany-based business services company TAKKT, Swiss asset manager GAM and Austrian-listed international leader in electronic toll collection Kapsch TrafficCom. Kapsch has implemented projects effectively around the world, with the technical ability to integrate software services and hardware, and benefits from a robust project pipeline and recurring revenues from aftermarket services.

Conversely, we closed positions where we felt there were better long-term growth prospects available at more attractive valuations. These included Austrian brick and tile manufacturer Wienerberger, Russian bank NOMOS-BANK, automotive glass repair business D'leteren, and defence and automotive company Rheinmetall.

Additional sales included French nickel and manganese mining company Eramet, Germany-based business software firm Software AG and online gambling firm Sportingbet, while CFAO, a French firm that distributes cars and pharmaceuticals throughout Africa, left the portfolio after the Japanese conglomerate TTC bid to take over the company.

Charles Anniss Fund manager

Charles Anniss is 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.

M&G European Smaller Companies Fund

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.09.14	31.10.14

	Final distribution		Ongoing Charges Figure ^[b]	
	Inc 31.10.13 ^[a]	Acc 02.09.13 ^[a]	31.08.13	31.08.12
Sterling	p	p	%	%
Class 'A'	1.0421	1.0654	1.70	1.71
Class 'I'	15.9735	15.2781	0.96	0.97 ^[c]
Class 'R'	1.3634	1.4043	1.21	1.22 ^[c]
Class 'X'	1.0150	1.1611	1.70	1.71
Euro	¢	¢	%	%
Class 'A'	n/a	4.4869	1.71	1.74
Class 'C'	n/a	27.0020	0.96	0.96

^[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 31.08.13		Net asset value per share as at 31.08.12		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	250.82	259.53	188.59	194.34	+33.00	+33.54
Class 'I'	1,362.60	1,376.43	1,021.97	1,022.07	+33.33	+34.67
Class 'R'	136.09	137.43	102.16	102.16	+33.21	+34.52
Class 'X'	248.08	256.49	186.51	191.99	+33.01	+33.60
Euro	€	€	€	€	%	%
Class 'A'	n/a	22.2725	n/a	17.9231	n/a	+24.27
Class 'C'	n/a	24.3024	n/a	19.3854	n/a	+25.36

PERFORMANCE SINCE LAUNCH

	six months 01.03.13	one year 03.09.12	five years 02.09.08	since launch
	%	%	% p.a. ^[a]	% p.a. ^[a]
Sterling ^[b]				
Class 'A'	+6.0	+34.1	+8.0	+10.3 ^[c]
Class 'I'	+5.6	+34.2	n/a	+34.1 ^[d]
Class 'R'	+5.7	+34.1	n/a	+34.0 ^[d]
Class 'X'	+6.0	+34.1	+8.0	+14.6 ^[e]
Euro ^[f]				
Class 'A'	+8.8	+25.5	+7.5	+7.2 ^[g]
Class 'C'	+9.2	+26.5	+8.3	+8.0 ^[g]

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

^[b] Bid to bid excluding reinvested income.

^[c] 30 September 1996, the end of the initial offer period of the predecessor unit trust.

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

^[e] 1 October 2002, the launch date of the share class.

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

^[g] 28 November 2001, the launch date of the share class.

SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From	31.08.12	31.08.11	31.08.10	31.08.09	29.08.08
To	30.08.13	31.08.12	31.08.11	31.08.10	31.08.09
	%	%	%	%	%
Sterling					
Class 'A'	+34.8	+5.2	+11.5	+3.9	-7.8

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'	2008	205.69	108.95	208.29	110.62
	2009	179.18	110.58	183.38	112.27
	2010	209.48	154.02	214.39	157.63
	2011	218.64	157.36	223.77	161.20
	2012	214.33	170.00	220.87	174.15
	2013 ^[a]	260.77	216.33	268.72	222.93
Class 'I'	2012 ^[b]	1,165.22	1,000.00	1,164.56	1,000.00
	2013 ^[a]	1,424.12	1,176.32	1,423.32	1,175.59
Class 'R'	2012 ^[b]	116.36	100.00	116.36	100.00
	2013 ^[a]	142.01	117.46	142.00	117.46
Class 'X'	2008	204.00	107.78	205.73	109.28
	2009	177.27	109.39	181.16	110.91
	2010	207.24	152.37	211.79	155.72
	2011	216.31	155.65	221.06	159.25
	2012	211.98	168.16	218.19	172.04
	2013 ^[a]	257.90	213.95	265.47	220.23
Euro (net)		€	€	€	€
Class 'A'	2008	n/a	n/a	20.6211	9.3011
	2009	n/a	n/a	14.4788	9.1113
	2010	n/a	n/a	18.2234	13.5702
	2011	n/a	n/a	18.5884	13.7789
	2012	n/a	n/a	19.8063	15.4193
	2013 ^[a]	n/a	n/a	22.9492	19.8963
Class 'C'	2008	n/a	n/a	21.5183	9.7893
	2009	n/a	n/a	15.3275	9.6038
	2010	n/a	n/a	19.4622	14.4288
	2011	n/a	n/a	19.8569	14.8002
	2012	n/a	n/a	21.4704	16.5933
	2013 ^[a]	n/a	n/a	24.9925	21.5817

^[a] To 2 September 2013.

^[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 Smaller Companies Fund

FUND STATISTICS

INCOME			
Dividend income per share			
	Calendar year	Distributed	Reinvested
Sterling (net)			
Class 'A'	2008	0.4600	0.4658
	2009	1.2210	1.2397
	2010	nil	nil
	2011	0.1880	0.1840
	2012	1.0968	1.1504
	2013 ^[a]	1.0421	1.0654
Class 'I'	2012	0.0950	0.0950
	2013 ^[a]	15.9735	15.2781
Class 'R'	2012	nil	nil
	2013 ^[a]	1.3634	1.4043
Class 'X'	2008	0.9110	0.9187
	2009	1.1990	1.2157
	2010	nil	nil
	2011	0.2160	0.2080
	2012	1.1180	1.1546
	2013 ^[a]	1.0150	1.1611
Euro (net)			
Class 'A'	2008	n/a	3.4340
	2009	n/a	11.3690
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	14.0380
	2013 ^[a]	n/a	4.4869
Class 'C'	2008	n/a	21.3670
	2009	n/a	20.0070
	2010	n/a	11.7180
	2011	n/a	nil
	2012	n/a	nil
	2013 ^[a]	n/a	27.0020

[a] Up to final: ex-distribution date 2 September 2013;
payment date 31 October 2013.

NET ASSETS

	Year ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
Sterling					
Class 'A'	Aug 2011	180.20	184.62	32,349,896	9,673,436
	Aug 2012	188.59	194.34	26,910,396	8,835,936
	Aug 2013	250.82	259.53	25,609,396	8,151,036
Class 'I'	Aug 2012	1,021.97	1,022.07	100	100
	Aug 2013	1,362.60	1,376.43	46,840	29,880
Class 'R'	Aug 2012	102.16	102.16	1,000	1,000
	Aug 2013	136.09	137.43	52,000	100,000
Class 'X'	Aug 2011	178.24	182.38	999,312	625,440
	Aug 2012	186.51	191.99	963,312	602,640
	Aug 2013	248.08	256.49	917,812	730,840
Euro					
		€	€		
Class 'A'	Aug 2011	n/a	15.2605	n/a	142,380
	Aug 2012	n/a	17.9231	n/a	95,880
	Aug 2013	n/a	22.2725	n/a	129,980
Class 'C'	Aug 2011	n/a	16.3804	n/a	1,035
	Aug 2012	n/a	19.3854	n/a	1,035
	Aug 2013	n/a	24.3024	n/a	28,035
Total net asset value of sub-fund					
	Year ended	£		€ ^[a]	
	Aug 2011	81,016,000		91,390,000	
	Aug 2012	72,260,000		90,952,000	
	Aug 2013	93,850,000		109,888,000	

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

M&G European Smaller Companies Fund

PORTFOLIO

PORTFOLIO STATEMENT

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 ^[a] %
Oil & gas producers		1.27	1.38
367,334 Ophir Energy	1,190	1.27	
Oil equipment, services & distribution		4.93	5.07
25,500 Schoeller-Bleckmann	1,769	1.88	
24,000 Technip	1,813	1.93	
500,000 Veripos	1,055	1.12	
Chemicals		3.03	4.31
639,000 AZ Electronic Materials	1,969	2.10	
21,000 LANXESS	875	0.93	
Industrial metals & mining		0.00	0.88
Construction & materials		0.00	0.85
General industrials		2.12	1.64
77,000 Addtech	1,991	2.12	
Electronic & electrical equipment		3.92	3.73
39,000 EVS Broadcast Equipment	1,711	1.82	
34,500 Ingenico	1,580	1.68	
17,865 Spectris	396	0.42	
Industrial engineering		8.27	5.59
41,500 Andritz	1,516	1.62	
527,000 Deutz	3,062	3.26	
43,000 Dürr	1,858	1.98	
3,570 KSB Cum. Pref	1,326	1.41	
Industrial transportation		3.24	1.91
115,000 DSV	1,934	2.06	
42,500 Kapsch TrafficCom	1,104	1.18	
Support services		5.98	7.21
64,000 CTS EVENTIM	1,738	1.85	
70,500 DCC	1,809	1.93	
90,000 Experian	1,026	1.09	
440,000 Proffice	1,043	1.11	
Automobiles & parts		8.61	9.49
43,000 Delticom	1,412	1.50	
69,500 EiringKlinger	1,665	1.77	
21,000 LISI	1,775	1.89	
895,000 Piaggio	1,487	1.58	
249,620 SAF-HOLLAND	1,754	1.87	
Food producers		5.14	6.13
67,500 Christian Hansen Holding	1,450	1.55	
124,000 Frutarom	1,311	1.40	
240,000 Glanbia	2,057	2.19	
Leisure goods		5.73	3.72
184,000 Amer Sports	2,354	2.51	
218,000 Bang & Olufsen 'B'	1,285	1.37	
318,500 Gameloft	1,736	1.85	
Personal goods		3.15	1.61
19,500 HUGO BOSS	1,534	1.63	
60,500 Pandora	1,424	1.52	
Tobacco		0.00	1.88
Healthcare equipment & services		7.63	9.02
12,000 Eurofins Scientific	1,796	1.91	
52,500 Gerresheimer Group	2,044	2.18	
126,500 Medica	1,781	1.90	
21,500 Sonova Holding	1,540	1.64	
Food & drug retailers		2.82	2.63
780,000 United Drug	2,643	2.82	

PORTFOLIO STATEMENT (continued)

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 ^[a] %
General retailers		2.09	1.68
165,000 TAKKT	1,959	2.09	
Media		1.52	1.29
40,000 GFK	1,425	1.52	
Travel & leisure		1.87	4.62
690,000 bwin.party digital entertainment	739	0.79	
68,524 Club Méditerranée	1,018	1.08	
Mobile telecommunications		1.30	1.27
80,000 Freenet	1,223	1.30	
Gas, water & multi-utilities		2.04	2.22
48,042 Rubis	1,911	2.04	
Banks		0.57	1.91
950,000 Asya Katilim Bankasi	536	0.57	
Non-life insurance		3.98	3.93
135,000 FBD Holdings	1,777	1.89	
60,000 Vienna Insurance Group	1,964	2.09	
Real estate investment & services		1.27	1.31
42,000 GSW Immobilien	1,189	1.27	
Real estate investment trusts		2.96	1.94
75,000 Eurocommerical Properties	1,791	1.91	
166,000 Shaftesbury	984	1.05	
Financial services		8.73	6.30
165,000 GAM Holding (Regd.)	1,882	2.01	
282,000 IG Group Holdings	1,592	1.70	
163,000 Intrum Justitia	2,601	2.77	
634,000 Jupiter Fund Management	2,107	2.25	
Software & computer services		3.03	3.96
60,000 ESI	1,066	1.14	
82,500 Fidessa Group	1,770	1.89	
AIM quoted		0.79	1.70
630,000 3Legs Resources	165	0.18	
160,000 Providence Resources	576	0.61	
'AAA' rated money market funds ^[b]		3.95	1.33
3,710,000 Northern Trust Global Fund - Sterling	3,710	3.95	
Portfolio of investments (notes 1b & 1d on page 58)	93,798	99.94	100.51
Net other assets / (liabilities)	52	0.06	(0.51)
Net assets attributable to shareholders	93,850	100.00	100.00

^[a] The comparative sector weightings have been re-analysed to reflect changes to the sector classifications.

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

M&G European Smaller Companies Fund

PORTFOLIO

PORTFOLIO TRANSACTIONS

for the year ended 31 August 2013

Largest purchases	£'000
GAM Holding (Regd.)	1,692
TAKKT	1,649
Pandora	1,402
Gameloft	1,381
Addtech	1,322
Kapsch TrafficCom	1,268
ESI	1,120
Shaftesbury	872
Deutz	748
Bang & Olufsen 'B'	656
Delticom	565
Piaggio	442
Ophir Energy	425
Spectris	389
AZ Electronic Materials	350
Eurocommerical Properties	296
Schoeller-Bleckmann	293
Ophir Energy (Fully paid rights)	289
Veripos	287
Rheinmetall	266
Northern Trust Global Fund - Sterling ^[a]	19,216
Other purchases	1,707
Total purchases	36,635
Largest sales	£'000
Sportingbet	1,779
Rheinmetall	1,598
Software	1,566
D'leteren Trading	1,316
Club Méditerranée	1,223
CFAO	1,214
Swedish Match	1,059
Glanbia	1,035
Eurofins Scientific	963
NOMOS-BANK GDR	753
Ingenico	702
Eramet	626
Wienerberger	610
Experian	541
LISI	536
DCC	519
Amer Sports	491
FBD Holdings	474
Christian Hansen Holding	446
Sonova Holding	432
Northern Trust Global Fund - Sterling ^[a]	16,466
Other sales	4,741
Total sales	39,090

^[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 August 2013.

STATEMENT OF TOTAL RETURN

	Note	2013		2012	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	3		23,622		2,580
Revenue	4	2,116		2,022	
Expenses	5	(1,470)		(1,287)	
Net revenue before taxation		646		735	
Taxation	6	(76)		(189)	
Net revenue after taxation			570		546
Total return before distributions			24,192		3,126
Finance costs: Distributions	12		(399)		(500)
Change in net assets attributable to shareholders from investment activities			23,793		2,626

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2013		2012	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		72,260		81,016
Amounts received on issue of shares	8,806		16,181	
Amounts paid on cancellation of shares	(11,120)		(27,681)	
		(2,314)		(11,500)
Stamp Duty Reserve Tax		(2)		(1)
Change in net assets attributable to shareholders from investment activities (see above)		23,793		2,626
Retained distributions on Accumulation shares		113		119
Closing net assets attributable to shareholders		93,850		72,260

M&G European Smaller Companies Fund

FINANCIAL STATEMENTS

BALANCE SHEET

	as at 31 August 2013		as at 31 August 2012	
	£'000	£'000	£'000	£'000
Assets				
Investment assets		93,798		72,625
Debtors				
Amounts receivable on issues	219		46	
Currency deals outstanding	121		161	
Distributions receivable	1		0	
Dividends receivable	95		28	
Overseas tax recoverable	155		148	
Prepaid expenses	1		1	
Sales awaiting settlement	232		188	
		824		572
Cash and bank balances				
Cash held as bank balances	25		0	
		25		0
Total other assets		849		572
Total assets		94,647		73,197
Liabilities				
Creditors				
Amounts payable on cancellations	(30)		(131)	
Currency deals outstanding	(121)		(161)	
Expenses payable	(73)		(66)	
Net distributions payable on Income shares	(284)		(306)	
Purchases awaiting settlement	(289)		(273)	
Total liabilities		(797)		(937)
Net assets attributable to shareholders		93,850		72,260

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 30 August 2013, 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 30 August 2013, 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 Smaller Companies 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 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 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 market in securities issued by smaller companies tends to be volatile and investors should expect wider than average price fluctuations.

Furthermore, because shares are traded on the Alternative Investment Market (AIM), their liquidity cannot be guaranteed. The nature of AIM investments is such that prices can be volatile and realisations may not achieve current book value, especially when such sales represent a significant proportion of that company's market capital. Nevertheless, on the grounds that the investments are not intended for immediate realisation, we regard bid price as the most objective and appropriate method of valuation.

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 a sufficient number of securities that can be readily realised to meet obligations that may arise on the redemption of shares. As noted on page 137, 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 (31.08.12: same).

3 Net capital gains

	2013 £'000	2012 £'000
Non-derivative securities	23,627	2,624
Currency losses	(1)	(45)
Special dividends taken to capital	0	9
Transaction charges	(4)	(8)
Net capital gains	23,622	2,580

4 Revenue

	2013 £'000	2012 £'000
Interest distributions	6	5
Interest on overseas tax previously withheld at source	9	0
Overseas dividends	1,618	1,618
Property income dividends	20	0
Stock dividends	173	48
UK dividends	290	351
Total revenue	2,116	2,022

5 Expenses

	2013 £'000	2012 £'000
Payable to the Authorised Corporate Director or associate		
Authorised Corporate Director's periodic charge	1,296	1,134
Administration fee	130	113
	1,426	1,247
Payable to the Depositary or associate		
Depositary's fee (including VAT)	8	7
Other expenses		
Audit fee (including VAT)	9	10
Regulatory fees	5	5
Safe custody charge	14	11
Tax consultancy fees (including VAT) ^[a]	8	7
	36	33
Total expenses	1,470	1,287

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

M&G European Smaller Companies Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

6 Taxation

	2013 £'000	2012 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Overseas tax	121	187
Overseas tax recoverable: exchange rate movements	0	2
Overseas tax recovered: previously withheld at source	(45)	0
Current tax charge (note 6b)	76	189
Deferred tax (note 6c)	0	0
Total taxation	76	189
b) Factors affecting taxation charge for the year		
Net revenue before taxation	646	735
Corporation tax at 20%	129	147
Effects of:		
UK dividends not taxable	(58)	(70)
Stock dividends not taxable	(35)	(10)
Overseas dividends not taxable	(324)	(324)
Current year expenses not utilised	288	257
Overseas tax	121	187
Overseas tax recoverable: exchange rate movements	0	2
Overseas tax recovered: previously withheld at source	(45)	0
Current tax charge (note 6a)	76	189
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 £1,083,000 (31.08.12: £842,000) 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 £367,291. 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 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 (31.08.12: 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 £51,000 (31.08.12: £36,000) in respect of the ACD's periodic charge and administration 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 28.01% (31.08.12: 26.80%) 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 (31.08.12: 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 31.08.13 £'000	as at 31.08.12 £'000	as at 31.08.13 £'000	as at 31.08.12 £'000	as at 31.08.13 £'000	as at 31.08.12 £'000
Danish krone	6,094	4,053	(242)	(90)	5,852	3,963
Euro	55,069	47,843	432	115	55,501	47,958
Israeli shekel	1,311	827	0	0	1,311	827
Norwegian krone	1,055	443	0	(141)	1,055	302
Swedish krona	5,635	4,039	69	0	5,704	4,039
Swiss franc	3,422	1,572	0	0	3,422	1,572
Turkish lira	536	623	0	0	536	623
US dollar	0	760	17	94	17	854
	73,122	60,160	276	(22)	73,398	60,138
Sterling	20,676	12,465	(224)	(343)	20,452	12,122
Total	93,798	72,625	52	(365)	93,850	72,260

Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.12: same).

Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.12: same).

10 Portfolio transaction costs

	2013 £'000	2012 £'000
a) Purchases		
Purchases excluding transaction costs	36,606	44,317
Commissions	20	17
Taxes	9	23
Total transaction costs	29	40
Total purchases including transaction costs	36,635	44,357
b) Sales		
Sales excluding transaction costs	39,111	55,244
Commissions	(21)	(33)
Total sales net of transaction costs	39,090	55,211

M&G European Smaller Companies 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, Sterling Class 'R' (Net Income and Net Accumulation) shares and Sterling Class 'X' (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 August 2013, is set out in the following table (31.08.12: same):

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
Class 'X'	nil	4.50 [a]	1.50
Euro			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75

[a] The withdrawal fee diminishes over a period of five years. Please refer to the Key Investor Information Document (KIID) in conjunction with the Important Information for Investors document.

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

	31.08.13		31.08.12	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Sterling				
Class 'A'	64,233	21,154	50,750	17,171
Class 'I'	638	411	1	1
Class 'R'	71	137	1	1
Class 'X'	2,277	1,875	1,797	1,157
Euro				
Class 'A'	n/a	2,472	n/a	1,365
Class 'C'	n/a	582	n/a	16

The net asset value per share and the number of shares are given in the net assets table on page 55. The distribution per share is given in the distribution table on page 62. Each share class has the same rights on winding-up.

12 Finance costs

	2013 £'000	2012 £'000
Income shares (Sterling)		
Class 'A' - Final	267	295
Class 'I' - Final [a]	7	0
Class 'R' - Final	1	0
Class 'X' - Final	9	11
Accumulation shares (Sterling)		
Class 'A' - Final	87	101
Class 'I' - Final [b]	5	0
Class 'R' - Final	1	0
Class 'X' - Final	8	7
Accumulation shares (Euro)		
Class 'A' - Final	5	11
Class 'C' - Final	7	0
Finance costs: Dividend distributions	397	425
Income deducted on cancellation of shares	8	79
Income received on issue of shares	(6)	(4)
Finance costs: Distributions	399	500
Net revenue per statement of total return	570	546
Stock dividends not distributed	(173)	(48)
Undistributed income brought forward	2	2
Undistributed income carried forward	0	(2)
Income deficit transferred to capital	0	2
Finance costs: Distributions	399	500

[a] The comparative final distribution for Sterling Class 'I' (Income) shares was £1.

[b] The comparative final distribution for Sterling Class 'I' (Accumulation) shares was £1.

M&G European Smaller Companies Fund

FINANCIAL STATEMENTS

DISTRIBUTION TABLE

Dividend distributions on Income shares	Net income	Equal- isation	Distribution payable/paid	
			2013	2012
Sterling	p	p	p	p
Class 'A' - Final				
Group 1:	1.0421	-	1.0421	1.0968
Group 2:	0.7301	0.3120	1.0421	1.0968
Class 'I' - Final				
Group 1:	15.9735	-	15.9735	0.0950
Group 2:	1.3610	14.6125	15.9735	0.0950
Class 'R' - Final				
Group 1:	1.3634	-	1.3634	nil
Group 2:	0.9227	0.4407	1.3634	nil
Class 'X' - Final				
Group 1:	1.0150	-	1.0150	1.1180
Group 2:	0.7091	0.3059	1.0150	1.1180
Dividend distributions on Accumulation shares	Net income	Equal- isation	Amount reinvested	
Sterling	p	p	p	p
Class 'A' - Final				
Group 1:	1.0654	-	1.0654	1.1504
Group 2:	0.8033	0.2621	1.0654	1.1504
Class 'I' - Final				
Group 1:	15.2781	-	15.2781	0.0950
Group 2:	11.0997	4.1784	15.2781	0.0950
Class 'R' - Final				
Group 1:	1.4043	-	1.4043	nil
Group 2:	0.0263	1.3780	1.4043	nil
Class 'X' - Final				
Group 1:	1.1611	-	1.1611	1.1546
Group 2:	0.7716	0.3895	1.1611	1.1546
Euro	€	€	€	€
Class 'A' - Final				
Group 1:	4.4869	-	4.4869	14.0380
Group 2:	3.9665	0.5204	4.4869	14.0380
Class 'C' - Final				
Group 1:	27.0020	-	27.0020	nil
Group 2:	27.0020	-	27.0020	nil

Final period 01.09.12 - 31.08.13

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 Basics Fund

AUTHORISED CORPORATE DIRECTOR'S REPORT

Investment objective and policy of the M&G Global Basics Fund

The Fund is a global equity fund which invests wholly or mainly in companies operating in basic industries ('primary' and 'secondary' industries) and also in companies that service these industries. The Fund may also invest in other global equities. The sole aim of the Fund is long term capital growth.

Investment approach

The M&G Global Basics Fund invests in companies considered to be the 'building blocks' of the world's economy. A key aspect to the stock selection process involves the assessment of structural trends in the global economy and the identification of those companies that are positioned to benefit.

This approach is illustrated by the M&G Global Basics 'curve of economic development' concept, which represents the changing needs of an economy at different stages of development. As the structural shift in economic power towards emerging markets continues to build momentum, the rising incomes and increasingly sophisticated demands of the consumer combine to create an emerging middle class. As nations 'move up the curve', basic demands for food and shelter are accompanied by increasing appetite for additional goods and services. The fund can gain exposure to such themes by investing in high quality, well established companies that are able to capitalise on such trends through their global operations.

Given the fund's unconstrained mandate, the fund manager has the flexibility to move up and down the curve of economic development, based on where he thinks valuation levels are most attractive. This includes examining a company's asset base, competitive position, business model, financial strength and management ability. Meeting company management is key to his approach. The fund manager seeks management teams who are able to execute an intelligent business strategy and whose interests are clearly aligned with those of the firm's shareholders. The fund manager employs a long-term investment horizon in order to capitalise on these themes and is quite prepared to hold companies whose merits are not yet fully recognised by the market.

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.

* Please note that this 'Risk and reward profile' section is based on Sterling Class 'A' shares, the nominated share class.

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 2 September 2013, for the year ended 31 August 2013

Over the course of the year, we exited two long-standing holdings in the fund, Tullow Oil and K+S. The former joined the portfolio in 2002 when we saw it as a company with great expertise in oil and energy exploration and it has added significant value since then. We sold the position during the year as part of a wider strategy of closing the fund's exposure to the oil & gas sector. The exit from K+S, meanwhile, was a timely one, occurring just ahead of the dissolution of a Russian/Belorussian monopoly in potash, which in turn led to a collapse in pricing and in the share price of companies in the sector.

Elsewhere, we sold a selection of smaller, vulnerable early-stage companies where considerable costs and limited cashflows to fund future and existing projects threatened the investment case. Companies in this category included UK-listed oil and gas exploration and development company Indus Gas and Australia-listed copper producer Discovery Metals.

One new addition to the fund was Russia-based maternity healthcare provider MD Medical. We feel the business is well placed to benefit from government-led pressure to reverse the long-term decline in Russia's birth-rate. It is supported by a tax amnesty on companies in its sector and by Russia's comparatively high spending on child healthcare supported by a growing middle class.

Since its inception, the fund has gradually evolved away from an earlier focus on the basic materials sector and, as part of this strategy, a position was also initiated in French drinks and dairy business Danone. The company derives 55% of its revenues from emerging markets and has expertise and strong brands in the food nutrition/healthy diet industry. We believe these segments will see sustained demand on the back of global population growth, a heightened need for food safety and quality, and future economic development in emerging markets.

Graham French Fund manager

Graham French is 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.

M&G Global Basics Fund

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.09.14	31.10.14

	Final distribution		Ongoing Charges Figure ^[b]	
	Inc 31.10.13 ^[a]	Acc 02.09.13 ^[a]	31.08.13	31.08.12
Sterling	p	p	%	%
Class 'A'	3.5152	5.2635	1.66	1.67
Class 'I'	14.5286	14.5568	0.92	0.92 ^[c]
Class 'R'	1.1154	1.2021	1.17	1.17 ^[c]
Class 'X'	3.5514	5.2123	1.66	1.67
Euro	¢	¢	%	%
Class 'A'	6.4761	6.4998	1.92	1.92
Class 'C'	n/a	34.8378	0.91	0.92
US dollar	¢	¢	%	%
Class 'A'	n/a	2.4354	1.91	1.92
Class 'C'	n/a	15.5622	0.92	0.91

^[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 31.08.13		Net asset value per share as at 31.08.12		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	663.05	998.21	607.33	909.39	+9.17	+9.77
Class 'I'	1,102.81	1,119.59	1,010.20	1,012.43	+9.17	+10.58
Class 'R'	110.34	111.69	101.02	101.22	+9.23	+10.34
Class 'X'	665.09	988.39	609.08	900.44	+9.20	+9.77
Euro	€	€	€	€	%	%
Class 'A'	23.9239	24.0344	n/a	23.5965	n/a	+1.86
Class 'C'	n/a	26.8461	n/a	26.0923	n/a	+2.89
US dollar	\$	\$	\$	\$	%	%
Class 'A'	n/a	11.2834	n/a	10.5264	n/a	+7.19
Class 'C'	n/a	12.0087	n/a	11.0937	n/a	+8.25

PERFORMANCE SINCE LAUNCH

	six months 01.03.13 %	one year 03.09.12 %	five years 02.09.08 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	-3.7	+9.6	+3.1	+6.6 ^[c]
Class 'I'	-4.1	+9.6	n/a	+10.7 ^[d]
Class 'R'	-3.9	+9.7	n/a	+10.7 ^[d]
Class 'X'	-3.7	+9.6	+3.1	+13.6 ^[e]
Euro ^[f]				
Class 'A'	-1.2	+2.5	+2.3	+7.9 ^[g]
Class 'C'	-0.7	+3.5	+3.3	+8.9 ^[g]
US dollar ^[f]				
Class 'A'	+0.3	+7.8	+0.4	+2.1 ^[h]
Class 'C'	+0.8	+8.8	+1.4	+3.1 ^[h]

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

^[b] Bid to bid excluding reinvested income.

^[c] 28 February 1973, the end of the initial offer period of the predecessor unit trust.

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

^[e] 1 October 2002, the launch date of the share class.

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

^[g] 28 November 2001, the launch date of the share class.

^[h] 9 March 2007, the launch date of the share class.

SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From To	31.08.12 30.08.13 %	31.08.11 31.08.12 %	31.08.10 31.08.11 %	31.08.09 31.08.10 %	29.08.08 31.08.09 %
Sterling					
Class 'A'	+9.8	-7.9	+16.9	+13.9	-13.1

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

M&G Global Basics Fund

FUND STATISTICS

PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
Sterling (net)					
		p	p	p	p
Class 'A'	2008	650.46	332.22	965.92	494.05
	2009	565.27	340.55	843.38	506.44
	2010	716.90	525.45	1,069.61	783.98
	2011	727.53	575.66	1,085.48	859.40
	2012	684.86	578.99	1,022.42	864.37
	2013 ^[a]	714.80	635.12	1,070.38	951.07
Class 'I'	2012 ^[b]	1,084.48	1,000.00	1,086.88	1,000.00
	2013 ^[a]	1,193.75	1,059.21	1,196.38	1,061.54
Class 'R'	2012 ^[b]	108.42	100.00	108.63	100.00
	2013 ^[a]	119.23	105.84	119.46	106.05
Class 'X'	2008	652.48	333.23	956.45	489.22
	2009	566.95	341.59	835.13	501.49
	2010	719.02	527.01	1,059.14	776.30
	2011	729.69	577.21	1,074.85	850.94
	2012	686.71	580.55	1,012.37	855.87
	2013 ^[a]	716.85	636.95	1,059.85	941.72
Euro (net)					
		€	€	€	€
Class 'A'	2008	n/a	n/a	25.2832	12.2540
	2009	n/a	n/a	19.4363	11.7968
	2010	n/a	n/a	25.8631	18.6574
	2011	n/a	n/a	26.0838	20.7126
	2012	n/a	n/a	24.9836	22.3099
	2013 ^[a]	24.7938 ^[c]	23.7847 ^[c]	25.7385	23.2439
Class 'C'	2008	n/a	n/a	26.7941	13.0515
	2009	n/a	n/a	20.9274	12.6022
	2010	n/a	n/a	28.1251	20.1086
	2011	n/a	n/a	28.3768	22.6964
	2012	n/a	n/a	27.4822	24.6009
	2013 ^[a]	n/a	n/a	28.6619	25.9155
US dollar (net)					
		\$	\$	\$	\$
Class 'A'	2008	n/a	n/a	13.9650	5.4638
	2009	n/a	n/a	9.9699	5.2635
	2010	n/a	n/a	12.1197	8.6931
	2011	n/a	n/a	13.0691	9.6804
	2012	n/a	n/a	11.9006	9.8323
	2013 ^[a]	n/a	n/a	11.8316	10.8048
Class 'C'	2008	n/a	n/a	14.1053	5.5439
	2009	n/a	n/a	10.2224	5.3566
	2010	n/a	n/a	12.5605	8.9553
	2011	n/a	n/a	13.5885	10.1101
	2012	n/a	n/a	12.4791	10.3366
	2013 ^[a]	n/a	n/a	12.5548	11.4774

^[a] To 2 September 2013.

^[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.

INCOME

Dividend income per share			
	Calendar year	Distributed	Reinvested
Sterling (net)			
		p	p
Class 'A'	2008	0.8300	1.2325
	2009	1.5960	2.3750
	2010	nil	nil
	2011	0.4400	0.7000
	2012	1.8150	2.6945
	2013 ^[a]	3.5152	5.2635
Class 'I'	2012	2.2430	2.2380
	2013 ^[a]	14.5286	14.5568
Class 'R'	2012	0.2000	0.2002
	2013 ^[a]	1.1154	1.2021
Class 'X'	2008	0.8680	1.2724
	2009	1.6500	2.4223
	2010	nil	nil
	2011	0.5870	0.8330
	2012	1.7100	2.6581
	2013 ^[a]	3.5514	5.2123
Euro (net)			
		¢	¢
Class 'A'	2008	n/a	nil
	2009	n/a	1.9460
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	0.1015
	2013 ^[a]	6.4761	6.4998
Class 'C'	2008	n/a	17.1020
	2009	n/a	16.9080
	2010	n/a	10.4660
	2011	n/a	20.0950
	2012	n/a	27.5104
	2013 ^[a]	n/a	34.8378
US dollar (net)			
		¢	¢
Class 'A'	2008	n/a	0.3920
	2009	n/a	1.7170
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	0.0151
	2013 ^[a]	n/a	2.4354
Class 'C'	2008	n/a	8.5010
	2009	n/a	8.4540
	2010	n/a	4.6030
	2011	n/a	9.8010
	2012	n/a	12.2801
	2013 ^[a]	n/a	15.5622

^[a] Up to final: ex-distribution date 2 September 2013; payment date 31 October 2013.

M&G Global Basics Fund

FUND STATISTICS

NET ASSETS					
	Year ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
Sterling					
Class 'A'	Aug 2011	655.94	979.32	119,025,807	145,000,003
	Aug 2012	607.33	909.39	119,925,807	141,687,403
	Aug 2013	663.05	998.21	80,653,407	108,532,803
Class 'I'	Aug 2012	1,010.20	1,012.43	1,000	3,000
	Aug 2013	1,102.81	1,119.59	6,603,300	6,187,000
Class 'R'	Aug 2012	101.02	101.22	10,000	10,000
	Aug 2013	110.34	111.69	368,000	138,500
Class 'X'	Aug 2011	657.74	969.74	25,356,286	46,850,176
	Aug 2012	609.08	900.44	21,987,786	46,262,626
	Aug 2013	665.09	988.39	16,516,586	36,099,426
Euro					
		€	€		
Class 'A'	Aug 2011	n/a	22.8318	n/a	119,875,694
	Aug 2012	n/a	23.5965	n/a	104,073,894
	Aug 2013	23.9239	24.0344	4,500	89,604,894
Class 'C'	Aug 2011	n/a	24.9958	n/a	24,840,931
	Aug 2012	n/a	26.0923	n/a	16,538,031
	Aug 2013	n/a	26.8461	n/a	9,168,631
US dollar					
		\$	\$		
Class 'A'	Aug 2011	n/a	11.6864	n/a	23,495,400
	Aug 2012	n/a	10.5264	n/a	17,397,000
	Aug 2013	n/a	11.2834	n/a	10,543,200
Class 'C'	Aug 2011	n/a	12.1949	n/a	6,188,250
	Aug 2012	n/a	11.0937	n/a	8,152,150
	Aug 2013	n/a	12.0087	n/a	7,123,750
Total net asset value of sub-fund					
	Year ended	£		€ [a]	
	Aug 2011	6,013,548,000		6,783,547,000	
	Aug 2012	5,034,016,000		6,336,225,000	
	Aug 2013	4,408,982,000		5,162,437,000	

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

PORTFOLIO

PORTFOLIO STATEMENT

as at 31 August 2013

Holding		Value £'000	31.08.13 %	31.08.12 %
Austria				
2,050,380	Agrana Beteiligung	168,651	3.83	2.81
Belgium				
2,839,249	Umicore	84,991	1.93	0.91
Eire				
6,150,000	Kerry Group	247,336	5.61	3.00
France				
2,932,139	Compagnie des Alpes	39,140	0.89	
2,200,000	Danone	105,839	2.40	
2,310,571	Imerys	97,805	2.22	
4,450,000	Publicis Groupe	214,882	4.87	

PORTFOLIO STATEMENT (continued)

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %	
Germany				
3,200,000	Südzucker	66,466	1.51	
13,800,000	Symrise	390,290	8.85	
1,404,425	Villeroy & Boch Pref. (non-voting)	10,471	0.24	
Russia				
2,473,566	MD Medical Group GDR	23,137	0.52	
650,000	Uralkali GDR	9,812	0.22	
Spain				
823,692	Baron de Ley	38,023	0.86	
United Kingdom				
89,000,000	G4S	230,154	5.22	
3,614,053	Genus	53,018	1.20	
20,660,207	Hochschild Mining	53,303	1.21	
41,808,728	PZ Cussons	170,245	3.86	
7,150,000	Unilever	176,878	4.01	
Australia				
4,141,779	African Petroleum	287	0.01	
22,927,814	Ansell	256,766	5.82	
35,310,000	Aquila Resources	42,150	0.96	
68,615,942	Australian Zircon [a]	0	0.00	
10,250,000	Equatorial Resources	3,546	0.08	
29,635,207	Galaxy Resources	1,606	0.04	
59,500,000	gi Dynamics	23,847	0.54	
28,250,000	Iluka Resources	174,964	3.97	
44,318,582	Inova Resources (previously Ivanhoe Australia)	5,239	0.12	
22,759,825	OZ Minerals	55,387	1.26	
16,960,872	Panoramic Resources	2,396	0.05	
38,000,000	Starpharma	21,475	0.49	
Hong Kong				
145,525,467	The Hongkong and Shanghai Hotels	134,601	3.05	
India				
24,000,000	Marico	49,689	1.13	
Japan				
22,000,000	Kirin Holdings	194,936	4.42	
446,600	Yakult Honsha	12,218	0.28	
Malaysia				
134,363,600	AMMB Holdings	195,264	4.43	
Singapore				
22,000,000	Petra Foods	39,421	0.89	
United Arab Emirates				
14,000,000	DP World	140,140	3.18	
Canada				
3,569,800	Dominion Diamond	28,823	0.65	
United States				
2,986,600	AMCOL International	64,252	1.46	
3,400,000	Elizabeth Arden	76,019	1.72	
6,300,025	The Scotts Miracle-Gro Company 'A'	214,440	4.86	
3,600,000	United Parcel Service 'B'	199,043	4.51	
3,625,000	United Technologies	234,870	5.33	
Portfolio of investments (notes 1b & 1d on page 68)		4,351,820	98.70	99.54
Net other assets		57,162	1.30	0.46
Net assets attributable to shareholders		4,408,982	100.00	100.00

[a] Suspended on 1 September 2009.

M&G Global Basics Fund

PORTFOLIO

PORTFOLIO TRANSACTIONS

for the year ended 31 August 2013

Largest purchases	£'000
United Technologies	138,378
United Parcel Service 'B'	137,561
Publicis Groupe	110,482
Danone	106,613
DBS Group Holdings	53,668
Kirin Holdings	50,096
Iluka Resources	41,181
Umicore	38,638
Kerry Group	38,562
Unilever	36,297
Roche Holding 'Genussscheine'	20,541
MD Medical Group GDR	18,542
Marico	17,386
OZ Minerals	14,694
DP World	14,675
Starpharma	10,298
gi Dynamics	9,564
PZ Cussons	9,436
The Scotts Miracle-Gro Company 'A'	8,502
Petra Foods	8,136
Other purchases	46,659
Total purchases	929,909
Largest sales	£'000
Fraser & Neave	405,928
Monsanto	249,746
Fluor	181,802
K+S	173,104
Tullow Oil	171,317
Colgate-Palmolive	171,252
Santos	149,471
Yakult Honsha	103,196
Imerys	95,320
Mesoblast	69,929
DBS Group Holdings	58,378
BP	37,172
Resolute Mining	36,464
OZ Minerals	27,029
Kenmare Resources	20,675
Roche Holding 'Genussscheine'	20,554
CuDECO	16,161
Unilever	12,314
The Scotts Miracle-Gro Company 'A'	8,538
Indus Gas	8,176
Other sales	40,914
Total sales	2,057,440

FINANCIAL STATEMENTS

For the year ended 31 August 2013.

STATEMENT OF TOTAL RETURN

	Note	2013		2012	
		£'000	£'000	£'000	£'000
Income					
Net capital gains / (losses)	3		470,146		(446,298)
Revenue	4	115,866		123,174	
Expenses	5	(85,313)		(94,960)	
Finance costs: Interest	12	(4)		(1)	
Net revenue before taxation		30,549		28,213	
Taxation	6	(7,451)		(9,253)	
Net revenue after taxation			23,098		18,960
Total return before distributions			493,244		(427,338)
Finance costs: Distributions	12		(22,667)		(12,635)
Change in net assets attributable to shareholders from investment activities			470,577		(439,973)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2013		2012	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		5,034,016		6,013,548
Amounts received on issue of shares	332,978		366,195	
Amounts paid on cancellation of shares	(1,445,148)		(914,254)	
		(1,112,170)		(548,059)
Stamp Duty Reserve Tax (SDRT)		(521)		(881)
Change in net assets attributable to shareholders from investment activities (see above)		470,577		(439,973)
Retained distributions on Accumulation shares		17,080		9,380
Unclaimed distributions		0		1
Closing net assets attributable to shareholders		4,408,982		5,034,016

M&G Global Basics Fund

FINANCIAL STATEMENTS

BALANCE SHEET

	as at 31 August 2013		as at 31 August 2012	
	£'000	£'000	£'000	£'000
Assets				
Investment assets		4,351,820		5,011,069
Debtors				
Amounts receivable on issues	1,190		7	
Currency deals outstanding	9,982		3,578	
Deposit interest receivable	0		1	
Dividends receivable	18,656		16,583	
Overseas tax recoverable	6,332		3,156	
Prepaid expenses	1		1	
Sales awaiting settlement	39,049		7,578	
		75,210		30,904
Cash and bank balances				
Cash held as bank balances	10,428		11,730	
Cash held on deposit	10,672		4,228	
		21,100		15,958
Total other assets		96,310		46,862
Total assets		4,448,130		5,057,931
Liabilities				
Creditors				
Amounts payable on cancellations	(17,874)		(14,560)	
Currency deals outstanding	(10,017)		(3,580)	
Expenses payable	(2,726)		(3,162)	
Net distributions payable on Income shares	(4,385)		(2,553)	
Purchases awaiting settlement	(4,117)		(11)	
SDRT payable	(29)		(49)	
Total liabilities		(39,148)		(23,915)
Net assets attributable to shareholders		4,408,982		5,034,016

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 30 August 2013, being the last business day of the financial year. The fair value of non-derivative securities is bid price. 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.

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 30 August 2013, 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.

Bank interest and deposit interest are 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 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 Global Basics 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 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 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 137, 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 (31.08.12: same).

3 Net capital gains / (losses)

	2013 £'000	2012 £'000
Non-derivative securities	468,277	(447,746)
Currency gains	1,629	1,057
Special dividends taken to capital	257	412
Transaction charges	(17)	(21)
Net capital gains / (losses)	470,146	(446,298)

4 Revenue

	2013 £'000	2012 £'000
Bank interest	30	46
Deposit interest	153	572
Interest on overseas tax previously withheld at source	243	0
Overseas dividends	95,755	99,585
Stock dividends	447	6,327
UK dividends	19,238	16,644
Total revenue	115,866	123,174

5 Expenses

	2013 £'000	2012 £'000
Payable to the Authorised Corporate Director or associate		
Authorised Corporate Director's periodic charge	77,023	85,776
Administration fee	7,503	8,360
	84,526	94,136
Payable to the Depositary or associate		
Depositary's fee (including VAT)	174	191
Other expenses		
Audit fee (including VAT)	10	10
Dividend charges	17	23
Regulatory fees	8	6
Safe custody charge	593	543
Tax consultancy fees (including VAT) ^[a]	16	71
	644	653
VAT recovered		
Current year	(6)	(8)
Prior year	(25)	(12)
	(31)	(20)
Total expenses	85,313	94,960

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

M&G Global Basics Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

6 Taxation

	2013 £'000	2012 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Overseas tax	8,727	9,251
Overseas tax recoverable: exchange rate movements	0	2
Overseas tax recovered: previously withheld at source	(1,276)	0
Current tax charge (note 6b)	7,451	9,253
Deferred tax (note 6c)	0	0
Total taxation	7,451	9,253
b) Factors affecting taxation charge for the year		
Net revenue before taxation	30,549	28,213
Corporation tax at 20%	6,110	5,643
Effects of:		
UK dividends not taxable	(3,848)	(3,329)
Stock dividends not taxable	(89)	(1,266)
Overseas dividends not taxable	(19,143)	(19,917)
Current year expenses not utilised	16,970	18,869
Overseas tax	8,727	9,251
Overseas tax recoverable: exchange rate movements	0	2
Overseas tax recovered: previously withheld at source	(1,276)	0
Current tax charge (note 6a)	7,451	9,253
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 £72,683,000 (31.08.12: £55,713,000) 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 £5,295,310. 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 (31.08.12: 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 £2,488,000 (31.08.12: £2,605,000) in respect of the ACD's periodic charge and administration 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 16.19% (31.08.12: 16.12%) 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 (31.08.12: 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 31.08.13 £'000	as at 31.08.12 £'000	as at 31.08.13 £'000	as at 31.08.12 £'000	as at 31.08.13 £'000	as at 31.08.12 £'000
Australian dollar	587,663	916,121	3,724	5,518	591,387	921,639
Canadian dollar	28,823	29,947	0	0	28,823	29,947
Euro	1,463,894	1,165,209	3,117	(7,460)	1,467,011	1,157,749
Hong Kong dollar	134,601	106,793	0	0	134,601	106,793
Indian rupee	49,689	38,554	0	0	49,689	38,554
Japanese yen	207,154	239,782	6,810	1,670	213,964	241,452
Malaysian ringgit	195,264	179,647	7,285	3,819	202,549	183,466
Singapore dollar	39,421	389,671	332	1,283	39,753	390,954
Swiss franc	0	0	197	159	197	159
US dollar	821,573	1,050,886	12,789	12,569	834,362	1,063,455
	3,528,082	4,116,610	34,254	17,558	3,562,336	4,134,168
Sterling	823,738	894,459	22,908	5,389	846,646	899,848
Total	4,351,820	5,011,069	57,162	22,947	4,408,982	5,034,016

Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.12: same).

Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.12: same).

M&G Global Basics Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

10 Portfolio transaction costs

	2013 £'000	2012 £'000
a) Purchases		
Purchases excluding transaction costs	927,695	1,281,983
Commissions	1,074	1,738
Taxes	1,140	1,406
Total transaction costs	2,214	3,144
Total purchases including transaction costs	929,909	1,285,127
b) Sales		
Sales excluding transaction costs	2,059,812	1,439,153
Commissions	(2,330)	(2,126)
Taxes	(42)	(34)
Total transaction costs	(2,372)	(2,160)
Total sales net of transaction costs	2,057,440	1,436,993

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, Sterling Class 'R' (Net Income and Net Accumulation) shares and Sterling Class 'X' (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.

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 August 2013, is set out in the following table (31.08.12: same):

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
Class 'X'	nil	4.50 ^[a]	1.50
Euro			
Class 'A'	5.25	n/a	1.75
Class 'C'	3.25	n/a	0.75
US dollar			
Class 'A'	5.25	n/a	1.75
Class 'C'	3.25	n/a	0.75

^[a] The withdrawal fee diminishes over a period of five years. Please refer to the Key Investor Information Document (KIID) in conjunction with the Important Information for Investors document.

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

	31.08.13		31.08.12	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Sterling				
Class 'A'	534,772	1,083,385	728,348	1,288,486
Class 'I'	72,822	69,269	10	30
Class 'R'	406	154	10	10
Class 'X'	109,851	356,803	133,923	416,568
Euro				
Class 'A'	92	1,839,285	n/a	1,951,072
Class 'C'	n/a	210,218	n/a	342,831
US dollar				
Class 'A'	n/a	76,740	n/a	115,626
Class 'C'	n/a	55,185	n/a	57,102

The net asset value per share and the number of shares are given in the net assets table on page 66. The distribution per share is given in the distribution table on page 72. Each share class has the same rights on winding-up.

M&G Global Basics Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

12 Finance costs

	2013 £'000	2012 £'000
Income shares (Sterling)		
Class 'A' - Final	2,835	2,177
Class 'I' - Final ^[a]	959	0
Class 'R' - Final ^[b]	4	0
Class 'X' - Final	587	376
Income shares (Euro)		
Class 'A' - Final ^[c]	0	n/a
Accumulation shares (Sterling)		
Class 'A' - Final	5,713	3,818
Class 'I' - Final ^[d]	900	0
Class 'R' - Final ^[e]	2	0
Class 'X' - Final	1,882	1,230
Accumulation shares (Euro)		
Class 'A' - Final	4,974	84
Class 'C' - Final	2,728	3,614
Accumulation shares (US dollar)		
Class 'A' - Final	166	2
Class 'C' - Final	715	632
Finance costs: Dividend distributions	21,465	11,933
Income deducted on cancellation of shares	1,997	964
Income received on issue of shares	(795)	(262)
Finance costs: Distributions	22,667	12,635
Finance costs: Interest	4	1
Total finance costs	22,671	12,636
Net revenue per statement of total return	23,098	18,960
Stock dividends not distributed	(447)	(6,327)
Undistributed income brought forward	16	18
Undistributed income carried forward	0	(16)
Finance costs: Distributions	22,667	12,635

[a] The comparative final distribution for Sterling Class 'I' (Income) shares was £22.

[b] The comparative final distribution for Sterling Class 'R' (Income) shares was £20.

[c] The final distribution for Euro Class 'A' (Income) shares was €290.

[d] The comparative final distribution for Sterling Class 'I' (Accumulation) shares was £67.

[e] The comparative final distribution for Sterling Class 'R' (Accumulation) shares was £20.

DISTRIBUTION TABLE

Dividend distributions on Income shares	Net income	Equalisation	Distribution payable/paid	
			2013	2012
Sterling	p	p	p	p
Class 'A' - Final				
Group 1:	3.5152	-	3.5152	1.8150
Group 2:	3.1695	0.3457	3.5152	1.8150
Class 'I' - Final				
Group 1:	14.5286	-	14.5286	2.2430
Group 2:	10.6385	3.8901	14.5286	2.2430
Class 'R' - Final				
Group 1:	1.1154	-	1.1154	0.2000
Group 2:	1.0610	0.0544	1.1154	0.2000
Class 'X' - Final				
Group 1:	3.5514	-	3.5514	1.7100
Group 2:	3.0604	0.4910	3.5514	1.7100
Euro	¢	¢	¢	¢
Class 'A' - Final				
Group 1:	6.4761	-	6.4761	n/a
Group 2:	2.1128	4.3633	6.4761	n/a
Dividend distributions on Accumulation shares	Net income	Equalisation	Amount reinvested	
			2013	2012
Sterling	p	p	p	p
Class 'A' - Final				
Group 1:	5.2635	-	5.2635	2.6945
Group 2:	4.3528	0.9107	5.2635	2.6945
Class 'I' - Final				
Group 1:	14.5568	-	14.5568	2.2380
Group 2:	8.4234	6.1334	14.5568	2.2380
Class 'R' - Final				
Group 1:	1.2021	-	1.2021	0.2002
Group 2:	0.6200	0.5821	1.2021	0.2002
Class 'X' - Final				
Group 1:	5.2123	-	5.2123	2.6581
Group 2:	4.5566	0.6557	5.2123	2.6581
Euro	¢	¢	¢	¢
Class 'A' - Final				
Group 1:	6.4998	-	6.4998	0.1015
Group 2:	6.0911	0.4087	6.4998	0.1015
Class 'C' - Final				
Group 1:	34.8378	-	34.8378	27.5104
Group 2:	25.9158	8.9220	34.8378	27.5104
US dollar	¢	¢	¢	¢
Class 'A' - Final				
Group 1:	2.4354	-	2.4354	0.0151
Group 2:	2.2305	0.2049	2.4354	0.0151
Class 'C' - Final				
Group 1:	15.5622	-	15.5622	12.2801
Group 2:	13.7398	1.8224	15.5622	12.2801

Final period 01.09.12 - 31.08.13

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 Growth Fund

AUTHORISED CORPORATE DIRECTOR'S REPORT

Investment objective of the M&G Global Growth Fund

The Fund aims to maximise long term total return (the combination of capital growth and income) by investing mainly in a wide range of global equities.

Investment policy of the M&G Global Growth Fund

The Fund will invest globally (including the UK) in the equities of companies across a wide range of geographies, sectors and market capitalisations. Income is of secondary importance to capital growth when investments are selected.

Investment approach

The M&G Global Growth Fund is a mainstream global equity fund invested in a concentrated portfolio of high conviction positions. The core fund proposition is one of bottom-up stockpicking, focused on quality companies with scarce assets that are under-appreciated by the market but which we believe will generate sustainable high returns, plus growth, over the long term.

The scarce assets that drive the fund manager's stockpicking process range from the traditional and usually tangible, such as mines and factories, to the less traditional and often intangible, such as brands, commercial expertise and organisational culture. It is these types of assets that the market can often find difficult to price correctly, a scenario on which the fund manager looks to capitalise. In the fund manager's opinion, these scarce assets mark out the identified companies as special and should equip them to sustain and often grow returns and reinvest profitably in their businesses, creating value and increasing shareholder wealth in the process.

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.

* Please note that this 'Risk and reward profile' section is based on Sterling Class 'A' shares, the nominated share class.

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 2 September 2013, for the year ended 31 August 2013

We established a number of new holdings over the review period in companies generating high sustainable returns, with scarce assets and structural growth drivers that should allow them to grow the fundamental value of their businesses. These included international dialysis group Fresenius Medical Care, Chinese property group Hang Lung Properties and US discount retailer Dollar General. As the top player in the growing 'dollar-store' retail channel in the US, we feel Dollar General's industry-leading returns are driven by a culture of innovative analysis and insight, excellent retail execution, a strong focus on costs and understanding of the best store locations.

We also purchased shares in Standard Chartered, a UK-based bank that generates the majority of its revenues from the emerging markets, and Korean electronics firm Samsung Electronic, which is benefiting from the shift in consumer behaviour from PCs towards mobile computing.

In light of the purchase of Samsung, we closed our position in Korean outsourced PC maker Compal Electronics, believing that the market for PCs will suffer. We also closed a number of positions where we felt there were more attractively valued companies with stronger growth prospects available. These included French nickel and manganese mining company Eramet, Australian-listed global recycling group Sims Metal Management, Austrian brick and tile manufacturer Wienerberger and Brazilian pulp producer Fibria Celulose.

Furthermore, CFAO, a French firm that distributes cars and pharmaceuticals throughout Africa, left the portfolio after the Japanese conglomerate TTC bid to take over the company. In addition, we closed our position in Baron de Ley. The Spanish wine maker had been a long-term, rather illiquid, holding in the fund, and we took advantage of an opportunity to sell our stake in the company at an attractive price.

Greg Aldridge Fund manager

Greg Aldridge is 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.

M&G Global Growth Fund

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.09.14	31.10.14

	Final distribution		Ongoing Charges Figure ^[b]	
	Inc 31.10.13 ^[a]	Acc 02.09.13 ^[a]	31.08.13	31.08.12
Sterling	p	p	%	%
Class 'A'	1.2350	2.3623	1.67	1.68
Class 'I'	14.9213	14.9424	0.93	0.93 ^[c]
Class 'R'	1.2224	1.2106	1.18	1.18 ^[c]
Class 'X'	1.2562	2.3383	1.67	1.68
Euro	¢	¢	%	%
Class 'A'	n/a	4.5734	1.93	1.93
Class 'B'	n/a	n/a	n/a	2.20
Class 'C'	n/a	23.0130	0.93	0.93
US dollar	¢	¢	%	%
Class 'A'	n/a	4.5412	1.92	1.93
Class 'C'	n/a	21.5868	0.93	0.93

^[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 31.08.13		Net asset value per share as at 31.08.12		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	256.69	491.72	213.71	407.45	+20.11	+20.68
Class 'I'	1,226.10	1,243.25	1,020.00	1,021.77	+20.21	+21.68
Class 'R'	122.62	123.99	102.00	102.15	+20.22	+21.38
Class 'X'	256.67	487.60	213.71	404.04	+20.10	+20.68
Euro	€	€	€	€	%	%
Class 'A'	n/a	17.5235	n/a	15.6473	n/a	+11.99
Class 'B'	n/a	n/a	n/a	11.7414	n/a	n/a
Class 'C'	n/a	19.3046	n/a	17.0668	n/a	+13.11
US dollar	\$	\$	\$	\$	%	%
Class 'A'	n/a	17.2805	n/a	14.6647	n/a	+17.84
Class 'C'	n/a	18.1055	n/a	15.2123	n/a	+19.02

PERFORMANCE SINCE LAUNCH

	six months 01.03.13 %	one year 03.09.12 %	five years 02.09.08 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	-1.3	+20.0	+6.1	+9.0 ^[c]
Class 'I'	-1.6	+20.0	n/a	+20.4 ^[d]
Class 'R'	-1.5	+20.0	n/a	+20.4 ^[d]
Class 'X'	-1.3	+20.0	+6.1	+12.3 ^[e]
Euro ^[f]				
Class 'A'	+1.2	+12.1	+5.3	+4.9 ^[g]
Class 'C'	+1.7	+13.2	+6.4	+5.8 ^[g]
US dollar ^[f]				
Class 'A'	+2.8	+17.8	n/a	+12.4 ^[h]
Class 'C'	+3.3	+19.0	n/a	+13.5 ^[h]

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

^[b] Bid to bid excluding reinvested income.

^[c] 19 December 1967, the end of the initial offer period of the predecessor unit trust.

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

^[e] 1 October 2002, the launch date of the share class.

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

^[g] 28 November 2001, the launch date of the share class.

^[h] 19 December 2008, the launch date of the share class.

SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From To	31.08.12 30.08.13 %	31.08.11 31.08.12 %	31.08.10 31.08.11 %	31.08.09 31.08.10 %	29.08.08 31.08.09 %
Sterling					
Class 'A'	+21.3	+5.9	+6.0	+6.7	-4.0

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'	2008 ^[a]	200.01	132.51	374.66	249.07
	2009 ^[b]	202.08	130.97	381.74	246.18
	2010	228.42	189.40	431.50	357.79
	2011 ^[c]	233.00	182.70	440.14	346.52
	2012	228.89	200.28	436.38	379.88
	2013 ^[d]	275.19	230.45	524.64	439.36
Class 'I'	2012 ^[e]	1,095.84	1,000.00	1,097.76	1,000.00
	2013 ^[d]	1,321.38	1,103.43	1,323.69	1,105.36
Class 'R'	2012 ^[e]	109.51	100.00	109.66	100.00
	2013 ^[d]	131.94	110.27	132.10	110.42
Class 'X'	2008 ^[a]	200.03	132.55	371.48	246.98
	2009 ^[b]	202.13	131.02	378.53	244.12
	2010	228.49	189.46	427.89	354.79
	2011 ^[c]	233.06	182.75	436.46	343.63
	2012	228.89	200.34	432.72	376.70
	2013 ^[d]	275.19	230.45	520.24	435.67

M&G Global Growth Fund

FUND STATISTICS

PRICES (continued)

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
Euro (net)		€	€	€	€
Class 'A'	2008 ^[a]	n/a	n/a	14.8604	9.2859
	2009 ^[b]	n/a	n/a	12.9803	8.4474
	2010	n/a	n/a	15.4887	12.6805
	2011 ^[c]	n/a	n/a	15.6403	12.2718
	2012	n/a	n/a	16.3482	14.0704
	2013 ^[d]	n/a	n/a	18.7079	16.4718
Class 'B'	2008 ^[f]	n/a	n/a	10.0000	7.0330
	2009 ^[b]	n/a	n/a	9.8040	6.3930
	2010	n/a	n/a	11.6697	9.5750
	2011 ^[c]	n/a	n/a	11.7828	9.2294
	2012	n/a	n/a	12.2621	10.5751
	2013 ^[g]	n/a	n/a	14.0163	12.3529
Class 'C'	2008 ^[a]	n/a	n/a	15.5057	9.7525
	2009 ^[b]	n/a	n/a	13.7845	8.8982
	2010	n/a	n/a	16.6138	13.4805
	2011 ^[c]	n/a	n/a	16.7830	13.2604
	2012	n/a	n/a	17.8810	15.2459
	2013 ^[d]	n/a	n/a	20.5521	18.0269
US dollar (net)		\$	\$	\$	\$
Class 'A'	2008 ^[h]	n/a	n/a	10.0947	9.7993
	2009 ^[b]	n/a	n/a	13.9565	7.9576
	2010	n/a	n/a	15.2407	12.3093
	2011 ^[c]	n/a	n/a	16.5025	12.1368
	2012	n/a	n/a	16.1225	13.3978
	2013 ^[d]	n/a	n/a	18.0613	16.2073
Class 'C'	2008 ^[h]	n/a	n/a	10.0973	9.8006
	2009 ^[b]	n/a	n/a	14.0853	7.9751
	2010	n/a	n/a	15.5514	12.4848
	2011 ^[c]	n/a	n/a	16.8956	12.4764
	2012	n/a	n/a	16.7790	13.8655
	2013 ^[d]	n/a	n/a	18.9153	16.8746

[a] On 19 September 2008 the fund's name and objective were changed.

[b] The M&G Global Technology Fund merged into the M&G Global Growth Fund immediately after 13 March 2009.

[c] The Prudential International Growth Trust merged into the M&G Global Growth Fund immediately after 14 October 2011.

[d] To 2 September 2013.

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

[f] From 19 September 2008 (the launch date of the share class).

[g] To 7 June 2013 (the closure date of the share class).

[h] From 19 December 2008 (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'	2008	0.6430	1.2045
	2009	0.8960	1.6841
	2010	nil	nil
	2011	0.8260	1.6030
	2012	1.1066	2.0482
	2013 ^[a]	1.2350	2.3623
Class 'I'	2012	1.7650	1.7650
	2013 ^[a]	14.9213	14.9424
Class 'R'	2012	0.1450	0.1450
	2013 ^[a]	1.2224	1.2106
Class 'X'	2008	0.6230	1.1570
	2009	0.9080	1.6918
	2010	nil	nil
	2011	0.8310	1.5790
	2012	1.1654	2.0092
	2013 ^[a]	1.2562	2.3383
Euro (net)		¢	¢
Class 'A'	2008	n/a	4.3000
	2009	n/a	4.2750
	2010	n/a	nil
	2011	n/a	2.6740
	2012	n/a	3.4840
	2013 ^[a]	n/a	4.5734
Class 'B'	2009	n/a	0.9010
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	nil
	2013 ^[a]	n/a	n/a
Class 'C'	2008	n/a	14.6340
	2009	n/a	14.3720
	2010	n/a	10.3390
	2011	n/a	17.4420
	2012	n/a	20.9900
	2013 ^[a]	n/a	23.0130
US dollar (net)		¢	¢
Class 'A'	2009	n/a	4.4350
	2010	n/a	1.1970
	2011	n/a	2.9290
	2012	n/a	4.4100
	2013 ^[a]	n/a	4.5412
Class 'C'	2009	n/a	11.1690
	2010	n/a	9.4490
	2011	n/a	17.8400
	2012	n/a	18.7050
	2013 ^[a]	n/a	21.5868

[a] Up to final: ex-distribution date 2 September 2013; payment date 31 October 2013.

M&G Global Growth Fund

FUND STATISTICS

NET ASSETS					
	Year ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
Sterling					
Class 'A'	Aug 2011	201.82	382.82	150,256,329	40,463,889
	Aug 2012	213.71	407.45	210,444,702	45,050,978
	Aug 2013	256.69	491.72	191,349,902	41,129,078
Class 'I'	Aug 2012	1,020.00	1,021.77	100	100
	Aug 2013	1,226.10	1,243.25	289,700	686,500
Class 'R'	Aug 2012	102.00	102.15	1,000	1,000
	Aug 2013	122.62	123.99	78,000	94,000
Class 'X'	Aug 2011	201.88	379.61	3,081,176	2,706,754
	Aug 2012	213.71	404.04	3,077,176	2,254,654
	Aug 2013	256.67	487.60	3,244,576	2,439,854
Euro					
		€	€		
Class 'A'	Aug 2011	n/a	13.2085	n/a	8,482,607
	Aug 2012	n/a	15.6473	n/a	5,830,557
	Aug 2013	n/a	17.5235	n/a	6,377,857
Class 'B'	Aug 2011	n/a	9.9354	n/a	1,000
	Aug 2012	n/a	11.7414	n/a	3,700
	Aug 2013	n/a	n/a	n/a	n/a
Class 'C'	Aug 2011	n/a	14.2640	n/a	9,467,090
	Aug 2012	n/a	17.0668	n/a	5,765,030
	Aug 2013	n/a	19.3046	n/a	6,125,530
US dollar					
		\$	\$		
Class 'A'	Aug 2011	n/a	14.2025	n/a	168,400
	Aug 2012	n/a	14.6647	n/a	153,050
	Aug 2013	n/a	17.2805	n/a	114,450
Class 'C'	Aug 2011	n/a	14.5889	n/a	5,259,000
	Aug 2012	n/a	15.2123	n/a	2,459,000
	Aug 2013	n/a	18.1055	n/a	3,161,200
Total net asset value of sub-fund					
	Year ended	£		€ [a]	
	Aug 2011	742,274,000		1,075,424,000	
	Aug 2012	824,718,000		1,038,058,000	
	Aug 2013	960,576,000		1,124,730,000	

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

PORTFOLIO

PORTFOLIO STATEMENT

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
Oil & gas producers		5.57	6.12
235,000 Chevron	18,243	1.90	
2,540,000 Petrobras	11,737	1.22	
400,000 Sasol	12,006	1.25	
20,000,000 Yingde Gases	11,562	1.20	
Oil equipment, services & distribution		2.40	2.14
440,000 Schlumberger	23,061	2.40	
Chemicals		3.12	3.54
4,400,000 AZ Electronic Materials	13,561	1.41	
580,000 Symrise	16,403	1.71	
Forestry & paper		0.00	0.34
Industrial metals & mining		1.38	1.46
1,570,000 Vale Non-cum. Pref.	13,221	1.38	
Mining		1.57	1.73
475,400 Dominion Diamond	3,838	0.40	
335,321 Rio Tinto	11,273	1.17	
Construction & materials		1.58	2.62
345,000 Holcim (Regd.)	15,214	1.58	
Aerospace & defence		5.97	5.97
480,000 European Aeronautic Defence and Space	17,949	1.87	
935,000 Ultra Electronics Holdings	17,372	1.81	
340,000 United Technologies	22,029	2.29	
General industrials		1.67	3.62
220,000 3M	16,078	1.67	
Electronic & electrical equipment		0.42	0.00
183,546 Spectris	4,064	0.42	
Industrial engineering		4.71	4.37
420,000 Atlas Copco 'A'	7,323	0.76	
890,000 Misumi Group	14,112	1.47	
606,189 Vallourec	23,849	2.48	
Industrial transportation		1.00	0.86
1,731 AP Moller-Maersk	9,608	1.00	
Support services		1.97	2.47
7,320,000 G4S	18,929	1.97	
Automobiles & parts		4.48	4.17
515,003 Hankook Tire	17,239	1.80	
660,000 Toyota Motor	25,751	2.68	
Beverages		0.00	0.45
Food producers		3.31	3.72
130,000 Agrana Beteiligung	10,693	1.11	
14,241,347 Chaoda Modern Agriculture [a]	0	0.00	
500,000 Nestlé (Regd.)	21,148	2.20	
Household goods & home construction		3.42	4.03
380,000 Procter & Gamble	18,951	1.97	
8,800,405 Techtronic Industries	13,908	1.45	
Leisure goods		1.32	0.97
537,000 Brunswick	12,658	1.32	
Personal goods		4.98	6.19
285,000 adidas	19,579	2.04	
510,000 Colgate-Palmolive	18,838	1.96	
420,001 Elizabeth Arden	9,391	0.98	
Healthcare equipment & services		4.61	3.73
450,000 Fresenius Medical Care	19,011	1.98	
505,000 Mindray Medical International ADR	12,900	1.34	
330,000 Sysmex	12,355	1.29	

M&G Global Growth Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
Pharmaceuticals & biotechnology			
566,000 Myriad Genetics	9,665	1.01	
400,000 Parexel	12,182	1.27	
140,000 Roche Holding 'Genussscheine'	22,676	2.36	
General retailers			
540,000 Dollar General	18,936	1.97	
4,620,583 Esprit	5,081	0.53	
360,000 Wal-Mart Stores	16,820	1.75	
Media			
412,023 Publicis Groupe	19,896	2.07	
Travel & leisure			
810,000 Carnival	18,847	1.96	
Mobile telecommunications			
885,173 MTN Group	10,398	1.08	
Banks			
1,550,015 Banco do Brasil	9,569	1.00	
3,100,230 HSBC Holdings	21,132	2.20	
666,504 Société Générale	19,018	1.98	
940,000 Standard Chartered	13,621	1.42	
Non-life insurance			
118,000 Zurich Insurance (formerly Zurich Financial Services Group (Regd.))	18,990	1.98	
Real estate investment & services			
6,200,000 Hang Lung Properties	12,454	1.30	
Financial services			
324,400 Capital One Financial	13,472	1.40	
610,000 Equifax	23,755	2.47	
Software & computer services			
43,000 Google	23,720	2.47	
175,000 International Business Machines	20,608	2.15	
400,000 SAP	19,281	2.01	
480,000 Wincor Nixdorf	19,599	2.04	
Technology hardware & equipment			
705,054 Canon	13,648	1.42	
1,200,000 Cisco Systems	18,152	1.89	
2,600,000 Ericsson 'B'	19,903	2.07	
600,000 Linear Technology	14,894	1.55	
25,000 Samsung Electronic	19,831	2.07	
'AAA' rated money market funds ^[b]			
12,366,000 Northern Trust Global Fund - US dollar	7,977	0.83	
Portfolio of investments (notes 1b & 1d on page 78 & 79)	957,979	99.73	99.87
Net other assets	2,597	0.27	0.13
Net assets attributable to shareholders	960,576	100.00	100.00

^[a] Unquoted.

^[b] 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 August 2013

	£'000
Largest purchases	
Samsung Electronic	21,075
Fresenius Medical Care	19,910
Dollar General	16,122
Standard Chartered	15,110
Hang Lung Properties	14,780
International Business Machines	7,185
Vale Non-cum. Pref.	5,028
Spectris	4,000
Vallourec	3,533
Petrobras	3,528
Schlumberger	3,523
Société Générale	3,112
G4S	3,013
AZ Electronic Materials	2,961
SAP	2,436
Hankook Tire	1,980
Carnival	1,947
Misumi Group	1,895
European Aeronautic Defence and Space	1,656
Ultra Electronics Holdings	1,412
Northern Trust Global Fund - US dollar ^[a]	157,109
Other purchases	1,927
Total purchases	293,242
Largest sales	
CFAO	13,662
Ultra Electronics Holdings	12,593
Sysmex	11,229
Parexel	9,963
Compal Electronics	7,279
Techtronic Industries	7,253
Toyota Motor	7,239
Symrise	6,566
Wienerberger	5,696
Cisco Systems	5,204
Sims Metal Management	5,121
3M	4,893
Baron de Ley	4,584
HSBC Holdings	4,461
Publicis Groupe	4,251
Fibria Celulose	3,914
adidas	3,896
Procter & Gamble	3,866
Colgate-Palmolive	3,441
Ericsson 'B'	3,377
Northern Trust Global Fund - Sterling ^[a]	2,517
Northern Trust Global Fund - US dollar ^[a]	149,424
Other sales	34,522
Total sales	314,951

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

M&G Global Growth Fund

FINANCIAL STATEMENTS

For the year ended 31 August 2013.

STATEMENT OF TOTAL RETURN

	Note	2013		2012	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	3		156,215		56,033
Revenue	4	22,144		21,573	
Expenses	5	(14,487)		(13,386)	
Net revenue before taxation		7,657		8,187	
Taxation	6	(1,235)		(2,533)	
Net revenue after taxation			6,422		5,654
Total return before distributions			162,637		61,687
Finance costs: Distributions	12		(5,307)		(5,050)
Change in net assets attributable to shareholders from investment activities			157,330		56,637

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2013		2012	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		824,718		742,274
Amounts received on issue of shares	91,116		108,819	
Transfer of assets from the Prudential International Growth Trust	0		59,644	
Value of assets transferred from in-specie issues	0		91,630	
Amounts paid on cancellation of shares	(115,599)		(236,631)	
		(24,483)		23,462
Stamp Duty Reserve Tax (SDRT)		(20)		(42)
Change in net assets attributable to shareholders from investment activities (see above)		157,330		56,637
Retained distributions on Accumulation shares		3,029		2,385
Unclaimed distributions		2		2
Closing net assets attributable to shareholders		960,576		824,718

BALANCE SHEET

	as at		as at	
	31 August 2013	£'000	31 August 2012	£'000
Assets				
Investment assets		957,979		823,686
Debtors				
Amounts receivable from the Prudential International Growth Trust	0		55	
Amounts receivable on issues	3,873		13	
Currency deals outstanding	557		183	
Distributions receivable	1		0	
Dividends receivable	1,455		1,735	
Overseas tax recoverable	1,485		1,100	
Prepaid expenses	0		1	
		7,371		3,087
Cash and bank balances				
Cash held as bank balances	4,353		1,918	
		4,353		1,918
Total other assets		11,724		5,005
Total assets		969,703		828,691
Liabilities				
Amounts payable on cancellations	(2,512)		(869)	
Currency deals outstanding	(563)		(183)	
Expenses payable	(432)		(555)	
Net distributions payable on Income shares	(2,448)		(2,365)	
Purchases awaiting settlement	(3,171)		0	
SDRT payable	(1)		(1)	
Total liabilities		(9,127)		(3,973)
Net assets attributable to shareholders		960,576		824,718

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 30 August 2013, being the last business day of the financial year. The fair value of non-derivative securities is bid price. 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 Global Growth 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 30 August 2013, 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 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.

The sub-fund holds overseas investments and exchange rate fluctuations can affect both capital and income values. Short-term foreign currency exposures 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 137, 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 (31.08.12: same).

3 Net capital gains

	2013 £'000	2012 £'000
Non-derivative securities	155,994	57,748
Currency gains / (losses)	225	(1,456)
Tax on overseas investments ^[a]	0	(251)
Transaction charges	(4)	(8)
Net capital gains	156,215	56,033

^[a] Brazilian IOF tax chargeable on the purchase of Brazilian securities.

M&G Global Growth Fund

FINANCIAL STATEMENTS

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4 Revenue

	2013 £'000	2012 £'000
Bank interest	2	16
Interest distributions	16	19
Interest on overseas tax previously withheld at source	33	0
Overseas dividends	18,813	19,224
Stock dividends	1,129	610
UK dividends	2,151	1,704
Total revenue	22,144	21,573

5 Expenses

	2013 £'000	2012 £'000
Payable to the Authorised Corporate Director or associate		
Authorised Corporate Director's periodic charge	12,899	11,871
Administration fee	1,363	1,264
	14,262	13,135
Payable to the Depositary or associate		
Depositary's fee (including VAT)	51	49
Other expenses		
Audit fee (including VAT)	10	10
Regulatory fees	8	9
Safe custody charge	143	152
Tax consultancy fees (including VAT) ^[a]	22	37
	183	208
VAT recovered		
Current year	(2)	(1)
Prior year	(7)	(5)
	(9)	(6)
Total expenses	14,487	13,386

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

6 Taxation

	2013 £'000	2012 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Overseas tax	1,406	2,533
Overseas tax recovered: previously withheld at source	(171)	0
Current tax charge (note 6b)	1,235	2,533
Deferred tax (note 6c)	0	0
Total taxation	1,235	2,533
b) Factors affecting taxation charge for the year		
Net revenue before taxation	7,657	8,187
Corporation tax at 20%	1,531	1,638
Effects of:		
UK dividends not taxable	(430)	(341)
Stock dividends not taxable	(226)	(122)
Overseas dividends not taxable	(3,441)	(3,479)
Current year expenses not utilised	2,620	2,342
Overseas tax	1,406	2,533
Overseas tax recovered: previously withheld at source	(171)	0
Overseas tax expensed	(54)	(38)
Current tax charge (note 6a)	1,235	2,533
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 £9,789,000 (31.08.12: £7,055,000) 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 £2,348,382. 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 (31.08.12: 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 £499,000 (31.08.12: £397,000) in respect of the ACD's periodic charge and administration 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 36.16% (31.08.12: 38.45%) of the sub-fund's shares.

M&G Global Growth 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 (31.08.12: 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 31.08.13 £'000	as at 31.08.12 £'000	as at 31.08.13 £'000	as at 31.08.12 £'000	as at 31.08.13 £'000	as at 31.08.12 £'000
Australian dollar	11,273	15,406	180	148	11,453	15,554
Brazilian real	34,528	36,942	556	59	35,084	37,001
Canadian dollar	3,838	3,669	0	0	3,838	3,669
Danish krone	9,608	7,110	0	0	9,608	7,110
Euro	185,279	161,368	1,811	723	187,090	162,091
Hong Kong dollar	64,137	48,432	314	0	64,451	48,432
Japanese yen	65,865	68,471	280	0	66,145	68,471
South African rand	22,404	21,882	0	206	22,404	22,088
South Korean won	37,070	12,501	0	0	37,070	12,501
Swedish krona	27,226	24,054	50	0	27,276	24,054
Swiss franc	78,028	74,921	985	640	79,013	75,561
Taiwanese dollar	0	10,021	0	428	0	10,449
US dollar	351,176	296,307	1,158	2,329	352,334	298,636
	890,432	781,084	5,334	4,533	895,766	785,617
Sterling	67,547	42,602	(2,737)	(3,501)	64,810	39,101
Total	957,979	823,686	2,597	1,032	960,576	824,718

Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.12: same).

Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.12: same).

10 Portfolio transaction costs

	2013 £'000	2012 £'000
a) Purchases		
Purchases excluding transaction costs	293,018	405,750
Commissions	92	221
Taxes	132	27
Total transaction costs	224	248
Total purchases including transaction costs	293,242	405,998
b) Sales		
Sales excluding transaction costs	315,133	368,297
Commissions	(142)	(287)
Taxes	(40)	(12)
Total transaction costs	(182)	(299)
Total sales net of transaction costs	314,951	367,998

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, Sterling Class 'R' (Net Income and Net Accumulation) shares and Sterling Class 'X' (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 August 2013, is set out in the following table (31.08.12: same):

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
Class 'X'	nil	4.50 ^[a]	1.50
Euro			
Class 'A'	5.25	n/a	1.75
Class 'C'	3.25	n/a	0.75
US dollar			
Class 'A'	5.25	n/a	1.75
Class 'C'	3.25	n/a	0.75

^[a] The withdrawal fee diminishes over a period of five years. Please refer to the Key Investor Information Document (KIID) in conjunction with the Important Information for Investors document.

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

	31.08.13		31.08.12	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Sterling				
Class 'A'	491,171	202,241	449,746	183,559
Class 'I'	3,552	8,535	1	1
Class 'R'	96	116	1	1
Class 'X'	8,328	11,897	6,576	9,110
Euro				
Class 'A'	n/a	95,451	n/a	72,483
Class 'B'	n/a	n/a	n/a	35
Class 'C'	n/a	100,992	n/a	78,170
US dollar				
Class 'A'	n/a	1,276	n/a	1,417
Class 'C'	n/a	36,921	n/a	23,618

The net asset value per share and the number of shares are given in the net assets table on page 76. The distribution per share is given in the distribution table on page 82. Each share class has the same rights on winding-up.

M&G Global Growth Fund

FINANCIAL STATEMENTS

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12 Finance costs

	2013 £'000	2012 £'000
Income shares (Sterling)		
Class 'A' - Final	2,363	2,329
Class 'I' - Final ^[a]	43	0
Class 'R' - Final ^[b]	1	0
Class 'X' - Final	41	36
Accumulation shares (Sterling)		
Class 'A' - Final	972	923
Class 'I' - Final ^[c]	103	0
Class 'R' - Final ^[d]	1	0
Class 'X' - Final	57	45
Accumulation shares (Euro)		
Class 'A' - Final	249	161
Class 'B' - Final	n/a	0
Class 'C' - Final	1,204	961
Accumulation shares (US dollar)		
Class 'A' - Final	3	4
Class 'C' - Final	440	291
Finance costs: Dividend distributions	5,477	4,750
Income deducted on cancellation of shares	186	596
Income received on issue of shares	(356)	(296)
Finance costs: Distributions	5,307	5,050
Net revenue per statement of total return	6,422	5,654
Stock dividends not distributed	(1,129)	(610)
Overseas tax offset against capital	0	8
Undistributed income brought forward	14	12
Undistributed income carried forward	0	(14)
Finance costs: Distributions	5,307	5,050

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

[b] The comparative final distribution for Sterling Class 'R' (Income) shares was £1.

[c] The comparative final distribution for Sterling Class 'I' (Accumulation) shares was £2.

[d] The comparative final distribution for Sterling Class 'R' (Accumulation) shares was £1.

DISTRIBUTION TABLE

Dividend distributions on Income shares	Net income	Equalisation	Distribution payable/paid	
			2013	2012
Sterling	p	p	p	p
Class 'A' - Final				
Group 1:	1.2350	-	1.2350	1.1066
Group 2:	0.2050	1.0300	1.2350	1.1066
Class 'I' - Final				
Group 1:	14.9213	-	14.9213	1.7650
Group 2:	8.7094	6.2119	14.9213	1.7650
Class 'R' - Final				
Group 1:	1.2224	-	1.2224	0.1450
Group 2:	0.5175	0.7049	1.2224	0.1450
Class 'X' - Final				
Group 1:	1.2562	-	1.2562	1.1654
Group 2:	0.8498	0.4064	1.2562	1.1654
Dividend distributions on Accumulation shares	Net income	Equalisation	Amount reinvested	
			2013	2012
Sterling	p	p	p	p
Class 'A' - Final				
Group 1:	2.3623	-	2.3623	2.0482
Group 2:	1.6518	0.7105	2.3623	2.0482
Class 'I' - Final				
Group 1:	14.9424	-	14.9424	1.7650
Group 2:	5.6277	9.3147	14.9424	1.7650
Class 'R' - Final				
Group 1:	1.2106	-	1.2106	0.1450
Group 2:	1.1296	0.0810	1.2106	0.1450
Class 'X' - Final				
Group 1:	2.3383	-	2.3383	2.0092
Group 2:	1.1142	1.2241	2.3383	2.0092
Euro	€	€	€	€
Class 'A' - Final				
Group 1:	4.5734	-	4.5734	3.4840
Group 2:	2.7349	1.8385	4.5734	3.4840
Class 'B' - Final				
Group 1:	n/a	n/a	n/a	nil
Group 2:	n/a	n/a	n/a	nil
Class 'C' - Final				
Group 1:	23.0130	-	23.0130	20.9900
Group 2:	10.7448	12.2682	23.0130	20.9900
US dollar	¢	¢	¢	¢
Class 'A' - Final				
Group 1:	4.5412	-	4.5412	4.4100
Group 2:	2.4853	2.0559	4.5412	4.4100
Class 'C' - Final				
Group 1:	21.5868	-	21.5868	18.7050
Group 2:	14.8821	6.7047	21.5868	18.7050

Final period 01.09.12 - 31.08.13

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 Leaders Fund

AUTHORISED CORPORATE DIRECTOR'S REPORT

Investment objective and policy of the M&G Global Leaders Fund

The objective of the fund is to maximise long term total return (the combination of income and growth of capital). The fund invests in a wide range of global equities issued by companies that the fund manager considers to be, or have the potential to be, leading in their field in terms of improving shareholder value.

Investment approach

The M&G Global Leaders Fund is a distinctive global equity fund with a clear investment strategy. The fund manager selects stocks from across the global equities universe that are undergoing positive internal change leading to improvements in return on capital.

The approach has three core tenets: a) The right management can make the difference at companies; b) Capital allocation is key. Companies must concentrate resources on those business activities where they have a competitive advantage and can create value; c) The observed improvements at the company must not yet be reflected in its share price.

Stocks are selected on a bottom-up basis; the fund manager tends to avoid imposing top-down views on sector, country or currency selections, but will take into account macroeconomic factors where they impact on a particular stock or the risk profile of the broader portfolio. The fund usually holds between 50 and 80 stocks, with 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.

* Please note that this 'Risk and reward profile' section is based on Sterling Class 'A' shares, the nominated share class.

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 2 September 2013, for the year ended 31 August 2013

The fund's strategy is to identify companies undergoing positive internal change, leading to improvements in return on capital. Examples of such changes include management's new emphasis on creating shareholder value or improving the efficiency of capital allocation.

Over the review period, we increased the fund's weighting in financials, adding new holdings in US insurer MetLife and UK bank, Royal Bank of Scotland Group (RBS). MetLife, which is primarily involved in life assurance, substantially raised its payout to shareholders recently and has carried out a strategic review to improve the future allocation of capital.

RBS has been extensively restructured over the past five years and a large part of this has been achieved ahead of schedule, which has helped to stabilise its business. In addition, the bank has been able to decrease its losses on loans significantly.

At the same time, we sold the fund's positions in US bank Wells Fargo and Thailand's Krung Thai Bank. Both holdings have been significant contributors to performance over the period, but in our opinion, their share prices now reflect the strength of their franchises.

We made a number of changes within pharmaceuticals, disposing of US business Pfizer on valuation grounds and initiating a position in biotechnology company Amgen. Amgen develops medicines for grievous illnesses and has been improving its capital discipline.

Elsewhere in the portfolio, we initiated positions in Swedish personal care products company Svenska Cellulosa and French car manufacturer Renault. Svenska Cellulosa has exited some of its paper and pulp operations and is focusing on personal care products, which generate higher and more stable returns in our view. Meanwhile, Renault has begun to achieve cost savings as a result of its implementation of a Japanese-inspired manufacturing style – a benefit of the Renault/Nissan alliance – and has also disposed of its interest in loss-making Volvo.

Finally, branded food manufacturer H.J. Heinz left the portfolio following a successful bid by investment group Berkshire Hathaway and a private investor.

Aled Smith Fund manager

Aled Smith is 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.

M&G Global Leaders Fund

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Interim	03.03.14	30.04.14
Final	01.09.14	31.10.14

	Final distribution		Ongoing Charges Figure ^[b]	
	Inc 31.10.13 ^[a]	Acc 02.09.13 ^[a]	31.08.13	31.08.12
Sterling	p	p	%	%
Class 'A'	1.7175	3.8938	1.67	1.67
Class 'I'	11.8083	11.9197	0.93	0.93 ^[c]
Class 'R'	1.1790	1.1746	1.17	1.18 ^[c]
Class 'X'	1.6990	3.8427	1.67	1.67
Euro	¢	¢	%	%
Class 'A'	n/a	13.1530	1.92	1.93
Class 'C'	n/a	14.6619	0.92	0.92
US dollar	¢	¢	%	%
Class 'A'	n/a	9.1044	1.92	1.90
Class 'C'	n/a	9.6707	0.92	0.93

^[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 31.08.13		Net asset value per share as at 31.08.12		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	182.11	416.73	149.80	337.05	+21.57	+23.64
Class 'I'	1,254.83	1,277.24	1,023.08	1,025.03	+22.65	+24.61
Class 'R'	125.13	127.34	102.29	102.48	+22.33	+24.26
Class 'X'	180.13	411.27	147.97	333.22	+21.73	+23.42
Euro	€	€	€	€	%	%
Class 'A'	n/a	14.0660	n/a	12.2632	n/a	+14.70
Class 'C'	n/a	15.7278	n/a	13.5766	n/a	+15.84
US dollar	\$	\$	\$	\$	%	%
Class 'A'	n/a	9.7382	n/a	8.0696	n/a	+20.68
Class 'C'	n/a	10.3798	n/a	8.5148	n/a	+21.90

PERFORMANCE SINCE LAUNCH

	six months 01.03.13 %	one year 03.09.12 %	five years 02.09.08 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	+2.5	+21.5	+2.2	+4.9 ^[c]
Class 'I'	+2.9	+22.4	n/a	+22.9 ^[d]
Class 'R'	+2.8	+22.1	n/a	+22.6 ^[d]
Class 'X'	+2.5	+21.5	+2.2	+8.9 ^[e]
Euro ^[f]				
Class 'A'	+5.6	+14.6	+3.0	+3.0 ^[g]
Class 'C'	+6.1	+15.8	+4.0	+3.9 ^[g]
US dollar ^[f]				
Class 'A'	+7.2	+20.5	+1.1	-0.4 ^[h]
Class 'C'	+7.8	+21.8	+2.1	+0.6 ^[h]

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

^[b] Bid to bid excluding reinvested income.

^[c] 31 May 1985, the end of the initial offer period of the predecessor unit trust.

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

^[e] 1 October 2002, the launch date of the share class.

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

^[g] 28 November 2001, the launch date of the share class.

^[h] 9 March 2007, the launch date of the share class.

SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From To	31.08.12 30.08.13 %	31.08.11 31.08.12 %	31.08.10 31.08.11 %	31.08.09 31.08.10 %	29.08.08 31.08.09 %
Sterling					
Class 'A'	+24.1	+6.7	+2.9	+5.3	-13.0

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

M&G Global Leaders Fund

FUND STATISTICS

PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
Sterling (net)					
Class 'A'	2008	177.49	94.68	363.92	197.69
	2009	151.15	92.87	323.45	196.46
	2010	171.18	136.81	372.85	294.69
	2011	173.36	132.32	377.61	289.67
	2012	160.39	142.47	356.93	317.05
	2013 ^[a]	196.32	158.32	445.05	356.78
Class 'I'	2012 ^[b]	1,071.85	1,000.00	1,074.20	1,000.00
	2013 ^[a]	1,351.91	1,085.37	1,363.22	1,088.10
Class 'R'	2012 ^[b]	107.13	100.00	107.34	100.00
	2013 ^[a]	134.84	108.45	135.94	108.64
Class 'X'	2008	175.57	93.65	359.17	195.11
	2009	149.50	91.85	319.23	193.90
	2010	169.31	135.32	367.99	290.85
	2011	171.48	130.88	372.68	285.90
	2012	158.65	140.92	352.28	312.92
	2013 ^[a]	194.19	156.58	439.22	352.13
Euro (net)					
Class 'A'	2008	n/a	n/a	14.3827	6.8738
	2009	n/a	n/a	10.4126	6.4172
	2010	n/a	n/a	12.6941	10.1399
	2011	n/a	n/a	13.0270	9.5970
	2012	n/a	n/a	12.6369	11.2202
	2013 ^[a]	n/a	n/a	14.9423	12.6693
Class 'C'	2008	n/a	n/a	15.1914	7.3261
	2009	n/a	n/a	11.2214	6.8601
	2010	n/a	n/a	13.8190	10.9398
	2011	n/a	n/a	14.1888	10.5153
	2012	n/a	n/a	13.9851	12.3395
	2013 ^[a]	n/a	n/a	16.6604	14.0729
US dollar (net)					
Class 'A'	2008	n/a	n/a	11.0416	4.5191
	2009	n/a	n/a	7.8459	4.2248
	2010	n/a	n/a	8.7409	6.7862
	2011	n/a	n/a	9.2335	6.9010
	2012	n/a	n/a	8.6530	7.5198
	2013 ^[a]	n/a	n/a	10.1706	8.7577
Class 'C'	2008	n/a	n/a	11.1178	4.5934
	2009	n/a	n/a	8.0620	4.3070
	2010	n/a	n/a	9.0729	7.0096
	2011	n/a	n/a	9.5980	7.2177
	2012	n/a	n/a	9.1580	7.9181
	2013 ^[a]	n/a	n/a	10.8319	9.2736

^[a] To 2 September 2013.

^[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.

INCOME

Dividend income per share

	Calendar year	Interim	Distributed	Total	Reinvested
			Final		
Sterling (net)					
Class 'A'	2008	1.0780	1.8570	2.9350	6.0434
	2009	1.3190	1.5490	2.8680	6.0311
	2010	1.0050	1.5950	2.6000	5.5863
	2011	0.8530	1.5230	2.3760	4.9319
	2012	0.9340	1.9080	2.8420	6.2867
	2013 ^[a]	1.0304	1.7175	2.7479	6.1010
Class 'I'	2012	n/a	1.9450	1.9450	1.9450
	2013 ^[a]	7.0389	11.8083	18.8472	19.4391
Class 'R'	2012	n/a	0.1900	0.1900	0.1900
	2013 ^[a]	0.7634	1.1790	1.9424	1.9426
Class 'X'	2008	1.0710	1.8360	2.9070	5.9725
	2009	1.3090	1.5280	2.8370	5.9528
	2010	0.9950	1.5790	2.5740	5.5184
	2011	0.8430	1.5070	2.3500	5.1302
	2012	0.9250	1.8870	2.8120	6.0038
	2013 ^[a]	1.0082	1.6990	2.7072	6.0197
Euro (net)					
Class 'A'	2008	n/a	n/a	n/a	22.3660
	2009	n/a	n/a	n/a	19.8710
	2010	n/a	n/a	n/a	19.1450
	2011	n/a	n/a	n/a	17.2310
	2012	n/a	n/a	n/a	22.3779
	2013 ^[a]	n/a	n/a	n/a	20.5184
Class 'C'	2008	n/a	n/a	n/a	23.6590
	2009	n/a	n/a	n/a	21.2380
	2010	n/a	n/a	n/a	20.8430
	2011	n/a	n/a	n/a	18.8030
	2012	n/a	n/a	n/a	24.0191
	2013 ^[a]	n/a	n/a	n/a	22.8391
US dollar (net)					
Class 'A'	2008	n/a	n/a	n/a	17.4820
	2009	n/a	n/a	n/a	14.0860
	2010	n/a	n/a	n/a	12.9750
	2011	n/a	n/a	n/a	12.8070
	2012	n/a	n/a	n/a	15.1221
	2013 ^[a]	n/a	n/a	n/a	14.1452
Class 'C'	2008	n/a	n/a	n/a	17.8090
	2009	n/a	n/a	n/a	14.4060
	2010	n/a	n/a	n/a	13.3790
	2011	n/a	n/a	n/a	13.3230
	2012	n/a	n/a	n/a	15.4041
	2013 ^[a]	n/a	n/a	n/a	15.0329

^[a] Up to final: ex-distribution date 2 September 2013; payment date 31 October 2013.

M&G Global Leaders Fund

FUND STATISTICS

NET ASSETS					
	Year ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
Sterling					
Class 'A'	Aug 2011	142.82	315.98	97,696,966	95,861,901
	Aug 2012	149.80	337.05	88,800,466	105,510,701
	Aug 2013	182.11	416.73	44,331,166	106,621,501
Class 'I'	Aug 2012	1,023.08	1,025.03	100	100
	Aug 2013	1,254.83	1,277.24	148,200	159,000
Class 'R'	Aug 2012	102.29	102.48	1,000	1,000
	Aug 2013	125.13	127.34	80,000	12,000
Class 'X'	Aug 2011	141.26	311.86	5,962,942	7,729,137
	Aug 2012	147.97	333.22	5,319,942	7,004,937
	Aug 2013	180.13	411.27	4,561,942	5,838,737
Euro					
		€	€		
Class 'A'	Aug 2011	n/a	10.3276	n/a	28,208,441
	Aug 2012	n/a	12.2632	n/a	27,232,541
	Aug 2013	n/a	14.0660	n/a	23,765,341
Class 'C'	Aug 2011	n/a	11.3179	n/a	12,949,355
	Aug 2012	n/a	13.5766	n/a	7,600,855
	Aug 2013	n/a	15.7278	n/a	7,158,055
US dollar					
		\$	\$		
Class 'A'	Aug 2011	n/a	7.7930	n/a	1,249,100
	Aug 2012	n/a	8.0696	n/a	1,343,300
	Aug 2013	n/a	9.7382	n/a	2,652,200
Class 'C'	Aug 2011	n/a	8.1440	n/a	1,089,200
	Aug 2012	n/a	8.5148	n/a	1,185,500
	Aug 2013	n/a	10.3798	n/a	562,500
Total net asset value of sub-fund					
	Year ended	£		€ [a]	
	Aug 2011	874,565,000		986,548,000	
	Aug 2012	880,389,000		1,108,130,000	
	Aug 2013	963,362,000		1,127,992,000	

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

PORTFOLIO

PORTFOLIO STATEMENT

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
Oil & gas producers		7.32	8.16
309,500 Anadarko Petroleum	18,294	1.90	
27,589,800 China Petroleum & Chemical 'H'	12,805	1.33	
732,102 Repsol	11,061	1.15	
2,273,700 Talisman Energy	15,724	1.63	
546,500 Valero Energy	12,621	1.31	
Oil equipment, services & distribution		1.30	0.00
894,859 Petrofac	12,483	1.30	
Chemicals		1.10	2.17
116,311 Solvay	10,554	1.10	
Industrial metals & mining		1.35	0.00
200,200 Parker Hannifin	13,018	1.35	
Mining		0.00	3.97
Construction & materials		0.00	0.40
Aerospace & defence		0.00	2.17
General industrials		4.08	5.17
1,617,000 General Electric	24,106	2.50	
706,400 ITT	15,274	1.58	
Electronic & electrical equipment		7.25	6.24
3,633,000 Hitachi	14,127	1.47	
1,047,800 Jabil Circuit	15,681	1.63	
376,500 Motorola Solutions	13,642	1.42	
307,300 Nidec	14,815	1.54	
1,414,500 Yokogawa Electric	11,502	1.19	
Industrial engineering		1.32	1.38
2,012,792 Bodycote	12,701	1.32	
Industrial transportation		2.68	1.12
421,000 Con-way	11,577	1.20	
1,306,200 UTi Worldwide	14,248	1.48	
Support services		0.00	0.62
Automobiles & parts		7.65	3.01
617,500 Bridgestone	13,080	1.36	
460,000 Harley-Davidson	17,807	1.85	
1,103,000 NGK Spark Plug	13,787	1.43	
340,001 Renault	15,994	1.66	
878,600 Toyota Tsusho	13,042	1.35	
Beverages		2.73	2.96
488,900 Dr Pepper Snapple	14,060	1.46	
4,466,367 Treasury Wine Estates	12,208	1.27	
Food producers		0.00	1.88
Household goods & home construction		4.16	3.02
545,700 Fortune Brands Home & Security	13,183	1.37	
5,678,100 Samsonite International	9,517	0.99	
284,100 Snap-on	17,374	1.80	
Leisure goods		2.83	3.01
1,257,863 Amer Sports	16,093	1.67	
725,300 Sega Sammy Holdings	11,167	1.16	
Personal goods		1.79	0.00
1,071,297 Svenska Cellulosa 'B'	17,227	1.79	
Healthcare equipment & services		1.82	0.95
675,300 Haemonetics	17,494	1.82	

M&G Global Leaders Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
Pharmaceuticals & biotechnology			
255,400 Amgen	17,933	1.86	
469,300 Eli Lilly	15,576	1.62	
803,470 H. Lundbeck	10,497	1.09	
227,900 Mallinckrodt Pharmaceuticals	6,480	0.67	
110,635 Merck	10,890	1.13	
431,859 Novartis (Regd.)	20,287	2.11	
147,467 Sanofi	9,287	0.96	
Food & drug retailers			
263,355 CST Brands	5,056	0.52	
326,600 CVS Caremark	12,182	1.26	
1,952,073 SuperValu	9,167	0.95	
General retailers			
434,000 eBay	14,273	1.48	
901,300 LeapFrog Enterprises	5,698	0.59	
Media			
300,300 CBS 'B'	9,990	1.04	
726,775 News Corporation	7,478	0.78	
782,300 Twenty-First Century Fox	15,901	1.65	
974,337 Vivendi	13,010	1.35	
Travel & leisure			
932,780 Deutsche Lufthansa	10,826	1.12	
200,800 Madison Square Garden	7,537	0.78	
1,470,229 MGM Resorts International	16,863	1.75	
Electricity			
Gas, water & multi-utilities			
547,088 Xylem	8,745	0.91	
Banks			
3,418,000 Bank of Yokohama	11,585	1.20	
768,500 Citigroup	24,024	2.49	
14,648,667 Intesa Sanpaolo	18,829	1.95	
15,648,309 Lloyds Banking Group	11,505	1.19	
5,124,612 Royal Bank of Scotland Group	17,132	1.78	
385,430 State Bank of India	5,728	0.59	
Non-life insurance			
166,841 Ace	9,499	0.99	
6,959,200 AIA Group	19,623	2.04	
1,301,053 Brasil Insurance	6,314	0.66	
Life insurance			
710,700 MetLife	21,291	2.21	
Real estate investment & services			
13,775,504 New World Development	12,466	1.29	
Financial services			
880,475 Morgan Stanley	14,722	1.53	
Software & computer services			
815,400 Microsoft	17,652	1.83	
987,300 Nomura Research Institute	19,779	2.05	
Technology hardware & equipment			
868,100 Intel	12,353	1.28	
325,900 Qualcomm	13,932	1.45	
471,800 Tessera	5,646	0.59	
'AAA' rated money market funds [a]			
57,160,000 Northern Trust Global Fund - US dollar	36,873	3.83	
Portfolio of investments (notes 1b & 1d on page 88)	962,895	99.95	100.31
Net other assets / (liabilities)	467	0.05	(0.31)
Net assets attributable to shareholders	963,362	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 August 2013

	£'000
Largest purchases	
MetLife	18,358
Amgen	16,868
Royal Bank of Scotland Group	15,536
Renault	15,510
Svenska Cellulosa 'B'	15,245
Twenty-First Century Fox	15,142
Morgan Stanley	14,742
NGK Spark Plug	14,281
Parker Hannifin	13,551
Jabil Circuit	13,119
Motorola Solutions	12,828
Valero Energy	12,318
Bridgestone	12,017
Petrofac	11,606
Ace	11,410
Bank of Yokohama	11,240
Microsoft	11,057
Con-way	10,704
Xylem	10,329
Samsonite International	10,012
Northern Trust Global Fund - US dollar [a]	225,506
Other purchases	215,832
Total purchases	707,211
Largest sales	
Wells Fargo	35,383
Pfizer	28,963
H.J. Heinz	21,401
Krung Thai Bank	20,499
Sanofi	20,063
Lowe's	19,721
SAP	15,276
Time Warner Cable	15,262
Newmont Mining	14,575
Cisco Systems	14,294
BASF	13,904
Myriad Genetics	13,627
Northrop Grumman	12,234
Energia Do Brasil	12,169
JGC	11,820
eBay	11,450
General Electric	11,407
Anglo American	11,262
Rolls-Royce Holdings	11,099
Microsoft	10,759
Northern Trust Global Fund - US dollar [a]	198,751
Other sales	290,898
Total sales	814,817

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

M&G Global Leaders Fund

FINANCIAL STATEMENTS

For the year ended 31 August 2013.

STATEMENT OF TOTAL RETURN

	Note	2013		2012	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	3		187,158		51,989
Revenue	4	18,066		21,249	
Expenses	5	(15,277)		(14,693)	
Net revenue before taxation		2,789		6,556	
Taxation	6	(2,144)		(2,878)	
Net revenue after taxation			645		3,678
Total return before distributions			187,803		55,667
Finance costs: Distributions	12		(14,360)		(16,871)
Change in net assets attributable to shareholders from investment activities			173,443		38,796

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2013		2012	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		880,389		874,565
Amounts received on issue of shares	72,853		135,947	
Amounts paid on cancellation of shares	(176,023)		(182,739)	
		(103,170)		(46,792)
Stamp Duty Reserve Tax (SDRT)		(10)		(25)
Change in net assets attributable to shareholders from investment activities (see above)		173,443		38,796
Retained distributions on Accumulation shares		12,701		13,837
Unclaimed distributions		9		8
Closing net assets attributable to shareholders		963,362		880,389

BALANCE SHEET

	as at 31 August 2013		as at 31 August 2012	
	£'000	£'000	£'000	£'000
Assets				
Investment assets		962,895		883,139
Debtors				
Amounts receivable on issues	1,046		340	
Currency deals outstanding	802		2,924	
Distributions receivable	2		1	
Dividends receivable	1,132		1,751	
Overseas tax recoverable	608		569	
Sales awaiting settlement	0		1,128	
		3,590		6,713
Cash and bank balances				
Cash held as bank balances	1,479		400	
		1,479		400
Total other assets		5,069		7,113
Total assets		967,964		890,252
Liabilities				
Creditors				
Amounts payable on cancellations	(765)		(897)	
Currency deals outstanding	(802)		(2,924)	
Expenses payable	(582)		(560)	
Net distributions payable on Income shares	(857)		(1,795)	
Purchases awaiting settlement	(1,595)		(3,687)	
SDRT payable	(1)		0	
Total liabilities		(4,602)		(9,863)
Net assets attributable to shareholders		963,362		880,389

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 30 August 2013, 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 30 August 2013, being the last business day of the financial year.

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) 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.

g) 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.

h) 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.

i) 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.

j) 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.

In determining the distribution of the sub-fund, the ACD's periodic charge is offset against capital. The effect of this is that the distribution is determined as if the ACD's periodic charge had been charged to capital. 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. 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 foreign currency exposures are generally covered by short-dated currency contracts. Income arising in foreign currencies is 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 companies 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 137, 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 (31.08.12: same).

3 Net capital gains

	2013 £'000	2012 £'000
Non-derivative securities	187,860	53,281
Currency losses	(775)	(1,258)
Special dividends taken to capital	80	0
Transaction charges	(7)	(34)
Net capital gains	187,158	51,989

M&G Global Leaders Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

4 Revenue

	2013 £'000	2012 £'000
Bank interest	1	5
Interest distributions	10	12
Interest on overseas tax previously withheld at source	19	0
Overseas dividends	17,528	20,137
UK dividends	508	1,095
Total revenue	18,066	21,249

5 Expenses

	2013 £'000	2012 £'000
Payable to the Authorised Corporate Director or associate		
Authorised Corporate Director's periodic charge	13,702	13,192
Administration fee	1,373	1,321
	15,075	14,513
Payable to the Depositary or associate		
Depositary's fee (including VAT)	52	50
Distribution fee	1	0
	53	50
Other expenses		
Audit fee (including VAT)	10	10
Regulatory fees	2	13
Safe custody charge	129	85
Tax consultancy fees (including VAT) ^[a]	15	28
	156	136
VAT recovered		
Current year	(1)	(1)
Prior year	(6)	(5)
	(7)	(6)
Total expenses	15,277	14,693

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

6 Taxation

	2013 £'000	2012 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Overseas tax	2,249	2,867
Overseas tax: exchange rate movements	(8)	0
Overseas tax recovered: previously withheld at source	(97)	0
Prior year adjustment	0	11
Current tax charge (note 6b)	2,144	2,878
Deferred tax (note 6c)	0	0
Total taxation	2,144	2,878
b) Factors affecting taxation charge for the year		
Net revenue before taxation	2,789	6,556
Corporation tax at 20%	558	1,311
Effects of:		
Tax on special dividends taken to capital	16	0
UK dividends not taxable	(102)	(219)
Overseas dividends not taxable	(3,527)	(4,038)
Current year expenses not utilised	3,055	2,946
Overseas tax	2,249	2,867
Overseas tax: exchange rate movements	(8)	0
Overseas tax recovered: previously withheld at source	(97)	0
Prior year adjustment	0	11
Current tax charge (note 6a)	2,144	2,878
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 £12,382,000 (31.08.12: £9,374,000) 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 £626,514. 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 (31.08.12: a contingent liability of £1,677,991 in respect of 6,609,200 Krung Thai Bank nil paid shares resulting from a rights issue).

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 £525,000 (31.08.12:

M&G Global Leaders Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

8 Related parties (continued)

£443,000) in respect of the ACD's periodic charge and administration 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 29.97% (31.08.12: 34.82%) 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 (31.08.12: 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 31.08.13 £'000	as at 31.08.12 £'000	as at 31.08.13 £'000	as at 31.08.12 £'000	as at 31.08.13 £'000	as at 31.08.12 £'000
Australian dollar	12,208	15,091	0	254	12,208	15,345
Brazilian real	6,314	10,462	(522)	0	5,792	10,462
Canadian dollar	15,724	8,387	0	(989)	15,724	7,398
Danish krone	10,497	0	0	0	10,497	0
Euro	116,544	141,199	385	112	116,929	141,311
Hong Kong dollar	54,411	49,215	81	49	54,492	49,264
Indian rupee	5,728	12,489	0	0	5,728	12,489
Japanese yen	122,884	83,915	102	(1,457)	122,986	82,458
Singapore dollar	0	14,541	0	0	0	14,541
Swedish krona	17,227	0	0	0	17,227	0
Swiss franc	20,287	15,815	259	119	20,546	15,934
Thailand baht	0	24,455	0	173	0	24,628
US dollar	527,250	430,047	1,526	1,482	528,776	431,529
	909,074	805,616	1,831	(257)	910,905	805,359
Sterling	53,821	77,523	(1,364)	(2,493)	52,457	75,030
Total	962,895	883,139	467	(2,750)	963,362	880,389

Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.12: same).

Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.12: same).

10 Portfolio transaction costs

	2013 £'000	2012 £'000
a) Purchases		
Purchases excluding transaction costs	706,590	777,049
Commissions	402	742
Taxes	219	161
Total transaction costs	621	903
Total purchases including transaction costs	707,211	777,952
b) Sales		
Sales excluding transaction costs	815,384	825,549
Commissions	(530)	(690)
Taxes	(37)	(17)
Total transaction costs	(567)	(707)
Total sales net of transaction costs	814,817	824,842

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, Sterling Class 'R' (Net Income and Net Accumulation) shares and Sterling Class 'X' (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 August 2013, is set out in the following table (31.08.12: same):

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
Class 'X'	nil	4.50 ^[a]	1.50
Euro			
Class 'A'	5.25	n/a	1.75
Class 'C'	3.25	n/a	0.75
US dollar			
Class 'A'	5.25	n/a	1.75
Class 'C'	3.25	n/a	0.75

^[a] The withdrawal fee diminishes over a period of five years. Please refer to the Key Investor Information Document (KIID) in conjunction with the Important Information for Investors document.

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 Leaders 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

	31.08.13		31.08.12	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Sterling				
Class 'A'	80,730	444,324	133,023	355,620
Class 'I'	1,860	2,031	1	1
Class 'R'	100	15	1	1
Class 'X'	8,217	24,013	7,872	23,342
Euro				
Class 'A'	n/a	285,496	n/a	265,324
Class 'C'	n/a	96,149	n/a	81,986
US dollar				
Class 'A'	n/a	16,661	n/a	6,844
Class 'C'	n/a	3,766	n/a	6,374

The net asset value per share and the number of shares are given in the net assets table on page 86. The distribution per share is given in the distribution table on page 93. Each share class has the same rights on winding-up.

12 Finance costs

	2013 £'000	2012 £'000
Income shares (Sterling)		
Class 'A' - Interim	571	859
- Final	761	1,694
Class 'I' - Interim	2	n/a
- Final ^[a]	17	0
Class 'R' - Interim ^[b]	0	n/a
- Final ^[c]	1	0
Class 'X' - Interim	52	54
- Final	78	101
Accumulation shares (Sterling)		
Class 'A' - Interim	2,290	2,164
- Final	4,152	4,459
Class 'I' - Interim	1	n/a
- Final ^[d]	19	0
Class 'R' - Interim ^[e]	0	n/a
- Final ^[e] ^[f]	0	0
Class 'X' - Interim	139	152
- Final	224	278
Accumulation shares (Euro)		
Class 'A' - Interim	1,533	1,711
- Final	2,670	3,301
Class 'C' - Interim	502	550
- Final	896	984
Accumulation shares (US dollar)		
Class 'A' - Interim	29	43
- Final	156	86
Class 'C' - Interim	55	33
- Final	35	76
Finance costs: Dividend distributions	14,183	16,545
Income deducted on cancellation of shares	628	995
Income received on issue of shares	(451)	(669)
Finance costs: Distributions	14,360	16,871
Net revenue per statement of total return	645	3,678
Expenses offset against capital	13,702	13,192
Overseas tax offset against capital	0	2
Undistributed income brought forward	13	12
Undistributed income carried forward	0	(13)
Finance costs: Distributions	14,360	16,871

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

^[b] The interim distribution for Sterling Class 'R' (Income) shares was £275.

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

^[d] The comparative final distribution for Sterling Class 'I' (Accumulation) shares was £2.

^[e] The total distribution for Sterling Class 'R' (Accumulation) shares was £148.

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

M&G Global Leaders Fund

FINANCIAL STATEMENTS

DISTRIBUTION TABLE				
Dividend distributions on Income shares	Net income	Equalisation	Distribution payable/paid	
			2013	2012
Sterling				
Class 'A' - Interim				
Group 1:	1.0304	-	1.0304	0.9340
Group 2:	0.5429	0.4875	1.0304	0.9340
- Final				
Group 1:	1.7175	-	1.7175	1.9080
Group 2:	0.6777	1.0398	1.7175	1.9080
Class 'I' - Interim				
Group 1:	7.0389	-	7.0389	n/a
Group 2:	3.8626	3.1763	7.0389	n/a
- Final				
Group 1:	11.8083	-	11.8083	1.9450
Group 2:	8.7249	3.0834	11.8083	1.9450
Class 'R' - Interim				
Group 1:	0.7634	-	0.7634	n/a
Group 2:	0.0807	0.6827	0.7634	n/a
- Final				
Group 1:	1.1790	-	1.1790	0.1900
Group 2:	0.8738	0.3052	1.1790	0.1900
Class 'X' - Interim				
Group 1:	1.0082	-	1.0082	0.9250
Group 2:	0.5008	0.5074	1.0082	0.9250
- Final				
Group 1:	1.6990	-	1.6990	1.8870
Group 2:	0.8308	0.8682	1.6990	1.8870

DISTRIBUTION TABLE (continued)

Dividend distributions on Accumulation shares	Net income	Equalisation	Amount reinvested	
			2013	2012
Sterling				
Class 'A' - Interim				
Group 1:	2.2072	-	2.2072	2.0611
Group 2:	1.1365	1.0707	2.2072	2.0611
- Final				
Group 1:	3.8938	-	3.8938	4.2256
Group 2:	0.9759	2.9179	3.8938	4.2256
Class 'I' - Interim				
Group 1:	7.5194	-	7.5194	n/a
Group 2:	1.7764	5.7430	7.5194	n/a
- Final				
Group 1:	11.9197	-	11.9197	1.9450
Group 2:	5.3164	6.6033	11.9197	1.9450
Class 'R' - Interim				
Group 1:	0.7680	-	0.7680	n/a
Group 2:	0.7680	-	0.7680	n/a
- Final				
Group 1:	1.1746	-	1.1746	0.1900
Group 2:	0.2301	0.9445	1.1746	0.1900
Class 'X' - Interim				
Group 1:	2.1770	-	2.1770	2.0374
Group 2:	1.0190	1.1580	2.1770	2.0374
- Final				
Group 1:	3.8427	-	3.8427	3.9664
Group 2:	1.3779	2.4648	3.8427	3.9664
Euro				
Class 'A' - Interim				
Group 1:	7.3654	-	7.3654	7.1199
Group 2:	3.4713	3.8941	7.3654	7.1199
- Final				
Group 1:	13.1530	-	13.1530	15.2580
Group 2:	3.9032	9.2498	13.1530	15.2580
Class 'C' - Interim				
Group 1:	8.1772	-	8.1772	7.7195
Group 2:	3.4915	4.6857	8.1772	7.7195
- Final				
Group 1:	14.6619	-	14.6619	16.2996
Group 2:	5.3861	9.2758	14.6619	16.2996
US dollar				
Class 'A' - Interim				
Group 1:	5.0408	-	5.0408	4.9480
Group 2:	2.2828	2.7580	5.0408	4.9480
- Final				
Group 1:	9.1044	-	9.1044	10.1741
Group 2:	1.6005	7.5039	9.1044	10.1741
Class 'C' - Interim				
Group 1:	5.3622	-	5.3622	5.2158
Group 2:	1.8311	3.5311	5.3622	5.2158
- Final				
Group 1:	9.6707	-	9.6707	10.1883
Group 2:	0.9195	8.7512	9.6707	10.1883

Interim period 01.09.12 - 28.02.13

Final period 01.03.13 - 31.08.13

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 Leaders Fund

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M&G Japan Fund

AUTHORISED CORPORATE DIRECTOR'S REPORT

Investment objective and policy of the M&G Japan Fund

The Fund invests in a wide range of securities of Japanese issuers, covering most aspects of the economy. Its sole objective is long term capital growth. Income is not a consideration when investments are selected.

Investment approach

The M&G Japan Fund screens a wide investment universe to form a concentrated portfolio of Japanese companies that are trading on low valuations relative to their history and the market. The fund aims to achieve sound capital growth over the long term.

The fund manager applies disciplined and rigorous fundamental analysis during the selection process to ensure a high level of conviction around the valuation for each of the companies held in the fund. The portfolio maintains diversification by typically holding between 30 and 50 stocks.

The fund manager adopts a value approach to investment and the fund owns shares in companies that have cheap valuations relative to the trend returns they are likely to generate over the medium to long term. These companies are quite often out of favour with the market for one reason or another. The fund's investment strategy therefore tends to be contrarian in nature.

The fund manager sees value investing as a price-sensitive process that takes advantage of the mis-pricing of a company's shares by the market. Whilst recognising that markets are generally efficient, the fund manager believes that market mis-pricings can and often do occur because human characteristics (such as fear and greed) may prevent investors from always assessing investments rationally.

As a result, market prices do not always reflect fundamental values since they may over-shoot and under-shoot. For example, shares in companies become mis-priced when investors are willing to pay a high price for the 'comfort' of strong near-term earnings momentum and to be associated with success, whilst they will sell 'unfashionable' securities regardless of inherent value characteristics, such as healthy balance sheets and the likely level of longer term earnings.

Risk and reward profile*



1	2	3	4	5	6	7
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- 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.

* Please note that this 'Risk and reward profile' section is based on Sterling Class 'A' shares, the nominated share class.

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 2 September 2013, for the year ended 31 August 2013

Over the review period, financial stocks returned to favour and valuations in the financial sector became less extreme, in our view. Accordingly, holdings in selected companies, including Nomura Holdings, Sumitomo Mitusi Financial Group and Mitsubishi UFJ Financial Group, were reduced following a period of strong performance. Profits were used to add to our high-conviction holdings that were trailing the market, including electronics components manufacturer TDK, oil seals and industrial rubber products supplier NOK and financial services group Orix. The sale proceeds were also invested in new positions in the global basic materials sector.

Among the newcomers was heavy machinery manufacturer Sumitomo Heavy Industries, which we first identified as an investment candidate in 2009, but held back from investing as we felt market expectations were too high. We revisited the investment case at the beginning of 2013 and decided to initiate a position given the company's restructuring of its long-cycle businesses (shipbuilding, for example). Furthermore, a weaker share price and lower market expectations made for a good entry point to what we feel should be a solid long-term holding for the fund.

Another new position was in specialist electronics producer Showa Denko. The company has a number of businesses whose value has been falling amid uncertain global demand. For example, its core hard drive disk business has come under pressure from a lack of volume growth in the global PC and notebook market. Despite this, the company's market share has been rising, helped by its position as a technology leader in a business sector that has been consolidating. These factors have also contributed to improving production yields and lower average costs. Importantly, we believe the company is trading at very attractive valuations relative to the likely level of sustainable earnings it can generate over the medium term.

Elsewhere, complete sales included Ebara, a manufacturer of engineering equipment, and consumer credit company Credit Saison on valuation grounds.

Dean Cashman Fund manager

Dean Cashman is an employee of Eastspring Investments (Singapore) Limited which is an associate of M&G Securities Limited, by being a subsidiary of Prudential plc.

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 Japan Fund

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.09.14	31.10.14

	Final distribution		Ongoing Charges Figure ^[b]	
	Inc 31.10.13 ^[a]	Acc 02.09.13 ^[a]	31.08.13	31.08.12
Sterling	p	p	%	%
Class 'A'	0.0894	0.0873	1.75	1.74
Class 'I'	12.6714	12.4061	1.01	0.99 ^[c]
Class 'R'	0.9609	0.9734	1.26	1.24 ^[c]
Class 'X'	0.0877	0.0944	1.75	1.74
Euro	¢	¢	%	%
Class 'A'	n/a	2.3967	1.75	1.74
Class 'C'	n/a	10.2998	1.01	0.99

^[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 31.08.13		Net asset value per share as at 31.08.12		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	33.58	36.62	24.84	27.01	+35.19	+35.58
Class 'I'	1,321.59	1,333.74	976.67	976.67	+35.32	+36.56
Class 'R'	132.08	133.06	97.67	97.67	+35.23	+36.23
Class 'X'	33.11	36.13	24.48	26.65	+35.25	+35.57
Euro	€	€	€	€	%	%
Class 'A'	n/a	10.2945	n/a	8.1650	n/a	+26.08
Class 'C'	n/a	11.1702	n/a	8.7915	n/a	+27.06

PERFORMANCE SINCE LAUNCH

	six months 01.03.13 %	one year 03.09.12 %	five years 02.09.08 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	+6.6	+36.3	+8.7	+6.4 ^[c]
Class 'I'	+6.3	+36.5	n/a	+29.8 ^[d]
Class 'R'	+6.3	+36.4	n/a	+29.7 ^[d]
Class 'X'	+6.6	+36.3	+8.7	+5.5 ^[e]
Euro ^[f]				
Class 'A'	+9.2	+27.4	+8.1	+0.3 ^[g]
Class 'C'	+9.6	+28.4	+9.0	+1.0 ^[g]

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

^[b] Bid to bid excluding reinvested income.

^[c] 6 April 1971, the end of the initial offer period of the predecessor unit trust.

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

^[e] 1 October 2002, the launch date of the share class.

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

^[g] 28 November 2001, the launch date of the share class.

SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From To	31.08.12 30.08.13 %	31.08.11 31.08.12 %	31.08.10 31.08.11 %	31.08.09 31.08.10 %	29.08.08 31.08.09 %
Sterling					
Class 'A'	+35.6	-5.0	+2.4	-0.3	+16.0

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'	2008	24.31	18.20	26.09	19.53
	2009	26.23	18.27	28.23	19.60
	2010	31.06	24.22	33.43	26.07
	2011 ^[a]	31.15	25.14	33.53	27.06
	2012	29.45	24.39	31.83	26.53
	2013 ^[b]	38.93	27.08	42.34	29.45
Class 'I'	2012 ^[c]	1,079.67	959.24	1,079.29	959.22
	2013 ^[b]	1,539.52	1,067.80	1,538.92	1,067.43
Class 'R'	2012 ^[c]	107.84	95.89	107.84	95.89
	2013 ^[b]	153.61	106.65	153.64	106.65
Class 'X'	2008	23.98	17.95	25.73	19.26
	2009	25.87	18.02	27.85	19.34
	2010	30.62	23.88	32.98	25.71
	2011 ^[a]	30.71	24.79	33.07	26.70
	2012	29.04	24.05	31.40	26.18
	2013 ^[b]	38.38	26.69	41.77	29.05
Euro (net)		€	€	€	€
Class 'A'	2008	n/a	n/a	8.4172	5.8604
	2009	n/a	n/a	7.6896	5.1448
	2010	n/a	n/a	9.4177	7.0555
	2011 ^[a]	n/a	n/a	9.6331	7.4245
	2012	n/a	n/a	9.1416	7.9357
	2013 ^[b]	n/a	n/a	11.8650	8.5938
Class 'C'	2008	n/a	n/a	8.7196	6.1099
	2009	n/a	n/a	8.0957	5.3792
	2010	n/a	n/a	10.0146	7.4476
	2011 ^[a]	n/a	n/a	10.2462	7.9339
	2012	n/a	n/a	9.8104	8.5597
	2013 ^[b]	n/a	n/a	12.8475	9.2817

^[a] The Prudential Japanese Trust merged into the M&G Japan Fund immediately after 14 October 2011.

^[b] To 2 September 2013.

^[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.

M&G Japan Fund

FUND STATISTICS

INCOME

Dividend income per share			
	Calendar year	Distributed	Reinvested
Sterling (net)			
Class 'A'	2008	p nil	p nil
	2009	0.0830	0.0891
	2010	nil	nil
	2011	0.1040	0.1119
	2012	0.1640	0.1788
	2013 [a]	0.0894	0.0873
Class 'I'	2012	nil	nil
	2013 [a]	12.6714	12.4061
Class 'R'	2012	nil	nil
	2013 [a]	0.9609	0.9734
Class 'X'	2008	nil	nil
	2009	0.0910	0.0976
	2010	0.0070	0.0075
	2011	0.1030	0.1109
	2012	0.1600	0.1746
	2013 [a]	0.0877	0.0944
Euro (net)			
Class 'A'	2008	¢ n/a	¢ nil
	2009	n/a	0.9590
	2010	n/a	1.1080
	2011	n/a	3.0730
	2012	n/a	5.3257
	2013 [a]	n/a	2.3967
Class 'C'	2008	n/a	nil
	2009	n/a	12.1090
	2010	n/a	6.9060
	2011	n/a	9.6640
	2012	n/a	12.7147
	2013 [a]	n/a	10.2998

[a] Up to final: ex-distribution date 2 September 2013;
payment date 31 October 2013.

NET ASSETS

	Year ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
Sterling					
Class 'A'	Aug 2011	p 26.31	p 28.43	40,868,484	52,401,682
	Aug 2012	24.84	27.01	54,109,627	141,212,978
	Aug 2013	33.58	36.62	37,788,627	75,562,978
Class 'I'	Aug 2012	976.67	976.67	100	100
	Aug 2013	1,321.59	1,333.74	9,600	16,600
Class 'R'	Aug 2012	97.67	97.67	1,000	1,000
	Aug 2013	132.08	133.06	11,000	20,000
Class 'X'	Aug 2011	25.93	28.04	2,520,252	4,907,700
	Aug 2012	24.48	26.65	2,550,252	4,572,700
	Aug 2013	33.11	36.13	2,860,252	4,382,700
Euro					
		€	€		
Class 'A'	Aug 2011	n/a	7.7001	n/a	544,946
	Aug 2012	n/a	8.1650	n/a	806,146
	Aug 2013	n/a	10.2945	n/a	890,146
Class 'C'	Aug 2011	n/a	8.2298	n/a	146,850
	Aug 2012	n/a	8.7915	n/a	92,350
	Aug 2013	n/a	11.1702	n/a	954,350
Total net asset value of sub-fund					
	Year ended	£		€ [a]	
	Aug 2011	32,469,000		36,626,000	
	Aug 2012	59,306,000		74,647,000	
	Aug 2013	60,211,000		70,501,000	

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

PORTFOLIO

PORTFOLIO STATEMENT

as at 31 August 2013			
Holding	Value £'000	31.08.13 %	31.08.12 %
Chemicals		4.70	3.18
519,000 Kaneka	2,144	3.56	
844,000 Showa Denko Group	687	1.14	
Industrial metals & mining		1.03	0.93
197,100 Tokyo Steel Manufacturing	621	1.03	
Construction & materials		1.51	1.00
240,000 Asahi Glass	908	1.51	
Electronic & electrical equipment		4.38	2.62
113,000 TDK	2,639	4.38	
Industrial engineering		4.79	4.11
149,500 Daifuku	906	1.50	
677,000 Sumitomo Heavy Industries	1,979	3.29	
Industrial transportation		3.46	2.38
816,000 Mitsui O.S.K. Lines	2,085	3.46	
Support services		1.10	2.52
41,300 Meitec	662	1.10	
Automobiles & parts		6.65	6.13
197,400 NOK	1,865	3.10	
255,400 Yamaha Motor	2,139	3.55	
Household goods & home construction		1.42	1.86
139,000 Sumitomo Forestry	854	1.42	

M&G Japan Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
Leisure goods		7.06	6.18
188,100 Panasonic	1,105	1.84	
243,200 Sony	3,145	5.22	
Personal goods		7.53	5.20
78,400 KOSÉ	1,418	2.35	
253,000 Onward Holdings	1,421	2.36	
1,203,000 Teijin	1,699	2.82	
Pharmaceuticals & biotechnology		1.65	3.39
7,600 Alfresa Holdings	232	0.39	
68,200 Daiichi Sankyo	757	1.26	
General retailers		3.61	5.04
83,000 Komeri	1,331	2.21	
37,900 Seven & i Holdings	841	1.40	
Media		2.66	2.98
1,342 Fuji Media Holdings	1,600	2.66	
Travel & leisure		2.98	4.66
36,200 East Japan Railway	1,793	2.98	
Fixed line telecommunications		3.25	0.00
59,800 Nippon Telegraph & Telephone	1,958	3.25	
Mobile telecommunications		1.49	3.92
29,200 KDDI	898	1.49	
Banks		14.49	15.11
1,024,600 Mitsubishi UFJ Financial Group	3,876	6.44	
108,100 Sumitomo Mitsui Financial Group	3,085	5.12	
628,580 Sumitomo Mitsui Trust Holdings	1,763	2.93	
Non-life insurance		3.64	2.43
138,850 NKSJ Holdings	2,192	3.64	
Financial services		5.87	8.46
371,200 Nomura Holdings	1,673	2.78	
212,400 Orix	1,862	3.09	
Software & computer services		4.20	5.11
4,110 OBIC	779	1.29	
116,200 SCSK	1,751	2.91	
Technology hardware & equipment		12.06	13.06
93,700 Advantest	744	1.24	
1,618,000 NEC	2,221	3.69	
349,000 Ricoh	2,444	4.06	
81,200 Rohm	1,848	3.07	
'AAA' rated money market funds [a]		0.00	0.03
1,000 Northern Trust Global Fund - Sterling	1	0.00	
Portfolio of investments (notes 1b & 1d on page 99)	59,926	99.53	100.30
Net other assets / (liabilities)	285	0.47	(0.30)
Net assets attributable to shareholders	60,211	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 August 2013

	£'000
Largest purchases	
Mitsubishi UFJ Financial Group	2,404
TDK	2,403
Sony	2,324
Teijin	2,273
Nippon Telegraph & Telephone	2,190
NOK	1,967
Sumitomo Heavy Industries	1,944
Sumitomo Mitsui Financial Group	1,826
NEC	1,800
NKSJ Holdings	1,628
Ricoh	1,517
Kaneka	1,404
Mitsui O.S.K. Lines	1,352
Rohm	1,338
Yamaha Motor	1,296
Nomura Holdings	1,092
Sumitomo Mitsui Trust Holdings	1,030
Komeri	966
SCSK	957
Showa Denko Group	922
Northern Trust Global Fund - Sterling [a]	7,326
Other purchases	10,151
Total purchases	50,110
Largest sales	
Mitsubishi UFJ Financial Group	3,456
Sumitomo Mitsui Financial Group	3,416
Ricoh	2,848
Sony	2,813
Nomura Holdings	2,699
KDDI	2,443
NEC	2,199
East Japan Railway	2,150
Ebara	2,090
Yamaha Motor	1,855
Credit Saison	1,847
SCSK	1,747
Orix	1,717
Kaneka	1,651
Sumitomo Mitsui Trust Holdings	1,600
Advantest	1,539
Mitsui O.S.K. Lines	1,520
Panasonic	1,515
NKSJ Holdings	1,447
Rohm	1,394
Northern Trust Global Fund - Sterling [a]	7,345
Other sales	16,975
Total sales	66,266

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

M&G Japan Fund

FINANCIAL STATEMENTS

For the year ended 31 August 2013.

STATEMENT OF TOTAL RETURN

	Note	2013		2012	
		£'000	£'000	£'000	£'000
Income					
Net capital gains / (losses)	3		16,346		(4,608)
Revenue	4	1,291		1,202	
Expenses	5	(930)		(903)	
Net revenue before taxation		361		299	
Taxation	6	(96)		(81)	
Net revenue after taxation			265		218
Total return before distributions			16,611		(4,390)
Finance costs: Distributions	12		(276)		(212)
Change in net assets attributable to shareholders from investment activities			16,335		(4,602)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2013		2012	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		59,306		32,469
Amounts received on issue of shares	43,335		25,604	
Transfer of assets from the Prudential Japanese Trust	0		17,072	
Amounts paid on cancellation of shares	(58,939)		(11,541)	
		(15,604)		31,135
Change in net assets attributable to shareholders from investment activities (see above)		16,335		(4,602)
Retained distributions on Accumulation shares		174		304
Closing net assets attributable to shareholders		60,211		59,306

BALANCE SHEET

	as at 31 August 2013		as at 31 August 2012	
	£'000	£'000	£'000	£'000
Assets				
Investment assets		59,926		59,486
Debtors				
Amounts receivable on issues	1,048		0	
Currency deals outstanding	706		0	
Dividends receivable	32		32	
Prepaid expenses	1		1	
Sales awaiting settlement	0		575	
		1,787		608
Cash and bank balances				
Cash held as bank balances	99		371	
		99		371
Total other assets		1,886		979
Total assets		61,812		60,465
Liabilities				
Creditors				
Amounts payable on cancellations	(170)		(886)	
Currency deals outstanding	(708)		0	
Expenses payable	(60)		(62)	
Net distributions payable on Income shares	(38)		(93)	
Purchases awaiting settlement	(625)		(118)	
Total liabilities		(1,601)		(1,159)
Net assets attributable to shareholders		60,211		59,306

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 30 August 2013, 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 30 August 2013, being the last business day of the financial year.

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) 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.

g) 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.

h) 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.

i) 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.

j) 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.

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 Japanese yen 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 investments held by the sub-fund tend to be volatile and investors should expect wider than average price fluctuations.

The sub-fund holds overseas investments and exchange rate fluctuations can affect both capital and income values. Short-term foreign currency exposures, other than Japanese yen, 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 137, 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 (31.08.12: same).

3 Net capital gains / (losses)

	2013 £'000	2012 £'000
Non-derivative securities	16,596	(4,532)
Currency losses	(224)	(62)
Transaction charges	(26)	(14)
Net capital gains / (losses)	16,346	(4,608)

4 Revenue

	2013 £'000	2012 £'000
Overseas dividends	1,291	1,202
Total revenue	1,291	1,202

M&G Japan Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

5 Expenses

	2013 £'000	2012 £'000
Payable to the Authorised Corporate Director or associate		
Authorised Corporate Director's periodic charge	813	790
Administration fee	84	79
	897	869
Payable to the Depositary or associate		
Depositary's fee (including VAT)	5	5
Other expenses		
Audit fee (including VAT)	9	10
Regulatory fees	7	9
Safe custody charge	6	5
Tax consultancy fees (including VAT) ^[a]	8	7
	30	31
VAT recovered		
Prior year	(2)	(2)
Total expenses	930	903

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

6 Taxation

	2013 £'000	2012 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Overseas tax	96	81
Current tax charge (note 6b)	96	81
Deferred tax (note 6c)	0	0
Total taxation	96	81
b) Factors affecting taxation charge for the year		
Net revenue before taxation	361	299
Corporation tax at 20%	72	60
Effects of:		
Overseas dividends not taxable	(258)	(240)
Current year expenses not utilised	186	180
Overseas tax	96	81
Current tax charge (note 6a)	96	81
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 £1,760,000 (31.08.12: £1,574,000) 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

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (31.08.12: 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 £31,000 (31.08.12: £31,000) in respect of the ACD's periodic charge and administration 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 22.43% (31.08.12: 35.54%) 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 (31.08.12: same).

Currency exposure

At the balance sheet date, the sub-fund had a significant foreign currency exposure to Japanese yen of £59,982,000 (31.08.12: £60,033,000).

Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.12: same).

Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.12: same).

10 Portfolio transaction costs

	2013 £'000	2012 £'000
a) Purchases		
Purchases excluding transaction costs	50,077	54,612
Commissions	33	29
Total purchases including transaction costs	50,110	54,641
b) Sales		
Sales excluding transaction costs	66,305	23,060
Commissions	(39)	(21)
Total sales net of transaction costs	66,266	23,039

M&G Japan 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, Sterling Class 'R' (Net Income and Net Accumulation) shares and Sterling Class 'X' (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 August 2013, is set out in the following table (31.08.12: same):

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
Class 'X'	nil	4.50 ^[a]	1.50
Euro			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75

^[a] The withdrawal fee diminishes over a period of five years. Please refer to the Key Investor Information Document (KIID) in conjunction with the Important Information for Investors document.

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

	31.08.13		31.08.12	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Sterling				
Class 'A'	12,689	27,672	13,438	38,146
Class 'I'	127	221	1	1
Class 'R'	15	27	1	1
Class 'X'	947	1,583	624	1,219
Euro				
Class 'A'	n/a	7,826	n/a	5,230
Class 'C'	n/a	9,104	n/a	645

The net asset value per share and the number of shares are given in the net assets table on page 97. The distribution per share is given in the distribution table on page 103. Each share class has the same rights on winding-up.

12 Finance costs

	2013 £'000	2012 £'000
Income shares (Sterling)		
Class 'A' - Final	34	89
Class 'I' - Final	1	0
Class 'R' - Final ^[a]	0	0
Class 'X' - Final	3	4
Accumulation shares (Sterling)		
Class 'A' - Final	66	253
Class 'I' - Final	2	0
Class 'R' - Final ^[b]	0	0
Class 'X' - Final	4	8
Accumulation shares (Euro)		
Class 'A' - Final	18	34
Class 'C' - Final	84	9
Finance costs: Dividend distributions	212	397
Income deducted on cancellation of shares	274	74
Income received on issue of shares	(210)	(259)
Finance costs: Distributions	276	212
Net revenue per statement of total return	265	218
Undistributed income brought forward	11	5
Undistributed income carried forward	0	(11)
Finance costs: Distributions	276	212

^[a] The final distribution for Sterling Class 'R' (Income) shares was £106.

^[b] The final distribution for Sterling Class 'R' (Accumulation) shares was £195.

M&G Japan Fund

FINANCIAL STATEMENTS

DISTRIBUTION TABLE

Dividend distributions on Income shares	Net income	Equalisation	Distribution payable/paid	
			2013	2012
Sterling	p	p	p	p
Class 'A' - Final				
Group 1:	0.0894	-	0.0894	0.1640
Group 2:	-	0.0894	0.0894	0.1640
Class 'I' - Final				
Group 1:	12.6714	-	12.6714	nil
Group 2:	1.1213	11.5501	12.6714	nil
Class 'R' - Final				
Group 1:	0.9609	-	0.9609	nil
Group 2:	-	0.9609	0.9609	nil
Class 'X' - Final				
Group 1:	0.0877	-	0.0877	0.1600
Group 2:	-	0.0877	0.0877	0.1600
Dividend distributions on Accumulation shares	Net income	Equalisation	Amount reinvested	
			2013	2012
Sterling	p	p	p	p
Class 'A' - Final				
Group 1:	0.0873	-	0.0873	0.1788
Group 2:	-	0.0873	0.0873	0.1788
Class 'I' - Final				
Group 1:	12.4061	-	12.4061	nil
Group 2:	-	12.4061	12.4061	nil
Class 'R' - Final				
Group 1:	0.9734	-	0.9734	nil
Group 2:	-	0.9734	0.9734	nil
Class 'X' - Final				
Group 1:	0.0944	-	0.0944	0.1746
Group 2:	-	0.0944	0.0944	0.1746
Euro	€	€	€	€
Class 'A' - Final				
Group 1:	2.3967	-	2.3967	5.3257
Group 2:	-	2.3967	2.3967	5.3257
Class 'C' - Final				
Group 1:	10.2998	-	10.2998	12.7147
Group 2:	2.2577	8.0421	10.2998	12.7147

Final period 01.09.12 - 31.08.13

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 Japan Fund

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M&G Japan Smaller Companies Fund

AUTHORISED CORPORATE DIRECTOR'S REPORT

Investment objective and policy of the M&G Japan Smaller Companies Fund

The Fund invests wholly or predominantly in securities of smaller Japanese companies, the universe for which is the bottom third in terms of total market capitalisation of all publicly listed equity in Japan. When not wholly invested as above, the Fund may also invest in medium sized and larger companies in order to enhance its liquidity. Its sole objective is long term capital growth.

Investment approach

The M&G Japan Smaller Companies Fund invests in listed smaller Japanese companies to achieve sound capital growth over the long term.

The fund manager applies disciplined and rigorous fundamental analysis during the selection process to ensure a high level of conviction around the valuation for each of the companies held in the fund.

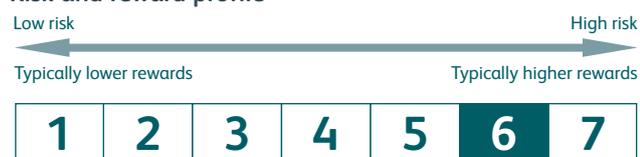
The fund manager adopts a value approach to investment and the fund owns shares in companies that have cheap valuations relative to the trend returns they are likely to generate over the medium to long term. These companies are quite often out of favour with the market for one reason or another. The fund's investment approach therefore tends to be contrarian in nature.

The fund manager sees value investing as a price-sensitive process that takes advantage of the mis-pricing of a company's shares by the market. Whilst recognising that markets are generally efficient, the fund manager believes that market mis-pricings can and often do occur because human characteristics (such as fear and greed) may prevent investors from always assessing investments rationally.

As a result, market prices do not always reflect fundamental values since they may over-shoot and under-shoot. For example, shares in companies become mis-priced when investors are willing to pay a high price for the 'comfort' of strong near-term earnings momentum and to be associated with success, whilst they will sell 'unfashionable' securities regardless of inherent value characteristics, such as healthy balance sheets and the likely level of longer term earnings.

Such behavioural biases are evident in Japan's equity markets today and can be systemically exploited. The fund manager aims to take advantage of these biases by adopting a disciplined, long-term investment approach.

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.

* Please note that this 'Risk and reward profile' section is based on Sterling Class 'A' shares, the nominated share class.

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 2 September 2013, for the year ended 31 August 2013

Our investment approach – focusing on shares in companies that are deemed inexpensive relative to the market and in relation to their history – tends to be contrarian in nature. Accordingly, holdings that have outperformed usually become a funding source to invest further capital into other high-conviction names that have lagged the market, or new opportunities within the smaller companies universe. Among the notable additions to the portfolio was Showa Denko, a specialist electronics producer with a number of cyclical businesses that have been discounted amid an uncertain global macroeconomic environment. For example, its core hard disk drive business has come under pressure from a lack of volume growth in the global PC and notebook market. However, Showa Denko's market share has been rising as its technological edge has given it an advantage in a market that has been consolidating.

We also initiated a position in Chugoku Marine Paints, a leading global manufacturer of marine anti-fouling paints. Concerns about falling global new ship deliveries pushed its shares to attractive levels. Chugoku operates in an industry dominated by a small number of players with high technical and brand-based entry barriers. Concerns about new ship deliveries were overdone in our view, given the high variable cost in this business and the high ongoing replacement demand from existing world fleet.

Other new holdings initiated were Fields and Denki Kogyo. Fields is a supplier of pachinko (vertical pinball) and pachislot (slot machines), while Denki Kogyo makes broadcasting antennae. On the other hand, we realised profits on consumer credit companies JACCS and Pocket Card following periods of outperformance. Complete sales included property groups Tosei, Takara Leben and Hajime as well as MEC, which produces surface treatment for electronic components, and Ebara Corporation, a manufacturer of engineering equipment, on valuation grounds.

Max Godwin Fund manager

Max Godwin is an employee of Eastspring Investments (Singapore) Limited which is an associate of M&G Securities Limited, by being a subsidiary of Prudential plc.

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 Japan Smaller Companies Fund

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.09.14	31.10.14

	Final distribution		Ongoing Charges Figure ^[b]	
	Inc 31.10.13 ^[a]	Acc 02.09.13 ^[a]	31.08.13	31.08.12
Sterling	p	p	%	%
Class 'A'	1.0704	1.1223	1.74	1.78
Class 'I'	14.0639	14.5847	0.99	1.07 ^[c]
Class 'R'	1.1472	1.1382	1.25	1.32 ^[c]
Class 'X'	1.0651	1.0953	1.74	1.78
Euro	¢	¢	%	%
Class 'A'	n/a	6.1039	1.74	1.78
Class 'C'	n/a	17.8370	0.99	0.98

^[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 31.08.13		Net asset value per share as at 31.08.12		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	264.64	277.49	202.54	211.50	+30.66	+31.20
Class 'I'	1,294.15	1,309.13	989.65	989.65	+30.77	+32.28
Class 'R'	129.37	130.51	98.94	98.94	+30.76	+31.91
Class 'X'	263.06	275.38	201.32	209.90	+30.67	+31.20
Euro	€	€	€	€	%	%
Class 'A'	n/a	15.2802	n/a	12.5202	n/a	+22.04
Class 'C'	n/a	16.6638	n/a	13.5520	n/a	+22.96

PERFORMANCE SINCE LAUNCH

	six months 01.03.13 %	one year 03.09.12 %	five years 02.09.08 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	+9.3	+32.5	+15.9	+6.1 ^[c]
Class 'I'	+9.0	+32.6	n/a	+27.7 ^[d]
Class 'R'	+9.0	+32.6	n/a	+27.7 ^[d]
Class 'X'	+9.3	+32.5	+15.9	+8.7 ^[e]
Euro ^[f]				
Class 'A'	+12.1	+24.0	+15.8	+3.8 ^[g]
Class 'C'	+12.5	+24.9	+16.6	+4.6 ^[g]

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

^[b] Bid to bid excluding reinvested income.

^[c] 15 May 1984, the end of the initial offer period of the predecessor unit trust.

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

^[e] 1 October 2002, the launch date of the share class.

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

^[g] 28 November 2001, the launch date of the share class.

SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From To	31.08.12 30.08.13 %	31.08.11 31.08.12 %	31.08.10 31.08.11 %	31.08.09 31.08.10 %	29.08.08 31.08.09 %
Sterling					
Class 'A'	+32.0	+6.2	+10.1	-0.4	+38.3

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'	2008	147.52	100.44	149.01	101.48
	2009	182.39	114.38	185.62	115.56
	2010	214.49	162.73	219.43	165.61
	2011	216.73	165.42	221.72	169.23
	2012	218.17	189.53	225.77	196.13
	2013 ^[a]	300.83	213.32	314.16	222.77
Class 'I'	2012 ^[b]	1,044.21	946.34	1,044.71	946.67
	2013 ^[a]	1,478.08	1,045.35	1,478.90	1,045.93
Class 'R'	2012 ^[b]	104.32	94.57	104.32	94.57
	2013 ^[a]	147.57	104.43	147.56	104.43
Class 'X'	2008	146.66	99.84	147.86	100.71
	2009	181.30	113.69	184.23	114.69
	2010	213.19	161.75	217.76	164.36
	2011	215.42	164.42	220.04	167.95
	2012	216.86	188.39	224.06	194.64
	2013 ^[a]	299.02	212.04	311.77	221.07
Euro (net)	€	€	€	€	
Class 'A'	2008	n/a	n/a	9.3802	5.9755
	2009	n/a	n/a	9.8965	5.9969
	2010	n/a	n/a	12.1026	8.7765
	2011	n/a	n/a	12.5273	9.1786
	2012	n/a	n/a	13.2476	11.0769
	2013 ^[a]	n/a	n/a	17.4260	12.3839
Class 'C'	2008	n/a	n/a	9.8061	6.2841
	2009	n/a	n/a	10.4837	6.3264
	2010	n/a	n/a	12.9414	9.3170
	2011	n/a	n/a	13.3991	9.8302
	2012	n/a	n/a	14.3223	11.9303
	2013 ^[a]	n/a	n/a	18.9640	13.4479

^[a] To 2 September 2013.

^[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 Japan Smaller Companies Fund

FUND STATISTICS

INCOME

Dividend income per share

Calendar year		Distributed	Reinvested
Sterling (net)			
		p	p
Class 'A'	2008	0.0370	0.0374
	2009	1.3160	1.3296
	2010	0.9280	0.9444
	2011	2.2350	2.2864
	2012	1.8400	1.9062
	2013 ^[a]	1.0704	1.1223
Class 'I'	2012	nil	nil
	2013 ^[a]	14.0639	14.5847
Class 'R'	2012	nil	nil
	2013 ^[a]	1.1472	1.1382
Class 'X'	2008	0.0740	0.0746
	2009	1.3160	1.3275
	2010	0.9280	0.9430
	2011	2.2130	2.2605
	2012	1.8310	1.8931
	2013 ^[a]	1.0651	1.0953
Euro (net)			
		€	€
Class 'A'	2008	n/a	0.0130
	2009	n/a	7.1340
	2010	n/a	5.1820
	2011	n/a	12.0790
	2012	n/a	11.3239
	2013 ^[a]	n/a	6.1039
Class 'C'	2008	n/a	6.8520
	2009	n/a	13.3530
	2010	n/a	14.1470
	2011	n/a	21.3450
	2012	n/a	nil
	2013 ^[a]	n/a	17.8370

^[a] Up to final: ex-distribution date 2 September 2013;
payment date 31 October 2013.

NET ASSETS

	Year ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
Sterling					
		p	p		
Class 'A'	Aug 2011	192.48	199.19	2,888,344	7,275,303
	Aug 2012	202.54	211.50	4,187,344	7,617,303
	Aug 2013	264.64	277.49	5,037,644	8,998,903
Class 'I'	Aug 2012	989.65	989.65	100	100
	Aug 2013	1,294.15	1,309.13	7,600	81,215
Class 'R'	Aug 2012	98.94	98.94	1,000	1,000
	Aug 2013	129.37	130.51	35,000	83,500
Class 'X'	Aug 2011	191.32	197.68	461,306	2,443,846
	Aug 2012	201.32	209.90	519,806	5,387,346
	Aug 2013	263.06	275.38	574,406	5,934,446
Euro					
		€	€		
Class 'A'	Aug 2011	n/a	10.5703	n/a	766,960
	Aug 2012	n/a	12.5202	n/a	699,960
	Aug 2013	n/a	15.2802	n/a	1,405,060
Class 'C'	Aug 2011	n/a	11.3499	n/a	457,920
	Aug 2012	n/a	13.5520	n/a	160,420
	Aug 2013	n/a	16.6638	n/a	114,920

Total net asset value of sub-fund

Year ended	£	€ ^[a]
Aug 2011	37,559,000	42,368,000
Aug 2012	45,640,000	57,446,000
Aug 2013	77,443,000	90,677,000

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

PORTFOLIO

PORTFOLIO STATEMENT

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
Chemicals			
772,000 Chugoku Marine Paints	2,495	3.22	
420,000 Kaneka	1,735	2.24	
1,986,000 Showa Denko Group	1,618	2.09	
General industrials		2.45	2.88
345,900 Tokai Rubber Industries	1,897	2.45	
Electronic & electrical equipment		16.30	8.82
581,000 Denki Kogyo	2,183	2.82	
479,200 ESPEC	2,137	2.76	
62,700 Iriso Electronics	1,351	1.74	
268,800 Koa	1,506	1.94	
362,200 Nippon Signal	1,565	2.02	
135,400 TDK	3,162	4.08	
135,700 Zuken	727	0.94	
Industrial engineering		8.22	9.18
209,500 Daifuku	1,270	1.64	
229,000 MAX	1,654	2.14	
308,000 Mitsubishi Nichiyu (formerly Nippon Yusoki)	880	1.14	
874,000 Sumitomo Heavy Industries	2,555	3.30	
Industrial transportation		1.68	0.00
510,000 Mitsui O.S.K. Lines	1,303	1.68	

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PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
Support services			
225,100 AEON DELIGHT	2,562	3.31	
76,300 Nippon Kanzai	827	1.07	
Automobiles & parts			
476,200 Ahresty	2,337	3.02	
244,400 NOK	2,308	2.98	
836,000 Riken	2,070	2.67	
Household goods & home construction			
291,200 Sumitomo Forestry	1,790	2.31	
Leisure goods			
219,000 Fields	2,151	2.78	
Personal goods			
80,200 KOSE	1,451	1.87	
235,000 Onward Holdings	1,320	1.70	
1,593,000 Teijin	2,250	2.91	
Pharmaceuticals & biotechnology			
General retailers			
3,630 Geo	2,084	2.69	
162,400 Komeri	2,604	3.36	
271,200 Kyoto Kimono Yuzen	1,852	2.39	
268,100 Otsuka Kagu	1,719	2.22	
41,800 PAL	621	0.80	
183,900 Saizeriya	1,556	2.01	
Media			
1,392 Fuji Media Holdings	1,659	2.14	
Banks			
169,900 Tokyo Tomin Bank	1,206	1.56	
Financial services			
232,000 JACCS	648	0.84	
155,500 Pocket Card	741	0.96	
Real estate investment & services			
Software & computer services			
324,900 CAC	1,690	2.18	
214,300 DTS	1,937	2.50	
550,400 Future Architect	1,909	2.46	
198,800 NSD	1,414	1.83	
115,400 SCSK	1,739	2.25	
257,600 TECMO KOEI	1,633	2.11	
Technology hardware & equipment			
217,100 Advantest	1,724	2.23	
97,400 Rohm	2,217	2.86	
97,900 Sato	1,031	1.33	
'AAA' rated money market funds ^[a]			
126,000 Northern Trust Global Fund - Sterling	126	0.16	
Portfolio of investments (notes 1b & 1d on page 109)	77,214	99.70	100.24
Net other assets / (liabilities)	229	0.30	(0.24)
Net assets attributable to shareholders	77,443	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 August 2013

	£'000
Largest purchases	
TDK	3,231
Fields	2,857
Chugoku Marine Paints	2,656
Teijin	2,589
Rohm	2,470
NOK	2,462
Denki Kogyo	2,456
Sumitomo Heavy Industries	2,414
ESPEC	2,401
AEON DELIGHT	2,390
Advantest	2,150
Showa Denko Group	2,146
Simplex Holdings	1,752
Mitsui O.S.K. Lines	1,749
Zuken	1,709
Saizeriya	1,663
Fuji Media Holdings	1,615
Sumitomo Forestry	1,583
Komeri	1,573
DTS	1,498
Northern Trust Global Fund - Sterling ^[a]	10,595
Other purchases	29,619
Total purchases	83,578
Largest sales	
Roland DG	3,542
Simplex Holdings	3,476
Zuken	2,997
Hajime	2,906
Tosei	2,281
Iriso Electronics	2,234
Toyo Tire & Rubber	2,208
Ebara	1,823
Mitsubishi Nichiyu (formerly Nippon Yusoki)	1,777
Pocket Card	1,745
Meitec	1,575
Takara Leben	1,556
Fuji Media Holdings	1,463
Kaneka	1,441
PAL	1,429
JACCS	1,347
Advantest	1,310
Credit Saison	1,297
Daifuku	1,235
SCSK	1,178
Northern Trust Global Fund - Sterling ^[a]	10,520
Other sales	17,485
Total sales	66,825

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

M&G Japan Smaller Companies Fund

FINANCIAL STATEMENTS

For the year ended 31 August 2013.

STATEMENT OF TOTAL RETURN

	Note	2013		2012	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	3		14,651		1,162
Revenue	4	1,392		1,007	
Expenses	5	(1,049)		(639)	
Net revenue before taxation		343		368	
Taxation	6	(104)		(69)	
Net revenue after taxation			239		299
Total return before distributions			14,890		1,461
Finance costs: Distributions	12		(240)		(303)
Change in net assets attributable to shareholders from investment activities			14,650		1,158

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2013		2012	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		45,640		37,559
Amounts received on issue of shares	46,563		30,121	
Amounts paid on cancellation of shares	(29,680)		(23,508)	
		16,883		6,613
Change in net assets attributable to shareholders from investment activities (see above)		14,650		1,158
Retained distributions on Accumulation shares		270		310
Closing net assets attributable to shareholders		77,443		45,640

BALANCE SHEET

	as at 31 August 2013		as at 31 August 2012	
	£'000	£'000	£'000	£'000
Assets				
Investment assets		77,214		45,750
Debtors				
Amounts receivable on issues	284		187	
Currency deals outstanding	102		983	
Dividends receivable	122		103	
Prepaid expenses	1		1	
Sales awaiting settlement	24		680	
		533		1,954
Cash and bank balances				
Cash held as bank balances	33		287	
		33		287
Total other assets		566		2,241
Total assets		77,780		47,991
Liabilities				
Creditors				
Amounts payable on cancellations	(104)		(1,136)	
Currency deals outstanding	(102)		(978)	
Expenses payable	(70)		(57)	
Net distributions payable on Income shares	(61)		(87)	
Purchases awaiting settlement	0		(93)	
Total liabilities		(337)		(2,351)
Net assets attributable to shareholders		77,443		45,640

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 30 August 2013, 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 30 August 2013, being the last business day of the financial year.

M&G Japan Smaller Companies 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) 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.

g) 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.

h) 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.

i) 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.

j) 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.

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 Japanese yen 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 market in securities issued by smaller companies tends to be volatile and investors should expect wider than average price fluctuations.

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 Japanese yen, 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 137, 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 (31.08.12: same).

3 Net capital gains

	2013 £'000	2012 £'000
Non-derivative securities	14,711	1,239
Currency losses	(34)	(56)
Transaction charges	(26)	(21)
Net capital gains	14,651	1,162

4 Revenue

	2013 £'000	2012 £'000
Interest distributions	1	0
Overseas dividends	1,391	1,007
Total revenue	1,392	1,007

M&G Japan Smaller Companies Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

5 Expenses

	2013 £'000	2012 £'000
Payable to the Authorised Corporate Director or associate		
Authorised Corporate Director's periodic charge	922	557
Administration fee	94	56
	1,016	613
Payable to the Depositary or associate		
Depositary's fee (including VAT)	6	3
Other expenses		
Audit fee (including VAT)	9	10
Regulatory fees	5	5
Safe custody charge	7	3
Tax consultancy fees (including VAT) ^[a]	8	7
	29	25
VAT recovered		
Current year	(1)	0
Prior year	(1)	(2)
	(2)	(2)
Total expenses	1,049	639

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

6 Taxation

	2013 £'000	2012 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Overseas tax	104	69
Current tax charge (note 6b)	104	69
Deferred tax (note 6c)	0	0
Total taxation	104	69
b) Factors affecting taxation charge for the year		
Net revenue before taxation	343	368
Corporation tax at 20%	69	74
Effects of:		
Overseas dividends not taxable	(279)	(202)
Current year expenses not utilised	210	128
Overseas tax	104	69
Current tax charge (note 6a)	104	69
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 £936,000 (31.08.12: £726,000) 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

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (31.08.12: 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 £42,000 (31.08.13: £23,000) in respect of the ACD's periodic charge and administration fee are disclosed in the balance sheet.

At the balance sheet date, there were no material shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary (31.08.12: same).

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 (31.08.12: same).

Currency exposure

At the balance sheet date, the sub-fund had a significant foreign currency exposure to Japanese yen of £77,259,000 (31.08.12: £45,915,000).

Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.12: same).

Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.12: same).

10 Portfolio transaction costs

	2013 £'000	2012 £'000
a) Purchases		
Purchases excluding transaction costs	83,498	35,841
Commissions	80	30
Total purchases including transaction costs	83,578	35,871
b) Sales		
Sales excluding transaction costs	66,892	29,062
Commissions	(67)	(22)
Total sales net of transaction costs	66,825	29,040

M&G Japan Smaller Companies 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, Sterling Class 'R' (Net Income and Net Accumulation) shares and Sterling Class 'X' (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 August 2013, is set out in the following table (31.08.12: same):

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
Class 'X'	nil	4.50 [a]	1.50
Euro			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75

[a] The withdrawal fee diminishes over a period of five years. Please refer to the Key Investor Information Document (KIID) in conjunction with the Important Information for Investors document.

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

	31.08.13		31.08.12	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Sterling				
Class 'A'	13,332	24,971	8,481	16,111
Class 'I'	98	1,063	1	1
Class 'R'	45	109	1	1
Class 'X'	1,511	16,342	1,046	11,308
Euro				
Class 'A'	n/a	18,336	n/a	6,963
Class 'C'	n/a	1,636	n/a	1,727

The net asset value per share and the number of shares are given in the net assets table on page 107. The distribution per share is given in the distribution table on page 113. Each share class has the same rights on winding-up.

12 Finance costs

	2013 £'000	2012 £'000
Income shares (Sterling)		
Class 'A' - Final	54	77
Class 'I' - Final	1	0
Class 'R' - Final [a]	0	0
Class 'X' - Final	6	10
Accumulation shares (Sterling)		
Class 'A' - Final	101	145
Class 'I' - Final	12	0
Class 'R' - Final	1	0
Class 'X' - Final	65	102
Accumulation shares (Euro)		
Class 'A' - Final	73	63
Class 'C' - Final	18	0
Finance costs: Dividend distributions	331	397
Income deducted on cancellation of shares	159	134
Income received on issue of shares	(250)	(228)
Finance costs: Distributions	240	303
Net revenue per statement of total return	239	299
Undistributed income brought forward	1	0
Undistributed income carried forward	0	(1)
Share class deficit transferred to capital	0	5
Finance costs: Distributions	240	303

[a] The final distribution for Sterling Class 'R' (Income) shares was £402.

M&G Japan Smaller Companies Fund

FINANCIAL STATEMENTS

DISTRIBUTION TABLE

Dividend distributions on Income shares	Net income	Equalisation	Distribution payable/paid	
			2013	2012
Sterling	p	p	p	p
Class 'A' - Final				
Group 1:	1.0704	-	1.0704	1.8400
Group 2:	0.2828	0.7876	1.0704	1.8400
Class 'I' - Final				
Group 1:	14.0639	-	14.0639	nil
Group 2:	6.8900	7.1739	14.0639	nil
Class 'R' - Final				
Group 1:	1.1472	-	1.1472	nil
Group 2:	0.1623	0.9849	1.1472	nil
Class 'X' - Final				
Group 1:	1.0651	-	1.0651	1.8310
Group 2:	-	1.0651	1.0651	1.8310
Dividend distributions on Accumulation shares	Net income	Equalisation	Amount reinvested	
Sterling	p	p	p	p
Class 'A' - Final				
Group 1:	1.1223	-	1.1223	1.9062
Group 2:	-	1.1223	1.1223	1.9062
Class 'I' - Final				
Group 1:	14.5847	-	14.5847	nil
Group 2:	-	14.5847	14.5847	nil
Class 'R' - Final				
Group 1:	1.1382	-	1.1382	nil
Group 2:	-	1.1382	1.1382	nil
Class 'X' - Final				
Group 1:	1.0953	-	1.0953	1.8931
Group 2:	-	1.0953	1.0953	1.8931
Euro	€	€	€	€
Class 'A' - Final				
Group 1:	6.1039	-	6.1039	11.3239
Group 2:	-	6.1039	6.1039	11.3239
Class 'C' - Final				
Group 1:	17.8370	-	17.8370	nil
Group 2:	-	17.8370	17.8370	nil

Final period 01.09.12 - 31.08.13

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 Japan Smaller Companies Fund

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M&G North American Value Fund

AUTHORISED CORPORATE DIRECTOR'S REPORT

Investment objective and policy of the M&G North American Value Fund

The Fund aims to achieve long-term capital growth through investment in North American securities of North American companies using a value based investment philosophy.

Investment approach

The M&G North American Value Fund follows a value-based investment approach to investing in the North American market. In other words, it focuses on stocks that are inexpensive when compared with the market as a whole. Such a situation can sometimes occur when investors at large overreact to short-term trends and bad news, which then create opportunities for long-term investors. The key factor in our approach to value investing is intensive, fundamental research that focuses on appraising the underlying health and opportunities of companies. Our process concentrates on determining and understanding the reasons a stock is priced cheaply. To help us make these decisions, we assess a stock's valuation relative to three categories: the general market, the stock's specific industry and other stocks in our portfolio.

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.

* Please note that this 'Risk and reward profile' section is based on Sterling Class 'A' shares, the nominated share class.

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 2 September 2013, for the year ended 31 August 2013

Over the review period, a holding in Verizon, a broadband and communications firm, was sold, as it was felt the stock had become less attractively valued. Similarly, PPG Industries, a supplier of paints, coatings and speciality materials, was also sold on valuation grounds.

Other transactions were primarily sales and purchases aimed at taking stocks back to their target weighting in the portfolio. For example, the holdings in financial firm Morgan Stanley, information technology company Hewlett-Packard and insurance firm CIGNA were reduced, while the positions in computer components manufacturer Intel, consumer electronics firm Apple and oil and gas exploration and production company Occidental Petroleum were topped up.

The M&G North American Value Fund has a long history of investing in value stocks – shares in companies that are deemed inexpensive relative to the market as a whole. Since taking over management of the fund on 1 September 2013, the portfolio has been rebalanced. However, the investment approach remains unchanged. It is based on the belief that buying attractively valued stocks that are out of favour with investors tends to outperform the market over the long term. This is something borne out by historical research.

Daniel White Fund manager

Daniel White is an employee of M&G Limited which is an associate of M&G Securities Limited. During the review period Richard Brody (an employee of PPM America Inc., which is an associate of M&G Securities Limited) was the fund manager. Daniel White was appointed fund manager in September 2013.

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 North American Value Fund

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.09.14	31.10.14

	Final distribution		Ongoing Charges Figure ^[b]	
	Inc 31.10.13 ^[a]	Acc 02.09.13 ^[a]	31.08.13	31.08.12
Sterling	p	p	%	%
Class 'A'	0.2284	0.2321	1.69	1.70
Class 'I'	13.8175	13.5665	0.94	0.96 ^[c]
Class 'R'	1.0858	1.0543	1.20	1.21 ^[c]
Class 'X'	0.2284	0.2323	1.69	1.70
Euro	¢	¢	%	%
Class 'A'	n/a	3.6482	1.68	1.69
Class 'C'	n/a	9.4080	0.91	0.96
US dollar	¢	¢	%	%
Class 'A'	n/a	3.2194	1.69	1.71
Class 'C'	n/a	10.3331	0.94	0.95

^[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 31.08.13		Net asset value per share as at 31.08.12		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	68.59	69.98	54.48	55.40	+25.90	+26.32
Class 'I'	1,281.70	1,297.23	1,017.01	1,018.24	+26.03	+27.40
Class 'R'	128.14	129.30	101.80	101.71	+25.87	+27.13
Class 'X'	68.59	70.09	54.48	55.49	+25.90	+26.31
Euro	€	€	€	€	%	%
Class 'A'	n/a	11.1143	n/a	9.4579	n/a	+17.51
Class 'C'	n/a	11.8241	n/a	9.9858	n/a	+18.41
US dollar	\$	\$	\$	\$	%	%
Class 'A'	n/a	9.8331	n/a	7.9536	n/a	+23.63
Class 'C'	n/a	10.3262	n/a	8.2893	n/a	+24.57

PERFORMANCE SINCE LAUNCH

	six months 01.03.13 %	one year 03.09.12 %	five years 02.09.08 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	+6.4	+25.0	+8.4	+3.9 ^[c]
Class 'I'	+6.0	+25.2	n/a	+25.1 ^[d]
Class 'R'	+6.2	+25.1	n/a	+25.0 ^[d]
Class 'X'	+6.4	+25.0	+8.4	+3.9 ^[c]
Euro ^[e]				
Class 'A'	+9.1	+17.0	+7.8	+1.3 ^[c]
Class 'C'	+9.5	+17.9	+8.6	+2.1 ^[c]
US dollar ^[e]				
Class 'A'	+10.7	+23.0	+5.8	-0.3 ^[f]
Class 'C'	+11.2	+23.9	+6.6	+0.5 ^[f]

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

^[b] Bid to bid excluding reinvested income.

^[c] 1 July 2005, 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.

^[f] 9 March 2007, the launch date of the share class.

SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From	31.08.12	31.08.11	31.08.10	31.08.09	29.08.08
To	30.08.13	31.08.12	31.08.11	31.08.10	31.08.09
	%	%	%	%	%
Sterling					
Class 'A'	+26.4	+16.4	+4.1	+9.6	-7.6

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

M&G North American Value Fund

FUND STATISTICS

PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
Sterling (net)					
		p	p	p	p
Class 'A'	2008	51.09	25.08	51.32	25.23
	2009	47.01	24.66	47.67	24.81
	2010	55.02	44.51	55.80	45.14
	2011	56.67	42.47	57.47	43.07
	2012	57.91	50.27	58.73	50.98
	2013 ^[a]	73.31	55.41	74.54	56.34
Class 'I'	2012 ^[b]	1,063.09	985.93	1,064.43	987.19
	2013 ^[a]	1,379.22	1,037.67	1,381.04	1,038.98
Class 'R'	2012 ^[b]	106.27	98.52	106.36	98.61
	2013 ^[a]	137.60	103.65	137.68	103.74
Class 'X'	2008	51.13	25.07	51.39	25.27
	2009	47.00	24.66	47.75	24.85
	2010	55.02	44.51	55.89	45.21
	2011	56.66	42.47	57.56	43.14
	2012	57.91	50.27	58.83	51.06
	2013 ^[a]	73.31	55.40	74.67	56.43
Euro (net)					
		€	€	€	€
Class 'A'	2008	n/a	n/a	9.4057	4.0781
	2009	n/a	n/a	7.1543	3.7076
	2010	n/a	n/a	8.8875	6.9805
	2011	n/a	n/a	9.2896	6.6726
	2012	n/a	n/a	9.8428	8.2737
	2013 ^[a]	n/a	n/a	11.6014	9.3977
Class 'C'	2008	n/a	n/a	9.5876	4.1847
	2009	n/a	n/a	7.4025	3.8131
	2010	n/a	n/a	9.2636	7.2287
	2011	n/a	n/a	9.6940	6.9893
	2012	n/a	n/a	10.3864	8.6895
	2013 ^[a]	n/a	n/a	12.3349	9.9464
US dollar (net)					
		\$	\$	\$	\$
Class 'A'	2008	n/a	n/a	9.2278	3.4276
	2009	n/a	n/a	6.8538	3.1504
	2010	n/a	n/a	7.7885	6.2219
	2011	n/a	n/a	8.4289	6.1313
	2012	n/a	n/a	8.4654	7.2140
	2013 ^[a]	n/a	n/a	10.2464	8.3224
Class 'C'	2008	n/a	n/a	9.2850	3.4723
	2009	n/a	n/a	7.0009	3.1986
	2010	n/a	n/a	8.0147	6.3797
	2011	n/a	n/a	8.6960	6.3451
	2012	n/a	n/a	8.8258	7.4817
	2013 ^[a]	n/a	n/a	10.7538	8.6960

[a] To 2 September 2013.

[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.

INCOME

Dividend income per share			
	Calendar year	Distributed	Reinvested
Sterling (net)			
		p	p
Class 'A'	2008	0.0760	0.0763
	2009	0.3270	0.3290
	2010	nil	nil
	2011	nil	nil
	2012	0.1430	0.1471
	2013 ^[a]	0.2284	0.2321
Class 'I'	2012	1.2250	1.2250
	2013 ^[a]	13.8175	13.5665
Class 'R'	2012	0.0900	0.0900
	2013 ^[a]	1.0858	1.0543
Class 'X'	2008	0.1250	0.1256
	2009	0.3270	0.3296
	2010	nil	nil
	2011	nil	nil
	2012	0.1440	0.1491
	2013 ^[a]	0.2284	0.2323
Euro (net)			
		€	€
Class 'A'	2008	n/a	nil
	2009	n/a	3.1480
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	2.8167
	2013 ^[a]	n/a	3.6482
Class 'C'	2008	n/a	9.3910
	2009	n/a	9.4190
	2010	n/a	4.4830
	2011	n/a	4.5520
	2012	n/a	10.2347
	2013 ^[a]	n/a	9.4080
US dollar (net)			
		\$	\$
Class 'A'	2008	n/a	nil
	2009	n/a	4.8120
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	2.4921
	2013 ^[a]	n/a	3.2194
Class 'C'	2008	n/a	8.2540
	2009	n/a	8.9090
	2010	n/a	3.7530
	2011	n/a	4.3150
	2012	n/a	6.7711
	2013 ^[a]	n/a	10.3331

[a] Up to final: ex-distribution date 2 September 2013; payment date 31 October 2013.

M&G North American Value Fund

FUND STATISTICS

NET ASSETS					
	Year ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
Sterling					
Class 'A'	Aug 2011	46.79	47.45	6,380,400	43,736,868
	Aug 2012	54.48	55.40	5,238,400	39,863,868
	Aug 2013	68.59	69.98	3,895,400	36,612,868
Class 'I'	Aug 2012	1,017.01	1,018.24	100	100
	Aug 2013	1,281.70	1,297.23	319,200	68,700
Class 'R'	Aug 2012	101.80	101.71	1,000	1,000
	Aug 2013	128.14	129.30	13,000	111,000
Class 'X'	Aug 2011	46.79	47.53	6,753,500	120,458,000
	Aug 2012	54.48	55.49	5,916,500	139,224,500
	Aug 2013	68.59	70.09	5,496,500	92,477,500
Euro					
		€	€		
Class 'A'	Aug 2011	n/a	7.2609	n/a	18,600
	Aug 2012	n/a	9.4579	n/a	84,100
	Aug 2013	n/a	11.1143	n/a	403,800
Class 'C'	Aug 2011	n/a	7.6059	n/a	2,150
	Aug 2012	n/a	9.9858	n/a	47,250
	Aug 2013	n/a	11.8241	n/a	1,450
US dollar					
		\$	\$		
Class 'A'	Aug 2011	n/a	7.0069	n/a	7,700
	Aug 2012	n/a	7.9536	n/a	432,300
	Aug 2013	n/a	9.8331	n/a	101,600
Class 'C'	Aug 2011	n/a	7.2463	n/a	796,800
	Aug 2012	n/a	8.2893	n/a	634,400
	Aug 2013	n/a	10.3262	n/a	1,173,800
Total net asset value of sub-fund					
	Year ended	£		€ [a]	
	Aug 2011	87,872,000		99,123,000	
	Aug 2012	111,916,000		140,867,000	
	Aug 2013	114,337,000		133,876,000	

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

PORTFOLIO

PORTFOLIO STATEMENT

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
Oil & gas producers		7.61	7.33
55,800 Apache	2,831	2.48	
37,400 Chevron	2,903	2.54	
52,000 Occidental Petroleum	2,960	2.59	
Oil equipment, services & distribution		5.91	5.14
62,600 Diamond Offshore Drilling	2,591	2.27	
54,900 National Oilwell Varco	2,633	2.30	
120,000 Patterson-UTI Energy	1,531	1.34	
Chemicals		1.04	1.19
21,000 Ashland	1,186	1.04	
Industrial metals & mining		2.91	2.88
83,200 Allegheny Technologies	1,441	1.26	
64,100 Nucor	1,890	1.65	
Aerospace & defence		5.84	5.74
37,300 Lockheed Martin	2,944	2.57	
95,500 Spirit AeroSystems 'A'	1,416	1.24	
131,500 Textron	2,324	2.03	
Electronic & electrical equipment		1.27	1.18
56,800 Avnet	1,455	1.27	
Industrial engineering		3.46	3.41
53,100 Caterpillar	2,826	2.47	
59,700 Terex	1,128	0.99	
Automobiles & parts		0.97	0.00
49,800 General Motors	1,107	0.97	
Food producers		2.15	2.29
109,400 Archer Daniels Midland	2,457	2.15	
Household goods & home construction		1.95	2.08
136,000 Newell Rubbermaid	2,228	1.95	
Tobacco		2.00	2.05
104,400 Altria Group	2,286	2.00	
Healthcare equipment & services		5.05	5.04
58,400 CIGNA	2,977	2.60	
83,800 Medtronic	2,802	2.45	
Pharmaceuticals & biotechnology		5.94	6.01
19,200 Johnson & Johnson	1,072	0.94	
94,600 Merck	2,875	2.51	
157,100 Pfizer	2,848	2.49	
Food & drug retailers		1.49	1.52
45,600 CVS Caremark	1,701	1.49	
General retailers		3.80	3.54
69,200 Best Buy	1,622	1.42	
94,500 Macy's	2,719	2.38	
Media		4.55	4.97
82,000 Comcast 'A'	2,244	1.96	
57,900 Viacom 'B'	2,966	2.59	
Travel & leisure		0.99	1.04
48,300 Royal Caribbean Cruises	1,134	0.99	
Fixed line telecommunications		2.01	2.96
105,900 AT&T	2,299	2.01	
Electricity		1.47	1.52
56,900 Edison International	1,685	1.47	

M&G North American Value Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
Banks			
151,000 Bank of America	1,379	1.21	
83,600 JPMorgan Chase	2,734	2.39	
53,000 PNC Financial Services	2,482	2.17	
98,800 US Bancorp	2,301	2.01	
106,800 Wells Fargo	2,842	2.49	
		10.27	10.25
Non-life insurance			
64,300 Allstate	1,994	1.74	
148,800 The Hartford Financial Services Group	2,873	2.51	
51,600 The Travelers Companies	2,671	2.34	
		6.59	6.53
Life insurance			
107,100 Lincoln National	2,935	2.57	
		2.57	2.48
Financial services			
28,000 Goldman Sachs Group	2,775	2.43	
168,000 Morgan Stanley	2,809	2.46	
		4.89	5.07
Software & computer services			
14,500 International Business Machines	1,708	1.49	
139,500 Microsoft	3,020	2.64	
		4.13	3.98
Technology hardware & equipment			
9,100 Apple	2,886	2.52	
231,800 Applied Materials	2,264	1.98	
137,200 Hewlett-Packard	1,992	1.75	
203,800 Intel	2,900	2.54	
87,800 Texas Instruments	2,187	1.91	
		10.70	11.23
'AAA' rated money market funds [a]			
816,000 Northern Trust Global Fund - US dollar	525	0.46	
		0.46	0.72
Portfolio of investments (notes 1b & 1d on page 120)	114,358	100.02	100.15
Net other liabilities	(21)	(0.02)	(0.15)
Net assets attributable to shareholders	114,337	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 August 2013

	£'000
Largest purchases	
Intel	2,101
Apple	2,068
Occidental Petroleum	2,007
Apache	1,936
Merck	1,781
National Oilwell Varco	1,766
Microsoft	1,700
Caterpillar	1,652
Pfizer	1,599
Macy's	1,549
Ashland	1,397
Diamond Offshore Drilling	1,299
Morgan Stanley	1,258
Altria Group	1,205
Hewlett-Packard	1,197
AT&T	1,191
CIGNA	1,127
Viacom 'B'	1,115
General Motors	1,113
Allegheny Technologies	1,107
Northern Trust Global Fund - US dollar [a]	19,427
Other purchases	23,577
Total purchases	73,172
Largest sales	
Morgan Stanley	2,771
Hewlett-Packard	2,674
CIGNA	2,361
Lincoln National	2,285
The Hartford Financial Services Group	2,227
Viacom 'B'	2,197
Goldman Sachs Group	2,094
Comcast 'A'	2,078
Merck	2,066
Pfizer	1,957
Occidental Petroleum	1,917
Microsoft	1,887
Best Buy	1,860
Lockheed Martin	1,809
JPMorgan Chase	1,750
Medtronic	1,744
Intel	1,740
Apache	1,699
Newell Rubbermaid	1,686
PPG Industries	1,658
Northern Trust Global Fund - US dollar [a]	19,680
Other sales	32,784
Total sales	92,924

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

M&G North American Value Fund

FINANCIAL STATEMENTS

For the year ended 31 August 2013.

STATEMENT OF TOTAL RETURN

	Note	2013		2012	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	3		22,084		15,983
Revenue	4	2,420		2,620	
Expenses	5	(1,662)		(1,803)	
Net revenue before taxation		758		817	
Taxation	6	(361)		(466)	
Net revenue after taxation			397		351
Total return before distributions			22,481		16,334
Finance costs: Distributions	12		(407)		(341)
Change in net assets attributable to shareholders from investment activities			22,074		15,993

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2013		2012	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		111,916		87,872
Amounts received on issue of shares	67,784		84,513	
Amounts paid on cancellation of shares	(87,840)		(76,768)	
		(20,056)		7,745
Change in net assets attributable to shareholders from investment activities (see above)		22,074		15,993
Retained distributions on Accumulation shares		403		306
Closing net assets attributable to shareholders		114,337		111,916

BALANCE SHEET

	as at		as at	
	31 August 2013	£'000	31 August 2012	£'000
Assets				
Investment assets		114,358		112,080
Debtors				
Amounts receivable on issues	47		0	
Currency deals outstanding	916		0	
Dividends receivable	245		240	
Overseas tax recoverable	4		4	
Prepaid expenses	1		0	
Sales awaiting settlement	693		435	
		1,906		679
Cash and bank balances				
Cash held as bank balances	108		2	
		108		2
Total other assets		2,014		681
Total assets		116,372		112,761
Liabilities				
Creditors				
Amounts payable on cancellations	(973)		(744)	
Currency deals outstanding	(916)		0	
Expenses payable	(80)		(85)	
Net distributions payable on Income shares	(66)		(16)	
Total liabilities		(2,035)		(845)
Net assets attributable to shareholders		114,337		111,916

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 30 August 2013, 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 30 August 2013, being the last business day of the financial year.

M&G North American Value 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) 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.

g) 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.

h) 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.

i) 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.

j) 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.

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 US dollar 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 US dollars, 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 137, 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 (31.08.12: same).

3 Net capital gains

	2013 £'000	2012 £'000
Non-derivative securities	22,030	15,876
Currency gains	61	52
Forward currency contracts	0	64
Transaction charges	(7)	(9)
Net capital gains	22,084	15,983

4 Revenue

	2013 £'000	2012 £'000
Bank interest	1	1
Interest distributions	1	1
Overseas dividends	2,418	2,618
Total revenue	2,420	2,620

M&G North American Value Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

5 Expenses

	2013 £'000	2012 £'000
Payable to the Authorised Corporate Director or associate		
Authorised Corporate Director's periodic charge	1,477	1,597
Administration fee	151	162
	1,628	1,759
Payable to the Depositary or associate		
Depositary's fee (including VAT)	9	10
Other expenses		
Audit fee (including VAT)	9	10
Regulatory fees	1	9
Safe custody charge	2	2
Tax consultancy fees (including VAT) [a]	15	15
	27	36
VAT recovered		
Prior year	(2)	(2)
Total expenses	1,662	1,803

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

6 Taxation

	2013 £'000	2012 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Overseas tax	361	466
Current tax charge (note 6b)	361	466
Deferred tax (note 6c)	0	0
Total taxation	361	466
b) Factors affecting taxation charge for the year		
Net revenue before taxation	758	817
Corporation tax at 20%	151	163
Effects of:		
Overseas dividends not taxable	(483)	(523)
Current year expenses not utilised	332	360
Overseas tax	361	466
Current tax charge (note 6a)	361	466
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 £1,276,000 (31.08.12: £944,000) 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

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (31.08.12: 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 £59,000 (31.08.13: £55,000) in respect of the ACD's periodic charge and administration 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 21.02% (31.08.12: 15.44%) 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 (31.08.12: same).

Currency exposure

At the balance sheet date, the sub-fund had a significant foreign currency exposure to US dollars of £116,168,000 (31.08.12: £112,064,000).

Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.12: same).

Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.12: same).

10 Portfolio transaction costs

	2013 £'000	2012 £'000
a) Purchases		
Purchases excluding transaction costs	73,146	103,751
Commissions	26	52
Total purchases including transaction costs	73,172	103,803
b) Sales		
Sales excluding transaction costs	92,965	94,605
Commissions	(39)	(46)
Taxes	(2)	(2)
Total transaction costs	(41)	(48)
Total sales net of transaction costs	92,924	94,557

M&G North American 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, Sterling Class 'R' (Net Income and Net Accumulation) shares and Sterling Class 'X' (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 August 2013, is set out in the following table (31.08.12: same):

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
Class 'X'	nil	4.50 ^[a]	1.50
Euro			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75
US dollar			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75

^[a] The withdrawal fee diminishes over a period of five years. Please refer to the Key Investor Information Document (KIID) in conjunction with the Important Information for Investors document.

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

	31.08.13		31.08.12	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Sterling				
Class 'A'	2,672	25,621	2,854	22,083
Class 'I'	4,091	891	1	1
Class 'R'	17	143	1	1
Class 'X'	3,770	64,821	3,223	77,254
Euro				
Class 'A'	n/a	3,833	n/a	632
Class 'C'	n/a	15	n/a	375
US dollar				
Class 'A'	n/a	644	n/a	2,171
Class 'C'	n/a	7,819	n/a	3,320

The net asset value per share and the number of shares are given in the net assets table on page 118. The distribution per share is given in the distribution table on page 124. Each share class has the same rights on winding-up.

12 Finance costs

	2013 £'000	2012 £'000
Income shares (Sterling)		
Class 'A' - Final	9	7
Class 'I' - Final ^[a]	44	0
Class 'R' - Final ^[b]	0	0
Class 'X' - Final	13	9
Accumulation shares (Sterling)		
Class 'A' - Final	85	58
Class 'I' - Final ^[c]	9	0
Class 'R' - Final ^[d]	1	0
Class 'X' - Final	215	208
Accumulation shares (Euro)		
Class 'A' - Final	13	2
Class 'C' - Final ^[e]	0	4
Accumulation shares (US dollar)		
Class 'A' - Final	2	7
Class 'C' - Final	78	27
Finance costs: Dividend distributions	469	322
Income deducted on cancellation of shares	121	61
Income received on issue of shares	(183)	(42)
Finance costs: Distributions	407	341
Net revenue per statement of total return	397	351
Undistributed income brought forward	10	0
Undistributed income carried forward	0	(10)
Finance costs: Distributions	407	341

^[a] The comparative final distribution for Sterling Class 'I' (Income) shares was £1.

^[b] The final distribution for Sterling Class 'R' (Income) shares was £141 (2012: £1).

^[c] The comparative final distribution for Sterling Class 'I' (Accumulation) shares was £1.

^[d] The comparative final distribution for Sterling Class 'R' (Accumulation) shares was £1.

^[e] The final distribution for Euro Class 'C' (Accumulation) shares was €136.

M&G North American Value Fund

FINANCIAL STATEMENTS

DISTRIBUTION TABLE

Dividend distributions on Income shares	Net income	Equalisation	Distribution payable/paid	
	p	p	2013	2012
Sterling	p	p	p	p
Class 'A' - Final				
Group 1:	0.2284	-	0.2284	0.1430
Group 2:	0.0973	0.1311	0.2284	0.1430
Class 'I' - Final				
Group 1:	13.8175	-	13.8175	1.2250
Group 2:	3.7304	10.0871	13.8175	1.2250
Class 'R' - Final				
Group 1:	1.0858	-	1.0858	0.0900
Group 2:	0.3006	0.7852	1.0858	0.0900
Class 'X' - Final				
Group 1:	0.2284	-	0.2284	0.1440
Group 2:	0.0860	0.1424	0.2284	0.1440
Dividend distributions on Accumulation shares	Net income	Equalisation	Amount reinvested	
	p	p	2013	2012
Sterling	p	p	p	p
Class 'A' - Final				
Group 1:	0.2321	-	0.2321	0.1471
Group 2:	0.1135	0.1186	0.2321	0.1471
Class 'I' - Final				
Group 1:	13.5665	-	13.5665	1.2250
Group 2:	3.7278	9.8387	13.5665	1.2250
Class 'R' - Final				
Group 1:	1.0543	-	1.0543	0.0900
Group 2:	0.3923	0.6620	1.0543	0.0900
Class 'X' - Final				
Group 1:	0.2323	-	0.2323	0.1491
Group 2:	0.1136	0.1187	0.2323	0.1491
Euro	€	€	€	€
Class 'A' - Final				
Group 1:	3.6482	-	3.6482	2.8167
Group 2:	1.7477	1.9005	3.6482	2.8167
Class 'C' - Final				
Group 1:	9.4080	-	9.4080	10.2347
Group 2:	9.4080	-	9.4080	10.2347
US dollar	¢	¢	¢	¢
Class 'A' - Final				
Group 1:	3.2194	-	3.2194	2.4921
Group 2:	2.2260	0.9934	3.2194	2.4921
Class 'C' - Final				
Group 1:	10.3331	-	10.3331	6.7711
Group 2:	2.0141	8.3190	10.3331	6.7711

Final period 01.09.12 - 31.08.13

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 Pan European Fund

AUTHORISED CORPORATE DIRECTOR'S REPORT

Investment objective and policy of the M&G Pan European Fund

The Fund invests wholly or mainly in European (including UK) companies. The Fund may also invest in companies outside Europe but only when these companies derive the majority of their income from European activity. The objective is to maximise long term total return (the combination of income and growth of capital).

Investment approach

The M&G Pan European Fund is a concentrated portfolio of between 50 and 70 holdings. It seeks to capitalise on compelling investment opportunities from across the pan-European investment universe. The fund managers adopt a bottom-up approach to stock selection, based upon a strong foundation of detailed fundamental research.

Consistent with the managers' investment philosophy, the portfolio has a growth bias. However, the managers do not define growth in the traditional sense that focuses on rapid growth in earnings or sales. Instead, their innovative approach to growth rests upon the identification of companies with world-class scarce assets that are not easily replicable, and which give such companies an edge over international competitors to drive profitability, grow their businesses and create long-term value.

By virtue of their scarce assets, these companies can compete effectively on the world stage, and generate sustainable returns above the cost of capital through time. By reinvesting in the business at attractive rates of return, the fundamental value of these companies should grow over time, thereby rewarding long-term investors.

Accordingly, the fund managers are prepared to be long-term investors in companies with scarce assets whose long-term potential is not fully recognised by the market, in the expectation that the true intrinsic value of these assets will be recognised by other market participants over time.

The fund managers regard meeting a company's management team as an important element of the research process, allowing them to gauge their conviction in the company's abilities and assets. The fund managers also work closely with the portfolio construction and risk team to ensure that the primary driver of the portfolio's risk is stock selection, and that unintended risks are minimised. Investors can therefore expect a long-term, bottom-up stock-selection investment approach with moderate turnover.

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.

* Please note that this 'Risk and reward profile' section is based on Sterling Class 'A' shares, the nominated share class.

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 2 September 2013, for the year ended 31 August 2013

We established a number of new holdings over the review period in companies generating high sustainable returns, with scarce assets and structural growth drivers that should allow them to grow their fundamental value. These included Swedish bank Svenska Handelsbanken, UK property company Shaftesbury and branded jewellery creator and distributor Pandora. Pandora had gone through a difficult period, but a new management team has taken a disciplined, pragmatic approach to the business, and its sales and profitability have improved as a result.

We also purchased shares in Standard Chartered, a UK-based bank that generates the majority of its revenues from the emerging markets, and global oil services company Petrofac. This is one of the highest returning oil services firms in the world, with expertise that is very difficult to replicate in engineering, as well as risk management and project execution.

Conversely, we closed positions where we felt there were better long-term growth prospects available at more attractive valuations. These included Austrian brick and tile manufacturer Wienerberger, Swiss-listed oil services company Weatherford International and online gaming company bwin.party digital entertainment. Merger and acquisition activity also played a role during the period, leading us to dispose of Dutch postal delivery firm TNT Express, as its share price appreciated significantly on expectation of the company being taken over by US logistics firm UPS. Similarly CFAO, a French firm that distributes cars and pharmaceuticals throughout Africa, left the portfolio after the Japanese conglomerate TTC bid to take over the company.

Furthermore, Germany-based business software firm Software AG left the portfolio, as we had become concerned over the company's legacy mainframe business declining at a less manageable rate than previously anticipated, as well as the sustainability of growth reported in other parts of the business.

Greg Aldridge & Charles Anniss Co-fund managers

Greg Aldridge and Charles Anniss are employees of M&G Limited which is an associate of M&G Securities Limited.

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

M&G Pan European Fund

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Interim	03.03.14	30.04.14
Final	01.09.14	31.10.14

	Final distribution		Ongoing Charges Figure ^[b]	
	Inc 31.10.13 ^[a]	Acc 02.09.13 ^[a]	31.08.13	31.08.12
Sterling	p	p	%	%
Class 'A'	3.6400	6.5772	1.68	1.69
Class 'I'	27.7045	27.9254	0.93	0.94 ^[c]
Class 'R'	2.7651	2.7854	1.19	1.19 ^[c]
Class 'X'	3.6007	6.4999	1.68	1.69
Euro	¢	¢	%	%
Class 'A'	n/a	30.3025	1.68	1.68
Class 'B'	n/a	n/a	n/a	2.18
Class 'C'	n/a	33.1556	0.94	0.93

^[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 31.08.13		Net asset value per share as at 31.08.12		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	162.62	300.42	133.90	240.80	+21.45	+24.76
Class 'I'	1,240.66	1,278.60	1,013.17	1,015.32	+22.45	+25.93
Class 'R'	123.72	127.41	101.29	101.50	+22.14	+25.53
Class 'X'	160.87	296.89	132.45	237.97	+21.46	+24.76
Euro	€	€	€	€	%	%
Class 'A'	n/a	13.8420	n/a	11.9249	n/a	+16.08
Class 'B'	n/a	n/a	n/a	10.8034	n/a	n/a
Class 'C'	n/a	15.1607	n/a	12.9653	n/a	+16.93

PERFORMANCE SINCE LAUNCH

	six months 01.03.13 %	one year 03.09.12 %	five years 02.09.08 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	+0.2	+23.2	+1.2	+5.3 ^[c]
Class 'I'	+0.6	+24.2	n/a	+23.4 ^[d]
Class 'R'	+0.4	+23.8	n/a	+23.1 ^[d]
Class 'X'	+0.2	+23.2	+1.2	+7.8 ^[e]
Euro ^[f]				
Class 'A'	+4.6	+17.9	+2.9	+3.0 ^[g]
Class 'C'	+5.0	+18.8	+3.6	+3.8 ^[g]

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

^[b] Bid to bid excluding reinvested income.

^[c] 29 September 1989, the end of the initial offer period of the predecessor unit trust.

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

^[e] 1 October 2002, the launch date of the share class.

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

^[g] 28 November 2001, the launch date of the share class.

SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From To	31.08.12 30.08.13 %	31.08.11 31.08.12 %	31.08.10 31.08.11 %	31.08.09 31.08.10 %	29.08.08 31.08.09 %
Sterling					
Class 'A'	+25.9	+3.3	+4.7	-3.0	-8.0

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

M&G Pan European Fund

FUND STATISTICS

PRICES					
		Income shares		Accumulation shares	
Calendar year		Highest	Lowest	Highest	Lowest
Sterling (net)					
		p	p	p	p
Class 'A'	2008	172.67	97.04	276.23	158.31
	2009	159.30	99.73	264.85	163.25
	2010	160.57	126.80	268.28	211.59
	2011 ^[a]	160.58	118.85	275.12	208.30
	2012	148.78	126.62	267.55	223.19
	2013 ^[b]	173.16	149.06	312.88	268.07
Class 'I'	2012 ^[c]	1,129.21	1,000.00	1,132.20	1,000.00
	2013 ^[b]	1,320.42	1,131.56	1,330.98	1,134.60
Class 'R'	2012 ^[c]	112.83	100.00	113.06	100.00
	2013 ^[b]	131.70	113.06	132.66	113.30
Class 'X'	2008	170.76	95.98	272.94	156.45
	2009	157.56	98.64	261.74	161.33
	2010	158.82	125.41	265.14	209.11
	2011 ^[a]	158.83	117.56	271.89	205.86
	2012	147.17	125.25	264.41	220.58
	2013 ^[b]	171.29	147.45	309.21	264.92
Euro (net)					
		€	€	€	€
Class 'A'	2008	n/a	n/a	14.3683	7.3840
	2009	n/a	n/a	11.1838	7.1359
	2010	n/a	n/a	12.4141	10.1081
	2011 ^[a]	n/a	n/a	12.5050	9.4359
	2012	n/a	n/a	12.8414	10.8511
	2013 ^[b]	n/a	n/a	14.3704	12.7980
Class 'B'	2010 ^[d]	n/a	n/a	11.3425	9.2569
	2011 ^[a]	n/a	n/a	11.4222	8.5878
	2012	n/a	n/a	11.6131	9.8619
	2013 ^[e]	n/a	n/a	12.8915	11.6508
Class 'C'	2008	n/a	n/a	15.0879	7.8041
	2009	n/a	n/a	11.9011	7.5590
	2010	n/a	n/a	13.3280	10.8147
	2011 ^[a]	n/a	n/a	13.4317	10.1862
	2012	n/a	n/a	13.9943	11.7388
	2013 ^[b]	n/a	n/a	15.7347	13.9984

^[a] The Prudential European Trust merged into the M&G Pan European Fund immediately after 17 June 2011.

^[b] To 2 September 2013.

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

^[d] From 3 June 2010 (the launch date of the share class).

^[e] To 7 June 2013 (the closure 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	Interim	Distributed Final	Total	Reinvested
Sterling (net)						
			p	p	p	p
Class 'A'	2008		0.3140	3.0330	3.3470	5.3533
	2009		0.3410	2.1320	2.4730	4.0461
	2010		0.5560	2.3060	2.8620	4.7725
	2011		1.4500	3.0760	4.5260	7.7311
	2012		0.8300	2.6950	3.5250	6.2068
	2013 ^[a]		0.7797	3.6400	4.4197	7.9740
Class 'I'	2012		n/a	2.1450	2.1450	2.1450
	2013 ^[a]		5.9437	27.7045	33.6482	34.3970
Class 'R'	2012		n/a	0.2100	0.2100	0.2100
	2013 ^[a]		0.6509	2.7651	3.4160	3.4366
Class 'X'	2008		0.3120	3.0010	3.3130	5.2944
	2009		0.3390	2.1090	2.4480	4.0019
	2010		0.5500	2.2810	2.8310	4.7169
	2011		1.4350	3.0300	4.4650	7.6204
	2012		0.8200	2.6670	3.4870	6.1645
	2013 ^[a]		0.7708	3.6007	4.3715	7.8800
Euro (net)						
			¢	¢	¢	¢
Class 'A'	2008		n/a	n/a	n/a	26.3400
	2009		n/a	n/a	n/a	18.0970
	2010		n/a	n/a	n/a	22.4610
	2011		n/a	n/a	n/a	34.9380
	2012		n/a	n/a	n/a	30.3125
	2013 ^[a]		n/a	n/a	n/a	36.6510
Class 'B'	2010		n/a	n/a	n/a	3.7990
	2011		n/a	n/a	n/a	31.7600
	2012		n/a	n/a	n/a	27.5274
	2013 ^[b]		n/a	n/a	n/a	5.7166
Class 'C'	2008		n/a	n/a	n/a	27.7380
	2009		n/a	n/a	n/a	19.1970
	2010		n/a	n/a	n/a	23.9890
	2011		n/a	n/a	n/a	37.3960
	2012		n/a	n/a	n/a	33.0153
	2013 ^[a]		n/a	n/a	n/a	39.8848

^[a] Up to final: ex-distribution date 2 September 2013; payment date 31 October 2013.

^[b] Up to interim: ex-distribution date 1 March 2013; payment date 30 April 2013.

M&G Pan European Fund

FUND STATISTICS

NET ASSETS					
Year ended		Value per share		Number of shares	
		Inc	Acc	Inc	Acc
Sterling					
Class 'A'	Aug 2011	133.16	233.42	82,405,128	18,896,464
	Aug 2012	133.90	240.80	82,366,428	17,229,464
	Aug 2013	162.62	300.42	67,345,328	15,826,364
Class 'I'	Aug 2012	1,013.17	1,015.32	100	100
	Aug 2013	1,240.66	1,278.60	54,900	16,000
Class 'R'	Aug 2012	101.29	101.50	1,000	1,000
	Aug 2013	123.72	127.41	109,000	50,000
Class 'X'	Aug 2011	131.72	230.68	726,446	387,415
	Aug 2012	132.45	237.97	708,446	370,915
	Aug 2013	160.87	296.89	691,446	333,915
Euro					
		€	€		
Class 'A'	Aug 2011	n/a	10.3615	n/a	1,005,860
	Aug 2012	n/a	11.9249	n/a	302,860
	Aug 2013	n/a	13.8420	n/a	745,860
Class 'B'	Aug 2011	n/a	8.8294	n/a	16,200
	Aug 2012	n/a	10.8034	n/a	13,100
	Aug 2013	n/a	n/a	n/a	n/a
Class 'C'	Aug 2011	n/a	11.1846	n/a	1,662,140
	Aug 2012	n/a	12.9653	n/a	336,240
	Aug 2013	n/a	15.1607	n/a	1,254,940

Total net asset value of sub-fund			
Year ended	£	€ [a]	
Aug 2011	181,537,000	204,782,000	
Aug 2012	160,049,000	201,451,000	
Aug 2013	185,317,000	216,986,000	

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

PORTFOLIO

PORTFOLIO STATEMENT

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
Oil & gas producers		7.61	8.76
253,500 Repsol	3,830	2.07	
205,000 Statoil	2,897	1.56	
138,000 Total	4,948	2.67	
239,000 Tullow Oil	2,431	1.31	
Oil equipment, services & distribution		1.90	0.94
252,500 Petrofac	3,522	1.90	
Chemicals		5.05	5.37
862,000 AZ Electronic Materials	2,657	1.43	
120,000 Symrise	3,394	1.83	
111,000 Umicore	3,323	1.79	
Mining		2.04	2.83
410,000 Hochschild Mining	1,058	0.57	
93,000 Rio Tinto	2,720	1.47	
Construction & materials		1.95	2.75
82,000 Holcim (Regd.)	3,616	1.95	
Aerospace & defence		3.80	3.88
100,000 European Aeronautic Defence and Space	3,739	2.02	
177,000 Ultra Electronics Holdings	3,289	1.78	
General industrials		0.00	1.59
Electronic & electrical equipment		0.40	0.00
33,650 Spectris	745	0.40	
Industrial engineering		4.35	3.95
63,000 Andritz	2,301	1.24	
76,000 Atlas Copco 'A'	1,325	0.71	
113,087 Vallourec	4,449	2.40	
Industrial transportation		0.00	1.60
Support services		4.79	5.08
132,000 Amadeus IT Holdings	2,770	1.50	
103,000 DCC	2,643	1.43	
1,335,600 G4S	3,454	1.86	
Automobiles & parts		4.35	5.34
60,500 Bayerische Motoren Werke	3,700	2.00	
59,500 Delticom	1,954	1.06	
99,500 EiringKlinger	2,384	1.29	
Food producers		9.50	9.33
103,500 Christian Hansen Holding	2,223	1.20	
72,000 Danone	3,464	1.87	
152,000 Nestlé (Regd.)	6,429	3.47	
225,000 Unilever	5,490	2.96	
Leisure goods		1.63	1.59
236,500 Amer Sports	3,026	1.63	
Personal goods		4.56	3.35
56,500 adidas	3,882	2.10	
28,000 HUGO BOSS	2,203	1.19	
100,000 Pandora	2,354	1.27	
Healthcare equipment & services		3.38	2.77
93,000 Fresenius Medical Care	3,929	2.12	
32,600 Sonova Holding	2,335	1.26	
Pharmaceuticals & biotechnology		8.25	8.92
182,000 GlaxoSmithKline	3,018	1.63	
139,000 Novartis (Regd.)	6,530	3.52	
35,500 Roche Holding 'Genussscheine'	5,750	3.10	
General retailers		2.12	1.99
673,000 Inchcape	3,930	2.12	

M&G Pan European Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 31 August 2013

Holding	Value £'000	31.08.13 %	31.08.12 %
Media		3.67	3.26
72,500 GFK	2,582	1.39	
87,491 Publicis Groupe	4,225	2.28	
Travel & leisure		3.49	4.74
151,000 Carnival	3,648	1.97	
327,000 Compass Group	2,822	1.52	
Banks		9.02	4.41
926,000 HSBC Holdings	6,321	3.41	
148,000 Société Générale	4,223	2.28	
180,000 Standard Chartered	2,608	1.41	
128,000 Svenska Handelsbanken 'A'	3,556	1.92	
Non-life insurance		4.09	4.36
94,000 Vienna Insurance Group	3,077	1.66	
28,000 Zurich Insurance (formerly Zurich Financial Services Group (Regd.))	4,506	2.43	
Life insurance		1.77	2.08
299,000 Prudential	3,283	1.77	
Real estate investment trusts		0.94	0.00
294,500 Shaftesbury	1,745	0.94	
Financial services		2.07	1.59
336,500 GAM Holding (Regd.)	3,838	2.07	
Software & computer services		6.01	7.18
135,000 Fidessa Group	2,897	1.56	
81,000 SAP	3,904	2.11	
106,000 Wincor Nixdorf	4,328	2.34	
Technology hardware & equipment		2.37	2.51
575,000 Ericsson 'B'	4,401	2.37	
'AAA' rated money market funds ^[a]		1.55	0.86
2,861,000 Northern Trust Global Fund - Sterling	2,861	1.55	
Portfolio of investments (notes 1b & 1d on page 130)	186,537	100.66	101.03
Net other liabilities	(1,220)	(0.66)	(1.03)
Net assets attributable to shareholders	185,317	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 August 2013

	£'000
Largest purchases	£'000
Svenska Handelsbanken 'A'	3,491
Danone	3,397
Petrofac	3,143
Standard Chartered	2,893
Pandora	2,321
Fresenius Medical Care	2,029
Shaftesbury	1,587
Société Générale	1,226
Delticom	987
HSBC Holdings	874
Spectris	733
Umicore	650
GAM Holding (Regd.)	635
AZ Electronic Materials	588
G4S	550
Vallourec	425
Ultra Electronics Holdings	365
Carnival	364
European Aeronautic Defence and Space	331
Fidessa Group	329
Northern Trust Global Fund - Sterling ^[a]	36,354
Other purchases	1,729
Total purchases	65,001
Largest sales	£'000
Software	3,081
CFAO	2,610
TNT Express	2,539
Rheinmetall	2,515
European Aeronautic Defence and Space	2,333
Weatherford International	1,502
Prudential	1,248
GlaxoSmithKline	1,237
DCC	1,228
Symrise	1,203
HSBC Holdings	1,156
Amadeus IT Holdings	1,102
Amer Sports	1,089
bwin.party digital entertainment	1,063
Wienerberger	1,062
Inchcape	984
adidas	968
Christian Hansen Holding	891
Svenska Handelsbanken 'A'	854
GAM Holding (Regd.)	840
Northern Trust Global Fund - Sterling ^[a]	34,875
Other sales	11,972
Total sales	76,352

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

M&G Pan European Fund

FINANCIAL STATEMENTS

For the year ended 31 August 2013.

STATEMENT OF TOTAL RETURN

	Note	2013		2012	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	3		36,286		3,886
Revenue	4	5,493		5,088	
Expenses	5	(2,924)		(2,752)	
Net revenue before taxation		2,569		2,336	
Taxation	6	(118)		(490)	
Net revenue after taxation			2,451		1,846
Total return before distributions			38,737		5,732
Finance costs: Distributions	12		(5,056)		(4,300)
Change in net assets attributable to shareholders from investment activities			33,681		1,432

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2013		2012	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		160,049		181,537
Amounts received on issue of shares	18,750		11,637	
Amounts paid on cancellation of shares	(29,096)		(35,840)	
		(10,346)		(24,203)
Stamp Duty Reserve Tax (SDRT)		(25)		(6)
Change in net assets attributable to shareholders from investment activities (see above)		33,681		1,432
Retained distributions on Accumulation shares		1,952		1,283
Unclaimed distributions		6		6
Closing net assets attributable to shareholders		185,317		160,049

BALANCE SHEET

	as at 31 August 2013		as at 31 August 2012	
	£'000	£'000	£'000	£'000
Assets				
Investment assets		186,537		161,705
Debtors				
Amounts receivable from the Prudential European Trust	98		204	
Amounts receivable on issues	354		0	
Distributions receivable	1		1	
Dividends receivable	368		326	
Overseas tax recoverable	773		543	
Prepaid expenses	1		1	
Sales awaiting settlement	257		0	
		1,852		1,075
Cash and bank balances				
Cash held as bank balances	379		1	
		379		1
Total other assets		2,231		1,076
Total assets		188,768		162,781
Creditors				
Amounts payable on cancellations	(253)		(377)	
Expenses payable	(124)		(116)	
Net distributions payable on Income shares	(2,494)		(2,239)	
Purchases awaiting settlement	(579)		0	
SDRT payable	(1)		0	
Total liabilities		(3,451)		(2,732)
Net assets attributable to shareholders		185,317		160,049

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 30 August 2013, 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 30 August 2013, being the last business day of the financial year.

M&G Pan European 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. In determining the distribution of the sub-fund, the ACD's periodic charge is offset against capital. The effect of this is that the distribution is determined as if the ACD's periodic charge had been charged to capital. 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 companies 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 a sufficient number of securities that can be readily realised to meet obligations that may arise on the redemption of shares. As noted on page 137, 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 (31.08.12: same).

3 Net capital gains

	2013 £'000	2012 £'000
Non-derivative securities	36,189	3,882
Currency gains / (losses)	102	(22)
Special dividends taken to capital	0	33
Transaction charges	(5)	(7)
Net capital gains	36,286	3,886

M&G Pan European Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

4 Revenue

	2013 £'000	2012 £'000
Bank interest	3	5
HM Revenue & Customs interest	0	7
Interest distributions	8	8
Interest on overseas tax previously withheld at source	50	0
Overseas dividends	3,760	3,674
Property income dividends	37	0
Stock dividends	254	106
UK dividends	1,381	1,288
Total revenue	5,493	5,088

5 Expenses

	2013 £'000	2012 £'000
Payable to the Authorised Corporate Director or associate		
Authorised Corporate Director's periodic charge	2,600	2,448
Administration fee	269	250
	2,869	2,698
Payable to the Depositary or associate		
Depositary's fee (including VAT)	15	14
Other expenses		
Audit fee (including VAT)	9	9
Regulatory fees	5	6
Safe custody charge	18	17
Tax consultancy fees (including VAT) ^[a]	8	8
	40	40
Total expenses	2,924	2,752

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

6 Taxation

	2013 £'000	2012 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Overseas tax	383	383
Overseas tax recoverable: exchange rate movements	0	(20)
Overseas tax recovered: previously withheld at source	(265)	0
Overseas tax recoverable: written off	0	127
Current tax charge (note 6b)	118	490
Deferred tax (note 6c)	0	0
Total taxation	118	490
b) Factors affecting taxation charge for the year		
Net revenue before taxation	2,569	2,336
Corporation tax at 20%	514	467
Effects of:		
UK dividends not taxable	(276)	(258)
Stock dividends not taxable	(50)	(21)
Overseas dividends not taxable	(752)	(735)
Current year expenses not utilised	564	547
Overseas tax	383	383
Overseas tax recoverable: exchange rate movements	0	(20)
Overseas tax recovered: previously withheld at source	(265)	0
Overseas tax recoverable: written off	0	127
Current tax charge (note 6a)	118	490
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 £2,448,000 (31.08.12: £1,884,000) 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 £1,682,251. 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 (31.08.12: 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 £99,000 (31.08.12: £80,000) in respect of the ACD's periodic charge and administration fee are disclosed in the balance sheet.

M&G Pan European Fund

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

8 Related parties (continued)

During the year, there were transactions in shares in related parties of M&G Securities Limited with a total value of £1,248,000 (2012: £1,341,000).

At the balance sheet date, the sub-fund held shares in related parties of M&G Securities Limited with a value of £3,283,000 (31.08.12: £3,334,000).

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 19.74% (31.08.12: 28.00%) 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 (31.08.12: 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 31.08.13 £'000	as at 31.08.12 £'000	as at 31.08.13 £'000	as at 31.08.12 £'000	as at 31.08.13 £'000	as at 31.08.12 £'000
Danish krone	4,577	2,831	0	0	4,577	2,831
Euro	81,124	77,243	1,371	276	82,495	77,519
Norwegian krone	2,897	3,407	20	41	2,917	3,448
Swedish krona	9,283	5,112	10	0	9,293	5,112
Swiss franc	33,004	31,052	407	267	33,411	31,319
US dollar	0	0	118	88	118	88
	130,885	119,645	1,926	672	132,811	120,317
Sterling	55,652	42,060	(3,146)	(2,328)	52,506	39,732
Total	186,537	161,705	(1,220)	(1,656)	185,317	160,049

Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.12: same).

Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.12: same).

10 Portfolio transaction costs

	2013 £'000	2012 £'000
a) Purchases		
Purchases excluding transaction costs	64,929	62,237
Commissions	27	24
Taxes	45	29
Total transaction costs	72	53
Total purchases including transaction costs	65,001	62,290
b) Sales		
Sales excluding transaction costs	76,377	89,618
Commissions	(25)	(44)
Total sales net of transaction costs	76,352	89,574

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, Sterling Class 'R' (Net Income and Net Accumulation) shares and Sterling Class 'X' (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 August 2013, is set out in the following table (31.08.12: same):

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
Class 'X'	nil	4.50 [a]	1.50
Euro			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75

[a] The withdrawal fee diminishes over a period of five years. Please refer to the Key Investor Information Document (KIID) in conjunction with the Important Information for Investors document.

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 Pan European 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

	31.08.13		31.08.12	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Sterling				
Class 'A'	109,518	47,545	110,291	41,488
Class 'I'	681	205	1	1
Class 'R'	135	64	1	1
Class 'X'	1,112	991	938	883
Euro				
Class 'A'	n/a	8,817	n/a	2,869
Class 'B'	n/a	n/a	n/a	112
Class 'C'	n/a	16,249	n/a	3,464

The net asset value per share and the number of shares are given in the net assets table on page 128. The distribution per share is given in the distribution table on page 135. Each share class has the same rights on winding-up.

12 Finance costs

	2013 £'000	2012 £'000
Income shares (Sterling)		
Class 'A' - Interim	546	686
- Final	2,451	2,220
Class 'I' - Interim	3	n/a
- Final ^[a]	15	0
Class 'R' - Interim ^[b]	0	n/a
- Final ^[c]	3	0
Class 'X' - Interim	5	6
- Final	25	19
Accumulation shares (Sterling)		
Class 'A' - Interim	232	265
- Final	1,041	819
Class 'I' - Interim ^[d]	0	n/a
- Final ^[e]	4	0
Class 'R' - Interim ^[f]	0	n/a
- Final ^[g]	1	0
Class 'X' - Interim	5	5
- Final	22	17
Accumulation shares (Euro)		
Class 'A' - Interim	27	16
- Final	193	57
Class 'B' - Interim	1	1
- Final	n/a	2
Class 'C' - Interim	71	33
- Final	355	68
Finance costs: Dividend distributions	5,000	4,214
Income deducted on cancellation of shares	149	133
Income received on issue of shares	(93)	(47)
Finance costs: Distributions	5,056	4,300
Net revenue per statement of total return	2,451	1,846
Expenses offset against capital	2,600	2,448
Overseas tax offset against capital	0	5
Undistributed income brought forward	5	6
Undistributed income carried forward	0	(5)
Finance costs: Distributions	5,056	4,300

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

^[b] The interim distribution for Sterling Class 'R' (Income) shares was £384.

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

^[d] The interim distribution for Sterling Class 'I' (Accumulation) shares was £155.

^[e] The comparative final distribution for Sterling Class 'I' (Accumulation) shares was £2.

^[f] The interim distribution for Sterling Class 'R' (Accumulation) shares was £228.

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

M&G Pan European Fund

FINANCIAL STATEMENTS

DISTRIBUTION TABLE				
Dividend distributions on Income shares	Net income	Equalisation	Distribution payable/paid	
			2013	2012
Sterling				
Class 'A' - Interim				
Group 1:	0.7797	-	0.7797	0.8300
Group 2:	0.5881	0.1916	0.7797	0.8300
- Final				
Group 1:	3.6400	-	3.6400	2.6950
Group 2:	1.1162	2.5238	3.6400	2.6950
Class 'I' - Interim				
Group 1:	5.9437	-	5.9437	n/a
Group 2:	1.8051	4.1386	5.9437	n/a
- Final				
Group 1:	27.7045	-	27.7045	2.1450
Group 2:	6.0096	21.6949	27.7045	2.1450
Class 'R' - Interim				
Group 1:	0.6509	-	0.6509	n/a
Group 2:	0.1745	0.4764	0.6509	n/a
- Final				
Group 1:	2.7651	-	2.7651	0.2100
Group 2:	1.5208	1.2443	2.7651	0.2100
Class 'X' - Interim				
Group 1:	0.7708	-	0.7708	0.8200
Group 2:	0.4704	0.3004	0.7708	0.8200
- Final				
Group 1:	3.6007	-	3.6007	2.6670
Group 2:	1.6320	1.9687	3.6007	2.6670

DISTRIBUTION TABLE (continued)

Dividend distributions on Accumulation shares	Net income	Equalisation	Amount reinvested	
			2013	2012
Sterling				
Class 'A' - Interim				
Group 1:	1.3968	-	1.3968	1.4560
Group 2:	0.7206	0.6762	1.3968	1.4560
- Final				
Group 1:	6.5772	-	6.5772	4.7508
Group 2:	2.7127	3.8645	6.5772	4.7508
Class 'I' - Interim				
Group 1:	6.4716	-	6.4716	n/a
Group 2:	0.9333	5.5383	6.4716	n/a
- Final				
Group 1:	27.9254	-	27.9254	2.1450
Group 2:	-	27.9254	27.9254	2.1450
Class 'R' - Interim				
Group 1:	0.6512	-	0.6512	n/a
Group 2:	0.6512	-	0.6512	n/a
- Final				
Group 1:	2.7854	-	2.7854	0.2100
Group 2:	2.2634	0.5220	2.7854	0.2100
Class 'X' - Interim				
Group 1:	1.3801	-	1.3801	1.4690
Group 2:	0.6992	0.6809	1.3801	1.4690
- Final				
Group 1:	6.4999	-	6.4999	4.6955
Group 2:	4.0504	2.4495	6.4999	4.6955
Euro				
Class 'A' - Interim				
Group 1:	6.3485	-	6.3485	6.7810
Group 2:	2.6237	3.7248	6.3485	6.7810
- Final				
Group 1:	30.3025	-	30.3025	23.5315
Group 2:	14.7364	15.5661	30.3025	23.5315
Class 'B' - Interim				
Group 1:	5.7166	-	5.7166	6.1580
Group 2:	2.1096	3.6070	5.7166	6.1580
- Final				
Group 1:	n/a	n/a	n/a	21.3694
Group 2:	n/a	n/a	n/a	21.3694
Class 'C' - Interim				
Group 1:	6.7292	-	6.7292	7.4280
Group 2:	3.6391	3.0901	6.7292	7.4280
- Final				
Group 1:	33.1556	-	33.1556	25.5873
Group 2:	4.6309	28.5247	33.1556	25.5873

Interim period 01.09.12 - 28.02.13

Final period 01.03.13 - 31.08.13

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 Pan European Fund

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Further Information

RISK FACTOR

Risk affecting all sub-funds

Within the M&G Investment Funds (1) range, although each sub-fund will be treated as being responsible for meeting its own liabilities, the Authorised Corporate Director (ACD) may reallocate these in a manner which is fair to all Company investors if each sub-fund is unable to meet its liabilities. A shareholder is not, however, 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.

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 American Fund	2.65%
M&G Asian Fund	0.67%
M&G European Fund	4.71%
M&G European Index Tracker Fund	1.50%
M&G European Smaller Companies Fund	3.98%
M&G Global Basics Fund	0.48%
M&G Global Growth Fund	1.28%
M&G Global Leaders Fund	3.98%
M&G Japan Fund	0.17%
M&G Japan Smaller Companies Fund	0.21%
M&G North American Value Fund	0.55%
M&G Pan European Fund	1.75%

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 31.08.13	as at 31.08.12
M&G American Fund	53.51%	58.26%
M&G Asian Fund	-1.20%	-34.63%
M&G European Fund	-5.24%	14.23%
M&G European Smaller Companies Fund	23.16%	-0.82%
M&G Global Basics Fund	24.16%	25.89%
M&G Global Growth Fund	10.17%	89.82%
M&G Global Leaders Fund	92.66%	34.71%
M&G Japan Fund	-0.99%	28.15%
M&G Japan Smaller Companies Fund	84.77%	-2.76%
M&G North American Value Fund	-28.38%	0.18%
M&G Pan European Fund	12.41%	19.69%

Further Information

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:

		Share class (Accumulation)	Total Expense Ratio		
			31.08.13	31.08.12	
			%	%	
M&G American Fund	Euro	Class 'A'	1.66	1.66	
		Class 'A-H'	1.70	1.73	
		Class 'C'	0.91	0.91	
		Class 'C-H'	0.95	0.98	
	US dollar	Class 'A'	1.66	1.66	
		Class 'C'	0.91	0.91	
M&G Asian Fund	Euro	Class 'A'	1.73	1.72	
		Class 'C'	0.98	0.97	
		US dollar	Class 'A'	1.73	1.73
			Class 'C'	0.99	0.98
M&G European Fund	Euro	Class 'A'	1.70	1.69	
		Class 'C'	0.94	0.94	
M&G European Smaller Companies Fund	Euro	Class 'A'	1.71	1.74	
		Class 'C'	0.96	0.96	
M&G Global Basics Fund	Euro	Class 'A'	1.92	1.92	
		Class 'C'	0.91	0.91	
		US dollar	Class 'A'	1.91	1.92
			Class 'C'	0.92	0.91
M&G Global Growth Fund	Euro	Class 'A'	1.93	1.93	
		Class 'C'	0.93	0.93	
		US dollar	Class 'A'	1.92	1.93
			Class 'C'	0.93	0.93
M&G Global Leaders Fund	Euro	Class 'A'	1.92	1.93	
		Class 'C'	0.92	0.93	
		US dollar	Class 'A'	1.92	1.90
			Class 'C'	0.92	0.93
M&G Japan Fund	Euro	Class 'A'	1.75	1.74	
		Class 'C'	1.01	0.99	
M&G Japan Smaller Companies Fund	Euro	Class 'A'	1.74	1.78	
		Class 'C'	0.99	0.98	
M&G North American Value Fund	Euro	Class 'A'	1.68	1.68	
		Class 'C'	0.91	0.92	
		US dollar	Class 'A'	1.69	1.72
			Class 'C'	0.94	0.94
M&G Pan European Fund	Euro	Class 'A'	1.68	1.68	
		Class 'C'	0.94	0.92	

HONG KONG INVESTOR INFORMATION

The total investment cost as at 31 August 2013 for the following sub-funds are:

Sub-fund	Total investment at cost (£'000)
M&G American Fund	826,141
M&G Global Basics Fund	3,675,710
M&G Global Leaders Fund	814,257
M&G Pan European Fund	159,118

Soft commission arrangements

For the period 1 September 2012 to 31 August 2013, the Company operated a number of pooled Commission Share Arrangements (CSAs) to receive research services from third party providers of research. The CSA arrangements were entered into on the basis that the execution of transactions on behalf of the sub-funds will be consistent with best execution standards and brokerage rates will be competitively negotiated. The goods and services received include specialist industry, company and consumer research, portfolio and market analysis and computer software used for the delivery of such services. The nature of the goods and services received is such that the benefits provided under the arrangement must be those which assist in the provision of investment services to the sub-funds and may contribute to an improvement in the sub-fund's performance. For the avoidance of doubt, such goods and services do not include travel, accommodations, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employees' salaries or direct money payments.

Borrowings

For the period 1 September 2012 to 31 August 2013, the Company had access to an overdraft facility (the 'Facility'), established with the State Street Bank and Trust Company, intended to provide for short-term/temporary financing if necessary, subject to certain restrictions, in connection with the management of redemption activity. Each sub-fund is limited to borrowing 10% of its respective net assets. Borrowings pursuant to the Facility are subject to interest at a mutually agreed upon rate and are unsecured.

Related parties transactions as at 31 August 2013:

For the period 1 September 2012 to 31 August 2013, none of the directors of M&G Securities Limited dealt in any of the Hong Kong registered sub-funds (2012: £4,975).

Notes

Notes



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