

Annual Short Report December 2013 For the year ended 31 October 2013

M&G Managed Growth Fund

a sub-fund of M&G Investment Funds (4)

How to contact us



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

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

† Please note that information contained within an email cannot be guaranteed as secure. We advise that you do not include any sensitive information when corresponding with M&G in this way.

AUTHORISED CORPORATE DIRECTOR'S REPORT

Investment objective of the M&G Managed Growth Fund

The Fund's objective is to achieve long term capital growth.

Policy for achieving the objective of the M&G Managed Growth Fund

The Fund is an actively managed fund investing predominantly in collective investment schemes in order to provide a well diversified exposure to global equities. The Fund may also invest in other collective investment schemes and directly in securities, fixed income assets, warrants, money market instruments, deposits, cash, near cash, and derivatives for the purposes of efficient portfolio management.

Investment approach

The M&G Managed Growth Fund invests primarily in M&G's funds but also in appropriate collectives where M&G does not have a focused capability, as well as holding up to 20% ^[a] of its value in direct equities and cash. The sole objective is long-term capital growth. While the fund is theoretically able to invest in other asset classes, the fund manager generally believes that equities represent the best opportunities for long-term growth.

The fund is well diversified across capitalisation tiers and international areas. The fund manager will use his judgement to decide on individual fund exposures whilst further diversifying the fund's exposures through investments directly into equities. Close consultation with M&G's fund managers and analyst team on the investment strategies and styles of individual M&G funds is a key part of the decision-making process. Asset allocation decisions will also be considered, and valuation remains core to any decision.

^[a] Please note that over the short term, fund holdings in direct equities and cash may deviate marginally from 20%, but over the long term, the typical amount invested would be up to 20%.

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.

The Fund has the above risk number because of the effect of the following risks:

- The value of stockmarket investments, and the income from them, will fluctuate. This will cause the Fund price to fall as well as rise and you may not get back the original amount you invested.
- Any investment in international companies means that currency exchange rate fluctuations will have an impact on the Fund.
- There is a risk that one or more countries will exit the Euro and re-establish their own currencies. In light of this uncertainty or in the event that this does occur, there is an increased risk of asset prices fluctuating or losing value. It may also be difficult to buy and sell securities and issuers may be unable to repay the debt. In addition, there is a risk that disruption in Eurozone markets could give rise to difficulties in valuing the assets of the Fund. In the event that it is not possible to carry out an accurate valuation of the Fund, dealing may be temporarily suspended.
- **Derivatives** – The Fund may use derivatives for the purposes of meeting the Fund's objective, and protecting the capital value from risk. We anticipate that the use of derivatives will not materially alter the risk profile of the Fund or increase price fluctuations.

Some derivative transactions may be entered into directly with an eligible person or institution (a "counterparty"). There is a risk that the counterparty may not meet its obligations or becomes insolvent which could cause the Fund to incur a loss.

- **Emerging markets** – The Fund can invest in emerging markets which tend to have larger price fluctuations than more developed countries. The Fund may encounter difficulties when buying and selling these investments or converting the proceeds of a sale or any income earned back into the base currency of the Fund.
 - The Fund invests mainly in other funds and there is a risk that the fair value of the assets held is not at all times reflected in the Fund's reported value. The fund manager will not have control over the management of these funds or the fair pricing of the assets held in their portfolios.
- * Please note that this 'Risk and reward profile' section is based on Sterling Class 'X' shares, the nominated share class.

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 1 November 2013, for the year ended 31 October 2013

Analysing the portfolio's underlying holdings is critical in establishing the fund's exposures and this process has meant that the period under review was an active one for the fund as we looked to increase the diversity of the portfolio. In the process, we sold down or exited some longstanding positions that had performed well while also initiating holdings in a range of new companies and sectors.

Complete sales included US seed company Monsanto, US-listed engineering and construction group Fluor, oil explorer Santos and global energy giant BP. Elsewhere, we sold German potash miner K+S as it increased its capital expenditure estimates for the cost of bringing a new deposit into production. All companies have added value over the long term, but were sold for a variety of company- or sector-specific reasons as we sought more attractive areas in which to invest. Positions in the two commodity-heavy funds were reduced considerably as well: the Red Fort Partnership and the M&G Global Basics Fund, in order to diversify away from the mining sector in particular.

The capital raised from this portfolio activity was recycled into a number of different companies and sectors. US software giant Microsoft and Hong Kong-listed global luggage brand Samsonite International were two notable new direct investments. Microsoft's

dominant position in business software should, we believe, create solid new global revenue streams, particularly in emerging markets. Meanwhile, Samsonite International is a market leader in its field and continues to generate good organic growth, supported by its global reach.

Other new entrants to the fund include Danone, a best-in-class France-listed drinks and dairy business that owns high-quality, trusted brands; and AMMB Holdings, a Malaysian bank that operates in the fast-growing South East Asian market. Other additions were Canadian miner PotashCorp, Japanese beverages company Kirin Holdings, and the attractively valued M&G Pan European Dividend Fund. The fund invests in European companies with an international outlook that understand capital discipline and have the potential to increase income distributions to shareholders over time. Elsewhere, holdings were increased in the M&G European Fund and M&G Global Real Estate Securities Fund, which invest in European companies and listed real estate companies respectively.

Randeep Somel

Fund manager

Randeep Somel is an employee of M&G Limited which is an associate of M&G Securities Limited. At the start of the review period Randeep Somel and Graham French were co-fund managers.

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

FUND SUMMARY

Sterling Class ‘C’ shares are not generally available to all investors.

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Interim	01.05.14	30.06.14
Final	03.11.14	31.12.14

	Final distribution Inc 31.12.13 ^[a]	Acc 01.11.13 ^[a]	Ongoing Charges Figure ^[b] 31.10.13	31.10.12
Sterling	p	p	%	%
Class ‘A’	0.3544	0.3827	1.80	1.91
Class ‘C’	0.9124	n/a	0.30	0.27 ^[c]
Class ‘I’	9.4560	9.5142	1.03	0.92 ^[c]
Class ‘R’	0.8311	0.8382	1.28	1.17 ^[c]
Class ‘X’	0.3627	n/a	1.80	1.92

^[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 31.10.13		Net asset value per share as at 31.10.12		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class ‘A’	78.32	83.25	74.18	78.49	+5.58	+6.06
Class ‘C’	78.40	n/a	74.25	n/a	+5.59	n/a
Class ‘I’	1,111.75	1,128.23	1,052.95	1,056.47	+5.58	+6.79
Class ‘R’	111.17	112.50	105.30	105.57	+5.57	+6.56
Class ‘X’	78.01	n/a	73.89	n/a	+5.58	n/a

PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
Sterling (net)		p	p	p	p
Class 'A'	2008	71.94	42.39	74.80	44.33
	2009 ^[a]	68.51	42.57	72.08	44.51
	2010	82.19	64.31	86.58	67.67
	2011	83.08	67.99	87.52	71.62
	2012 ^[b] ^[c]	78.54	67.29	82.89	71.02
	2013 ^[d]	83.49	73.16	88.35	77.41
Class 'C'	2012 ^[c] ^[e]	76.67	67.50	n/a	n/a
	2013 ^[d]	83.96	73.43	n/a	n/a
Class 'I'	2012 ^[f]	1,084.50	1,000.00	1,084.50	1,000.00
	2013 ^[d]	1,188.12	1,040.21	1,192.26	1,046.71
Class 'R'	2012 ^[f]	108.37	100.00	108.38	100.00
	2013 ^[d]	118.73	103.99	119.04	104.44
Class 'X'	2008	71.66	42.23	n/a	n/a
	2009 ^[a]	68.24	42.40	n/a	n/a
	2010	81.87	64.06	n/a	n/a
	2011	82.75	67.72	n/a	n/a
	2012 ^[b] ^[c]	78.23	67.03	n/a	n/a
	2013 ^[d]	83.17	72.88	n/a	n/a

^[a] The M&G Growth Portfolio merged into the M&G Managed Growth Fund immediately after 13 March 2009.

^[b] The Prudential Growth Unit Trust merged into the M&G Managed Growth Fund immediately after 17 February 2012.

^[c] The Prudential Managed Growth Trust merged into the M&G Managed Growth Fund immediately after 22 June 2012.

^[d] To 1 November 2013.

^[e] From 21 June 2012 (the launch date of the share class).

^[f] 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 Final	Total	Reinvested
Sterling (net)		p	p	p	p
Class 'A'	2008	0.1440	0.2790	0.4230	0.4395
	2009	0.0770	0.2950	0.3720	0.3894
	2010	0.0270	0.0610	0.0880	0.0926
	2011	0.0100	0.1400	0.1500	0.1585
	2012	nil	0.1890	0.1890	0.1929
	2013 ^[a]	nil	0.3544	0.3544	0.3827
Class 'C'	2012	n/a	0.4590	0.4590	n/a
	2013 ^[a]	0.4470	0.9124	1.3594	n/a
Class 'I'	2012	n/a	3.5150	3.5150	3.5150
	2013 ^[a]	3.1048	9.4560	12.5608	12.7155
Class 'R'	2012	n/a	0.2560	0.2560	0.2710
	2013 ^[a]	0.1986	0.8311	1.0297	1.0545
Class 'X'	2008	0.1370	0.2720	0.4090	n/a
	2009	0.0750	0.2940	0.3690	n/a
	2010	0.0260	0.0610	0.0870	n/a
	2011	0.0090	0.1400	0.1490	n/a
	2012	nil	0.1820	0.1820	n/a
	2013 ^[a]	nil	0.3627	0.3627	n/a

^[a] Up to final: ex-distribution date 1 November 2013;
payment date 31 December 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.

MAJOR HOLDINGS

The top ten holdings at the end of this year and the previous year end are shown below. ^[a]

	% of sub-fund as at 31.10.13		% of sub-fund as at 31.10.12
M&G Global Basics Fund	28.65	M&G Global Basics Fund	33.43
M&G Global Growth Fund	14.07	Red Fort Partnership	12.02
M&G Global Emerging Markets Fund	11.30	M&G Global Growth Fund	11.14
M&G Asian Fund	7.30	M&G Global Emerging Markets Fund	8.74
M&G European Fund	4.62	M&G Recovery Fund Sterling Class 'C' (Income)	7.20
M&G Recovery Fund Sterling Class 'C' (Income)	4.36	M&G Asian Fund	5.58
M&G Global Real Estate Fund	4.23	Symrise	3.67
Red Fort Partnership	4.01	Fluor	2.14
Symrise	2.72	M&G European Fund	1.80
M&G Pan European Dividend Fund	1.96	G4S	1.72

^[a] All holdings in M&G collective investment schemes are in Sterling Class 'A' (Income) shares unless otherwise stated.

CLASSIFICATION OF INVESTMENTS

The table below shows the percentage holding per sector.

	% of sub-fund as at 31.10.13 31.10.12	
Equity portfolios		
Continental Europe	4.62	1.80
Far East	7.30	5.58
Global	68.58	74.14
Equities		
Belgium	0.76	0.50
Eire	0.76	0.65
France	2.24	1.46
Germany	3.15	5.25
Luxembourg	0.72	0.00
United Kingdom	4.50	3.30
Australia	1.07	2.41
Canada	0.33	0.00
Japan	0.38	0.00
Malaysia	0.46	0.00
United Arab Emirates	0.66	0.06
United States	3.28	3.34

OTHER INFORMATION

The information in this report is designed to enable shareholders to make an informed judgment on the activities of the sub-fund during the period covered by the report and the results of those activities at the end of the period. For more information about the activities and performance of the sub-fund during this and the previous period, please contact the Authorised Corporate Director (ACD).

Short Reports

This Short Report is issued in accordance with the requirements of the Collective Investment Schemes sourcebook as issued (and amended) by the Financial Conduct Authority. This Short Report does not contain the Financial Statements of the M&G Managed Growth Fund, and it is unaudited.

Investment Report and Financial Statements

A copy of the ACD's Annual Investment Report and Financial Statements for M&G Investment Funds (4), which incorporates the sub-fund's annual investment report and audited financial statements is available free of charge on request from our website at www.mandg.co.uk/reports or by calling M&G Customer Relations on 0800 390 390.

Authorised Corporate Director

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Fund manager

Randeep Somel (an employee of M&G Limited which is an
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Independent Auditors

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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 Depositary.

M&G Securities Limited is authorised and regulated by the Financial Conduct Authority
and provides investment products. The company's registered office is Laurence
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