

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

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

Randeep Somel

At the start of the review period Graham French was the fund manager.

M&G Global Growth Fund

Greg Aldridge

M&G Global Leaders Fund

Aled Smith

M&G North American Value Fund

Daniel White

At the start of the review period Richard Brody was the fund manager.

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

Ernst & Young
10 George Street, Edinburgh EH2 2DZ, UK
Ernst & Young LLP were appointed as independent auditors on 24 March 2014 following the resignation of PricewaterhouseCoopers LLP.

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.

Regulatory changes affecting sub-funds

UK law has been changed in order to segregate each sub-fund's assets and liabilities. This means that each sub-fund is responsible for meeting its own debts and its assets may not be used to pay the debts of the other sub-funds. As a result of the change in regulation, sub-funds are also permitted to invest in other sub-funds in the same umbrella Open-Ended Investment Company (OEIC) under specific conditions. The Prospectus has been updated to reflect these changes.

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,
Jungthofstraße 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 interim investment report and unaudited financial statements for the six months ended 28 February 2014.

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 interim investment report and unaudited financial statements for each sub-fund for the six months ended 28 February 2014 are set out in detail in their section of this report (see contents page).

G W MacDowall
Director of M&G Securities Limited

L J Mumford
Director of M&G Securities Limited

14 April 2014

Aggregated Financial Statements (unaudited)

For the six months ended 28 February 2014.

STATEMENT OF TOTAL RETURN

	2014		2013	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		17,595		1,381,399
Revenue	52,002		67,847	
Expenses	(65,956)		(73,405)	
Finance costs: Interest	(1)		(4)	
Net expense before taxation	(13,955)		(5,562)	
Taxation	(442)		(4,925)	
Net expense after taxation		(14,397)		(10,487)
Total return before distributions		3,198		1,370,912
Finance costs: Distributions		(5,807)		(6,581)
Change in net assets attributable to shareholders from investment activities		(2,609)		1,364,331

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2014		2013	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		8,594,384		8,796,587
Amounts received on issue of shares	563,381		582,412	
Amounts paid on cancellation of shares	(1,797,736)		(1,285,755)	
Value of securities transferred from in-specie cancellations	(34,085)		0	
		(1,268,440)		(703,343)
Stamp Duty Reserve Tax		(195)		(350)
Change in net assets attributable to shareholders from investment activities (see above)		(2,609)		1,364,331
Retained distributions on Accumulation shares		4,421		4,884
Unclaimed distributions		16		11
Closing net assets attributable to shareholders		7,327,577		9,462,120

The opening net assets attributable to shareholders for 2014 differs to the closing position in 2013 by the change in shareholders' net assets for the second half of the comparative financial year.

BALANCE SHEET

	as at		as at	
	28 February 2014	28 February 2014	31 August 2013	31 August 2013
	£'000	£'000	£'000	£'000
Assets				
Investment assets		7,119,177		8,524,070
Debtors	94,031		105,627	
Cash and bank balances	210,010		36,605	
Total other assets		304,041		142,232
Total assets		7,423,218		8,666,302
Liabilities				
Investment liabilities		(3)		(238)
Creditors				
Net distributions payable on Income shares	(909)		(12,750)	
Other creditors	(94,729)		(58,930)	
Total other liabilities		(95,638)		(71,680)
Total liabilities		(95,641)		(71,918)
Net assets attributable to shareholders		7,327,577		8,594,384

NOTE TO THE FINANCIAL STATEMENTS

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.

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

14 April 2014

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.

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

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 3 March 2014, for the six months ended 28 February 2014

We made a number of changes to the portfolio during the review period. In technology, we added NVIDIA, which designs and manufactures high performance graphics processing units (GPUs). Whilst demand for PCs in general may be slowing, demand for gaming computers is growing strongly; 'cloud'-based computing is another rapidly expanding market, where NVIDIA's GPUs are needed.

Also in the technology sector, we established a new position in Avago Technologies, a leading designer and manufacturer of electronic and optoelectronic components used in wireless communications and wired infrastructure; these components contain a significant amount of intellectual property. We believe the rollout of 4G services will generate firm demand for the company's products.

In industrials, having done very well with General Electric, we decided to recycle some of the money into smaller and potentially higher returning names such as Deere & Co. The company is one of the largest manufacturers of agricultural machinery such as tractors, combine harvesters and planters in the world. It has been quick to realise that its future lay in providing technology solutions for its customers.

We also initiated a position in power tool manufacturer Stanley Black & Decker. Stanley acquired a Swedish security systems company in 2011. However, the integration took longer than expected, which unsettled investors. We believe the shares are now attractive and there are signs that the integration is back on track.

Elsewhere, we initiated a position in medical device manufacturer Medtronic and disposed of branded beverage company Coca-Cola, while partially selling the fund's holding in household products business Procter & Gamble on valuation grounds.

Medtronic's new chief executive is realigning the company away from low margin products towards businesses which have a greater proportion of recurring revenues and higher earnings visibility. As part of this strategy, Medtronic recently announced the formation of a unit focused on developing partnerships with hospitals and has already been awarded its first two contracts.

Finally, we decreased the fund's exposure to financials, reducing holdings in Citigroup and Wells Fargo as we felt there were other opportunities offering better value.

Aled Smith
Fund manager

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

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

M&G American Fund

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.09.14	31.10.14

	Ongoing Charges Figure ^[a]	
	28.02.14	31.08.13
Sterling	%	%
Class 'A'	1.66	1.66
Class 'I'	0.91	0.91
Class 'R'	1.16	1.16
Class 'X'	1.66	1.66
Euro	%	%
Class 'A'	1.66	1.66
Class 'A-H'	1.68	1.70
Class 'C'	0.91	0.91
Class 'C-H'	0.93	0.95
US dollar	%	%
Class 'A'	1.66	1.66
Class 'C'	0.91	0.91

[a] 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.

The M&G American Fund distributes annually, therefore there is no interim distribution.

FUND PERFORMANCE

Performance of share classes

	Net asset value per share as at 28.02.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	1,098.75	1,414.07	1,047.84	1,348.55	+4.86	+4.86
Class 'I'	1,295.51	1,306.31	1,231.00	1,240.87	+5.24	+5.27
Class 'R'	129.39	130.10	123.09	123.76	+5.12	+5.12
Class 'X'	1,097.46	1,393.44	1,046.62	1,328.89	+4.86	+4.86
Euro	€	€	€	€	%	%
Class 'A'	n/a	12.1818	n/a	11.2411	n/a	+8.37
Class 'A-H'	n/a	13.9114	n/a	12.3420	n/a	+12.72
Class 'C'	n/a	13.1493	n/a	12.0924	n/a	+8.74
Class 'C-H'	n/a	14.1973	n/a	12.5459	n/a	+13.16
US dollar	\$	\$	\$	\$	%	%
Class 'A'	n/a	13.1878	n/a	11.6840	n/a	+12.87
Class 'C'	n/a	13.8869	n/a	12.2577	n/a	+13.29

Past performance is not a guide to future performance.

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.

PERFORMANCE SINCE LAUNCH

	six months 02.09.13 %	one year 01.03.13 %	five years 03.03.09 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	+4.6	+6.8	+17.1	+7.7 ^[c]
Class 'I'	+5.0	+6.9	n/a	+16.9 ^[d]
Class 'R'	+4.8	+6.9	n/a	+16.8 ^[d]
Class 'X'	+4.6	+6.8	+17.1	+8.3 ^[e]
Euro ^[f]				
Class 'A'	+7.8	+12.5	+19.2	+1.6 ^[g]
Class 'A-H'	+12.1	+19.0	+20.2	+6.0 ^[h]
Class 'C'	+8.2	+13.3	+20.1	+2.2 ^[g]
Class 'C-H'	+12.5	+20.0	n/a	+10.4 ^[i]
US dollar ^[f]				
Class 'A'	+12.2	+18.9	+21.4	+3.9 ^[j]
Class 'C'	+12.6	+19.8	+22.3	+4.7 ^[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 FEBRUARY)

From To	01.03.13 28.02.14 %	01.03.12 28.02.13 %	01.03.11 29.02.12 %	01.03.10 28.02.11 %	01.03.09 28.02.10 %
Sterling					
Class 'A'	+9.9	+17.5	-1.4	+13.8	+45.7

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

M&G American Fund

FUND STATISTICS

PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
Sterling (net)					
		p	p	p	p
Class 'A'	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	1,114.82	885.27	1,434.75	1,139.32
	2014 ^[b]	1,124.24	1,043.92	1,446.87	1,343.49
Class 'I'	2012 ^[c]	1,044.73	990.54	1,046.06	991.80
	2013	1,317.69	1,041.84	1,319.36	1,043.17
	2014 ^[b]	1,324.41	1,230.26	1,335.44	1,240.52
Class 'R'	2012 ^[c]	104.44	99.01	104.55	99.11
	2013	131.49	104.11	131.62	104.21
	2014 ^[b]	132.31	122.89	133.03	123.56
Class 'X'	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	1,113.52	884.24	1,413.83	1,122.71
	2014 ^[b]	1,122.93	1,042.70	1,425.77	1,323.90
Euro (net)					
		€	€	€	€
Class 'A'	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	n/a	n/a	12.1058	9.9752
	2014 ^[b]	n/a	n/a	12.3615	11.5515
Class 'A-H'	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	n/a	n/a	13.7644	10.9240
	2014 ^[b]	n/a	n/a	13.9381	12.9327
Class 'C'	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	n/a	n/a	13.0428	10.6772
	2014 ^[b]	n/a	n/a	13.3353	12.4664
Class 'C-H'	2010 ^[d]	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	n/a	n/a	14.0275	11.0430
	2014 ^[b]	n/a	n/a	14.2110	13.1917

PRICES (continued)

US dollar (net)	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
		\$	\$	\$	\$
Class 'A'	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	n/a	n/a	13.0556	10.3768
	2014 ^[b]	n/a	n/a	13.2096	12.2541
Class 'C'	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	n/a	n/a	13.7310	10.8328
	2014 ^[b]	n/a	n/a	13.8973	12.8973

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

^[b] To 3 March 2014.

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

^[d] From 1 October 2010 (the launch date of the share class).

INCOME

Dividend income per share	Calendar year	Distributed		Reinvested	
		p	p	p	p
Sterling (net)					
Class 'A'	2009	1.6500	2.1177		
	2010	nil	nil		
	2011	nil	nil		
	2012	nil	nil		
	2013	nil	nil		
	2014 ^[a]	-	-		
Class 'I'	2012	1.2930	1.2930		
	2013	8.2708	8.2750		
	2014 ^[a]	-	-		
Class 'R'	2012	0.1050	0.1050		
	2013	0.5418	0.5421		
	2014 ^[a]	-	-		
Class 'X'	2009	1.6350	2.0707		
	2010	nil	nil		
	2011	nil	nil		
	2012	nil	nil		
	2013	nil	nil		
	2014 ^[a]	-	-		

M&G American Fund

FUND STATISTICS

INCOME (continued)

Dividend income per share			
	Calendar year	Distributed	Reinvested
Euro (net)			
		¢	¢
Class 'A'	2009	n/a	1.7140
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	nil
	2013	n/a	nil
	2014 ^[a]	n/a	-
Class 'A-H'	2009	n/a	1.9620
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	nil
	2013	n/a	nil
	2014 ^[a]	n/a	-
Class 'C'	2009	n/a	6.4600
	2010	n/a	2.6140
	2011	n/a	1.1080
	2012	n/a	5.9718
	2013	n/a	7.9625
	2014 ^[a]	n/a	-
Class 'C-H'	2011	n/a	1.0490
	2012	n/a	5.7060
	2013	n/a	7.6094
	2014 ^[a]	n/a	-
US dollar (net)			
		¢	¢
Class 'A'	2009	n/a	1.2910
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	nil
	2013	n/a	nil
	2014 ^[a]	n/a	-
Class 'C'	2009	n/a	7.0830
	2010	n/a	2.5610
	2011	n/a	1.2440
	2012	n/a	5.9040
	2013	n/a	8.0608
	2014 ^[a]	n/a	-

^[a] The M&G American Fund distributes annually, therefore there is no interim distribution.

The level of income earned by the fund will fluctuate.

NET ASSETS

	Period ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
Sterling					
		p	p		
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
	Feb 2014	1,098.75	1,414.07	9,319,545	26,561,927
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
	Feb 2014	1,295.51	1,306.31	2,883,300	4,240,200
Class 'R'	Aug 2012	101.70	101.80	10,000	10,000
	Aug 2013	123.09	123.76	56,500	45,000
	Feb 2014	129.39	130.10	80,500	85,000
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
	Feb 2014	1,097.46	1,393.44	1,032,362	4,951,772
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
	Feb 2014	n/a	12.1818	n/a	8,388,137
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	n/a	1,049,600
	Feb 2014	n/a	13.9114	n/a	1,074,700
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
	Feb 2014	n/a	13.1493	n/a	4,393,240
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
	Feb 2014	n/a	14.1973	n/a	3,974,600
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
	Feb 2014	n/a	13.1878	n/a	4,651,350
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
	Feb 2014	n/a	13.8869	n/a	8,880,550

Total net asset value of sub-fund

Period 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
Feb 2014	953,180,000	1,153,096,000

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

M&G American Fund

PORTFOLIO

PORTFOLIO STATEMENT

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 %
Oil & gas producers		5.83	7.61
275,222 Anadarko Petroleum	13,696	1.44	
176,566 Chevron	12,239	1.28	
61,595 EOG Resources	6,919	0.73	
1,773,163 Talisman Energy	10,852	1.14	
407,778 Valero Energy	11,855	1.24	
Oil equipment, services & distribution		2.64	2.29
355,506 Halliburton	11,863	1.24	
240,000 Schlumberger	13,316	1.40	
Forestry & paper		1.03	0.89
330,060 West Fraser Timber	9,778	1.03	
Industrial metals & mining		1.04	1.42
137,114 Parker Hannifin	9,874	1.04	
Construction & materials		0.77	0.00
85,984 Acuity Brands	7,314	0.77	
General industrials		2.24	4.99
448,981 General Electric	6,859	0.72	
550,000 ITT	14,486	1.52	
Electronic & electrical equipment		4.09	5.09
482,737 Jabil Circuit	5,537	0.58	
375,259 Motorola Solutions	14,820	1.55	
816,525 Trimble Navigation	18,673	1.96	
Industrial engineering		2.54	0.00
288,861 Deere & Co	14,708	1.54	
283,203 Joy Global	9,508	1.00	
Industrial transportation		4.21	3.34
432,753 Con-Way	9,935	1.04	
178,232 Norfolk Southern	9,677	1.01	
925,000 Orbital Sciences	15,699	1.65	
758,224 UTi Worldwide	4,885	0.51	
Support services		1.29	1.35
322,654 G & K Services	12,257	1.29	
Automobiles & parts		1.71	1.50
414,668 Harley-Davidson	16,255	1.71	
Beverages		1.32	3.76
406,228 Dr Pepper Snapple	12,567	1.32	
Food producers		1.24	1.91
327,349 Kellogg	11,802	1.24	
Household goods & home construction		5.70	5.23
500,000 Fortune Brands Home & Security	14,110	1.48	
240,728 Procter & Gamble	11,279	1.18	
208,420 Snap-on	13,877	1.46	
303,936 Stanley Black & Decker	15,103	1.58	
Leisure goods		0.46	0.70
1,027,668 LeapFrog Enterprises	4,403	0.46	
Healthcare equipment & services		5.67	4.90
212,208 Abaxis	4,972	0.52	
401,529 Covidien	17,171	1.80	
663,549 Haemonetics	14,721	1.54	
495,092 Medtronic	17,295	1.81	
Pharmaceuticals & biotechnology		7.59	7.64
581,308 Affymetrix	2,783	0.29	
346,300 Amgen	25,539	2.68	
385,595 Eli Lilly	13,759	1.44	
430,601 Mallinckrodt Pharmaceuticals	18,082	1.90	
634,105 Pfizer	12,244	1.28	

PORTFOLIO STATEMENT (continued)

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 %
Food & drug retailers		2.28	2.83
365,234 CVS Caremark	15,797	1.66	
1,545,752 SuperValu	5,956	0.62	
General retailers		3.07	3.46
77,592 Amazon	16,734	1.76	
358,427 eBay	12,534	1.31	
Media		6.51	3.48
327,755 CBS 'B'	13,040	1.37	
2,479,048 Groupon	12,643	1.33	
1,145,528 News Corporation	12,130	1.27	
301,240 Rocket Fuel	10,442	1.10	
715,582 Twenty-First Century Fox	13,770	1.44	
Travel & leisure		2.43	2.17
221,926 American Airlines	4,862	0.51	
139,819 Madison Square Garden	4,921	0.52	
796,962 MGM Resorts International	13,306	1.40	
Electricity		2.55	2.43
582,015 Dominion Resources	24,269	2.55	
Gas, water & multi-utilities		1.75	1.09
705,459 Xylem	16,640	1.75	
Banks		4.44	8.42
136,868 Citigroup	3,993	0.42	
4,347,925 Huntington Bancshares	24,545	2.58	
498,219 Wells Fargo	13,743	1.44	
Non-life insurance		1.00	1.77
164,627 Ace	9,547	1.00	
Life insurance		2.06	2.22
647,150 MetLife	19,593	2.06	
Real estate investment trusts		2.53	1.20
1,958,532 BioMed Realty Trust	24,155	2.53	
Financial services		6.73	5.03
291,112 Equifax	12,214	1.28	
968,904 Morgan Stanley	17,617	1.85	
765,945 SLM	10,911	1.14	
309,643 Waddell & Reed Financial	12,743	1.34	
183,373 World Acceptance	10,681	1.12	
Software & computer services		4.58	5.11
262,125 Intuit	12,270	1.29	
1,383,157 Microsoft	31,391	3.29	
Technology hardware & equipment		8.14	5.61
534,535 Avago Technologies	19,663	2.06	
328,033 Intel	4,866	0.51	
1,597,595 NVIDIA	17,703	1.86	
391,958 Qualcomm	17,657	1.85	
285,907 Tech Data	9,763	1.02	
601,115 Tessera	8,015	0.84	
Forward currency contracts		0.06	(0.02)
C\$29,519 Bought for €19,552 (expires 24.03.14)	0	0.00	
€1,662,520 Bought for C\$2,499,934 (expires 24.03.14)	28	0.00	
€69,185,832 Bought for \$94,527,825 (expires 24.03.14)	541	0.06	
\$834,883 Bought for €608,459 (expires 24.03.14)	(3)	0.00	
'AAA' rated money market funds ^[a]		1.97	2.47
31,308,000 Northern Trust Global Fund - US dollar	18,763	1.97	
Portfolio of investments	948,155	99.47	99.89
Net other assets	5,025	0.53	0.11
Net assets attributable to shareholders	953,180	100.00	100.00

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

M&G American Fund

PORTFOLIO

COUNTERPARTY EXPOSURE

Counterparty	Financial derivative exposure	
	Forward currency contracts £'000	Total as at 28.02.14 £'000
State Street Bank	566	566
Total	566	566

PORTFOLIO TRANSACTIONS

for the six months ended 28 February 2014

Largest purchases	£'000
Medtronic	17,793
Con-Way	17,565
Avago Technologies	17,202
NVIDIA	17,178
Deere & Co	15,835
Groupon	14,945
Stanley Black & Decker	14,616
SLM	12,240
Rocket Fuel	11,353
BioMed Realty Trust	11,226
Joy Global	9,642
Morgan Stanley	7,823
News Corporation	6,979
Acuity Brands	6,767
Tech Data	6,027
Equifax	5,899
Norfolk Southern	5,145
Trimble Navigation	5,106
American Airlines	4,921
LeapFrog Enterprises	3,380
Northern Trust Global Fund - US dollar ^[a]	156,173
Other purchases	43,627
Total purchases	411,442
Largest sales	£'000
General Electric	28,091
Citigroup	27,936
Coca-Cola	15,799
Intel	12,472
Procter & Gamble	12,420
Wells Fargo	12,234
Dr Pepper Snapple	9,951
Equifax	9,458
EOG Resources	9,348
Trimble Navigation	9,134
Intuit	9,033
Pfizer	9,000
Ace	8,629
Qualcomm	7,957
Eli Lilly	7,876
Jabil Circuit	7,827
KLA-Tencor	7,805
eBay	7,696
Abaxis	7,451
Microsoft	6,601
Northern Trust Global Fund - US dollar ^[a]	161,206
Other sales	132,447
Total sales	520,371

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

INTERIM FINANCIAL STATEMENTS (unaudited)

For the six months ended 28 February 2014.

STATEMENT OF TOTAL RETURN

	2014		2013	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		49,106		134,794
Revenue	8,064		9,661	
Expenses	(7,314)		(7,059)	
Finance costs: Interest	0		(1)	
Net revenue before taxation	750		2,601	
Taxation	813		(1,436)	
Net revenue after taxation		1,563		1,165
Total return before equalisation		50,669		135,959
Finance costs: Equalisation		(57)		(40)
Change in net assets attributable to shareholders from investment activities		50,612		135,919

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2014		2013	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		1,010,943		955,416
Amounts received on issue of shares	161,844		113,827	
Amounts paid on cancellation of shares	(270,219)		(221,480)	
		(108,375)		(107,653)
Change in net assets attributable to shareholders from investment activities (see above)		50,612		135,919
Closing net assets attributable to shareholders		953,180		983,682

The opening net assets attributable to shareholders for 2014 differs to the closing position in 2013 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

BALANCE SHEET

	as at 28 February 2014		as at 31 August 2013	
	£'000	£'000	£'000	£'000
Assets				
Investment assets		948,158		1,010,010
Debtors	42,623		5,248	
Cash and bank balances	622		1,809	
Total other assets		43,245		7,057
Total assets		991,403		1,017,067
Liabilities				
Investment liabilities		(3)		(218)
Creditors				
Net distributions payable on income shares	0		(121)	
Other creditors	(38,220)		(5,785)	
Total other liabilities		(38,220)		(5,906)
Total liabilities		(38,223)		(6,124)
Net assets attributable to shareholders		953,180		1,010,943

M&G American Fund

INTERIM FINANCIAL STATEMENTS (unaudited)

NOTE TO THE FINANCIAL STATEMENTS

Accounting policies

The interim financial statements have been prepared on the same basis as the audited annual financial statements for the year ended 31 August 2013. They are in accordance with the historical cost convention, as modified by the revaluation of investments, and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010.

M&G American Fund

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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 or internal change. The fund also invests in higher returning businesses where the market does not believe these levels of returns are sustainable; we define these as asset growth and quality companies.

The fund manager aims to hold between 50 and 70 stocks, with a typical holding period of three to five years. Taking a long term view enables the manager to align his 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*



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.

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

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 3 March 2014, for the six months ended 28 February 2014

As value investors, we are drawn to countries and industries that have underperformed. China is a market that investors have shunned lately, and during the review period, we invested in PICC Property & Casualty, China's biggest non-life insurance company. PICC offers insurance cover for vehicles and buildings and we believe it should benefit from rising wealth and consumption in China. We also bought shares in Fufeng, one of the world's largest producers of flavour enhancers, including monosodium glutamate. In our view, consolidation in the market should enhance the firm's pricing power. Existing positions in Dongfeng Motor, a Chinese automaker, and medical equipment manufacturer Mindray Medical International were increased too.

SK hynix, a Korean maker of memory chips, joined the portfolio as well. We were attracted by the management's disciplined approach to investment and believe SK hynix is well placed to exploit the demand for memory in mobile devices. Kia Motors, a Korean car maker, was another newcomer. The firm is an affiliate of Hyundai Motor, one of our existing holdings. In our view, both companies are improving their operational efficiency and focusing on profitability, but the market is underestimating their potential. We added to the position in Hyundai during the period, and also topped up a position in Standard Chartered, a UK-listed bank that operates extensively in Asia.

In terms of sales, we took profits in several holdings that had performed well, such as Taiwanese manufacturer of power supplies Delta Electronics, HollySys Automation Technologies, a Chinese provider of control devices to the railway network, and Singapore-listed chocolate maker Petra Foods. We also closed our position in Bank of India, as we had concerns about the state-owned lender's vulnerability to slowing growth in India. Naver Corporation, a Korean internet company, left the portfolio too. Naver has a popular mobile messaging application and its share price has soared as investors have high expectations for its growth prospects. However, we considered Naver's potential to be fully reflected in the share price and exited the position.

Matthew Vaight Fund manager

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

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

M&G Asian Fund

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.09.14	31.10.14

	Ongoing Charges Figure ^[a]	
	28.02.14	31.08.13
Sterling	%	%
Class 'A'	1.73	1.73
Class 'I'	0.99	1.02
Class 'R'	1.23	1.25
Class 'X'	1.73	1.73
Euro	%	%
Class 'A'	1.73	1.73
Class 'C'	0.98	0.98
US dollar	%	%
Class 'A'	1.73	1.73
Class 'C'	0.98	0.99

[a] 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.

The M&G Asian Fund distributes annually, therefore there is no interim distribution.

FUND PERFORMANCE

Performance of share classes

	Net asset value per share as at 28.02.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	989.67	1,525.71	989.79	1,525.92	-0.01	-0.01
Class 'I'	1,121.55	1,137.40	1,117.49	1,133.38	+0.36	+0.35
Class 'R'	111.91	113.33	111.64	113.06	+0.24	+0.24
Class 'X'	988.63	1,511.49	988.76	1,511.70	-0.01	-0.01
Euro	€	€	€	€	%	%
Class 'A'	n/a	28.2168	n/a	27.3147	n/a	+3.30
Class 'C'	n/a	30.5713	n/a	29.4840	n/a	+3.69
US dollar	\$	\$	\$	\$	%	%
Class 'A'	n/a	22.5109	n/a	20.9159	n/a	+7.63
Class 'C'	n/a	23.3931	n/a	21.6550	n/a	+8.03

Past performance is not a guide to future performance.

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.

PERFORMANCE SINCE LAUNCH

	six months 02.09.13 %	one year 01.03.13 %	five years 03.03.09 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	-1.2	-12.6	+16.7	+7.8 ^[c]
Class 'I'	-0.8	-12.6	n/a	+6.7 ^[d]
Class 'R'	-1.0	-12.8	n/a	+6.6 ^[d]
Class 'X'	-1.2	-12.6	+16.7	+12.9 ^[e]
Euro ^[f]				
Class 'A'	+1.8	-7.7	+19.4	+8.8 ^[g]
Class 'C'	+2.2	-7.0	+20.3	+9.5 ^[g]
US dollar ^[f]				
Class 'A'	+6.0	-2.4	+21.5	+16.6 ^[h]
Class 'C'	+6.4	-1.7	+22.4	+17.5 ^[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 FEBRUARY)

From To	01.03.13 28.02.14 %	01.03.12 28.02.13 %	01.03.11 29.02.12 %	01.03.10 28.02.11 %	01.03.09 28.02.10 %
Sterling					
Class 'A'	-10.1	+17.3	+3.2	+16.6	+75.7

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'	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	1,136.62	954.50	1,746.56	1,466.69
	2014 ^[a]	1,025.32	955.40	1,580.65	1,472.90
Class 'I'	2012 ^[b]	1,129.75	976.63	1,133.11	979.53
	2013	1,288.74	1,084.61	1,292.59	1,087.85
	2014 ^[a]	1,160.61	1,082.01	1,176.94	1,097.33
Class 'R'	2012 ^[b]	112.91	97.67	113.21	97.93
	2013	128.77	108.30	129.10	108.57
	2014 ^[a]	115.85	107.98	117.31	109.36
Class 'X'	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	1,135.51	953.62	1,730.16	1,453.02
	2014 ^[a]	1,024.25	954.40	1,565.92	1,459.17
Euro (net)					
		€	€	€	€
Class 'A'	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	n/a	n/a	31.0598	26.3789
	2014 ^[a]	n/a	n/a	29.1756	27.2478
Class 'C'	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	n/a	n/a	33.4563	28.4340
	2014 ^[a]	n/a	n/a	31.5726	29.5112
US dollar (net)					
		\$	\$	\$	\$
Class 'A'	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	n/a	n/a	23.4382	19.9996
	2014 ^[a]	n/a	n/a	23.0988	21.3824
Class 'C'	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	n/a	n/a	24.2915	20.6773
	2014 ^[a]	n/a	n/a	23.9754	22.2094

^[a] To 3 March 2014.

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

INCOME

Dividend income per share			
	Calendar year	Distributed	Reinvested
Sterling (net)			
		p	p
Class 'A'	2009	6.3750	9.5902
	2010	4.0740	6.1837
	2011	1.7780	2.6400
	2012	4.9170	7.7860
	2013	3.2531	3.9056
	2014 ^[a]	-	-
Class 'I'	2012	2.9550	2.9550
	2013	12.4785	12.6898
	2014 ^[a]	-	-
Class 'R'	2012	0.2660	0.2660
	2013	1.1335	1.1477
	2014 ^[a]	-	-
Class 'X'	2009	6.3620	9.4890
	2010	4.0820	6.1429
	2011	1.9220	2.8640
	2012	4.8680	7.8640
	2013	3.3702	5.2202
	2014 ^[a]	-	-
Euro (net)			
		¢	¢
Class 'A'	2009	n/a	16.7790
	2010	n/a	13.0740
	2011	n/a	4.4600
	2012	n/a	16.8830
	2013	n/a	10.5665
	2014 ^[a]	n/a	-
Class 'C'	2009	n/a	26.8580
	2010	n/a	29.8930
	2011	n/a	24.9560
	2012	n/a	35.9910
	2013	n/a	32.7831
	2014 ^[a]	n/a	-
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	n/a	8.5121
	2014 ^[a]	n/a	-
Class 'C'	2009	n/a	14.6580
	2010	n/a	20.9400
	2011	n/a	19.9240
	2012	n/a	25.2170
	2013	n/a	23.8828
	2014 ^[a]	n/a	-

^[a] The M&G Asian Fund distributes annually, therefore there is no interim distribution.

The level of income earned by the fund will fluctuate.

M&G Asian Fund

FUND STATISTICS

NET ASSETS					
	Period 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
	Feb 2014	989.67	1,525.71	14,822,541	5,743,052
Class 'I'	Aug 2012	989.50	992.46	100	100
	Aug 2013	1,117.49	1,133.38	160,100	314,950
	Feb 2014	1,121.55	1,137.40	272,100	768,150
Class 'R'	Aug 2012	98.96	99.22	1,000	1,000
	Aug 2013	111.64	113.06	111,500	73,000
	Feb 2014	111.91	113.33	150,500	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
	Feb 2014	988.63	1,511.49	1,135,093	545,990
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
	Feb 2014	n/a	28.2168	n/a	3,866,709
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
	Feb 2014	n/a	30.5713	n/a	4,213,960
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
	Feb 2014	n/a	22.5109	n/a	1,432,100
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
	Feb 2014	n/a	23.3931	n/a	1,040,650
Total net asset value of sub-fund					
	Period 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	
	Feb 2014	496,421,000		600,538,000	

[a] Based on the midday exchange rate on the last business day of each accounting period.

PORTFOLIO

PORTFOLIO STATEMENT

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 %
United Kingdom			
4,670,000 AZ Electronic Materials	18,582	3.74	
858,000 Prudential	11,652	2.35	
3,900,000 Salamander Energy	3,861	0.78	
Australia			
2,281,840 ALS	9,263	1.87	
2,595,000 BlueScope Steel	8,542	1.72	
3,495,000 Downer EDI	9,233	1.86	
1,725,000 Iluka Resources	8,698	1.75	
1,500,000 Mesoblast	4,607	0.93	
325,000 Orica	4,206	0.85	
7,600,564 Panoramic Resources	1,490	0.30	
2,025,000 Rex Minerals	478	0.10	
China			
26,090,000 AMVIG Holdings	6,285	1.27	
6,930,600 China Resources Power	10,018	2.02	
11,154,000 China Unicom	8,905	1.79	
11,540,000 CNOOC	11,334	2.28	
9,045,000 Dongfeng Motor	7,333	1.48	
5,120,000 Hang Lung Properties	8,480	1.71	
1,055,449 HollySys Automation Technologies	12,612	2.54	
573,000 Mindray Medical International ADR	12,245	2.47	
5,534,000 PICC Property & Casualty	4,530	0.91	
30,400,000 Shanghai Electric Group 'H'	6,197	1.25	
20,954,853 Shui On Land	3,463	0.70	
7,255,000 Yingde Gases	3,854	0.78	
Hong Kong			
5,400,000 Esprit	6,071	1.22	
11,100,000 Fufeng Group	2,631	0.53	
2,149,250 HSBC Holdings	13,642	2.75	
2,490,500 Hutchison Whampoa	20,115	4.05	
39,995,000 PCCW	11,365	2.29	
824,000 Standard Chartered	10,454	2.11	
4,800,000 Techtronic Industries	7,561	1.52	
6,554,438 The Hongkong and Shanghai Hotels	5,324	1.07	
India			
866,000 Axis Bank	10,624	2.14	
2,520,000 CESC	11,820	2.38	
4,940,000 Crompton Greaves	6,150	1.24	
1,097,000 Genpact	10,749	2.17	
3,970,000 Idea Cellular	4,986	1.00	
2,670,000 Indiabulls Housing Finance	4,944	1.00	
1,495,000 Power Grid Corporation of India	1,368	0.28	
525,000 Punjab National Bank	2,801	0.56	
23,678,804 REI Agro	1,053	0.21	
Philippines			
165,499,950 Energy Development	12,666	2.55	
Singapore			
11,500,000 CSE Global	3,346	0.67	
1,460,000 DBS Group Holdings	11,398	2.30	
14,080,000 Genting	3,291	0.66	
426,679 Jardine Matheson	14,856	2.99	
2,099,000 Petra Foods	3,496	0.70	
434,727 United Overseas Bank	4,243	0.86	

M&G Asian Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 %
South Korea			
492,007 Hana Financial Group	11,490	2.31	
110,906 Hyundai Motor	15,192	3.06	
156,000 Kia Motors	4,852	0.98	
33,700 Samsung Electronic	25,503	5.14	
486,000 Shinhan Financial Group	12,114	2.44	
338,600 SK hynix	7,356	1.48	
Taiwan			
8,956,564 Compal Electronics	3,623	0.73	8.18
3,245,000 Delta Electronics	10,783	2.17	
7,580,178 Taiwan Semiconductor Manufacturing	16,118	3.25	
1,933,000 Yungtay Engineering	3,281	0.66	
Thailand			
29,500,000 Krung Thai Bank	9,700	1.95	1.50
Brazil			
1,090,000 Vale ADR	8,263	1.66	2.00
Eire ('AAA' rated money market funds) ^[a]			
2,999,000 Northern Trust Global Fund - US dollar	1,797	0.36	0.02
Portfolio of investments	490,894	98.89	98.70
Net other assets	5,527	1.11	1.30
Net assets attributable to shareholders	496,421	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 six months ended 28 February 2014

	£'000
Largest purchases	
SK hynix	6,901
Standard Chartered	6,549
PICC Property & Casualty	5,225
Kia Motors	5,094
Hyundai Motor	5,029
Orica	4,216
Jardine Matheson	3,767
Genting	3,740
Mindray Medical International ADR	3,561
Krung Thai Bank	3,061
Fufeng Group	2,687
AZ Electronic Materials	2,532
Indiabulls Housing Finance	2,121
Dongfeng Motor	2,065
Iluka Resources	2,065
China Resources Power	2,065
Hang Lung Properties	2,054
Genpact	2,021
Hutchison Whampoa	1,557
Axis Bank	1,501
Northern Trust Global Fund - US dollar ^[a]	51,454
Other purchases	13,868
Total purchases	133,133
Largest sales	
Naver Corporation	9,514
Delta Electronics	4,555
Petra Foods	4,182
Yingde Gases	3,922
Bank of India	3,655
LG Life Sciences	3,171
Idea Cellular	3,046
CEC	2,510
United Overseas Bank	2,467
HollySys Automation Technologies	2,230
Esprit	2,044
Compal Electronics	2,022
Hutchison Whampoa	1,989
Prudential	1,909
BlueScope Steel	1,907
Downer EDI	1,537
Techtronic Industries	1,520
Shui On Land	1,386
Shanghai Electric Group 'H'	1,104
Axis Bank	1,059
Northern Trust Global Fund - US dollar ^[a]	49,495
Other sales	7,017
Total sales	112,241

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

M&G Asian Fund

INTERIM FINANCIAL STATEMENTS (unaudited)

For the six months ended 28 February 2014.

STATEMENT OF TOTAL RETURN

	2014		2013	
	£'000	£'000	£'000	£'000
Income				
Net capital (losses) / gains		(757)		118,494
Revenue	3,111		2,611	
Expenses	(3,820)		(3,861)	
Finance costs: Interest	(1)		0	
Net expense before taxation	(710)		(1,250)	
Taxation	(258)		(172)	
Net expense after taxation		(968)		(1,422)
Total return before equalisation		(1,725)		117,072
Finance costs: Equalisation		14		(32)
Change in net assets attributable to shareholders from investment activities		(1,711)		117,040

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2014		2013	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		478,042		467,697
Amounts received on issue of shares	76,470		96,981	
Amounts paid on cancellation of shares	(56,358)		(92,761)	
		20,112		4,220
Stamp Duty Reserve Tax		(23)		(18)
Change in net assets attributable to shareholders from investment activities (see above)		(1,711)		117,040
Unclaimed distributions		1		0
Closing net assets attributable to shareholders		496,421		588,939

The opening net assets attributable to shareholders for 2014 differs to the closing position in 2013 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

BALANCE SHEET

	as at		as at	
	28 February 2014	28 February 2014	31 August 2013	31 August 2013
	£'000	£'000	£'000	£'000
Assets				
Investment assets		490,894		471,814
Debtors	6,509		5,614	
Cash and bank balances	1,543		3,078	
Total other assets		8,052		8,692
Total assets		498,946		480,506
Liabilities				
Creditors				
Net distributions payable on income shares	0		(544)	
Other creditors	(2,525)		(1,920)	
Total liabilities		(2,525)		(2,464)
Net assets attributable to shareholders		496,421		478,042

NOTE TO THE FINANCIAL STATEMENTS

Accounting policies

The interim financial statements have been prepared on the same basis as the audited annual financial statements for the year ended 31 August 2013. They are in accordance with the historical cost convention, as modified by the revaluation of investments, and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010.

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.

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

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 3 March 2014, for the six months ended 28 February 2014

As active stockpickers, we continued to seek opportunities to selectively purchase companies with compelling scarce assets, structural growth drivers and the potential to produce sustainably high returns, which became available at attractive valuations.

We added Spanish-listed international IT services and solutions provider Indra Sistemas, which benefits from diverse end markets, including healthcare, financials, energy and telecommunications among others. We think this will help the company to ride through downturns in specific industries, with further diversification provided through its growing international presence.

We bought shares in Irish-listed building materials company Kingspan, a producer of prefabricated walls and insulation. We feel that the company is well positioned to profit from economic recovery and the resultant increase in building activity, and that long-term growth should also be aided by an ongoing regulatory drive for improved environmental performance from buildings.

We established a position in TGS-NOPEC Geophysical, a Norwegian seismic surveyor. TGS-NOPEC operates within the oil services industry, and its asset-light nature, hiring in capacity where needed, differentiates it from the competition. It produces high returns, operates on a compelling business model and, we think, has strong growth potential, as oil becomes more difficult to find and extract. Finally, also related to the energy sector, we added downstream oil & gas engineering firm Técnicas Reunidas. The company is listed in Spain but operates globally, with expertise and know-how in very niche areas, including complex refining and petrochemical projects.

Conversely, we closed our position in Amadeus, the global leader in IT outsourcing for airlines, believing there were more attractively valued companies available. We also sold our shares in Asya Katilim Bankasi, a Turkish bank operating in a niche sub-sector of Islamic banking. We added the position in December, but unfortunately, subsequent to initiating the holding, political tensions in Turkey manifested, including a corruption scandal – this led to widespread sell-offs across swathes of the Turkish market. The bank began to suffer significant deposit outflows, and it started to appear increasingly unlikely that it would be able to reach its targets in the developing economic backdrop. In light of this, we exited the position in January.

Greg Aldridge & Charles Annis
Co-fund managers

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

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

M&G European Fund

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.09.14	31.10.14

	Ongoing Charges Figure ^[a]	
	28.02.14	31.08.13
Sterling	%	%
Class 'A'	1.69	1.69
Class 'I'	0.94	0.94
Class 'R'	1.19	1.19
Class 'X'	1.69	1.69
Euro	%	%
Class 'A'	1.69	1.70
Class 'C'	0.94	0.94

[a] 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.

The M&G European Fund distributes annually, therefore there is no interim distribution.

FUND PERFORMANCE

Performance of share classes

	Net asset value per share as at 28.02.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	1,490.87	2,161.41	1,406.82	2,039.89	+5.97	+5.96
Class 'I'	1,358.98	1,380.33	1,275.67	1,295.29	+6.53	+6.57
Class 'R'	135.76	137.43	127.65	129.24	+6.35	+6.34
Class 'X'	1,476.63	2,139.68	1,393.27	2,018.41	+5.98	+6.01
Euro	€	€	€	€	%	%
Class 'A'	n/a	12.6802	n/a	11.5600	n/a	+9.69
Class 'C'	n/a	13.9500	n/a	12.6646	n/a	+10.15

Past performance is not a guide to future performance.

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.

PERFORMANCE SINCE LAUNCH

	six months 02.09.13 %	one year 01.03.13 %	five years 03.03.09 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	+3.7	+5.9	+11.5	+8.3 ^[c]
Class 'I'	+4.1	+5.9	n/a	+20.1 ^[d]
Class 'R'	+4.0	+5.9	n/a	+20.1 ^[d]
Class 'X'	+3.7	+5.9	+11.5	+8.4 ^[e]
Euro ^[f]				
Class 'A'	+6.9	+12.3	+14.4	+1.8 ^[g]
Class 'C'	+7.3	+13.1	+15.4	+2.6 ^[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 FEBRUARY)

From To	01.03.13 28.02.14 %	01.03.12 28.02.13 %	01.03.11 29.02.12 %	01.03.10 28.02.11 %	01.03.09 28.02.10 %
Sterling					
Class 'A'	+8.7	+17.4	-4.3	+8.3	+35.2

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

M&G European Fund

FUND STATISTICS

PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
Sterling (net)					
		p	p	p	p
Class 'A'	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	1,511.61	1,242.25	2,191.68	1,787.71
	2014 ^[a]	1,498.85	1,413.29	2,173.18	2,049.17
Class 'I'	2012 ^[b]	1,130.50	1,000.00	1,130.98	1,000.00
	2013	1,372.47	1,129.10	1,393.38	1,129.58
	2014 ^[a]	1,363.07	1,285.74	1,383.83	1,305.40
Class 'R'	2012 ^[b]	112.99	100.00	113.01	100.00
	2013	137.28	112.85	138.97	112.87
	2014 ^[a]	136.27	128.52	137.94	130.11
Class 'X'	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	1,497.05	1,230.33	2,168.60	1,768.91
	2014 ^[a]	1,484.42	1,399.67	2,150.30	2,027.60
Euro (net)					
		€	€	€	€
Class 'A'	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	n/a	n/a	12.4591	10.6407
	2014 ^[a]	n/a	n/a	12.6916	11.9772
Class 'C'	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	n/a	n/a	13.6782	11.5999
	2014 ^[a]	n/a	n/a	13.9567	13.1653

^[a] To 3 March 2014.

^[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.

INCOME

Dividend income per share

	Calendar year	Distributed	Reinvested
Sterling (net)			
		p	p
Class 'A'	2009	8.8450	12.2875
	2010	10.0920	14.1309
	2011	11.0060	15.4890
	2012	8.9250	12.7754
	2013	10.6476	15.3357
	2014 ^[a]	-	-
Class 'I'	2012	0.4250	0.4250
	2013	19.0756	18.2932
	2014 ^[a]	-	-
Class 'R'	2012	0.0210	0.0210
	2013	1.5518	1.5714
	2014 ^[a]	-	-
Class 'X'	2009	9.5940	13.3236
	2010	10.3360	14.4788
	2011	10.9620	15.3860
	2012	6.9770	12.9092
	2013	10.5983	15.1976
	2014 ^[a]	-	-
Euro (net)			
		¢	¢
Class 'A'	2009	n/a	6.9900
	2010	n/a	nil
	2011	n/a	8.4860
	2012	n/a	8.8200
	2013	n/a	12.0041
	2014 ^[a]	n/a	-
Class 'C'	2009	n/a	13.5860
	2010	n/a	16.7070
	2011	n/a	16.8820
	2012	n/a	16.3914
	2013	n/a	18.2411
	2014 ^[a]	n/a	-

^[a] The M&G European Fund distributes annually, therefore there is no interim distribution.

The level of income earned by the fund will fluctuate.

M&G European Fund

FUND STATISTICS

NET ASSETS					
	Period ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
Sterling					
Class 'A'	Aug 2011	1,108.97	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
	Feb 2014	1,490.87	2,161.41	7,316,183	3,132,832
Class 'I'	Aug 2012	1,015.83	1,016.26	100	100
	Aug 2013	1,275.67	1,295.29	33,300	54,800
	Feb 2014	1,358.98	1,380.33	53,300	106,000
Class 'R'	Aug 2012	101.59	101.61	1,000	1,000
	Aug 2013	127.65	129.24	48,100	15,000
	Feb 2014	135.76	137.43	65,100	20,000
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
	Feb 2014	1,476.63	2,139.68	97,369	41,507
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
	Feb 2014	n/a	12.6802	n/a	113,060
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
	Feb 2014	n/a	13.9500	n/a	11,925
Total net asset value of sub-fund					
	Period 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	
	Feb 2014	182,739,000		221,066,000	

[a] Based on the midday exchange rate on the last business day of each accounting period.

PORTFOLIO

PORTFOLIO STATEMENT

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 %
Oil & gas producers		6.25	7.34
218,000 Repsol	3,271	1.79	
187,000 Statoil	2,955	1.62	
135,000 Total	5,189	2.84	
Oil equipment, services & distribution		2.88	0.00
93,000 Técnicas Reunidas	2,993	1.64	
122,000 TGS-NOPEC Geophysical	2,267	1.24	
Chemicals		7.12	6.89
72,500 Bayer	6,020	3.29	
122,000 Symrise	3,560	1.95	
118,500 Umicore	3,432	1.88	
Construction & materials		3.64	1.96
78,000 Holcim (Regd.)	3,790	2.07	
240,000 Kingspan Group	2,873	1.57	
Aerospace & defence		1.94	2.23
81,000 Airbus (formerly European Aeronautic Defence and Space)	3,546	1.94	
Industrial engineering		5.65	6.63
59,500 Andritz	2,207	1.21	
76,500 Atlas Copco 'A'	1,283	0.70	
61,000 MTU Aero Engines	3,080	1.69	
116,000 Vallourec	3,749	2.05	
Support services		3.11	4.77
97,500 DCC	3,080	1.69	
735,000 Prosegur Compania Seguridad	2,594	1.42	
Automobiles & parts		4.45	4.87
64,000 Bayerische Motoren Werke	4,407	2.41	
57,000 Delticom	1,580	0.86	
94,500 EirlingKlinger	2,158	1.18	
Food producers		11.29	11.44
102,500 Chr. Hansen Holding	2,525	1.38	
78,500 Danone	3,297	1.80	
209,000 Nestlé (Regd.)	9,425	5.16	
227,500 Unilever	5,388	2.95	
Leisure goods		3.14	2.89
226,500 Amer Sports 'A'	3,039	1.66	
420,000 Gameloft	2,708	1.48	
Personal goods		5.50	4.81
57,500 adidas	3,978	2.18	
27,000 HUGO BOSS	2,143	1.17	
99,620 Pandora	3,938	2.15	
Healthcare equipment & services		3.51	3.49
88,000 Fresenius Medical Care	3,584	1.96	
33,500 Sonova Holding	2,828	1.55	
Pharmaceuticals & biotechnology		9.75	9.24
188,500 Novartis (Regd.)	9,429	5.16	
45,500 Roche Holding 'Genussscheine'	8,384	4.59	
General retailers		1.51	1.40
224,500 TAKKT	2,757	1.51	
Media		3.89	4.47
72,500 GFK	2,507	1.37	
82,000 Publicis Groupe	4,607	2.52	

M&G European Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 %
Banks		5.51	4.71
147,000 Soci�t� G�n�rale	5,791	3.17	
138,500 Svenska Handelsbanken 'A'	4,284	2.34	
Non-life insurance		5.18	5.11
112,000 Vienna Insurance Group	3,434	1.88	
33,000 Zurich Insurance	6,024	3.30	
Life insurance		1.09	1.64
528,000 Storebrand 'A'	1,986	1.09	
Real estate investment & services		1.18	1.09
242,000 Hufvudstaden 'A'	2,163	1.18	
Real estate investment trusts		1.46	1.34
98,500 Eurocommercial Properties	2,671	1.46	
Financial services		1.93	2.17
335,000 GAM Holding (Regd.)	3,518	1.93	
Software & computer services		5.77	4.65
268,000 Indra Sistemas	2,922	1.60	
85,500 SAP	4,086	2.24	
75,000 Wincor Nixdorf	3,531	1.93	
Technology hardware & equipment		2.26	2.32
533,000 Ericsson 'B'	4,132	2.26	
'AAA' rated money market funds [a]		1.59	2.89
3,511,000 Northern Trust Global Fund - Euro	2,902	1.59	
Portfolio of investments	182,015	99.60	98.35
Net other assets	724	0.40	1.65
Net assets attributable to shareholders	182,739	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 six months ended 28 February 2014

Purchases	£'000
T�cnicas Reunidas	2,706
Indra Sistemas	2,616
Kingspan Group	2,520
TGS-NOPEC Geophysical	2,153
Asya Katilim Bankası	1,773
Gameloft	269
Unilever	257
TAKKT	196
Pandora	127
Umicore	127
Northern Trust Global Fund - Euro [a]	9,397
Total purchases	22,141
Sales	£'000
Amadeus IT Holdings	3,033
Total	1,259
Airbus (formerly European Aeronautic Defence and Space)	1,042
Storebrand 'A'	1,011
Wincor Nixdorf	1,004
Asya Katilim Bankası	905
Publicis Groupe	724
GFK	676
Repsol	627
Prosegur Compania Seguridad	621
Bayerische Motoren Werke	538
Soci�t� G�n�rale	261
Statoil	248
Gameloft	177
adidas	148
Repsol (Rights issue)	108
Northern Trust Global Fund - Euro [a]	11,493
Total sales	23,875

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

M&G European Fund

INTERIM FINANCIAL STATEMENTS (unaudited)

For the six months ended 28 February 2014.

STATEMENT OF TOTAL RETURN

	2014		2013	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		10,901		30,944
Revenue	1,045		860	
Expenses	(1,502)		(1,191)	
Net expense before taxation	(457)		(331)	
Taxation	(53)		(39)	
Net expense after taxation		(510)		(370)
Change in net assets attributable to shareholders from investment activities		10,391		30,574

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2014		2013	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		175,684		131,310
Amounts received on issue of shares	2,390		20,325	
Amounts paid on cancellation of shares	(5,726)		(17,650)	
		(3,336)		2,675
Change in net assets attributable to shareholders from investment activities (see above)		10,391		30,574
Unclaimed distributions		0		1
Closing net assets attributable to shareholders		182,739		164,560

The opening net assets attributable to shareholders for 2014 differs to the closing position in 2013 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

BALANCE SHEET

	as at 28 February 2014		as at 31 August 2013	
	£'000	£'000	£'000	£'000
Assets				
Investment assets		182,015		172,778
Debtors	852		1,209	
Cash and bank balances	47		3,194	
Total other assets		899		4,403
Total assets		182,914		177,181
Liabilities				
Creditors				
Net distributions payable on income shares	0		(809)	
Other creditors	(175)		(688)	
Total liabilities		(175)		(1,497)
Net assets attributable to shareholders		182,739		175,684

NOTE TO THE FINANCIAL STATEMENTS

Accounting policies

The interim financial statements have been prepared on the same basis as the audited annual financial statements for the year ended 31 August 2013. They are in accordance with the historical cost convention, as modified by the revaluation of investments, and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010.

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.

'FTSE™', 'FT-SE®' and 'Footsie®' are trade marks of the London Stock Exchange Limited and The Financial Times Limited and are used by FTSE International Limited under licence. 'All-World' is a trade mark of FTSE International Limited.'

Risk and reward profile*



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

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 3 March 2014, for the six months ended 28 February 2014

A number of developments in the portfolio over the six months related to merger and acquisition activity. For example, Italian firm Fiat Industrial merged with Dutch concern CNH Industrial and the former was replaced in the portfolio by the merged company, which was renamed CNH Industrial. Meanwhile, Irish pharmaceutical business Elan exited the portfolio in advance of its merger with US drugs firm Perigo.

Other holdings leaving the portfolio included soft drinks concern Coca-Cola Hellenic Bottling Company after the stock was delisted from the Greek stockmarket and relisted on the London Stock Exchange.

Further sales related to cash-raising activity undertaken to finance outflows, most notably by trimming the positions in Swiss food company Nestlé, Swiss pharmaceutical businesses Roche and Novartis, German automotive manufacturer Daimler, German engineering firm Siemens and French oil and gas concern Total.

New holdings included Norwegian media group Schibsted, Dutch tank storage provider VOPAK and German industrial lubricant firm FUCHS PETROLUB, which had entered the index earlier in the year. Elsewhere, an existing position in Nordea Bank was topped up to take it closer to its weighting in the index.

Nigel Booth Fund manager

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

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

M&G European Index Tracker Fund

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.09.14	31.10.14

	Ongoing Charges Figure ^[a]	
	28.02.14	31.08.13
Sterling	%	%
Class 'A'	0.71	0.72
Euro	%	%
Class 'A'	0.71	0.72

^[a] 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.

The M&G European Index Tracker Fund distributes annually, therefore there is no interim distribution.

FUND PERFORMANCE

Performance of share classes

	Net asset value per share as at 28.02.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	66.30	86.43	60.40	78.73	+9.77	+9.78
Euro	€	€	€	€	%	%
Class 'A'	n/a	15.4529	n/a	13.6242	n/a	+13.42

Past performance is not a guide to future performance.

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.

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 28 February 2014 was +0.18%. 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 28 February 2014 was +0.14%, 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 02.09.13 %	one year 01.03.13 %	five years 03.03.09 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	+7.4	+9.4	+12.4	+1.9 ^[c]
Euro ^[d]				
Class 'A'	+10.3	+17.9	+17.3	+3.5 ^[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 FEBRUARY)

From To	01.03.13 28.02.14 %	01.03.12 28.02.13 %	01.03.11 29.02.12 %	01.03.10 28.02.11 %	01.03.09 28.02.10 %
Sterling					
Class 'A'	+14.4	+16.3	-9.3	+13.1	+46.4

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

PRICES

Calendar year	Income shares		Accumulation shares	
	Highest	Lowest	Highest	Lowest
Sterling (net)	p	p	p	p
Class 'A'				
2009	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	66.56	54.77	86.77	69.76
2014 ^[a]	66.69	62.69	86.95	81.74
Euro (net)	€	€	€	€
Class 'A'				
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	n/a	n/a	15.0924	12.5798
2014 ^[a]	n/a	n/a	15.5821	14.5889

^[a] To 3 March 2014.

M&G European Index Tracker Fund

FUND STATISTICS

INCOME

Dividend income per share			
	Calendar year	Distributed	Reinvested
Sterling (net)			
Class 'A'		p	p
	2009	1.2320	1.4142
	2010	1.2160	1.4291
	2011	1.5000	1.8046
	2012	1.3530	1.6800
	2013	1.4094	1.7889
	2014 ^[a]	-	-
Euro (net)			
Class 'A'		¢	¢
	2009	n/a	23.7800
	2010	n/a	25.6120
	2011	n/a	30.0850
	2012	n/a	31.2210
	2013	n/a	30.9619
	2014 ^[a]	n/a	-

^[a] The M&G European Index Tracker Fund distributes annually, therefore there is no interim distribution.

The level of income earned by the fund will fluctuate.

NET ASSETS

	Period ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
Sterling					
Class 'A'		p	p		
	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
	Feb 2014	66.30	86.43	44,793,890	43,239,676
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
	Feb 2014	n/a	15.4529	n/a	207,145

Total net asset value of sub-fund			
Period 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	
Feb 2014	69,718,000	84,340,000	

^[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 accounting period.

PORTFOLIO

PORTFOLIO STATEMENT

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 ^[a] %
Austria			
1,500 Andritz	56	0.08	
6,032 Erste Group	130	0.19	
20,000 Immofinanz	60	0.09	
2,712 OMV	74	0.11	
1,050 Raiffeisen International Bank	22	0.03	
6,787 Telekom Austria	40	0.06	
1,927 VERBUND	25	0.04	
2,069 voestalpine	56	0.08	
Belgium			
4,365 Ageas	119	0.17	
14,737 Anheuser-Busch InBev	918	1.32	
5,872 Anheuser-Busch InBev VVPR Strip ^[b]	0	0.00	
3,500 Belgacom	64	0.09	
2,229 Delhaize Group	95	0.14	
2,919 GDF Suez VVPR Strip ^[b]	0	0.00	
1,536 Groupe Bruxelles Lambert	90	0.13	
286 Groupe Bruxelles Lambert VVPR Strip ^[b]	0	0.00	
4,590 KBC Group	171	0.26	
940 Solvay	86	0.12	
1,000 Telenet Group	37	0.05	
2,400 UCB	114	0.16	
2,200 Umicore	64	0.09	
Czech Republic			
3,500 CEZ	56	0.08	
350 Komer ní banka	51	0.07	
Denmark			
37 AP Moller-Maersk 'B'	267	0.38	
2,230 Carlsberg 'B'	141	0.20	
2,090 Coloplast	103	0.15	
15,271 Danske Bank	242	0.35	
3,500 DSV	67	0.10	
700 FLSmidth	22	0.03	
36,655 Novo Nordisk 'B'	1,038	1.49	
5,000 Novozymes 'B'	138	0.20	
9,000 TDC	53	0.08	
Eire			
375,112 Bank of Ireland	112	0.16	
16,490 Irish Bank Resolution Corporation ^[b]	0	0.00	
2,500 Kerry Group	112	0.16	
15,600 Ryanair Holdings	95	0.14	
Finland			
8,225 Fortum	116	0.17	
6,524 Kone	158	0.23	
3,100 Metso	60	0.09	
3,000 Neste Oil	38	0.06	
72,674 Nokia	337	0.48	
2,500 Nokian Renkaat	67	0.10	
8,975 Sampo	270	0.39	
12,900 Stora Enso	88	0.13	
9,800 UPM-Kymmene	107	0.15	
3,100 Valmet	17	0.02	
2,947 Wartsila	103	0.15	
France			
3,396 Accor	102	0.15	
940 Aéroports de Paris	68	0.10	
6,089 Air Liquide (prime de fidélité 2012)	497	0.71	
43,531 Alcatel-Lucent	114	0.16	

M&G European Index Tracker Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 ^[a] %
France (continued)			
4,124 Alstom	66	0.09	
1,000 Arkema	65	0.09	
1,542 Atos	89	0.13	
34,274 AXA	531	0.76	
650 BIC	49	0.07	
18,121 BNP Paribas	878	1.26	
3,218 Bouygues	78	0.11	
4,150 Bureau Veritas	67	0.10	
3,150 Cap Gemini	146	0.21	
12,343 Carrefour	270	0.39	
846 Casino Guichard Perrachon	57	0.08	
3,480 CGG	32	0.05	
1,012 Christian Dior	118	0.17	
3,895 CNP Assurances	50	0.07	
7,736 Compagnie de Saint Gobain	275	0.39	
9,964 Crédit Agricole	94	0.13	
10,000 Crédit Agricole (prime de fidélité 2014)	95	0.14	
10,147 Danone	426	0.61	
907 Dassault Systemes	62	0.09	
3,676 Edenred	70	0.10	
1,399 EDF	33	0.05	
3,522 EDF (prime de fidélité 2014)	82	0.12	
800 Eiffage	34	0.05	
220 Eramet	13	0.02	
3,992 Essilor International	247	0.35	
883 Eurazeo	41	0.06	
3,000 Eutelsat Communications	59	0.08	
500 Fonciere Des Regions	28	0.04	
24,598 GDF Suez	381	0.55	
350 Gecina	29	0.04	
10,000 Groupe Eurotunnel	72	0.10	
180 Hermes International	34	0.05	
250 Iliad	36	0.05	
1,442 Kering	175	0.25	
2,546 Klepierre	69	0.10	
350 Lafarge	16	0.02	
3,116 Lafarge (prime de fidélité 2010)	139	0.20	
2,500 Lagardère	60	0.09	
4,800 Legrand	177	0.25	
4,416 L'Oréal (prime de fidélité 2012)	446	0.64	
4,495 LVMH	496	0.71	
3,685 Michelin	268	0.38	
16,743 Natixis	72	0.10	
33,906 Orange	254	0.36	
3,870 Pernod Ricard	274	0.39	
6,222 Peugeot	66	0.09	
2,950 Publicis Groupe	166	0.24	
3,224 Renault	193	0.28	
3,000 Rexel	45	0.06	
4,400 Safran	182	0.26	
21,131 Sanofi	1,308	1.88	
10,212 Schneider Electric	541	0.78	
3,000 SCOR	62	0.09	
6,200 SES FDR	129	0.19	
12,875 Société Générale	507	0.73	
329 Sodexo	21	0.03	
1,500 Sodexo (prime de fidélité 2016)	95	0.14	
13,200 STMicroelectronics	71	0.10	

PORTFOLIO STATEMENT (continued)

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 ^[a] %
France (continued)			
5,228 Suez Environnement	63	0.09	
2,052 Technip	121	0.17	
3,863 TF1	43	0.06	
2,000 Thales	79	0.11	
37,291 Total	1,433	2.06	
1,795 Unibail-Rodamco	281	0.40	
1,200 Valeo	99	0.14	
2,064 Vallourec	67	0.10	
7,975 Veolia Environnement	91	0.13	
8,743 Vinci	389	0.56	
23,229 Vivendi	395	0.57	
3,500 Zodiac Aerospace	73	0.10	
		19.62	19.16
Germany			
3,860 adidas	267	0.38	
8,470 Allianz	894	1.28	
17,077 BASF	1,162	1.68	
15,271 Bayer	1,268	1.82	
6,159 Bayerische Motoren Werke	424	0.61	
1,927 Beiersdorf	117	0.17	
600 Billfinger	45	0.06	
1,000 Brenntag	111	0.16	
2,000 Celesio	42	0.06	
15,076 Commerzbank	163	0.23	
1,680 Continental	240	0.34	
17,757 Daimler	978	1.40	
19,599 Deutsche Bank	564	0.81	
3,733 Deutsche Börse	182	0.26	
4,300 Deutsche Lufthansa	67	0.10	
17,041 Deutsche Post	377	0.54	
57,584 Deutsche Telekom	581	0.83	
33,442 E.ON	380	0.56	
600 Fraport	28	0.04	
2,454 Fresenius	225	0.32	
4,126 Fresenius Medical Care	168	0.24	
700 FUCHS PETROLUB	41	0.06	
3,600 Gea Group	104	0.15	
700 Hannover Re	35	0.05	
2,667 HeidelbergCement	131	0.19	
5,164 Henkel	342	0.49	
800 Hochtief	45	0.07	
600 HUGO BOSS	48	0.07	
18,912 Infineon Technologies	127	0.18	
4,272 K+S	86	0.12	
450 Kabel Deutschland	37	0.05	
1,990 LANXESS	88	0.13	
3,502 Linde	431	0.62	
650 MAN	50	0.07	
1,200 Merck	124	0.18	
2,792 Metro	70	0.10	
600 MTU Aero Engines	30	0.04	
3,081 Munich Re	399	0.57	
1,546 OSRAM	62	0.09	
3,125 Porsche Pref.	195	0.28	
51 PUMA	9	0.01	
9,045 RWIE	217	0.31	
850 Salzgitter	21	0.03	
17,142 SAP	819	1.17	
14,651 Siemens	1,158	1.66	
1,600 Software	38	0.06	
1,000 Südzucker	17	0.02	
7,346 ThyssenKrupp	120	0.17	
3,878 TUI	42	0.06	
2,149 Volkswagen	326	0.47	

M&G European Index Tracker Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 ^[a] %
Germany (continued)			
1,188 Volkswagen Pref.	184	0.26	
Greece			
6,057 Hellenic Telecommunications	63	0.09	0.07
Hungary			
2,850 Gedeon Richter	30	0.04	0.15
800 MOL Hungarian Oil and Gas	28	0.04	0.21
4,800 OTP Bank	51	0.07	
Italy			
24,634 Assicurazioni Generali	329	0.47	4.86
7,753 Atlantia	116	0.17	
107,415 Banca Monte dei Paschi di Siena	16	0.02	
31,824 Banco Popolare	41	0.06	
16,336 CNH Industrial	106	0.15	
118,499 Enel	362	0.52	
25,000 Enel Green Power	42	0.06	
45,866 Eni	660	0.95	
1,500 EXOR	36	0.05	
18,800 Fiat	117	0.17	
7,989 Finmeccanica	46	0.07	
203,408 Intesa Sanpaolo	369	0.53	
2,900 Luxottica Group	95	0.14	
18,811 Mediaset	64	0.09	
11,025 Mediobanca	66	0.09	
3,800 Prysmian	58	0.08	
4,608 Saipem	65	0.09	
38,693 Snam	131	0.19	
193,625 Telecom Italia	131	0.19	
111,731 Telecom Italia (Savings shares)	59	0.08	
9,191 Tenaris	114	0.16	
28,622 Terna	87	0.12	
18,916 UBI Banca	96	0.14	
80,399 UniCredit	378	0.54	
Netherlands			
35,490 Aegon	191	0.27	6.89
13,588 Ahold	152	0.22	
9,440 Airbus Group (formerly European Aeronautic Defence and Space)	413	0.59	
4,498 Akzo Nobel	222	0.32	
18,101 ArcelorMittal	171	0.26	
6,428 ASML Holding	334	0.48	
1,040 Boskalis	31	0.04	
2,062 Corio	57	0.08	
3,421 DSM	130	0.19	
1,486 Fugro	52	0.07	
1,500 Gemalto	100	0.14	
6,876 Heineken	278	0.40	
300 Heineken Holding	12	0.02	
71,718 ING Groep	621	0.89	
60,598 KPN	129	0.20	
17,755 Philips (formerly Philips Electronics)	371	0.53	
4,400 QIAGEN	59	0.09	
2,200 Randstad Holding	83	0.12	
13,118 Reed Elsevier	172	0.25	
3,300 SBM Offshore	30	0.04	
9,783 TNT Express	57	0.08	
29,026 Unilever	687	0.99	
1,000 VOPAK	34	0.05	
6,549 Wolters Kluwer	113	0.16	
1,800 Ziggo	49	0.07	

PORTFOLIO STATEMENT (continued)

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 ^[a] %
Norway			
2,800 Aker Solutions	28	0.04	1.80
21,611 DnB	234	0.34	1.85
4,500 Gjensidige Forsikring	57	0.08	
17,941 Norsk Hydro	54	0.08	
17,030 Orkla	81	0.12	
1,200 Schibsted	47	0.07	
6,927 Seadrill	153	0.22	
18,794 Statoil	297	0.43	
5,500 Subsea 7	63	0.09	
12,100 Telenor	159	0.23	
2,891 Yara International	70	0.10	
Poland			
2,958 Bank Pekao	112	0.16	0.92
1,500 Jastrzebska Spolka Weglowa	15	0.02	0.91
2,800 KGHM Polska Miedz	64	0.09	
270 mBank	28	0.04	
13,000 Orange Polska (formerly Telekomunikacja Polska)	26	0.04	
16,000 PGE Polska Grupa	58	0.08	
7,000 PKN Orlen	60	0.09	
17,750 PKO Bank Polski	154	0.22	
1,150 PZU	99	0.14	
27,621 TAURON Polska Energia	26	0.04	
Portugal			
31,120 EDP - Energias de Portugal	80	0.11	0.31
5,700 Galp Energia 'B'	57	0.08	0.35
4,700 Jerónimo Martins	48	0.07	
13,358 Portugal Telecom	36	0.05	
Spain			
8,835 Abertis Infraestructuras	125	0.18	7.05
780 Acciona	37	0.05	6.50
1,688 Acerinox	15	0.02	
3,714 ACS Actividades	80	0.11	
6,300 Amadeus IT Holdings	163	0.23	
57,585 Banco de Sabadell	112	0.16	
25,219 Banco Popular Español	107	0.15	
214,007 Banco Santander	1,145	1.64	
14,970 Bankinter	71	0.10	
105,944 BBVA	777	1.11	
27,644 Caixabank	102	0.15	
14,383 Distribuidora International	73	0.10	
6,000 EDP Renováveis	23	0.03	
3,000 Enagas	52	0.07	
2,000 Endesa	39	0.06	
7,200 Ferrovial	90	0.13	
6,264 Gas Natural	96	0.14	
3,150 Grifols 'A'	106	0.15	
197 Grifols 'B'	5	0.01	
86,350 Iberdrola	342	0.49	
4,062 Inditex	345	0.49	
18,101 Mapfre	44	0.06	
1,350 Red Electrica	63	0.09	
16,890 Repsol	253	0.36	
73,653 Telefónica	673	0.97	
Sweden			
3,000 Alfa Laval	49	0.07	7.11
6,208 Assa Abloy 'B'	189	0.27	7.27
18,043 Atlas Copco 'A'	303	0.43	
7,000 Boliden	67	0.10	
4,323 Electrolux 'B'	61	0.09	
6,500 Elekta 'B'	52	0.07	
56,126 Ericsson 'B'	435	0.62	

M&G European Index Tracker Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 ^[a] %
Sweden (continued)			
4,300 Getinge 'B'	93	0.13	
17,709 Hennes & Mauritz 'B'	477	0.68	
4,500 Hexagon 'B'	95	0.14	
8,772 Husqvarna 'B'	35	0.05	
5,988 Industrivarden 'A'	73	0.10	
8,935 Investor 'B'	190	0.27	
4,000 Kinnevik Investment 'B'	92	0.13	
3,500 Lundin Petroleum	42	0.06	
58,898 Nordea Bank	503	0.72	
3,500 Ratos 'B'	19	0.03	
21,220 Sandvik	177	0.25	
6,500 Scania 'B'	119	0.17	
8,180 Securitas 'B'	53	0.08	
27,851 Skandinaviska Enskilda 'A'	233	0.33	
7,620 Skanska 'B'	99	0.14	
8,300 SKF 'B'	133	0.19	
6,375 SSAB 'A'	30	0.04	
10,914 Svenska Cellulosa 'B'	198	0.28	
8,635 Svenska Handelsbanken 'A'	267	0.38	
19,685 Swedbank 'A'	331	0.47	
3,900 Swedish Match	74	0.11	
7,100 Tele2 'B'	52	0.07	
40,812 TeliaSonera	188	0.27	
28,667 Volvo 'B'	258	0.37	
		19.90	20.45
Switzerland			
42,757 ABB (Regd.)	647	0.93	
2,000 Actelion (Regd.)	124	0.18	
2,752 Adecco (Regd.)	141	0.20	
1,700 ARYZTA	84	0.12	
1,000 Baloise Holdings (Regd.)	76	0.11	
6,000 Clariant (Regd.)	73	0.10	
9,141 Compagnie Financière RICHEMONT (Regd.)	544	0.78	
28,879 Credit Suisse Group (Regd.)	543	0.78	
150 EMS-Chemie Holdings	34	0.05	
4,800 GAM Holding (Regd.)	50	0.07	
783 Geberit	146	0.21	
161 Givaudan	151	0.22	
4,473 Holcim (Regd.)	217	0.31	
4,545 Julius Baer Gruppe (Regd.)	127	0.18	
1,062 Kuehne & Nagel	88	0.13	
4 Lindt & Sprüngli	137	0.20	
1,069 Lonza Group (Regd.)	67	0.10	
59,555 Nestlé (Regd.)	2,686	3.85	
42,956 Novartis (Regd.)	2,149	3.08	
676 Pargesa Holdings (Bearer)	35	0.05	
250 Partners Group (Regd.)	39	0.06	
748 PSP Swiss Property	41	0.06	
13,017 Roche Holding 'Genussscheine'	2,398	3.44	
1,280 Schindler Holding	115	0.16	
111 SGS (Regd.)	164	0.24	
20 Sika	44	0.06	
900 Sonova Holding	76	0.11	
300 Sulzer (Regd.)	25	0.04	
729 Swatch Group (Bearer)	290	0.42	
613 Swiss Life Holdings (Regd.)	91	0.13	
1,210 Swiss Prime Site	60	0.09	
6,701 Swiss Re	373	0.54	
384 Swisscom (Regd.)	135	0.19	

PORTFOLIO STATEMENT (continued)

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 ^[a] %
Switzerland (continued)			
1,735 Syngenta (Regd.)	377	0.54	
6,200 Transocean	157	0.23	
66,820 UBS (Regd.)	852	1.22	
2,765 Zurich Insurance	505	0.72	
		0.76	1.02
Turkey			
38,000 Akbank	59	0.08	
5,000 Anadolu Efes	32	0.05	
4,400 BIM Birlesik Magazalar	48	0.07	
19,199 ENKA	34	0.05	
26,183 Eregli Demir Celik Fabrikalari	17	0.02	
11,000 Halkbank	32	0.05	
18,250 Koç Holding	40	0.06	
10,000 Sabanci Holdings	21	0.03	
2,500 Tüpra	27	0.04	
15,000 Türk Telekom	24	0.03	
16,000 Turkcell Iletisim	49	0.07	
14,050 Turkish Airlines	25	0.04	
38,000 Türkiye Garanti Bankası	63	0.09	
35,000 Türkiye İş Bankası	39	0.06	
15,000 Türkiye Vakıflar Bankası	13	0.02	
		0.00	(0.03)
Futures contracts			
28 DowJones EURO STOXX 50 Index Futures	2	0.00	
		0.00	0.06
Eire ('AAA' rated money market funds) ^[c]			
1,000 Northern Trust Global Fund - Sterling	1	0.00	
Portfolio of investments	68,834	98.73	98.91
Net other assets	884	1.27	1.09
Net assets attributable to shareholders	69,718	100.00	100.00

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

^[b] Delisted.

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

COUNTERPARTY EXPOSURE

Counterparty	Financial derivative exposure	
	Futures £'000	Total as at 28.02.14 £'000
Royal Bank of Scotland	2	2
Total	2	2

M&G European Index Tracker Fund

PORTFOLIO

PORTFOLIO TRANSACTIONS

for the six months ended 28 February 2014

	£'000
Largest purchases	
Nordea Bank	57
Schibsted	40
FUCHS PETROLUB	37
EXOR	35
Kabel Deutschland	35
VOPAK	35
BBVA	34
ASML Holding	30
Red Electrica	30
Bureau Veritas	30
mBank	27
Fraport	27
Fresenius	27
AXA	24
Elekta 'B'	24
TDC	21
Andritz	18
Banco Popular Español	18
Fugro	18
Bank of Ireland	16
Northern Trust Global Fund - Sterling ^[a]	2,689
Other purchases	30
Total purchases	3,302
Largest sales	
Kabel Deutschland	136
D.E MASTER BLENDEERS 1753	121
Nestlé (Regd.)	113
Elan	109
Roche Holding 'Genussscheine'	88
Novartis (Regd.)	82
Daimler	70
Siemens	64
Total	63
Coca-Cola Hellenic	61
Ahold	59
Bayer	53
BNP Paribas	48
Novo-Nordisk 'B'	48
Danone	46
Wartsila	41
Telecom Italia	40
Intesa Sanpaolo	39
Sanofi	38
Telefónica	37
Northern Trust Global Fund - Sterling ^[a]	2,726
Other sales	1,471
Total sales	5,553

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

INTERIM FINANCIAL STATEMENTS (unaudited)

For the six months ended 28 February 2014.

STATEMENT OF TOTAL RETURN

	2014		2013	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		6,213		11,121
Revenue	352		279	
Expenses	(243)		(208)	
Net revenue before taxation	109		71	
Taxation	(11)		(23)	
Net revenue after taxation		98		48
Total return before equalisation		6,311		11,169
Finance costs: Equalisation		(1)		(1)
Change in net assets attributable to shareholders from investment activities		6,310		11,168

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2014		2013	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		65,637		53,870
Amounts received on issue of shares	2,624		4,836	
Amounts paid on cancellation of shares	(4,853)		(3,544)	
		(2,229)		1,292
Change in net assets attributable to shareholders from investment activities (see above)		6,310		11,168
Closing net assets attributable to shareholders		69,718		66,330

The opening net assets attributable to shareholders for 2014 differs to the closing position in 2013 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

BALANCE SHEET

	as at 28 February 2014		as at 31 August 2013	
	£'000	£'000	£'000	£'000
Assets				
Investment assets		68,834		64,941
Debtors	302		483	
Cash and bank balances	654		948	
Total other assets		956		1,431
Total assets		69,790		66,372
Liabilities				
Investment liabilities		0		(20)
Creditors				
Net distributions payable on Income shares	0		(643)	
Other creditors	(72)		(72)	
Total other liabilities		(72)		(715)
Total liabilities		(72)		(735)
Net assets attributable to shareholders		69,718		66,637

M&G European Index Tracker Fund

INTERIM FINANCIAL STATEMENTS (unaudited)

NOTE TO THE FINANCIAL STATEMENTS

Accounting policies

The interim financial statements have been prepared on the same basis as the audited annual financial statements for the year ended 31 August 2013. They are in accordance with the historical cost convention, as modified by the revaluation of investments, and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010.

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^[a] 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.

^[a] Please note that the number of holdings may temporarily deviate from this range over short periods.

Risk and reward profile*



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

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

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 3 March 2014, for the six months ended 28 February 2014

In line with our philosophy of investing in companies with scarce assets, able to generate high sustainable returns and grow their fundamental value over time, we added a number of new holdings during the review period.

We focused on companies more closely tied to the economic cycle, while also concentrating on the smaller end of our investment universe, where we are seeing better opportunities. New purchases included COMET, a high-quality, niche technology and electronics developer, Jungheinrich, a forklift truck and logistics systems manufacturer, and TGS-NOPEC Geophysical, a differentiated seismic surveyor operating in the oil services industry.

We also took part in several new issues (where a company's shares are sold to the public for the first time), including the European leader in bathroom ceramics Sanitec and drinks manufacturer and distributor Stock Spirits. We take a very cautious, selective approach to new issues, and will only participate if it is clearly in the fund's favour to do so with respect to the quality and valuation of the business.

Conversely, we closed a number of positions during the review period, our sell philosophy broadly split between merger and acquisition (M&A) activity, valuations, and a change in the fundamental strategy of the holding. As an example of M&A, Veripos, the global leader for provision of high-precision positioning systems for the offshore oil & gas industry, left the portfolio following a bidding war to buy the company.

On valuation grounds, for instance, we sold our shares in Irish-listed international food and nutritional ingredients company Glanbia. Glanbia had transformed from a legacy Irish dairy and cheese producer into a high-growth, high-returning international food ingredients business. While we believe it is still a great company, we thought it had become too expensive for comfort.

As an example of a change in strategy, we disposed of specialist chemicals producer LANXESS, as we believe the market environment for synthetic rubber for tyres is proving difficult.

Charles Anniss
Fund manager

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

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

M&G European Smaller Companies Fund

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.09.14	31.10.14

	Ongoing Charges Figure ^[a]	
	28.02.14	31.08.13
Sterling	%	%
Class 'A'	1.70	1.70
Class 'I'	0.95	0.96
Class 'R'	1.20	1.21
Class 'X'	1.70	1.70
Euro	%	%
Class 'A'	1.70	1.71
Class 'C'	0.96	0.96

^[a] 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.

The M&G European Smaller Companies Fund distributes annually, therefore there is no interim distribution.

FUND PERFORMANCE

Performance of share classes

	Net asset value per share as at 28.02.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	279.19	288.89	250.82	259.53	+11.31	+11.31
Class 'I'	1,522.09	1,538.41	1,362.60	1,376.43	+11.70	+11.77
Class 'R'	151.82	153.32	136.09	137.43	+11.56	+11.56
Class 'X'	276.18	285.53	248.08	256.49	+11.33	+11.32
Euro	€	€	€	€	%	%
Class 'A'	n/a	25.6452	n/a	22.2725	n/a	+15.14
Class 'C'	n/a	28.0476	n/a	24.3024	n/a	+15.41

Past performance is not a guide to future performance.

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.

PERFORMANCE SINCE LAUNCH

	six months 02.09.13 %	one year 01.03.13 %	five years 03.03.09 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	+8.9	+15.5	+19.6	+10.6 ^[c]
Class 'I'	+9.3	+15.5	n/a	+29.4 ^[d]
Class 'R'	+9.2	+15.4	n/a	+29.2 ^[d]
Class 'X'	+8.9	+15.5	+19.6	+14.7 ^[e]
Euro ^[f]				
Class 'A'	+12.2	+22.1	+22.2	+7.9 ^[g]
Class 'C'	+12.7	+23.0	+23.1	+8.7 ^[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 FEBRUARY)

From To	01.03.13 28.02.14 %	01.03.12 28.02.13 %	01.03.11 29.02.12 %	01.03.10 28.02.11 %	01.03.09 28.02.10 %
Sterling					
Class 'A'	+18.1	+22.0	-2.6	+17.2	+49.2

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

M&G European Smaller Companies Fund

FUND STATISTICS

PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
Sterling (net)					
		p	p	p	p
Class 'A'	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	271.68	216.33	281.11	222.93
	2014 ^[a]	281.26	266.18	291.02	275.43
Class 'I'	2012 ^[b]	1,165.22	1,000.00	1,164.56	1,000.00
	2013	1,477.10	1,176.32	1,493.31	1,175.59
	2014 ^[a]	1,531.04	1,448.27	1,547.84	1,464.16
Class 'R'	2012 ^[b]	116.36	100.00	116.36	100.00
	2013	147.39	117.46	148.84	117.46
	2014 ^[a]	152.71	144.48	154.21	145.90
Class 'X'	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	268.70	213.95	277.71	220.23
	2014 ^[a]	278.18	263.27	287.50	272.09
Euro (net)					
		€	€	€	€
Class 'A'	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	n/a	n/a	24.7293	19.8963
	2014 ^[a]	n/a	n/a	25.8011	24.3779
Class 'C'	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	n/a	n/a	27.0079	21.5817
	2014 ^[a]	n/a	n/a	28.2125	26.6431

^[a] To 3 March 2014.

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

INCOME

Dividend income per share

	Calendar year	Distributed	Reinvested
Sterling (net)			
		p	p
Class 'A'	2009	1.2210	1.2397
	2010	nil	nil
	2011	0.1880	0.1840
	2012	1.0968	1.1504
	2013	1.0421	1.0654
	2014 ^[a]	-	-
Class 'I'	2012	0.0950	0.0950
	2013	15.9735	15.2781
	2014 ^[a]	-	-
Class 'R'	2012	nil	nil
	2013	1.3634	1.4043
	2014 ^[a]	-	-
Class 'X'	2009	1.1990	1.2157
	2010	nil	nil
	2011	0.2160	0.2080
	2012	1.1180	1.1546
	2013	1.0150	1.1611
	2014 ^[a]	-	-
Euro (net)			
		¢	¢
Class 'A'	2009	n/a	11.3690
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	14.0380
	2013	n/a	4.4869
	2014 ^[a]	n/a	-
Class 'C'	2009	n/a	20.0070
	2010	n/a	11.7180
	2011	n/a	nil
	2012	n/a	nil
	2013	n/a	27.0020
	2014 ^[a]	n/a	-

^[a] The M&G European Smaller Companies Fund distributes annually, therefore there is no interim distribution.

The level of income earned by the fund will fluctuate.

M&G European Smaller Companies Fund

FUND STATISTICS

NET ASSETS					
	Period 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
	Feb 2014	279.19	288.89	25,072,296	8,018,136
Class 'I'	Aug 2012	1,021.97	1,022.07	100	100
	Aug 2013	1,362.60	1,376.43	46,840	29,880
	Feb 2014	1,522.09	1,538.41	80,840	74,280
Class 'R'	Aug 2012	102.16	102.16	1,000	1,000
	Aug 2013	136.09	137.43	52,000	100,000
	Feb 2014	151.82	153.32	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
	Feb 2014	276.18	285.53	994,412	820,640
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
	Feb 2014	n/a	25.6452	n/a	1,106,944
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
	Feb 2014	n/a	28.0476	n/a	73,035
Total net asset value of sub-fund					
	Period 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	
	Feb 2014	126,017,000		152,447,000	

[a] Based on the midday exchange rate on the last business day of each accounting period.

PORTFOLIO

PORTFOLIO STATEMENT

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 %
Oil & gas producers		1.05	1.27
423,000 Ophir Energy	1,318	1.05	
Oil equipment, services & distribution		4.72	4.93
28,500 Schoeller-Bleckmann	1,953	1.55	
66,000 Técnicas Reunidas	2,124	1.68	
101,000 TGS-NOPEC Geophysical	1,877	1.49	
Chemicals		4.05	3.03
757,000 AZ Electronic Materials	3,012	2.39	
138,000 Frutarom Industries	2,090	1.66	
Construction & materials		1.59	0.00
167,000 Kingspan Group	1,999	1.59	
General industrials		1.34	2.12
179,893 Addtech	1,684	1.34	
Electronic & electrical equipment		6.23	3.92
4,400 COMET Group	1,470	1.17	
58,000 EVS Broadcast Equipment	2,158	1.71	
38,000 Ingenico	2,174	1.72	
84,000 Spectris	2,058	1.63	
Industrial engineering		11.90	8.27
48,000 Andritz	1,780	1.41	
309,275 Bufab Holding	1,494	1.19	
508,000 Deutz	3,298	2.62	
48,000 Dürr	2,376	1.89	
55,500 Jungheinrich Pref. (non-voting)	2,465	1.96	
160,000 Kongsberg Gruppen	2,084	1.65	
4,100 KSB Cum. Pref	1,488	1.18	
Industrial transportation		3.36	3.24
132,000 DSV	2,511	1.99	
52,000 Kapsch TrafficCom	1,732	1.37	
Support services		4.69	5.98
60,000 CTS EVENTIM	2,142	1.70	
78,000 DCC	2,464	1.95	
570,000 Proffice	1,314	1.04	
Automobiles & parts		7.90	8.61
49,000 Delticom	1,358	1.08	
87,000 EiringKlinger	1,986	1.58	
26,000 LISI	2,532	2.01	
1,032,000 Piaggio	1,865	1.48	
241,000 SAF-HOLLAND	2,203	1.75	
Beverages		1.51	0.00
675,000 Stock Spirits Group	1,909	1.51	
Food producers		1.47	5.14
75,000 Chr. Hansen Holding	1,848	1.47	
Household goods & home construction		0.72	0.00
120,000 Sanitec	902	0.72	
Leisure goods		5.53	5.73
212,000 Amer Sports	2,844	2.26	
274,000 Bang & Olufsen 'B'	1,836	1.46	
354,000 Gameloft	2,282	1.81	
Personal goods		3.72	3.15
21,500 HUGO BOSS	1,706	1.35	
75,500 Pandora	2,985	2.37	
Healthcare equipment & services		4.77	7.63
11,000 Eurofins Scientific	1,913	1.52	
52,000 Gerresheimer Group	2,091	1.66	
23,800 Sonova Holding	2,009	1.59	

M&G European Smaller Companies Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 %
Food & drug retailers		2.67	2.82
900,000 United Drug	3,369	2.67	
General retailers		1.95	2.09
200,500 TAKKT	2,462	1.95	
Media		1.26	1.52
46,000 GFK	1,591	1.26	
Travel & leisure		1.06	1.87
1,032,000 bwin.party digital entertainment	1,334	1.06	
Mobile telecommunications		1.41	1.30
89,000 Freenet	1,779	1.41	
Gas, water & multi-utilities		2.03	2.04
61,000 Rubis	2,554	2.03	
Banks		0.00	0.57
Non-life insurance		3.19	3.98
124,000 FBD Holdings	1,905	1.51	
69,000 Vienna Insurance Group	2,116	1.68	
Real estate investment & services		0.00	1.27
Real estate investment trusts		2.87	2.96
87,000 Eurocommercial Properties	2,359	1.87	
191,000 Shaftesbury	1,259	1.00	
Financial services		8.13	8.73
190,000 GAM Holding (Regd.)	1,995	1.58	
325,000 IG Group Holdings	2,033	1.61	
188,000 Intrum Justitia	3,233	2.57	
690,000 Jupiter Fund Management	2,986	2.37	
Software & computer services		5.71	3.03
62,560 ESI	1,307	1.04	
82,500 Fidessa Group	2,021	1.60	
143,000 Groupe Steria	1,777	1.41	
192,000 Indra Sistemas	2,093	1.66	
AIM quoted		1.45	0.79
630,000 3Legs Resources	153	0.12	
222,000 EMIS Group	1,315	1.04	
160,000 Providence Resources	363	0.29	
'AAA' rated money market funds [a]		2.44	3.95
3,071,000 Northern Trust Global Fund - Sterling	3,071	2.44	
Portfolio of investments	124,409	98.72	99.94
Net other assets	1,608	1.28	0.06
Net assets attributable to shareholders	126,017	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 six months ended 28 February 2014

	£'000
Largest purchases	
Jungheinrich Pref. (non-voting)	2,210
Kongsberg Gruppen	1,958
Técnicas Reunidas	1,952
Indra Sistemas	1,897
Groupe Steria	1,828
TGS-NOPEC Geophysical	1,783
Kingspan Group	1,776
Stock Spirits Group	1,627
Spectris	1,487
EMIS Group	1,344
Bufab Holding	1,331
COMET Group	1,236
Asya Katilim Bankası	932
EVS Broadcast Equipment	711
Sanitec	685
Rubis	513
LISI	489
Deutz	485
Pandora	484
Intrum Justitia	423
Northern Trust Global Fund - Sterling [a]	14,245
Other purchases	9,578
Total purchases	48,974
Sales	£'000
Medica	1,995
Glanbia	1,958
Technip	1,735
Veripos	1,662
GSW Immobilien	1,202
Experian	1,011
Club Méditerranée	1,003
LANXESS	811
Asya Katilim Bankası	748
Addtech	721
Deutz	638
FBD Holdings	396
SAF-HOLLAND	289
Eurofins Scientific	245
CTS EVENTIM	212
Jupiter Fund Management	174
Gameloft	145
Gerresheimer Group	127
Rubis (Rights issue)	27
Northern Trust Global Fund - Sterling [a]	14,884
Total sales	29,983

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

M&G European Smaller Companies Fund

INTERIM FINANCIAL STATEMENTS (unaudited)

For the six months ended 28 February 2014.

STATEMENT OF TOTAL RETURN

	2014		2013	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		11,598		19,797
Revenue	444		399	
Expenses	(866)		(686)	
Net expense before taxation	(422)		(287)	
Taxation	(19)		(10)	
Net expense after taxation		(441)		(297)
Total return before equalisation		11,157		19,500
Finance costs: Equalisation		1		1
Change in net assets attributable to shareholders from investment activities		11,158		19,501

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2014		2013	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		93,850		72,260
Amounts received on issue of shares	24,184		6,839	
Amounts paid on cancellation of shares	(3,173)		(4,233)	
		21,011		2,606
Stamp Duty Reserve Tax		(2)		(1)
Change in net assets attributable to shareholders from investment activities (see above)		11,158		19,501
Closing net assets attributable to shareholders		126,017		94,366

The opening net assets attributable to shareholders for 2014 differs to the closing position in 2013 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

BALANCE SHEET

	as at 28 February 2014		as at 31 August 2013	
	£'000	£'000	£'000	£'000
Assets				
Investment assets		124,409		93,798
Debtors	2,070		824	
Cash and bank balances	620		25	
Total other assets		2,690		849
Total assets		127,099		94,647
Liabilities				
Creditors				
Net distributions payable on Income shares		0		(284)
Other creditors	(1,082)		(513)	
Total liabilities		(1,082)		(797)
Net assets attributable to shareholders		126,017		93,850

NOTE TO THE FINANCIAL STATEMENTS

Accounting policies

The interim financial statements have been prepared on the same basis as the audited annual financial statements for the year ended 31 August 2013. They are in accordance with the historical cost convention, as modified by the revaluation of investments, and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010.

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 best-in-class international companies with a durable competitive advantage that enables them 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 the opportunity and 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.

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

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 3 March 2014, for the six months ended 28 February 2014

Portfolio activity over the review period has been higher than usual. Purchases were funded predominantly by reallocating capital away from companies in the food & agriculture and consumer goods industries, including German fragrance and flavours company Symrise, where the position was substantially reduced.

Complete exits from the portfolio included Australian copper miner Inova Resources after it was acquired at a premium by Chinese bidders. Japanese probiotic drinks maker Yakult Honsha was sold on valuation grounds, while Austria-headquartered Agrana Beteiligung, a processor of sugar, starch and fruit preparations, was sold in order to focus on new opportunities. Elsewhere, UK-listed, Russia-based potash miner Uralkali left the portfolio on concerns over the company's corporate governance.

The fund has never been wedded to one area of the market. Instead, we have the flexibility to invest in any area where we see the greatest opportunities. This makes for a diversified portfolio with representation wherever valuations are compelling. This approach was apparent in recent additions to the fund: Australian diversified miner BHP Billiton, US-software giant Microsoft and German car manufacturer Bayerische Motoren Werke (BMW). All are best-in-class companies, whose products and services cater to the evolving needs of the 3.5 billion people in emerging markets as their economies take the journey towards developed status.

Elsewhere, we initiated two new positions in the industrials sector – US-headquartered National Oilwell Varco and UK-listed Weir Group. Both companies provide the equipment and components used in the exploration and extraction of natural resources. Crucially, once installed, their products require regular servicing and both businesses generate significant, sustainable and growing revenues as a result.

Randeep Somel Fund manager

An employee of M&G Limited which is an associate of M&G Securities Limited. At the start of the review period Graham French was the fund manager.

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

	Ongoing Charges Figure ^[a]	
	28.02.14	31.08.13
Sterling	%	%
Class 'A'	1.67	1.66
Class 'I'	0.92	0.92
Class 'R'	1.17	1.17
Class 'X'	1.67	1.66
Euro	%	%
Class 'A'	1.92	1.92
Class 'C'	0.92	0.91
US dollar	%	%
Class 'A'	1.92	1.91
Class 'C'	0.92	0.92

[a] 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.

The M&G Global Basics Fund distributes annually, therefore there is no interim distribution.

FUND PERFORMANCE

Performance of share classes

	Net asset value per share as at 28.02.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	639.85	963.21	663.05	998.21	-3.50	-3.51
Class 'I'	1,068.04	1,084.25	1,102.81	1,119.59	-3.15	-3.16
Class 'R'	106.74	108.02	110.34	111.69	-3.26	-3.29
Class 'X'	641.80	953.73	665.09	988.39	-3.50	-3.51
Euro	€	€	€	€	%	%
Class 'A'	23.8688	23.9312	23.9239	24.0344	-0.23	-0.43
Class 'C'	n/a	26.8646	n/a	26.8461	n/a	+0.07
US dollar	\$	\$	\$	\$	%	%
Class 'A'	n/a	11.7057	n/a	11.2834	n/a	+3.74
Class 'C'	n/a	12.5194	n/a	12.0087	n/a	+4.25

Past performance is not a guide to future performance.

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.

PERFORMANCE SINCE LAUNCH

	six months 02.09.13 %	one year 01.03.13 %	five years 03.03.09 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	-5.6	-9.1	+12.9	+6.4 ^[c]
Class 'I'	-5.3	-9.1	n/a	+3.6 ^[d]
Class 'R'	-5.4	-9.1	n/a	+3.5 ^[d]
Class 'X'	-5.6	-9.1	+12.9	+12.4 ^[e]
Euro ^[f]				
Class 'A'	-2.9	-4.0	+14.8	+7.3 ^[g]
Class 'C'	-2.4	-3.1	+16.0	+8.3 ^[g]
US dollar ^[f]				
Class 'A'	+1.1	+1.5	+16.9	+2.2 ^[h]
Class 'C'	+1.6	+2.5	+18.1	+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 FEBRUARY)

From To	01.03.13 28.02.14 %	01.03.12 28.02.13 %	01.03.11 29.02.12 %	01.03.10 28.02.11 %	01.03.09 28.02.10 %
Sterling					
Class 'A'	-7.3	+1.8	-0.6	+22.1	+57.3

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

M&G Global Basics Fund

FUND STATISTICS

PRICES

		Income shares		Accumulation shares	
Calendar year		Highest	Lowest	Highest	Lowest
Sterling (net)					
		p	p	p	p
Class 'A'	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	714.80	629.62	1,070.38	947.84
	2014 ^[a]	650.76	620.06	979.66	933.43
Class 'I'	2012 ^[b]	1,084.48	1,000.00	1,086.88	1,000.00
	2013	1,193.75	1,049.36	1,196.38	1,061.54
	2014 ^[a]	1,085.28	1,034.48	1,101.81	1,050.24
Class 'R'	2012 ^[b]	108.42	100.00	108.63	100.00
	2013	119.23	104.93	119.46	106.05
	2014 ^[a]	108.50	103.40	109.80	104.65
Class 'X'	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	716.85	631.54	1,059.85	938.51
	2014 ^[a]	652.75	621.95	970.02	924.25
Euro (net)					
		€	€	€	€
Class 'A'	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	24.8914 ^[c]	23.0019 ^[c]	25.7385	23.0620
	2014 ^[a]	24.2258	23.0963	24.2891	23.1567
Class 'C'	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	n/a	n/a	28.6619	25.8368
	2014 ^[a]	n/a	n/a	27.2386	25.9787
US dollar (net)					
		\$	\$	\$	\$
Class 'A'	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	n/a	n/a	11.9527	10.8048
	2014 ^[a]	n/a	n/a	11.6967	11.0961
Class 'C'	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	n/a	n/a	12.7271	11.4774
	2014 ^[a]	n/a	n/a	12.5100	11.8599

^[a] To 3 March 2014.

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

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

INCOME

Dividend income per share			
	Calendar year	Distributed	Reinvested
Sterling (net)			
		p	p
Class 'A'	2009	1.5960	2.3750
	2010	nil	nil
	2011	0.4400	0.7000
	2012	1.8150	2.6945
	2013	3.5152	5.2635
	2014 ^[a]	-	-
Class 'I'	2012	2.2430	2.2380
	2013	14.5286	14.5568
	2014 ^[a]	-	-
Class 'R'	2012	0.2000	0.2002
	2013	1.1154	1.2021
	2014 ^[a]	-	-
Class 'X'	2009	1.6500	2.4223
	2010	nil	nil
	2011	0.5870	0.8330
	2012	1.7100	2.6581
	2013	3.5514	5.2123
	2014 ^[a]	-	-
Euro (net)			
		€	€
Class 'A'	2009	n/a	1.9460
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	0.1015
	2013	6.4761	6.4998
	2014 ^[a]	-	-
Class 'C'	2009	n/a	16.9080
	2010	n/a	10.4660
	2011	n/a	20.0950
	2012	n/a	27.5104
	2013	n/a	34.8378
	2014 ^[a]	n/a	-
US dollar (net)			
		\$	\$
Class 'A'	2009	n/a	1.7170
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	0.0151
	2013	n/a	2.4354
	2014 ^[a]	n/a	-
Class 'C'	2009	n/a	8.4540
	2010	n/a	4.6030
	2011	n/a	9.8010
	2012	n/a	12.2801
	2013	n/a	15.5622
	2014 ^[a]	n/a	-

^[a] The M&G Global Basics Fund distributes annually, therefore there is no interim distribution.

The level of income earned by the fund will fluctuate.

M&G Global Basics Fund

FUND STATISTICS

NET ASSETS					
	Period 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
	Feb 2014	639.85	963.21	56,687,407	86,284,603
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
	Feb 2014	1,068.04	1,084.25	3,691,900	11,327,500
Class 'R'	Aug 2012	101.02	101.22	10,000	10,000
	Aug 2013	110.34	111.69	368,000	138,500
	Feb 2014	106.74	108.02	248,000	193,500
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
	Feb 2014	641.80	953.73	10,787,386	25,780,126
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
	Feb 2014	23.8688	23.9312	51,600	72,446,794
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
	Feb 2014	n/a	26.8646	n/a	1,611,131
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
	Feb 2014	n/a	11.7057	n/a	8,669,400
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
	Feb 2014	n/a	12.5194	n/a	4,295,700
Total net asset value of sub-fund					
	Period 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	
	Feb 2014	3,234,638,000		3,913,058,000	

[a] Based on the midday exchange rate on the last business day of each accounting period.

PORTFOLIO

PORTFOLIO STATEMENT

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 %
Austria		0.00	3.83
Belgium		2.42	1.93
2,700,000 Umicore	78,206	2.42	
Eire		4.30	5.61
3,100,000 Kerry Group	139,120	4.30	
France		9.91	10.38
2,720,962 Compagnie des Alpes	34,458	1.07	
1,800,000 Danone	75,602	2.34	
1,000,000 Imerys	55,582	1.72	
2,750,000 Publicis Groupe	154,511	4.78	
Germany		8.56	10.60
1,050,000 Bayerische Motoren Werke	72,301	2.24	
3,000,000 Südzucker	50,081	1.55	
5,000,000 Symrise	145,920	4.51	
800,000 Villeroy & Boch Pref. (non-voting)	8,465	0.26	
Russia		0.34	0.74
2,000,000 MD Medical Group GDR	10,847	0.34	
Spain		1.17	0.86
600,000 Baron de Ley	37,694	1.17	
United Kingdom		12.90	15.50
57,538,977 G4S	136,022	4.21	
3,231,772 Genus	37,683	1.16	
20,416,692 Hochschild Mining	40,323	1.25	
31,967,328 PZ Cussons	116,777	3.61	
2,500,000 Unilever	61,275	1.89	
1,000,000 Weir Group	25,270	0.78	
Australia		16.19	13.34
14,000,000 Ansell	136,442	4.22	
26,219,618 Aquila Resources	37,309	1.15	
68,615,942 Australian Zircon [a]	0	0.00	
7,250,000 BHP Billiton	139,091	4.30	
10,250,000 Equatorial Resources	3,027	0.09	
29,635,207 Galaxy Resources	1,034	0.03	
59,750,000 GI Dynamics	22,458	0.69	
24,500,000 Iluka Resources	123,531	3.82	
22,000,000 OZ Minerals	44,299	1.37	
15,000,000 Panoramic Resources	2,940	0.09	
38,000,000 Starpharma	13,773	0.43	
Hong Kong		3.39	3.05
134,950,663 The Hongkong and Shanghai Hotels	109,622	3.39	
India		0.94	1.13
15,000,000 Marico	30,566	0.94	
425,786 Marico Kaya Enterprises	17	0.00	
Japan		4.03	4.70
16,000,000 Kirin Holdings	130,319	4.03	
Malaysia		3.02	4.43
74,000,000 AMMB Holdings	97,722	3.02	
Singapore		1.13	0.89
22,000,000 Petra Foods	36,641	1.13	
United Arab Emirates		3.16	3.18
9,500,000 DP World	102,364	3.16	
Canada		0.94	0.65
3,574,631 Dominion Diamond	30,524	0.94	

M&G Global Basics Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 28 February 2014

Holding	Value £'000	28.02.14	31.08.13
		%	%
United States			
2,300,000 AMCOL International	61,695	1.91	
3,400,000 Elizabeth Arden	61,881	1.91	
5,000,000 Microsoft	113,475	3.51	
1,000,000 National Oilwell Varco	44,761	1.38	
3,150,000 The Scotts Miracle-Gro Company 'A'	107,923	3.34	
2,900,000 United Parcel Service 'B'	166,077	5.13	
2,400,000 United Technologies	167,719	5.19	
Portfolio of investments	3,065,347	94.77	98.70
Net other assets	169,291	5.23	1.30
Net assets attributable to shareholders	3,234,638	100.00	100.00

[a] Suspended on 1 September 2009.

PORTFOLIO TRANSACTIONS

for the six months ended 28 February 2014

Purchases	£'000
BHP Billiton	142,492
Microsoft	112,229
Bayerische Motoren Werke	72,144
National Oilwell Varco	47,139
Weir Group	22,038
Unilever	18,674
Iluka Resources	8,729
Umicore	7,017
DP World	2,903
United Parcel Service 'B'	2,800
Hochschild Mining	2,041
The Hongkong and Shanghai Hotels	1,113
OZ Minerals	1,063
Compagnie des Alpes	886
GI Dynamics	140
Dominion Diamond	39
Total purchases	441,447
Largest sales	£'000
Symrise	240,074
Agrana Beteiligung	137,105
Unilever	129,110
Kerry Group	122,193
The Scotts Miracle-Gro Company 'A'	112,376
Ansell	100,911
Publicis Groupe	87,816
AMMB Holdings	86,777
United Technologies	81,882
G4S	77,755
Imerys	58,673
Kirin Holdings	52,077
DP World	48,490
United Parcel Service 'B'	44,638
PZ Cussons	38,229
Iluka Resources	28,136
Marico	19,097
Danone	16,873
AMCOL International	13,936
Yakult Honsha	12,434
Other sales	84,446
Total sales	1,593,028

INTERIM FINANCIAL STATEMENTS (unaudited)

For the six months ended 28 February 2014.

STATEMENT OF TOTAL RETURN

	2014		2013	
	£'000	£'000	£'000	£'000
Income				
Net capital (losses) / gains		(136,577)		692,565
Revenue	24,030		37,300	
Expenses	(32,903)		(43,404)	
Finance costs: Interest	0		(3)	
Net expense before taxation	(8,873)		(6,107)	
Taxation	(387)		(1,624)	
Net expense after taxation		(9,260)		(7,731)
Total return before equalisation		(145,837)		684,834
Finance costs: Equalisation		(111)		(47)
Change in net assets attributable to shareholders from investment activities		(145,948)		684,787

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2014		2013	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		4,408,982		5,034,016
Amounts received on issue of shares	102,577		218,002	
Amounts paid on cancellation of shares	(1,130,844)		(643,622)	
		(1,028,267)		(425,620)
Stamp Duty Reserve Tax		(130)		(303)
Change in net assets attributable to shareholders from investment activities (see above)		(145,948)		684,787
Unclaimed distributions		1		0
Closing net assets attributable to shareholders		3,234,638		5,292,880

The opening net assets attributable to shareholders for 2014 differs to the closing position in 2013 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

BALANCE SHEET

	as at 28 February 2014		as at 31 August 2013	
	£'000	£'000	£'000	£'000
Assets				
Investment assets		3,065,347		4,351,820
Debtors	15,830		75,210	
Cash and bank balances	194,056		21,100	
Total other assets		209,886		96,310
Total assets		3,275,233		4,448,130
Liabilities				
Creditors				
Net distributions payable on income shares	0		(4,385)	
Other creditors	(40,595)		(34,763)	
Total liabilities		(40,595)		(39,148)
Net assets attributable to shareholders		3,234,638		4,408,982

M&G Global Basics Fund

INTERIM FINANCIAL STATEMENTS (unaudited)

NOTE TO THE FINANCIAL STATEMENTS

Accounting policies

The interim financial statements have been prepared on the same basis as the audited annual financial statements for the year ended 31 August 2013. They are in accordance with the historical cost convention, as modified by the revaluation of investments, and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010.

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.

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

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 3 March 2014, for the six months ended 28 February 2014

As active stockpickers, we continued to seek opportunities to selectively purchase shares in companies with compelling scarce assets, structural growth drivers and the potential to produce sustainably high returns which became available at attractive valuations.

For instance, we added US-listed specialist economics, legal and financial communications consultancy FTI Consulting. The company is highly specialised, with its services linked to global deal flows, meaning it stands to benefit from a pickup in merger and acquisition activity. We feel this is a well-managed, value-creating business with solid return on capital as well as return on people.

We purchased shares in US drilling rig equipment maker National Oilwell Varco (NOV), having met the company on a research trip to the US in June 2013. We think NOV is best-in-market, with a solid equipment servicing aftermarket, a reputation in the industry for service and quality which is second to none, and an installed base of customers that has grown quickly over the past decade.

Finally, we invested in Samsonite International, a Hong Kong-listed branded luggage specialist. We see the company as highly profitable and extremely innovative, with its technology, powerful brands and focused management team making it difficult to compete with.

We sold out of other holdings where we felt there were more attractively valued companies with better growth prospects available. The sales included German fragrances and flavours manufacturer Symrise, Hong Kong-based clothing retailer Esprit, US-based personal care business Colgate-Palmolive and Danish diversified shipping business AP Moller-Maersk.

In addition, we sold our shares in US biopharmaceutical firm Myriad Genetics, believing that the stock had become prone to sharp movements in the share price, with outcomes driven by patent cases coming to dominate investor perceptions, rather than fundamentals. We exited our position in Austrian-listed sugar, starch and fruit preparations business Agrana Beteiligung, as well. This had been a somewhat illiquid holding, and we took the opportunity to sell our shares at an attractive price to the company's largest shareholder.

Greg Aldridge Fund manager

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

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

M&G Global Growth Fund

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.09.14	31.10.14

	Ongoing Charges Figure ^[a]	
	28.02.14	31.08.13
Sterling	%	%
Class 'A'	1.68	1.67
Class 'I'	0.93	0.93
Class 'R'	1.18	1.18
Class 'X'	1.68	1.67
Euro	%	%
Class 'A'	1.93	1.93
Class 'C'	0.93	0.93
US dollar	%	%
Class 'A'	1.93	1.92
Class 'C'	0.93	0.93

^[a] 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.

The M&G Global Growth Fund distributes annually, therefore there is no interim distribution.

FUND PERFORMANCE

Performance of share classes

	Net asset value per share as at 28.02.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	259.50	497.12	256.69	491.72	+1.09	+1.10
Class 'I'	1,244.30	1,261.47	1,226.10	1,243.25	+1.48	+1.47
Class 'R'	124.27	125.66	122.62	123.99	+1.35	+1.35
Class 'X'	259.48	492.95	256.67	487.60	+1.09	+1.10
Euro	€	€	€	€	%	%
Class 'A'	n/a	18.2808	n/a	17.5235	n/a	+4.32
Class 'C'	n/a	20.2389	n/a	19.3046	n/a	+4.84
US dollar	\$	\$	\$	\$	%	%
Class 'A'	n/a	18.7813	n/a	17.2805	n/a	+8.68
Class 'C'	n/a	19.7763	n/a	18.1055	n/a	+9.23

Past performance is not a guide to future performance.

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.

PERFORMANCE SINCE LAUNCH

	six months 02.09.13 %	one year 01.03.13 %	five years 03.03.09 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	+0.5	-0.8	+14.1	+8.9 ^[c]
Class 'I'	+0.9	-0.7	n/a	+14.2 ^[d]
Class 'R'	+0.8	-0.8	n/a	+14.1 ^[d]
Class 'X'	+0.5	-0.8	+14.0	+11.8 ^[e]
Euro ^[f]				
Class 'A'	+3.4	+4.7	+16.2	+5.0 ^[g]
Class 'C'	+4.0	+5.8	+17.4	+5.9 ^[g]
US dollar ^[f]				
Class 'A'	+7.7	+10.7	+18.3	+12.7 ^[h]
Class 'C'	+8.2	+11.8	+19.5	+13.9 ^[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 FEBRUARY)

From To	01.03.13 28.02.14 %	01.03.12 28.02.13 %	01.03.11 29.02.12 %	01.03.10 28.02.11 %	01.03.09 28.02.10 %
Sterling					
Class 'A'	+1.7	+16.1	+0.9	+9.2	+45.5

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

M&G Global Growth Fund

FUND STATISTICS

PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
Sterling (net)					
		£	£	£	£
Class 'A'	2009 ^[a]	202.08	130.97	381.74	246.18
	2010	228.42	189.40	431.50	357.79
	2011 ^[b]	233.00	182.70	440.14	346.52
	2012	228.89	200.28	436.38	379.88
	2013	275.19	230.45	524.64	439.36
	2014 ^[c]	267.97	250.84	513.34	480.54
Class 'I'	2012 ^[d]	1,095.84	1,000.00	1,097.76	1,000.00
	2013	1,321.38	1,103.43	1,323.69	1,105.36
	2014 ^[c]	1,283.70	1,202.15	1,301.48	1,218.80
Class 'R'	2012 ^[d]	109.51	100.00	109.66	100.00
	2013	131.94	110.27	132.10	110.42
	2014 ^[c]	128.24	120.08	129.68	121.43
Class 'X'	2009 ^[a]	202.13	131.02	378.53	244.12
	2010	228.49	189.46	427.89	354.79
	2011 ^[b]	233.06	182.75	436.46	343.63
	2012	228.89	200.34	432.72	376.70
	2013	275.19	230.45	520.24	435.67
	2014 ^[c]	267.94	250.82	509.03	476.50
Euro (net)					
		€	€	€	€
Class 'A'	2009 ^[a]	n/a	n/a	12.9803	8.4474
	2010	n/a	n/a	15.4887	12.6805
	2011 ^[b]	n/a	n/a	15.6403	12.2718
	2012	n/a	n/a	16.3482	14.0704
	2013	n/a	n/a	18.7123	16.4718
	2014 ^[c]	n/a	n/a	18.8293	17.6444
Class 'B'	2009 ^[a]	n/a	n/a	9.8040	6.3930
	2010	n/a	n/a	11.6697	9.5750
	2011 ^[b]	n/a	n/a	11.7828	9.2294
	2012	n/a	n/a	12.2621	10.5751
	2013 ^[e]	n/a	n/a	14.0163	12.3529
Class 'C'	2009 ^[a]	n/a	n/a	13.7845	8.8982
	2010	n/a	n/a	16.6138	13.4805
	2011 ^[b]	n/a	n/a	16.7830	13.2604
	2012	n/a	n/a	17.8810	15.2459
	2013	n/a	n/a	20.6627	18.0269
	2014 ^[c]	n/a	n/a	20.8244	19.5218

PRICES (continued)

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
US dollar (net)					
		\$	\$	\$	\$
Class 'A'	2009 ^[a]	n/a	n/a	13.9565	7.9576
	2010	n/a	n/a	15.2407	12.3093
	2011 ^[b]	n/a	n/a	16.5025	12.1368
	2012	n/a	n/a	16.1225	13.3978
	2013	n/a	n/a	19.1084	16.2073
	2014 ^[c]	n/a	n/a	19.0398	17.7582
Class 'C'	2009 ^[a]	n/a	n/a	14.0853	7.9751
	2010	n/a	n/a	15.5514	12.4848
	2011 ^[b]	n/a	n/a	16.8956	12.4764
	2012	n/a	n/a	16.7790	13.8655
	2013	n/a	n/a	20.0858	16.8746
	2014 ^[c]	n/a	n/a	20.0170	18.6871

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

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

^[c] To 3 March 2014.

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

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

M&G Global Growth Fund

FUND STATISTICS

INCOME

Dividend income per share			
	Calendar year	Distributed	Reinvested
Sterling (net)			
Class 'A'	2009	0.8960	1.6841
	2010	nil	nil
	2011	0.8260	1.6030
	2012	1.1066	2.0482
	2013	1.2350	2.3623
	2014 ^[a]	-	-
Class 'I'	2012	1.7650	1.7650
	2013	14.9213	14.9424
	2014 ^[a]	-	-
Class 'R'	2012	0.1450	0.1450
	2013	1.2224	1.2106
	2014 ^[a]	-	-
Class 'X'	2009	0.9080	1.6918
	2010	nil	nil
	2011	0.8310	1.5790
	2012	1.1654	2.0092
	2013	1.2562	2.3383
	2014 ^[a]	-	-
Euro (net)			
Class 'A'	2009	n/a	4.2750
	2010	n/a	nil
	2011	n/a	2.6740
	2012	n/a	3.4840
	2013	n/a	4.5734
	2014 ^[a]	n/a	-
Class 'B'	2009	n/a	0.9010
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	nil
Class 'C'	2009	n/a	14.3720
	2010	n/a	10.3390
	2011	n/a	17.4420
	2012	n/a	20.9900
	2013	n/a	23.0130
	2014 ^[a]	n/a	-
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	n/a	4.5412
	2014 ^[a]	n/a	-
Class 'C'	2009	n/a	11.1690
	2010	n/a	9.4490
	2011	n/a	17.8400
	2012	n/a	18.7050
	2013	n/a	21.5868
	2014 ^[a]	n/a	-

^[a] The M&G Global Growth Fund distributes annually, therefore there is no interim distribution.

The level of income earned by the fund will fluctuate.

NET ASSETS

	Period 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
	Feb 2014	259.50	497.12	189,367,202	38,551,278
Class 'I'	Aug 2012	1,020.00	1,021.77	100	100
	Aug 2013	1,226.10	1,243.25	289,700	686,500
	Feb 2014	1,244.30	1,261.47	486,200	1,519,200
Class 'R'	Aug 2012	102.00	102.15	1,000	1,000
	Aug 2013	122.62	123.99	78,000	94,000
	Feb 2014	124.27	125.66	88,000	96,000
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
	Feb 2014	259.48	492.95	3,296,076	1,948,054
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
	Feb 2014	n/a	18.2808	n/a	6,552,057
Class 'B'	Aug 2011	n/a	9.9354	n/a	1,000
	Aug 2012	n/a	11.7414	n/a	3,700
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
	Feb 2014	n/a	20.2389	n/a	1,700,730
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
	Feb 2014	n/a	18.7813	n/a	108,850
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
	Feb 2014	n/a	19.7763	n/a	1,610,350
Total net asset value of sub-fund					
	Period 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	
	Feb 2014	874,438,000		1,057,839,000	

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

M&G Global Growth Fund

PORTFOLIO

PORTFOLIO STATEMENT

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 %
Oil & gas producers			
220,000 Chevron	15,250	1.75	
2,540,000 Petrobras	9,198	1.05	
400,000 Sasol	12,126	1.39	
17,400,000 Yingde Gases	9,244	1.06	
Oil equipment, services & distribution			
350,000 National Oilwell Varco	15,666	1.79	
325,000 Schlumberger	18,032	2.06	
Chemicals			
5,700,000 AZ Electronic Materials	22,680	2.59	
Industrial metals & mining			
1,570,000 Vale Non-cum. Pref.	11,869	1.36	
Mining			
475,400 Dominion Diamond	4,059	0.47	
335,321 Rio Tinto	12,035	1.38	
Construction & materials			
325,000 Holcim (Regd.)	15,794	1.81	
Aerospace & defence			
340,000 Airbus (formerly European Aeronautic Defence and Space)	14,885	1.70	
780,000 Ultra Electronics Holdings	14,882	1.70	
270,000 United Technologies	18,868	2.16	
General industrials			
185,000 3M	14,895	1.70	
Electronic & electrical equipment			
575,000 Spectris	14,087	1.61	
Industrial engineering			
420,000 Atlas Copco 'A'	7,042	0.81	
765,000 Misumi Group	13,299	1.52	
606,189 Vallourec	19,593	2.24	
Industrial transportation			
Support services			
600,000 FTI Consulting	10,607	1.21	
6,740,000 G4S	15,933	1.82	
Automobiles & parts			
385,000 Hankook Tire	13,422	1.54	
570,000 Toyota Motor	19,526	2.23	
Food producers			
14,241,347 Chauda Modern Agriculture ^[a]	0	0.00	
430,000 Nestlé (Regd.)	19,391	2.22	
Household goods & home construction			
340,000 Procter & Gamble	15,930	1.82	
7,950,000 Samsonite International	13,014	1.49	
8,500,405 Techtronic Industries	13,390	1.53	
Leisure goods			
470,000 Brunswick	12,602	1.44	
Personal goods			
245,000 adidas	16,949	1.94	
420,001 Elizabeth Arden	7,644	0.87	
Healthcare equipment & services			
430,000 Fresenius Medical Care	17,513	2.00	
505,000 Mindray Medical International ADR	10,792	1.23	
275,000 Sysmex	9,784	1.12	
Pharmaceuticals & biotechnology			
430,000 Parexel	14,003	1.60	
95,000 Roche Holding 'Genussscheine'	17,504	2.00	

PORTFOLIO STATEMENT (continued)

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 %
General retailers			
515,000 Dollar General	18,447	2.11	
335,000 Wal-Mart Stores	14,969	1.71	
Media			
315,000 Publicis Groupe	17,699	2.02	
Travel & leisure			
810,000 Carnival	19,635	2.25	
Mobile telecommunications			
820,000 MTN Group	8,991	1.03	
Banks			
1,550,015 Banco do Brasil	8,108	0.93	
2,800,301 HSBC Holdings	17,774	2.03	
490,000 Société Générale	19,305	2.21	
1,350,000 Standard Chartered	16,915	1.93	
Non-life insurance			
106,000 Zurich Insurance	19,351	2.21	
Real estate investment & services			
6,460,000 Hang Lung Properties	10,700	1.22	
Financial services			
324,400 Capital One Financial	14,128	1.62	
510,000 Equifax	21,398	2.45	
Software & computer services			
28,500 Google	20,823	2.38	
175,000 International Business Machines	19,435	2.22	
360,000 SAP	17,203	1.97	
320,000 Wincor Nixdorf	15,067	1.72	
Technology hardware & equipment			
655,054 Canon	12,181	1.39	
1,200,000 Cisco Systems	15,749	1.80	
2,300,000 Ericsson 'B'	17,832	2.04	
500,000 Linear Technology	13,972	1.60	
22,500 Samsung Electronic	17,027	1.95	
'AAA' rated money market funds ^[b]			
9,498,000 Northern Trust Global Fund - US dollar	5,692	0.65	
Portfolio of investments	853,909	97.65	99.73
Net other assets	20,529	2.35	0.27
Net assets attributable to shareholders	874,438	100.00	100.00

^[a] Suspended on 26 September 2011.

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

M&G Global Growth Fund

PORTFOLIO

PORTFOLIO TRANSACTIONS

for the six months ended 28 February 2014

Purchases	£'000
National Oilwell Varco	17,110
Samsonite International	13,981
FTI Consulting	13,354
Spectris	9,490
Standard Chartered	6,109
AZ Electronic Materials	3,572
Parexel	3,437
Hang Lung Properties	1,571
HSBC Holdings	392
Northern Trust Global Fund - US dollar ^[a]	80,751
Total purchases	149,767
Largest sales	£'000
Colgate-Palmolive	18,861
Symrise	15,643
AP Moller-Maersk	11,664
Myriad Genetics	10,852
Google	9,570
Agrana Beteiligung	8,679
Roche Holding 'Genussscheine'	7,566
Wincor Nixdorf	6,761
Schlumberger	6,336
Airbus (formerly European Aeronautic Defence and Space)	6,198
Société Générale	6,187
Esprit	5,561
Publicis Groupe	5,274
United Technologies	4,762
Hankook Tire	4,597
Equifax	4,116
Parexel	3,298
Toyota Motor	3,254
Nestlé (Regd.)	3,037
adidas	2,952
Northern Trust Global Fund - US dollar ^[a]	82,020
Other sales	39,464
Total sales	266,652

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

INTERIM FINANCIAL STATEMENTS (unaudited)

For the six months ended 28 February 2014.

STATEMENT OF TOTAL RETURN

	2014		2013	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		13,222		157,648
Revenue	5,666		5,830	
Expenses	(7,530)		(6,697)	
Net expense before taxation	(1,864)		(867)	
Taxation	(275)		(162)	
Net expense after taxation		(2,139)		(1,029)
Total return before equalisation		11,083		156,619
Finance costs: Equalisation		(38)		7
Change in net assets attributable to shareholders from investment activities		11,045		156,626

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2014		2013	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		960,576		824,718
Amounts received on issue of shares	34,737		35,009	
Amounts paid on cancellation of shares	(131,907)		(75,582)	
		(97,170)		(40,573)
Stamp Duty Reserve Tax		(15)		(7)
Change in net assets attributable to shareholders from investment activities (see above)		11,045		156,626
Unclaimed distributions		2		1
Closing net assets attributable to shareholders		874,438		940,765

The opening net assets attributable to shareholders for 2014 differs to the closing position in 2013 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

BALANCE SHEET

	as at		as at	
	28 February 2014	£'000	31 August 2013	£'000
Assets				
Investment assets		853,909		957,979
Debtors	12,397		7,371	
Cash and bank balances	9,692		4,353	
Total other assets		22,089		11,724
Total assets		875,998		969,703
Liabilities				
Creditors				
Net distributions payable on income shares	0		(2,448)	
Other creditors	(1,560)		(6,679)	
Total liabilities		(1,560)		(9,127)
Net assets attributable to shareholders		874,438		960,576

M&G Global Growth Fund

INTERIM FINANCIAL STATEMENTS (unaudited)

NOTE TO THE FINANCIAL STATEMENTS

Accounting policies

The interim financial statements have been prepared on the same basis as the audited annual financial statements for the year ended 31 August 2013. They are in accordance with the historical cost convention, as modified by the revaluation of investments, and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010.

M&G Global Growth Fund

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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: i) management can make a big difference to returns; ii) capital allocation is key – companies must concentrate resources on those business activities where they have a competitive advantage and can create value; iii) the above factors are only attractive from an investment perspective if they are not yet reflected in the 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.

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

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 3 March 2014, for the six months ended 28 February 2014

We made a number of changes to the portfolio during the review period. In financials, we initiated a position in Italian bank UniCredit. The bank has a complex footprint over many European countries and is looking to exit non-core businesses and improve the cost structure of its continuing operations. At the same time we reduced the fund's exposure to US giant Citigroup on valuation grounds.

In industrials, having done very well with General Electric, we decided to recycle the money into smaller and potentially higher returning names such as Deere & Co. The US company is one of the largest manufacturers of agricultural machinery such as tractors, combine harvesters and planters in the world. It has been quick to realise that its future lay in providing technology solutions for its customers.

In the healthcare sector, we initiated positions in Swiss pharmaceutical giant Roche and US-based Medtronic. In our opinion, Roche is a well-run company with a good pipeline in oncology products. We are also excited about the developments in their diagnostics business; Roche is going from selling the machines to providing solutions.

Medtronic is a medical device manufacturer. The new chief executive is realigning the company away from low margin products towards businesses which have a greater proportion of recurring revenues and higher earnings visibility. As part of this strategy, Medtronic recently announced the formation of a unit focused on developing partnerships with hospitals and has already been awarded its first two contracts.

In Japan, we began a new position in FUJIFILM and sold Toyota Tsusho. The market still perceives FUJIFILM as a manufacturer of colour film, but this is now a tiny part of its business. The company has undertaken a number of restructuring initiatives and is now focused on higher value-added products such as healthcare, materials for flat panel displays and photocopiers and printers. Meanwhile, diversified industrial Toyota Tsusho left the portfolio as we were disappointed with the pace of cultural change at the company.

Aled Smith Fund manager

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

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

M&G Global Leaders Fund

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.09.14	31.10.14
Interim	02.03.15	30.04.15

	Interim distribution		Ongoing Charges Figure ^[b]	
	Inc 28.04.14 ^[a]	Acc 03.03.14 ^[a]	28.02.14	31.08.13
Sterling	p	p	%	%
Class 'A'	0.9355	2.1448	1.67	1.67
Class 'I'	6.5297	6.6607	0.92	0.93
Class 'R'	0.6444	0.6641	1.17	1.17
Class 'X'	0.9249	2.1123	1.67	1.67
Euro	¢	¢	%	%
Class 'A'	n/a	7.4998	1.92	1.92
Class 'C'	n/a	8.3885	0.92	0.92
US dollar	¢	¢	%	%
Class 'A'	n/a	5.4224	1.92	1.92
Class 'C'	n/a	5.7423	0.92	0.92

^[a] The date on which the interim 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 28.02.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
	p	p	p	p	%	%
Sterling						
Class 'A'	188.38	433.27	182.11	416.73	+3.44	+3.97
Class 'I'	1,302.96	1,332.87	1,254.83	1,277.24	+3.84	+4.36
Class 'R'	129.77	132.69	125.13	127.34	+3.71	+4.20
Class 'X'	186.34	427.59	180.13	411.27	+3.45	+3.97
Euro	€	€	€	€	%	%
Class 'A'	n/a	15.0911	n/a	14.0660	n/a	+7.29
Class 'C'	n/a	16.9578	n/a	15.7278	n/a	+7.82
US dollar	\$	\$	\$	\$	%	%
Class 'A'	n/a	10.8860	n/a	9.7382	n/a	+11.79
Class 'C'	n/a	11.6609	n/a	10.3798	n/a	+12.34

Past performance is not a guide to future performance.

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.

PERFORMANCE SINCE LAUNCH

	six months 02.09.13 %	one year 01.03.13 %	five years 03.03.09 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	+1.9	+4.5	+13.9	+4.9 ^[c]
Class 'I'	+2.3	+5.3	n/a	+16.8 ^[d]
Class 'R'	+2.2	+5.0	n/a	+16.5 ^[d]
Class 'X'	+1.9	+4.5	+13.9	+8.7 ^[e]
Euro ^[f]				
Class 'A'	+5.4	+11.3	+17.5	+3.3 ^[g]
Class 'C'	+6.0	+12.4	+18.7	+4.3 ^[g]
US dollar ^[f]				
Class 'A'	+9.8	+17.7	+19.7	+1.0 ^[h]
Class 'C'	+10.3	+18.9	+20.9	+2.0 ^[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 FEBRUARY)

From To	01.03.13 28.02.14 %	01.03.12 28.02.13 %	01.03.11 29.02.12 %	01.03.10 28.02.11 %	01.03.09 28.02.10 %
Sterling					
Class 'A'	+9.0	+14.0	-5.5	+14.1	+49.5

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

M&G Global Leaders Fund

FUND STATISTICS

PRICES

		Income shares		Accumulation shares	
Calendar year		Highest	Lowest	Highest	Lowest
Sterling (net)					
		p	p	p	p
Class 'A'	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	196.32	158.32	445.05	356.78
	2014 ^[a]	194.97	180.49	446.18	413.04
Class 'I'	2012 ^[b]	1,071.85	1,000.00	1,074.20	1,000.00
	2013	1,351.91	1,085.37	1,363.22	1,088.10
	2014 ^[a]	1,347.32	1,247.76	1,371.36	1,270.01
Class 'R'	2012 ^[b]	107.13	100.00	107.34	100.00
	2013	134.84	108.45	135.94	108.64
	2014 ^[a]	134.22	124.28	136.60	126.48
Class 'X'	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	194.19	156.58	439.22	352.13
	2014 ^[a]	192.85	178.53	440.33	407.63
Euro (net)					
		€	€	€	€
Class 'A'	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	n/a	n/a	15.1352	12.6693
	2014 ^[a]	n/a	n/a	15.4369	14.3649
Class 'C'	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	n/a	n/a	16.9662	14.0729
	2014 ^[a]	n/a	n/a	17.3283	16.1310
US dollar (net)					
		\$	\$	\$	\$
Class 'A'	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	n/a	n/a	10.8673	8.7577
	2014 ^[a]	n/a	n/a	10.9766	10.1506
Class 'C'	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	n/a	n/a	11.6234	9.2736
	2014 ^[a]	n/a	n/a	11.7455	10.8672

^[a] To 3 March 2014.

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

INCOME

Dividend income per share

		Calendar year	Interim	Distributed Final	Total	Reinvested
Sterling (net)						
			p	p	p	p
Class 'A'	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		1.0304	1.7175	2.7479	6.1010
	2014 ^[a]		0.9355	-	0.9355	2.1448
Class 'I'	2012		n/a	1.9450	1.9450	1.9450
	2013		7.0389	11.8083	18.8472	19.4391
	2014 ^[a]		6.5297	-	6.5297	6.6607
Class 'R'	2012		n/a	0.1900	0.1900	0.1900
	2013		0.7634	1.1790	1.9424	1.9426
	2014 ^[a]		0.6444	-	0.6444	0.6641
Class 'X'	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		1.0082	1.6990	2.7072	6.0197
	2014 ^[a]		0.9249	-	0.9249	2.1123
Euro (net)						
			€	€	€	€
Class 'A'	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		n/a	n/a	n/a	20.5184
	2014 ^[a]		n/a	n/a	n/a	7.4998
Class 'C'	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		n/a	n/a	n/a	22.8391
	2014 ^[a]		n/a	n/a	n/a	8.3885
US dollar (net)						
			€	€	€	€
Class 'A'	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		n/a	n/a	n/a	14.1452
	2014 ^[a]		n/a	n/a	n/a	5.4224
Class 'C'	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		n/a	n/a	n/a	15.0329
	2014 ^[a]		n/a	n/a	n/a	5.7423

^[a] Up to interim: ex-distribution date 3 March 2014; payment date 30 April 2014.

The level of income earned by the fund will fluctuate.

M&G Global Leaders Fund

FUND STATISTICS

NET ASSETS					
	Period 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
	Feb 2014	188.38	433.27	42,304,266	101,617,805
Class 'I'	Aug 2012	1,023.08	1,025.03	100	100
	Aug 2013	1,254.83	1,277.24	148,200	159,000
	Feb 2014	1,302.96	1,332.87	319,400	422,200
Class 'R'	Aug 2012	102.29	102.48	1,000	1,000
	Aug 2013	125.13	127.34	80,000	12,000
	Feb 2014	129.77	132.69	90,000	42,000
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
	Feb 2014	186.34	427.59	4,316,342	5,473,437
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
	Feb 2014	n/a	15.0911	n/a	22,919,441
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
	Feb 2014	n/a	16.9578	n/a	2,349,355
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
	Feb 2014	n/a	10.8860	n/a	4,986,554
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
	Feb 2014	n/a	11.6609	n/a	691,700
Total net asset value of sub-fund					
	Period 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		
	Feb 2014	917,589,000	1,110,040,000		

[a] Based on the midday exchange rate on the last business day of each accounting period.

PORTFOLIO

PORTFOLIO STATEMENT

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 [a] %
Oil & gas producers		3.93	7.32
313,905 Anadarko Petroleum	15,621	1.70	
14,606,158 China Petroleum & Chemical 'H'	7,771	0.85	
2,368,784 Rockhopper Exploration	2,724	0.30	
1,611,948 Talisman Energy	9,865	1.08	
Oil equipment, services & distribution		2.55	1.30
327,464 Halliburton	10,927	1.19	
914,458 Petrofac	12,491	1.36	
Chemicals		1.99	1.10
204,171 Akzo Nobel	10,086	1.10	
89,600 Solvay	8,177	0.89	
Industrial metals & mining		1.21	1.35
154,510 Parker Hannifin	11,126	1.21	
Mining		2.36	0.00
3,095,078 Glencore Xstrata	10,177	1.11	
334,066 Rio Tinto	11,455	1.25	
General industrials		1.55	4.08
538,364 ITT	14,180	1.55	
Electronic & electrical equipment		6.66	7.25
207,288 Barco	9,767	1.06	
3,237,000 Hitachi	15,248	1.66	
444,938 Jabil Circuit	5,103	0.56	
277,536 Motorola Solutions	10,961	1.19	
273,900 Nidec	20,110	2.19	
Industrial engineering		4.37	1.32
2,004,596 Bodycote	14,844	1.62	
265,000 Deere & Co	13,493	1.47	
351,064 Joy Global	11,786	1.28	
Industrial transportation		1.69	2.68
474,192 Con-Way	10,887	1.19	
713,071 UTI Worldwide	4,594	0.50	
Automobiles & parts		6.79	7.65
550,300 Bridgestone	11,857	1.29	
415,041 Harley-Davidson	16,269	1.77	
1,220,000 NGK SPARK PLUG CO.	16,423	1.79	
298,357 Renault	17,834	1.94	
Beverages		0.80	2.73
3,498,404 Treasury Wine Estates	7,251	0.80	
Household goods & home construction		3.93	4.16
389,443 Fortune Brands Home & Security	10,990	1.20	
6,716,854 Samsonite International	10,995	1.20	
211,148 Snap-on	14,058	1.53	
Leisure goods		3.36	3.42
1,120,741 Amer Sports	15,036	1.64	
368,000 KONAMI	5,531	0.60	
1,083,906 LeapFrog Enterprises	4,644	0.51	
397,600 Sega Sammy Holdings	5,558	0.61	
Personal goods		1.64	1.79
830,487 Svenska Cellulosa 'B'	15,048	1.64	
Healthcare equipment & services		3.08	1.82
582,084 Haemonetics	12,914	1.41	
438,019 Medtronic	15,301	1.67	

M&G Global Leaders Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 ^[a] %
Pharmaceuticals & biotechnology			
216,814 Amgen	15,990	1.74	
786,036 H. Lundbeck	13,504	1.47	
312,549 Mallinckrodt Pharmaceuticals	13,125	1.43	
80,986 Merck	8,392	0.91	
301,451 Novartis (Regd.)	15,079	1.64	
100,296 Roche Holding 'Genussscheine'	18,480	2.01	
		9.20	9.44
Food & drug retailers			
275,734 CVS Caremark	11,926	1.30	
423,201 Metro	10,596	1.15	
1,284,238 SuperValu	4,949	0.54	
		2.99	2.73
General retailers			
291,908 eBay	10,208	1.11	
		1.11	1.48
Media			
267,564 CBS 'B'	10,645	1.16	
2,343,398 Groupon	11,951	1.30	
742,938 News Corporation	7,867	0.86	
272,557 Rocket Fuel	9,448	1.03	
462,809 Twenty-First Century Fox	8,906	0.97	
897,476 Vivendi	15,272	1.66	
		6.98	4.82
Travel & leisure			
134,270 Madison Square Garden	4,726	0.52	
956,099 MGM Resorts International	15,963	1.74	
		2.26	3.65
Gas, water & multi-utilities			
553,944 Xylem	13,066	1.42	
		1.42	0.91
Banks			
4,754,000 Bank of Yokohama	14,342	1.56	
1,490,524 Bankinter	7,053	0.77	
153,522 Citigroup	4,479	0.49	
7,734,271 Intesa Sanpaolo	14,027	1.53	
11,490,028 Lloyds Banking Group	9,385	1.02	
4,428,311 Royal Bank of Scotland Group	14,193	1.55	
882,476 Sberbank of Russia ADR	5,376	0.59	
459,057 State Bank of India	6,800	0.74	
3,322,472 UniCredit	15,614	1.70	
		9.95	9.20
Non-life insurance			
5,508,635 AIA Group	16,121	1.76	
1,074,546 Brasil Insurance	4,421	0.48	
		2.24	3.69
Life insurance			
535,631 MetLife	16,217	1.77	
		1.77	2.21
Real estate investment & services			
6,049,910 New World Development	4,681	0.51	
		0.51	1.29
Financial services			
839,014 Morgan Stanley	15,255	1.66	
684,170 SLM	9,746	1.06	
		2.72	1.53
Software & computer services			
672,109 Microsoft	15,254	1.66	
830,700 Nomura Research Institute	16,268	1.77	
		3.43	3.88
Technology hardware & equipment			
1,107,700 FUJIFILM Holdings	19,021	2.07	
1,231,611 NVIDIA	13,647	1.49	
290,373 Qualcomm	13,081	1.43	
22,293 Samsung Electronic Pref.	13,304	1.45	
549,309 Tessera	7,325	0.80	

PORTFOLIO STATEMENT (continued)

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 ^[a] %
'AAA' rated money market funds ^[b]			
28,276,000 Northern Trust Global Fund - US dollar	16,945	1.85	3.83
Portfolio of investments		913,750	99.58
Net other assets		3,839	0.42
Net assets attributable to shareholders		917,589	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 Global Leaders Fund

PORTFOLIO

PORTFOLIO TRANSACTIONS

for the six months ended 28 February 2014

	£'000
Largest purchases	£'000
FUJIFILM Holdings	17,996
Roche Holding 'Genussscheine'	17,569
UniCredit	16,516
Medtronic	16,108
Deere & Co	14,519
Groupon	14,188
NVIDIA	13,681
Joy Global	13,526
Metro	13,468
Samsung Electronic Pref.	13,334
Glencore Xstrata	11,424
Rio Tinto	11,188
SLM	11,031
Halliburton	9,946
Rocket Fuel	9,928
Akzo Nobel	9,787
Barco	9,738
Sberbank of Russia ADR	7,090
Bank of Yokohama	6,426
KONAMI	6,332
Northern Trust Global Fund - US dollar ^[a]	144,282
Other purchases	57,956
Total purchases	446,033
Largest sales	£'000
General Electric	26,453
Citigroup	18,523
Valero Energy	16,024
Dr Pepper Snapple	14,357
Eli Lilly	14,261
Toyota Tsusho	13,344
Yokogawa Electric	12,916
Intel	12,695
Intesa Sanpaolo	12,481
Repsol	11,486
Deutsche Lufthansa	11,159
Ace	9,811
Sanofi	9,055
MGM Resorts International	7,811
Jabil Circuit	7,705
Sega Sammy Holdings	6,607
China Petroleum & Chemical 'H'	6,225
Novartis (Regd.)	6,223
Twenty-First Century Fox	6,211
New World Development	5,949
Northern Trust Global Fund - US dollar ^[a]	162,931
Other sales	143,930
Total sales	536,157

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

INTERIM FINANCIAL STATEMENTS (unaudited)

For the six months ended 28 February 2014.

STATEMENT OF TOTAL RETURN

	2014		2013	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		40,632		145,516
Revenue	5,761		7,358	
Expenses	(8,130)		(7,279)	
Net (expense) / revenue before taxation	(2,369)		79	
Taxation	(49)		(1,117)	
Net expense after taxation		(2,418)		(1,038)
Total return before distributions		38,214		144,478
Finance costs: Distributions		(4,899)		(5,512)
Change in net assets attributable to shareholders from investment activities		33,315		138,966

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2014		2013	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		963,362		880,389
Amounts received on issue of shares	74,668		14,750	
Amounts paid on cancellation of shares	(123,754)		(112,177)	
Value of securities transferred from in-specie cancellations	(34,085)		0	
		(83,171)		(97,427)
Stamp Duty Reserve Tax		(18)		(4)
Change in net assets attributable to shareholders from investment activities (see above)		33,315		138,966
Retained distributions on Accumulation shares		4,093		4,549
Unclaimed distributions		8		5
Closing net assets attributable to shareholders		917,589		926,478

The opening net assets attributable to shareholders for 2014 differs to the closing position in 2013 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

BALANCE SHEET

	as at 28 February 2014		as at 31 August 2013	
	£'000	£'000	£'000	£'000
Assets				
Investment assets		913,750		962,895
Debtors	9,110		3,590	
Cash and bank balances	2,090		1,479	
Total other assets		11,200		5,069
Total assets		924,950		967,964
Liabilities				
Creditors				
Net distributions payable on Income shares	(457)		(857)	
Other creditors	(6,904)		(3,745)	
Total liabilities		(7,361)		(4,602)
Net assets attributable to shareholders		917,589		963,362

M&G Global Leaders Fund

INTERIM FINANCIAL STATEMENTS (unaudited)

NOTE TO THE FINANCIAL STATEMENTS

Accounting policies

The interim financial statements have been prepared on the same basis as the audited annual financial statements for the year ended 31 August 2013. They are in accordance with the historical cost convention, as modified by the revaluation of investments, and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010.

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.

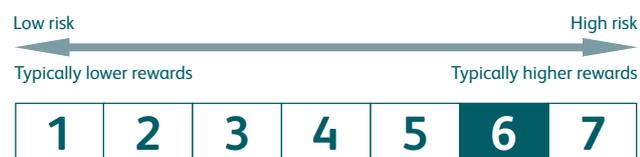
The fund manager adopts a value approach to investment and the fund owns shares in companies that have cheap valuations relative to the trend returns they are likely to generate over the medium to long term. These companies are quite often out of favour with the market for one reason or another. The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

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

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 3 March 2014, for the six months ended 28 February 2014

The six months under review was a relatively busy period for portfolio changes, with a number of holdings that have performed well for the fund sold on valuation grounds. Among them were telecommunications company KDDI, electronics manufacturer Panasonic, wholesale pharmaceutical supplier Alfresa, steel manufacturer Tokyo Steel Manufacturing, and Daifuku, a designer and manufacturer of airport baggage handling machines.

Capital from these sales was reallocated to new positions that we believe offer better long-term value: Kurita Water Industries, Mitsubishi and T&D Holdings.

Kurita Water Industries offers a 'one-stop-shop' water treatment and purification service, which includes equipment, chemicals and operation and maintenance services. We believe the company is well run with strong capital discipline. In Japan, its position as a 'one-stop-shop' is a key advantage, while its overseas business is being driven by economic development and rising demand for the higher end water treatment chemicals in which it specialises. The company operates in a global environment where demand for fresh water continues to rise and environmental regulations around the world are becoming more stringent. We view this as a long-term tailwind for Kurita.

A small position in the efficiently run trading giant Mitsubishi was initiated at what we believe is a very compelling share price. Meanwhile, T&D Holdings is a financially sound, profitable insurance company that we believe is very attractively valued given the level of sustainable earnings it can generate.

Elsewhere, we topped up a number of our existing positions on share price weakness, including glass manufacturer Asahi Glass, clothing manufacturer and retailer Onward Holdings and home improvement stores operator Komeri.

Dean Cashman Fund manager

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

	Ongoing Charges Figure ^[a]	
	28.02.14	31.08.13
Sterling	%	%
Class 'A'	1.72	1.75
Class 'I'	0.96	1.01
Class 'R'	1.21	1.26
Class 'X'	1.72	1.75
Euro	%	%
Class 'A'	1.71	1.75
Class 'C'	0.97	1.01

[a] 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.

The M&G Japan Fund distributes annually, therefore there is no interim distribution.

FUND PERFORMANCE

Performance of share classes

	Net asset value per share as at 28.02.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	33.86	36.93	33.58	36.62	+0.83	+0.85
Class 'I'	1,337.61	1,349.90	1,321.59	1,333.74	+1.21	+1.21
Class 'R'	133.53	134.50	132.08	133.06	+1.10	+1.08
Class 'X'	33.38	36.43	33.11	36.13	+0.82	+0.83
Euro	€	€	€	€	%	%
Class 'A'	n/a	10.7258	n/a	10.2945	n/a	+4.19
Class 'C'	n/a	11.6806	n/a	11.1702	n/a	+4.57

Past performance is not a guide to future performance.

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.

PERFORMANCE SINCE LAUNCH

	six months 02.09.13 %	one year 01.03.13 %	five years 03.03.09 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	-0.6	+5.9	+12.4	+6.3 ^[c]
Class 'I'	-0.3	+6.0	n/a	+19.4 ^[d]
Class 'R'	-0.4	+6.0	n/a	+19.2 ^[d]
Class 'X'	-0.6	+5.9	+12.4	+5.2 ^[e]
Euro ^[f]				
Class 'A'	+2.4	+11.8	+14.7	+0.5 ^[g]
Class 'C'	+2.8	+12.6	+15.6	+1.2 ^[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 FEBRUARY)

From To	01.03.13 28.02.14 %	01.03.12 28.02.13 %	01.03.11 29.02.12 %	01.03.10 28.02.11 %	01.03.09 28.02.10 %
Sterling					
Class 'A'	+8.9	+9.6	-6.8	+14.5	+40.9

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

M&G Japan Fund

FUND STATISTICS

PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
Sterling (net)					
		p	p	p	p
Class 'A'	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	38.93	27.08	42.34	29.45
	2014 ^[b]	35.73	32.56	38.97	35.51
Class 'I'	2012 ^[c]	1,079.67	959.24	1,079.29	959.22
	2013	1,539.52	1,067.80	1,538.92	1,067.43
	2014 ^[b]	1,410.49	1,285.62	1,423.41	1,297.40
Class 'R'	2012 ^[c]	107.84	95.89	107.84	95.89
	2013	153.61	106.65	153.64	106.65
	2014 ^[b]	140.85	128.36	141.86	129.29
Class 'X'	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	38.38	26.69	41.77	29.05
	2014 ^[b]	35.23	32.10	38.45	35.03
Euro (net)					
		€	€	€	€
Class 'A'	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	n/a	n/a	11.8650	8.5938
	2014 ^[b]	n/a	n/a	11.3945	10.2959
Class 'C'	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	n/a	n/a	12.8475	9.2817
	2014 ^[b]	n/a	n/a	12.4002	11.2078

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

^[b] To 3 March 2014.

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

INCOME

Dividend income per share			
	Calendar year	Distributed	Reinvested
Sterling (net)			
		p	p
Class 'A'	2009	0.0830	0.0891
	2010	nil	nil
	2011	0.1040	0.1119
	2012	0.1640	0.1788
	2013	0.0894	0.0873
	2014 ^[a]	-	-
Class 'I'	2012	nil	nil
	2013	12.6714	12.4061
	2014 ^[a]	-	-
Class 'R'	2012	nil	nil
	2013	0.9609	0.9734
	2014 ^[a]	-	-
Class 'X'	2009	0.0910	0.0976
	2010	0.0070	0.0075
	2011	0.1030	0.1109
	2012	0.1600	0.1746
	2013	0.0877	0.0944
	2014 ^[a]	-	-
Euro (net)			
		¢	¢
Class 'A'	2009	n/a	0.9590
	2010	n/a	1.1080
	2011	n/a	3.0730
	2012	n/a	5.3257
	2013	n/a	2.3967
	2014 ^[a]	n/a	-
Class 'C'	2009	n/a	12.1090
	2010	n/a	6.9060
	2011	n/a	9.6640
	2012	n/a	12.7147
	2013	n/a	10.2998
	2014 ^[a]	n/a	-

^[a] The M&G Japan Fund distributes annually, therefore there is no interim distribution.

The level of income earned by the fund will fluctuate.

M&G Japan Fund

FUND STATISTICS

NET ASSETS

	Period ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
Sterling					
Class 'A'	Aug 2011	26.31	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
	Feb 2014	33.86	36.93	43,627,627	74,826,978
Class 'I'	Aug 2012	976.67	976.67	100	100
	Aug 2013	1,321.59	1,333.74	9,600	16,600
	Feb 2014	1,337.61	1,349.90	12,350	46,605
Class 'R'	Aug 2012	97.67	97.67	1,000	1,000
	Aug 2013	132.08	133.06	11,000	20,000
	Feb 2014	133.53	134.50	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
	Feb 2014	33.38	36.43	3,162,252	3,993,700
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
	Feb 2014	n/a	10.7258	n/a	721,896
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
	Feb 2014	n/a	11.6806	n/a	1,084,050

Total net asset value of sub-fund		
Period 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
Feb 2014	62,618,000	75,751,000

[a] Based on the midday exchange rate on the last business day of each accounting period.

PORTFOLIO

PORTFOLIO STATEMENT

as at 28 February 2014				
Holding		Value £'000	28.02.14 %	31.08.13 %
Chemicals				
535,000 Kaneka		2,083	3.33	4.70
869,000 Showa Denko Group		751	1.20	
Industrial metals & mining				
0.00 1.03				
Construction & materials				
612,000 Asahi Glass		2,012	3.21	1.51
Electronic & electrical equipment				
107,200 TDK		2,764	4.41	4.38

PORTFOLIO STATEMENT (continued)

as at 28 February 2014				
Holding		Value £'000	28.02.14 %	31.08.13 %
Industrial engineering				
73,100 Kurita Water Industries		922	1.47	
764,000 Sumitomo Heavy Industries		2,103	3.36	
Industrial transportation				
637,000 Mitsui O.S.K. Lines		1,577	2.52	3.46
Support services				
31,800 Meitec		497	0.79	1.10
79,700 Mitsubishi		911	1.45	
Automobiles & parts				
204,300 NOK		2,000	3.19	6.65
270,800 Yamaha Motor		2,341	3.74	
Household goods & home construction				
141,700 Sumitomo Forestry		867	1.38	1.42
Leisure goods				
266,200 Sony		2,779	4.44	7.06
Personal goods				
78,900 KOSÉ		1,538	2.46	8.37
375,000 Onward Holdings		1,561	2.49	7.53
1,491,000 Teijin		2,140	3.42	
Pharmaceuticals & biotechnology				
70,900 Daiichi Sankyo		730	1.17	1.65
General retailers				
111,800 Komeri		1,633	2.61	4.00
39,000 Seven & i Holdings		873	1.39	3.61
Media				
126,300 Fuji Media Holdings		1,366	2.18	2.66
Travel & leisure				
39,900 East Japan Railway		1,860	2.97	2.98
Fixed line telecommunications				
63,600 Nippon Telegraph & Telephone		2,132	3.40	3.25
Mobile telecommunications				
0.00 1.49				
Banks				
1,048,800 Mitsubishi UFJ Financial Group		3,621	5.78	12.81
101,800 Sumitomo Mitsui Financial Group		2,717	4.34	14.49
601,580 Sumitomo Mitsui Trust Holdings		1,684	2.69	
Non-life insurance				
150,750 NKSJ Holdings		2,271	3.63	3.64
Life insurance				
205,800 T&D Holdings		1,506	2.41	0.00
Financial services				
383,900 Nomura Holdings		1,547	2.47	5.12
189,000 Orix		1,659	2.65	5.87
Software & computer services				
36,500 OBIC		687	1.10	2.70
55,600 SCSK		1,001	1.60	4.20
Technology hardware & equipment				
145,600 Advantest		946	1.51	16.64
1,698,000 NEC		3,415	5.45	12.06
454,500 Ricoh		3,411	5.45	
85,900 Rohm		2,647	4.23	
'AAA' rated money market funds [a]				
223,000 Northern Trust Global Fund - Sterling		223	0.36	0.00
Portfolio of investments		62,775	100.25	99.53
Net other (liabilities) / assets		(157)	(0.25)	0.47
Net assets attributable to shareholders		62,618	100.00	100.00

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

M&G Japan Fund

PORTFOLIO

PORTFOLIO TRANSACTIONS

for the six months ended 28 February 2014

	£'000
Largest purchases	£'000
T&D Holdings	1,623
Asahi Glass	1,398
Mitsubishi	1,018
Kurita Water Industries	960
Ricoh	870
Onward Holdings	652
Komeri	524
Teijin	483
Mitsubishi UFJ Financial Group	482
NEC	481
Sony	466
Advantest	415
Sumitomo Heavy Industries	374
NKSJ Holdings	353
Sumitomo Mitsui Financial Group	343
Rohm	327
Yamaha Motor	309
East Japan Railway	286
Nippon Telegraph & Telephone	277
TDK	269
Northern Trust Global Fund - Sterling ^[a]	3,075
Other purchases	1,488
Total purchases	16,473
Largest sales	£'000
Panasonic	1,320
Daifuku	1,145
KDDI	1,027
SCSK	956
Tokyo Steel Manufacturing	658
Mitsui O.S.K. Lines	576
Sumitomo Mitsui Financial Group	523
NEC	474
TDK	442
Orix	387
Mitsubishi UFJ Financial Group	382
Sumitomo Mitsui Trust Holdings	276
Sony	251
Alfresa Holdings	232
Rohm	208
Ricoh	197
Yamaha Motor	176
Meitec	167
Kaneka	165
Nippon Telegraph & Telephone	158
Northern Trust Global Fund - Sterling ^[a]	2,853
Other sales	1,507
Total sales	14,080

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

INTERIM FINANCIAL STATEMENTS (unaudited)

For the six months ended 28 February 2014.

STATEMENT OF TOTAL RETURN

	2014		2013	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		444		12,039
Revenue	566		624	
Expenses	(494)		(438)	
Net revenue before taxation	72		186	
Taxation	(46)		(46)	
Net revenue after taxation		26		140
Total return before equalisation		470		12,179
Finance costs: Equalisation		10		(51)
Change in net assets attributable to shareholders from investment activities		480		12,128

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2014		2013	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		60,211		59,306
Amounts received on issue of shares	11,314		11,286	
Amounts paid on cancellation of shares	(9,387)		(28,473)	
		1,927		(17,187)
Change in net assets attributable to shareholders from investment activities (see above)		480		12,128
Closing net assets attributable to shareholders		62,618		54,247

The opening net assets attributable to shareholders for 2014 differs to the closing position in 2013 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

BALANCE SHEET

	as at 28 February 2014		as at 31 August 2013	
	£'000	£'000	£'000	£'000
Assets				
Investment assets		62,775		59,926
Debtors	1,493		1,787	
Cash and bank balances	233		99	
Total other assets		1,726		1,886
Total assets		64,501		61,812
Liabilities				
Creditors				
Net distributions payable on income shares	0		(38)	
Other creditors	(1,883)		(1,563)	
Total liabilities		(1,883)		(1,601)
Net assets attributable to shareholders		62,618		60,211

M&G Japan Fund

INTERIM FINANCIAL STATEMENTS (unaudited)

NOTE TO THE FINANCIAL STATEMENTS

Accounting policies

The interim financial statements have been prepared on the same basis as the audited annual financial statements for the year ended 31 August 2013. They are in accordance with the historical cost convention, as modified by the revaluation of investments, and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010.

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.

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

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 3 March 2014, for the six months ended 28 February 2014

Over the six-month review period, a number of outperforming holdings left the portfolio on valuation grounds: television and radio broadcaster Fuji Media, gaming software business TECMO KOEI and Daifuku, a designer and manufacturer of airport baggage handling machines. A position in forklift truck components manufacturer Nippon Yusoki, meanwhile, was closed after the company merged with the forklift trucks division of Mitsubishi Heavy Industries, to form a new company known as Mitsubishi Nichiyu. Capital from these sales was reallocated to new areas that we believe offer better long-term value.

Logistics business Hamakyorex was bought on recent share price weakness; we think its current price is attractive relative to the sustainable earnings it can generate over the longer term. As a third-party outsourced logistics company, Hamakyorex can lower costs and improve efficiency across the supply chain for its clients.

Other notable additions were electronics manufacturer SIIX, cardboard manufacturer Rengo and utility company Kurita Water Industries. SIIX is a global business with joint ventures and manufacturing operations overseas. Profitability for SIIX has been suppressed in recent years by a strong yen, more higher-than-usual new plant start-up costs and one-off events (such as the severe floods in Thailand in 2011). As the impact of these unwind and sales volumes recover, we believe profitability should also improve.

Rengo is one of two dominant manufacturers of cardboard boxes in Japan, which is a domestic industry with very few imports or exports of finished cardboard boxes. Rengo's shares have lagged the market on shorter term concerns, which has presented a buying opportunity. We believe the valuation is very supportive for Rengo given the likely level of sustainable earnings the company can generate over the medium to long term.

Kurita Water Industries offers a 'one-stop-shop' water treatment and purification service, which includes equipment, chemicals and operation and maintenance services. We believe the company is well run with strong capital discipline. Furthermore, it operates in a global environment where demand for fresh water continues to rise and environmental regulations around the world are getting more stringent.

Max Godwin
Fund manager

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

	Ongoing Charges Figure ^[a]	
	28.02.14	31.08.13
Sterling	%	%
Class 'A'	1.70	1.74
Class 'I'	0.96	0.99
Class 'R'	1.22	1.25
Class 'X'	1.70	1.74
Euro	%	%
Class 'A'	1.71	1.74
Class 'C'	0.96	0.99

^[a] 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.

The M&G Japan Smaller Companies Fund distributes annually, therefore there is no interim distribution.

FUND PERFORMANCE

Performance of share classes

	Net asset value per share as at 28.02.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	274.20	287.50	264.64	277.49	+3.61	+3.61
Class 'I'	1,345.88	1,361.19	1,294.15	1,309.13	+4.00	+3.98
Class 'R'	134.38	135.58	129.37	130.51	+3.87	+3.88
Class 'X'	272.54	285.32	263.06	275.38	+3.60	+3.61
Euro	€	€	€	€	%	%
Class 'A'	n/a	16.3570	n/a	15.2802	n/a	+7.05
Class 'C'	n/a	17.9052	n/a	16.6638	n/a	+7.45

Past performance is not a guide to future performance.

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.

PERFORMANCE SINCE LAUNCH

	six months 02.09.13 %	one year 01.03.13 %	five years 03.03.09 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	+2.0	+11.4	+18.5	+6.0 ^[c]
Class 'I'	+2.4	+11.5	n/a	+20.0 ^[d]
Class 'R'	+2.2	+11.5	n/a	+19.9 ^[d]
Class 'X'	+2.0	+11.4	+18.5	+8.5 ^[e]
Euro ^[f]				
Class 'A'	+5.1	+17.8	+21.5	+4.0 ^[g]
Class 'C'	+5.5	+18.7	+22.4	+4.8 ^[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 FEBRUARY)

From To	01.03.13 28.02.14 %	01.03.12 28.02.13 %	01.03.11 29.02.12 %	01.03.10 28.02.11 %	01.03.09 28.02.10 %
Sterling					
Class 'A'	+13.7	+18.2	-2.4	+16.9	+57.4

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

M&G Japan Smaller Companies Fund

FUND STATISTICS

PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
Sterling (net)					
		p	p	p	p
Class 'A'	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	300.83	213.32	314.16	222.77
	2014 ^[a]	293.53	267.45	307.77	280.41
Class 'I'	2012 ^[b]	1,044.21	946.34	1,044.71	946.67
	2013	1,478.08	1,045.35	1,478.90	1,045.93
	2014 ^[a]	1,439.64	1,312.09	1,455.97	1,326.97
Class 'R'	2012 ^[b]	104.32	94.57	104.32	94.57
	2013	147.57	104.43	147.56	104.43
	2014 ^[a]	143.78	131.03	145.03	132.17
Class 'X'	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	299.02	212.04	311.77	221.07
	2014 ^[a]	291.76	265.83	305.43	278.28
Euro (net)					
		€	€	€	€
Class 'A'	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	n/a	n/a	17.4260	12.3839
	2014 ^[a]	n/a	n/a	17.6143	15.9274
Class 'C'	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	n/a	n/a	18.9640	13.4479
	2014 ^[a]	n/a	n/a	19.2662	17.4258

^[a] To 3 March 2014.

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

INCOME

Dividend income per share			
	Calendar year	Distributed	Reinvested
Sterling (net)			
		p	p
Class 'A'	2009	1.3160	1.3296
	2010	0.9280	0.9444
	2011	2.2350	2.2864
	2012	1.8400	1.9062
	2013	1.0704	1.1223
	2014 ^[a]	-	-
Class 'I'	2012	nil	nil
	2013	14.0639	14.5847
	2014 ^[a]	-	-
Class 'R'	2012	nil	nil
	2013	1.1472	1.1382
	2014 ^[a]	-	-
Class 'X'	2009	1.3160	1.3275
	2010	0.9280	0.9430
	2011	2.2130	2.2605
	2012	1.8310	1.8931
	2013	1.0651	1.0953
	2014 ^[a]	-	-
Euro (net)			
		€	€
Class 'A'	2009	n/a	7.1340
	2010	n/a	5.1820
	2011	n/a	12.0790
	2012	n/a	11.3239
	2013	n/a	6.1039
	2014 ^[a]	n/a	-
Class 'C'	2009	n/a	13.3530
	2010	n/a	14.1470
	2011	n/a	21.3450
	2012	n/a	nil
	2013	n/a	17.8370
	2014 ^[a]	n/a	-

^[a] The M&G Japan Smaller Companies Fund distributes annually, therefore there is no interim distribution.

The level of income earned by the fund will fluctuate.

M&G Japan Smaller Companies Fund

FUND STATISTICS

NET ASSETS					
	Period ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
Sterling					
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
	Feb 2014	274.20	287.50	7,376,144	6,919,103
Class 'I'	Aug 2012	989.65	989.65	100	100
	Aug 2013	1,294.15	1,309.13	7,600	81,215
	Feb 2014	1,345.88	1,361.19	77,400	220,615
Class 'R'	Aug 2012	98.94	98.94	1,000	1,000
	Aug 2013	129.37	130.51	35,000	83,500
	Feb 2014	134.38	135.58	55,000	381,500
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
	Feb 2014	272.54	285.32	590,406	5,583,646
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
	Feb 2014	n/a	16.3570	n/a	1,981,960
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
	Feb 2014	n/a	17.9052	n/a	455,420
Total net asset value of sub-fund					
	Period 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	
	Feb 2014	95,833,000		115,933,000	

[a] Based on the midday exchange rate on the last business day of each accounting period.

PORTFOLIO

PORTFOLIO STATEMENT

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 %
Chemicals			
897,000 Chugoku Marine Paints	3,102	3.24	
682,000 Kaneka	2,655	2.77	
3,355,000 Showa Denko Group	2,900	3.03	
258,300 Tocalo	2,566	2.68	
General industrials			
846,000 Rengo	2,920	3.05	
394,400 Tokai Rubber Industries	2,324	2.43	

PORTFOLIO STATEMENT (continued)

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 %
Electronic & electrical equipment			
377,000 Denki Kogyo	1,503	1.57	
541,300 ESPEC	2,537	2.65	
7,100 Iriso Electronics	211	0.22	
210,900 Koa	1,337	1.40	
373,200 Nippon Signal	1,938	2.02	
259,000 SIIX	2,448	2.55	
134,800 TDK	3,476	3.63	
436,100 Zuken	2,029	2.12	
Industrial engineering			
172,800 Kurita Water Industries	2,180	2.27	
301,000 MAX	2,126	2.22	
994,000 Sumitomo Heavy Industries	2,736	2.85	
Industrial transportation			
592,000 Mitsui O.S.K. Lines	1,466	1.53	
Support services			
257,900 AEON DELIGHT	3,093	3.23	
110,800 Hamakyorex	1,926	2.01	
227,900 Nippon Kanzai	2,667	2.78	
Automobiles & parts			
441,100 Ahresty	2,348	2.45	
285,900 NOK	2,799	2.92	
938,000 Riken	2,604	2.72	
Household goods & home construction			
394,500 Sumitomo Forestry	2,413	2.52	
Leisure goods			
185,200 Fields	1,944	2.03	
Personal goods			
106,400 KOSÉ	2,074	2.16	
457,000 Onward Holdings	1,903	1.99	
1,913,000 Teijin	2,745	2.86	
General retailers			
399,700 Geo	2,179	2.27	
210,800 Komeri	3,079	3.21	
174,100 Kyoto Kimono Yuzen	1,086	1.13	
324,900 Otsuka Kagu	1,685	1.76	
174,400 PAL	1,829	1.91	
271,100 Saizeriya	1,910	1.99	
Media			
Banks			
193,100 Tokyo Tomin Bank	1,154	1.20	
Financial services			
378,000 JACCS	929	0.97	
49,100 Pocket Card	177	0.18	
Software & computer services			
422,600 CAC	2,376	2.48	
159,400 DTS	1,862	1.94	
348,700 Future Architect	1,226	1.28	
197,000 NSD	1,515	1.58	
71,300 SCSK	1,283	1.34	
Technology hardware & equipment			
327,200 Advantest	2,126	2.22	
91,700 Rohm	2,826	2.95	
63,300 Sato	899	0.94	
'AAA' rated money market funds [a]			
177,000 Northern Trust Global Fund - Sterling	177	0.18	
Portfolio of investments	95,288	99.43	99.70
Net other assets	545	0.57	0.30
Net assets attributable to shareholders	95,833	100.00	100.00

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

M&G Japan Smaller Companies Fund

PORTFOLIO

PORTFOLIO TRANSACTIONS

for the six months ended 28 February 2014

Largest purchases	£'000
Rengo	2,787
Tocalo	2,589
Kurita Water Industries	2,263
SIIX	2,246
PAL	2,130
Hamakyorex	1,938
Nippon Kanzai	1,743
Zuken	1,551
Onward Holdings	1,420
Showa Denko Group	1,244
Kaneka	1,071
KOSÉ	998
Advantest	884
Komeri	840
Sumitomo Forestry	729
Saizeriya	691
Nippon Signal	664
CAC	650
Chugoku Marine Paints	639
Rohm	541
Northern Trust Global Fund - Sterling ^[a]	6,756
Other purchases	8,221
Total purchases	42,595
Largest sales	£'000
TECMO KOEI	1,862
Fuji Media Holdings	1,763
Daifuku	1,615
Iriso Electronics	1,481
Mitsubishi Nichiyu	1,195
DTS	1,165
Future Architect	1,121
Denki Kogyo	1,008
SCSK	862
Fields	832
Rohm	780
Kyoto Kimono Yuzen	695
Nippon Signal	677
Sato	591
Koa	524
KOSÉ	503
Pocket Card	474
Onward Holdings	400
TDK	399
Ahresty	381
Northern Trust Global Fund - Sterling ^[a]	6,705
Other sales	2,011
Total sales	27,044

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

INTERIM FINANCIAL STATEMENTS (unaudited)

For the six months ended 28 February 2014.

STATEMENT OF TOTAL RETURN

	2014		2013	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		2,489		9,264
Revenue	813		627	
Expenses	(718)		(414)	
Net revenue before taxation	95		213	
Taxation	(69)		(46)	
Net revenue after taxation		26		167
Total return before equalisation		2,515		9,431
Finance costs: Equalisation		31		10
Change in net assets attributable to shareholders from investment activities		2,546		9,441

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2014		2013	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		77,443		45,640
Amounts received on issue of shares	28,994		14,702	
Amounts paid on cancellation of shares	(13,150)		(9,038)	
		15,844		5,664
Change in net assets attributable to shareholders from investment activities (see above)		2,546		9,441
Closing net assets attributable to shareholders		95,833		60,745

The opening net assets attributable to shareholders for 2014 differs to the closing position in 2013 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

BALANCE SHEET

	as at 28 February 2014		as at 31 August 2013	
	£'000	£'000	£'000	£'000
Assets				
Investment assets		95,288		77,214
Debtors	470		533	
Cash and bank balances	431		33	
Total other assets		901		566
Total assets		96,189		77,780
Liabilities				
Creditors				
Net distributions payable on income shares	0		(61)	
Other creditors	(356)		(276)	
Total liabilities		(356)		(337)
Net assets attributable to shareholders		95,833		77,443

M&G Japan Smaller Companies Fund

INTERIM FINANCIAL STATEMENTS (unaudited)

NOTE TO THE FINANCIAL STATEMENTS

Accounting policies

The interim financial statements have been prepared on the same basis as the audited annual financial statements for the year ended 31 August 2013. They are in accordance with the historical cost convention, as modified by the revaluation of investments, and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010.

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

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

Risk and reward profile*



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

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

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 3 March 2014, for the six months ended 28 February 2014

The portfolio has been rebalanced since the change in management on 1 September 2013. The investment approach though 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. Our investment approach is to identify companies that are the least expensive in their respective sectors and then apply in-depth analysis to filter out those stocks whose valuations we do not believe have the potential to recover.

Since the initial rebalancing we have added a number of new names to the portfolio, including Baxter International, which is a global healthcare company whose main drug treats haemophilia. The shares have been weak due to the threat of new entrants into the market. However, we believe there are significant barriers preventing patients from switching to alternative drugs. We also added Cadence Design Systems, an IT software company whose main product is used by the semiconductor industry in the design of microchips. The management is focused on improving margins with a cost-cutting programme. At the time of purchase, the market was pricing in a decline in the semiconductor market, which we do not believe to be the case.

In the banking sector, we added Capitol Federal Financial, a regional lender in the US. It is one of the largest residential mortgage lenders in Kansas and has a very strong balance sheet. It is currently pursuing a programme of returning value to shareholders through dividends^[a] and share buybacks. In mining, we initiated a position in silver producer Pan American Silver. The miner has a robust balance sheet with a large net cash position.

Conversely, we sold a number of holdings, including Assurant, as we have had increasing concerns about the regulatory environment for speciality home insurers. We no longer felt the company had 'business durability', which is one of the criteria we apply for including a stock in the fund. The stock was initially bought at the time of the portfolio rebalancing at the start of the review period. Meanwhile, Molex, an electrical components company, was acquired during the period by Koch Industries. The offer was at a 30% premium to Molex's share price prior to the announcement. Elsewhere, petro-chemical companies Newmarket and Sensient were sold; both had performed strongly and no longer represented attractive value opportunities in our opinion.

Daniel White
Fund manager

An employee of M&G Limited which is an associate of M&G Securities Limited. At the start of the review period Richard Brody was the fund manager.

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

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

M&G North American Value Fund

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.09.14	31.10.14

	Ongoing Charges Figure ^[a]	
	28.02.14	31.08.13
Sterling	%	%
Class 'A'	1.69	1.69
Class 'I'	0.93	0.94
Class 'R'	1.19	1.20
Class 'X'	1.68	1.69
Euro	%	%
Class 'A'	1.68	1.68
Class 'C'	0.91	0.91
US dollar	%	%
Class 'A'	1.67	1.69
Class 'C'	0.93	0.94

[a] 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.

The M&G North American Value Fund distributes annually, therefore there is no interim distribution.

FUND PERFORMANCE

Performance of share classes

	Net asset value per share as at 28.02.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	74.46	75.96	68.59	69.98	+8.56	+8.55
Class 'I'	1,396.33	1,413.37	1,281.70	1,297.23	+8.94	+8.95
Class 'R'	139.45	140.70	128.14	129.30	+8.83	+8.82
Class 'X'	74.45	76.09	68.59	70.09	+8.54	+8.56
Euro	€	€	€	€	%	%
Class 'A'	n/a	12.4646	n/a	11.1143	n/a	+12.15
Class 'C'	n/a	13.3125	n/a	11.8241	n/a	+12.59
US dollar	\$	\$	\$	\$	%	%
Class 'A'	n/a	11.4895	n/a	9.8331	n/a	+16.85
Class 'C'	n/a	12.1103	n/a	10.3262	n/a	+17.28

Past performance is not a guide to future performance.

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.

PERFORMANCE SINCE LAUNCH

	six months 02.09.13 %	one year 01.03.13 %	five years 03.03.09 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	+7.9	+14.8	+23.0	+4.6 ^[c]
Class 'I'	+8.3	+14.8	n/a	+22.6 ^[d]
Class 'R'	+8.2	+14.9	n/a	+22.5 ^[d]
Class 'X'	+7.9	+14.9	+23.0	+4.6 ^[c]
Euro ^[e]				
Class 'A'	+11.2	+21.3	+25.5	+2.5 ^[c]
Class 'C'	+11.7	+22.2	+26.4	+3.3 ^[c]
US dollar ^[e]				
Class 'A'	+15.8	+28.2	+27.7	+1.9 ^[f]
Class 'C'	+16.2	+29.2	+28.7	+2.6 ^[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 FEBRUARY)

From To	01.03.13 28.02.14 %	01.03.12 28.02.13 %	01.03.11 29.02.12 %	01.03.10 28.02.11 %	01.03.09 28.02.10 %
Sterling					
Class 'A'	+17.9	+14.1	+0.9	+14.8	+70.1

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

M&G North American Value Fund

FUND STATISTICS

PRICES

		Income shares		Accumulation shares	
Calendar year		Highest	Lowest	Highest	Lowest
Sterling (net)					
		p	p	p	p
Class 'A'	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	73.65	55.41	75.14	56.34
	2014 ^[a]	74.85	71.18	76.36	72.62
Class 'I'	2012 ^[b]	1,063.09	985.93	1,064.43	987.19
	2013	1,379.65	1,037.67	1,396.45	1,038.98
	2014 ^[a]	1,402.43	1,334.32	1,419.55	1,350.58
Class 'R'	2012 ^[b]	106.27	98.52	106.36	98.61
	2013	137.83	103.65	139.08	103.74
	2014 ^[a]	140.10	133.27	141.36	134.48
Class 'X'	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	73.64	55.40	75.27	56.43
	2014 ^[a]	74.85	71.17	76.49	72.74
Euro (net)					
		€	€	€	€
Class 'A'	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	n/a	n/a	12.1971	9.3977
	2014 ^[a]	n/a	n/a	12.5646	11.8971
Class 'C'	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	n/a	n/a	13.0091	9.9464
	2014 ^[a]	n/a	n/a	13.4173	12.6988
US dollar (net)					
		\$	\$	\$	\$
Class 'A'	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	n/a	n/a	11.2180	8.3224
	2014 ^[a]	n/a	n/a	11.5023	10.7431
Class 'C'	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	n/a	n/a	11.8094	8.6960
	2014 ^[a]	n/a	n/a	12.1237	11.3179

^[a] To 3 March 2014.

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

INCOME

Dividend income per share

		Calendar year	Distributed	Reinvested
Sterling (net)				
			p	p
Class 'A'	2009		0.3270	0.3290
	2010		nil	nil
	2011		nil	nil
	2012		0.1430	0.1471
	2013		0.2284	0.2321
	2014 ^[a]		-	-
Class 'I'	2012		1.2250	1.2250
	2013		13.8175	13.5665
	2014 ^[a]		-	-
Class 'R'	2012		0.0900	0.0900
	2013		1.0858	1.0543
	2014 ^[a]		-	-
Class 'X'	2009		0.3270	0.3296
	2010		nil	nil
	2011		nil	nil
	2012		0.1440	0.1491
	2013		0.2284	0.2323
	2014 ^[a]		-	-
Euro (net)				
			€	€
Class 'A'	2009		n/a	3.1480
	2010		n/a	nil
	2011		n/a	nil
	2012		n/a	2.8167
	2013		n/a	3.6482
	2014 ^[a]		n/a	-
Class 'C'	2009		n/a	9.4190
	2010		n/a	4.4830
	2011		n/a	4.5520
	2012		n/a	10.2347
	2013		n/a	9.4080
	2014 ^[a]		n/a	-
US dollar (net)				
			\$	\$
Class 'A'	2009		n/a	4.8120
	2010		n/a	nil
	2011		n/a	nil
	2012		n/a	2.4921
	2013		n/a	3.2194
	2014 ^[a]		n/a	-
Class 'C'	2009		n/a	8.9090
	2010		n/a	3.7530
	2011		n/a	4.3150
	2012		n/a	6.7711
	2013		n/a	10.3331
	2014 ^[a]		n/a	-

^[a] The M&G North American Value Fund distributes annually, therefore there is no interim distribution.

The level of income earned by the fund will fluctuate.

M&G North American Value Fund

FUND STATISTICS

NET ASSETS					
	Period 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
	Feb 2014	74.46	75.96	3,792,400	32,553,455
Class 'I'	Aug 2012	1,017.01	1,018.24	100	100
	Aug 2013	1,281.70	1,297.23	319,200	68,700
	Feb 2014	1,396.33	1,413.37	640,700	156,500
Class 'R'	Aug 2012	101.80	101.71	1,000	1,000
	Aug 2013	128.14	129.30	13,000	111,000
	Feb 2014	139.45	140.70	23,000	126,000
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
	Feb 2014	74.45	76.09	1,287,500	73,612,500
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
	Feb 2014	n/a	12.4646	n/a	317,700
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
	Feb 2014	n/a	13.3125	n/a	15,950
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
	Feb 2014	n/a	11.4895	n/a	213,650
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
	Feb 2014	n/a	12.1103	n/a	1,449,900
Total net asset value of sub-fund					
	Period 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	
	Feb 2014	111,328,000		134,677,000	

[a] Based on the midday exchange rate on the last business day of each accounting period.

PORTFOLIO

PORTFOLIO STATEMENT

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 %
Oil & gas producers		10.46	7.61
32,290 Apache	1,540	1.38	
39,154 Chevron	2,714	2.44	
46,029 ConocoPhillips	1,827	1.64	
31,421 Hess	1,497	1.34	
34,556 Occidental Petroleum	1,978	1.78	
58,642 Suncor Energy	1,162	1.04	
32,071 Valero Energy	932	0.84	
Oil equipment, services & distribution		1.21	5.91
99,708 Nabors Industries	1,346	1.21	
Chemicals		0.58	1.04
19,691 Cabot	641	0.58	
Forestry & paper		1.00	0.00
16,906 Domtar	1,112	1.00	
Industrial metals & mining		0.00	2.91
Mining		1.69	0.00
66,088 Newmont Mining	935	0.84	
111,205 Pan American Silver	945	0.85	
Aerospace & defence		0.81	5.84
52,919 Spirit AeroSystems 'A'	902	0.81	
Electronic & electrical equipment		1.94	1.27
141,876 AVX	1,081	0.97	
187,384 Celestica	1,081	0.97	
Industrial engineering		3.15	3.46
25,702 Caterpillar	1,489	1.34	
12,601 Cummins	1,097	0.98	
35,083 Kennametal	924	0.83	
Industrial transportation		2.08	0.00
14,002 FedEx	1,120	1.01	
21,866 Norfolk Southern	1,187	1.07	
Automobiles & parts		1.20	0.97
25,560 Magna International	1,335	1.20	
Beverages		1.35	0.00
43,944 Molson Coors Brewing 'B'	1,498	1.35	
Food producers		2.20	2.15
30,868 Bunge	1,471	1.32	
41,824 Tyson Foods	975	0.88	
Household goods & home construction		0.00	1.95
Leisure goods		0.91	0.00
15,941 Harman International	1,009	0.91	
Personal goods		2.36	0.00
25,486 Columbia Sportswear	1,273	1.14	
20,767 Kimberly-Clark	1,356	1.22	
Tobacco		1.68	2.00
87,110 Altria Group	1,873	1.68	
Healthcare equipment & services		4.62	5.05
33,145 Baxter International	1,368	1.23	
27,674 Hill-Rom Holdings	629	0.56	
25,546 Owens & Minor	532	0.48	
26,828 Stryker	1,305	1.17	
24,499 WellPoint	1,311	1.18	
Pharmaceuticals & biotechnology		10.49	5.94
71,876 Abbott Laboratories	1,714	1.54	
49,399 Eli Lilly	1,763	1.58	
21,704 Forest Laboratories	1,295	1.16	
31,233 Johnson & Johnson	1,710	1.54	
74,297 Merck	2,523	2.27	
138,534 Pfizer	2,675	2.40	

M&G North American Value Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 %
Food & drug retailers			
40,917 Walgreen	1,672	1.50	1.49
General retailers			
53,836 DeVry Education	1,369	1.23	3.80
22,820 Dillard's 'A'	1,257	1.13	
50,957 Lowe's	1,552	1.39	
27,000 Signet Jewelers	1,549	1.39	
46,729 Wal-Mart Stores	2,088	1.87	
Media			
69,188 Comcast 'A'	2,117	1.90	4.55
2,244 Graham Holdings	969	0.87	
Travel & leisure			
50,997 Carnival	1,236	1.11	0.99
63,110 Southwest Airlines	849	0.76	
Fixed line telecommunications			
118,486 AT&T	2,288	2.05	2.01
79,994 Centurylink	1,489	1.34	
Electricity			
83,661 Exelon	1,513	1.36	1.47
Banks			
98,351 Capitol Federal Financial	714	0.64	10.07
72,205 Citigroup	2,106	1.89	10.27
41,236 FirstMerit	507	0.46	
81,639 JPMorgan Chase	2,772	2.49	
106,477 People's United Bank	907	0.81	
28,321 PNC Financial Services	1,381	1.24	
102,336 Wells Fargo	2,823	2.54	
Non-life insurance			
53,221 Loews	1,389	1.25	6.59
67,311 The Hartford Financial Services Group	1,399	1.26	
28,264 The Travelers Companies	1,420	1.28	
Life insurance			
56,286 MetLife	1,704	1.53	2.57
Real estate investment trusts			
70,139 Kimco Realty	925	0.83	0.00
Financial services			
Equity investment & instruments			
60,811 American Capital	560	0.50	0.00
Software & computer services			
144,608 Cadence Design Systems	1,330	1.19	4.13
4,230 Google	3,091	2.78	
148,489 Microsoft	3,370	3.03	
Technology hardware & equipment			
117,416 Corning	1,360	1.22	10.70
26,894 Harris	1,194	1.07	
128,085 Intel	1,900	1.71	
47,075 Lexmark International	1,200	1.08	
49,380 Qualcomm	2,224	2.00	
21,455 Western Digital	1,137	1.02	
'AAA' rated money market funds [a]			
4,102,000 Northern Trust Global Fund - US dollar	2,458	2.21	0.46
Portfolio of investments	110,944	99.66	100.02
Net other assets / (liabilities)	384	0.34	(0.02)
Net assets attributable to shareholders	111,328	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 six months ended 28 February 2014

	£'000
Largest purchases	
Google	3,125
ConocoPhillips	2,877
Citigroup	2,485
Wal-Mart Stores	2,291
MetLife	2,256
Qualcomm	2,230
Eli Lilly	1,968
Walgreen	1,841
Hess	1,785
Forest Laboratories	1,760
Lowe's	1,754
Centurylink	1,730
Kimberly-Clark	1,681
Exelon	1,628
Abbott Laboratories	1,603
Bunge	1,596
Loews	1,552
FedEx	1,527
WellPoint	1,492
Valero Energy	1,435
Northern Trust Global Fund - US dollar [a]	30,009
Other purchases	50,556
Total purchases	119,181
Largest sales	
Viacom 'B'	2,978
CIGNA	2,975
Lockheed Martin	2,963
Lincoln National	2,933
Apple	2,864
Morgan Stanley	2,829
Medtronic	2,807
Goldman Sachs Group	2,783
Macy's	2,692
National Oilwell Varco	2,672
Diamond Offshore Drilling	2,555
Textron	2,502
Archer Daniels Midland	2,488
US Bancorp	2,291
Applied Materials	2,252
Newell Rubbermaid	2,248
Texas Instruments	2,182
Allstate	2,002
Hewlett-Packard	1,977
Nucor	1,884
Northern Trust Global Fund - US dollar [a]	27,779
Other sales	53,411
Total sales	132,067

[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

INTERIM FINANCIAL STATEMENTS (unaudited)

For the six months ended 28 February 2014.

STATEMENT OF TOTAL RETURN

	2014		2013	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		9,562		14,011
Revenue	1,194		1,165	
Expenses	(896)		(774)	
Net revenue before taxation	298		391	
Taxation	(62)		(173)	
Net revenue after taxation		236		218
Total return before equalisation		9,798		14,229
Finance costs: Equalisation		2		(8)
Change in net assets attributable to shareholders from investment activities		9,800		14,221

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2014		2013	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		114,337		111,916
Amounts received on issue of shares	27,447		31,994	
Amounts paid on cancellation of shares	(40,256)		(55,926)	
		(12,809)		(23,932)
Change in net assets attributable to shareholders from investment activities (see above)		9,800		14,221
Closing net assets attributable to shareholders		111,328		102,205

The opening net assets attributable to shareholders for 2014 differs to the closing position in 2013 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

BALANCE SHEET

	as at 28 February 2014		as at 31 August 2013	
	£'000	£'000	£'000	£'000
Assets				
Investment assets		110,944		114,358
Debtors	1,503		1,906	
Cash and bank balances	22		108	
Total other assets		1,525		2,014
Total assets		112,469		116,372
Liabilities				
Creditors				
Net distributions payable on income shares	0		(66)	
Other creditors	(1,141)		(1,969)	
Total liabilities		(1,141)		(2,035)
Net assets attributable to shareholders		111,328		114,337

NOTE TO THE FINANCIAL STATEMENTS

Accounting policies

The interim financial statements have been prepared on the same basis as the audited annual financial statements for the year ended 31 August 2013. They are in accordance with the historical cost convention, as modified by the revaluation of investments, and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010.

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

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 3 March 2014, for the six months ended 28 February 2014

As active stockpickers, we continued to seek opportunities to selectively purchase companies with compelling scarce assets, structural growth drivers and the potential to produce sustainably high returns, which became available at attractive valuations.

We added Spanish-listed international IT services and solutions provider Indra Sistemas, which benefits from diverse end markets, including healthcare, financials, energy and telecommunications among others. We think this will help the company to ride through downturns in specific industries, with further diversification provided through its growing international presence. We also believe that its people, technology, strong market positions and aftermarket make it very difficult to compete with.

We bought shares in Irish-listed building materials company Kingspan, a producer of prefabricated walls and insulation. We feel that the company is well positioned to profit from economic recovery and the resultant increase in building activity, and that long-term growth should also be aided by an ongoing regulatory drive for improved environmental performance from buildings.

Finally, we established a position in TGS-NOPEC Geophysical, a Norwegian seismic surveyor. TGS-NOPEC operates within the oil services industry, and its asset-light nature, hiring in capacity where needed, differentiates it from the competition. It produces high returns, operates on a compelling business model, and, we think, has strong growth potential, as oil becomes more difficult to find and extract.

We sold out of other holdings where we felt there were more attractively valued companies with better growth prospects available. These included pharmaceutical giant GlaxoSmithKline and Amadeus, the global leader in IT outsourcing for airlines. We also closed our position in UK-listed precious metals miner Hochschild Mining. The company focuses on metals in Peru, and its markets have been relatively weak for some time, suppressing its share price. The shares strengthened near the end of the review period, and we took the opportunity to move on, having lost conviction in the holding.

Greg Aldridge & Charles Anniss
Co-fund managers

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

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

M&G Pan European Fund

FUND STATISTICS

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.09.14	31.10.14
Interim	02.03.15	30.04.15

	Interim distribution		Ongoing Charges Figure ^[b]	
	Inc 30.04.14 ^[a]	Acc 03.03.14 ^[a]	28.02.14	31.08.13
Sterling	p	p	%	%
Class 'A'	0.6544	1.2129	1.68	1.68
Class 'I'	5.0238	5.1709	0.93	0.93
Class 'R'	0.5011	0.5145	1.19	1.19
Class 'X'	0.6513	1.1983	1.68	1.68
Euro	¢	¢	%	%
Class 'A'	n/a	5.7881	1.69	1.68
Class 'C'	n/a	6.5453	0.91	0.94

^[a] The date on which the interim 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 28.02.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
	p	p	p	p	%	%
Sterling						
Class 'A'	170.76	316.60	162.62	300.42	+5.01	+5.39
Class 'I'	1,307.78	1,352.31	1,240.66	1,278.60	+5.41	+5.76
Class 'R'	130.23	134.60	123.72	127.41	+5.26	+5.64
Class 'X'	168.91	312.88	160.87	296.89	+5.00	+5.39
Euro	€	€	€	€	%	%
Class 'A'	n/a	15.0705	n/a	13.8420	n/a	+8.88
Class 'C'	n/a	16.5704	n/a	15.1607	n/a	+9.30

Past performance is not a guide to future performance.

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.

PERFORMANCE SINCE LAUNCH

	six months 02.09.13 %	one year 01.03.13 %	five years 03.03.09 % p.a. ^[a]	since launch % p.a. ^[a]
Sterling ^[b]				
Class 'A'	+2.6	+2.8	+10.8	+5.3 ^[c]
Class 'I'	+3.0	+3.6	n/a	+17.7 ^[d]
Class 'R'	+2.9	+3.3	n/a	+17.4 ^[d]
Class 'X'	+2.6	+2.8	+10.8	+7.7 ^[e]
Euro ^[f]				
Class 'A'	+6.2	+11.1	+15.6	+3.3 ^[g]
Class 'C'	+6.6	+11.9	+16.4	+4.1 ^[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 FEBRUARY)

From To	01.03.13 28.02.14 %	01.03.12 28.02.13 %	01.03.11 29.02.12 %	01.03.10 28.02.11 %	01.03.09 28.02.10 %
Sterling					
Class 'A'	+7.5	+17.1	-2.2	+5.4	+42.1

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

M&G Pan European Fund

FUND STATISTICS

PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
Sterling (net)		p	p	p	p
Class 'A'	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	173.16	149.06	317.53	268.07
	2014 ^[b]	172.71	163.36	318.98	301.70
Class 'I'	2012 ^[c]	1,129.21	1,000.00	1,132.20	1,000.00
	2013	1,320.42	1,131.56	1,352.90	1,134.60
	2014 ^[b]	1,322.45	1,250.21	1,362.44	1,288.00
Class 'R'	2012 ^[c]	112.83	100.00	113.06	100.00
	2013	131.70	113.06	134.77	113.30
	2014 ^[b]	131.72	124.54	135.61	128.22
Class 'X'	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	171.29	147.45	313.80	264.92
	2014 ^[b]	170.85	161.59	315.23	298.15
Euro (net)		€	€	€	€
Class 'A'	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	n/a	n/a	14.8850	12.7980
	2014 ^[b]	n/a	n/a	15.2082	14.3374
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'	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	n/a	n/a	16.3464	13.9984
	2014 ^[b]	n/a	n/a	16.7210	15.7563

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

^[b] To 3 March 2014.

^[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).

INCOME

Dividend income per share

	Calendar year	Interim	Distributed	Total	Reinvested
			Final		
Sterling (net)		p	p	p	p
Class 'A'	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	0.7797	3.6400	4.4197	7.9740
	2014 ^[a]	0.6544	-	0.6544	1.2129
Class 'I'	2012	n/a	2.1450	2.1450	2.1450
	2013	5.9437	27.7045	33.6482	34.3970
	2014 ^[a]	5.0238	-	5.0238	5.1709
Class 'R'	2012	n/a	0.2100	0.2100	0.2100
	2013	0.6509	2.7651	3.4160	3.4366
	2014 ^[a]	0.5011	-	0.5011	0.5145
Class 'X'	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	0.7708	3.6007	4.3715	7.8800
	2014 ^[a]	0.6513	-	0.6513	1.1983
Euro (net)		€	€	€	€
Class 'A'	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	n/a	n/a	n/a	36.6510
	2014 ^[a]	n/a	n/a	n/a	5.7881
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'	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	n/a	n/a	n/a	39.8848
	2014 ^[a]	n/a	n/a	n/a	6.5453

^[a] Up to interim: ex-distribution date 3 March 2014; payment date 30 April 2014.

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

The level of income earned by the fund will fluctuate.

M&G Pan European Fund

FUND STATISTICS

NET ASSETS					
	Period 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
	Feb 2014	170.76	316.60	67,583,628	15,234,464
Class 'I'	Aug 2012	1,013.17	1,015.32	100	100
	Aug 2013	1,240.66	1,278.60	54,900	16,000
	Feb 2014	1,307.78	1,352.31	94,700	53,740
Class 'R'	Aug 2012	101.29	101.50	1,000	1,000
	Aug 2013	123.72	127.41	109,000	50,000
	Feb 2014	130.23	134.60	134,000	95,000
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
	Feb 2014	168.91	312.88	707,446	326,915
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
	Feb 2014	n/a	15.0705	n/a	1,543,160
Class 'B'	Aug 2011	n/a	8.8294	n/a	16,200
	Aug 2012	n/a	10.8034	n/a	13,100
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
	Feb 2014	n/a	16.5704	n/a	1,146,940
Total net asset value of sub-fund					
	Period 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		
	Feb 2014	203,058,000	245,647,000		

[a] Based on the midday exchange rate on the last business day of each accounting period.

PORTFOLIO

PORTFOLIO STATEMENT

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 %
Oil & gas producers		6.93	7.61
242,000 Repsol	3,631	1.79	
206,000 Statoil	3,255	1.60	
138,500 Total	5,324	2.62	
240,000 Tullow Oil	1,871	0.92	
Oil equipment, services & distribution		3.07	1.90
273,000 Petrofac	3,729	1.84	
134,000 TGS-NOPEC Geophysical	2,490	1.23	
Chemicals		5.69	5.05
1,072,500 AZ Electronic Materials	4,267	2.10	
120,500 Symrise	3,517	1.73	
130,500 Umicore	3,780	1.86	
Mining		1.58	2.04
93,500 Rio Tinto	3,206	1.58	
Construction & materials		3.48	1.95
82,000 Holcim (Regd.)	3,985	1.96	
258,500 Kingspan Group	3,094	1.52	
Aerospace & defence		3.53	3.80
86,500 Airbus (formerly European Aeronautic Defence and Space)	3,787	1.86	
177,500 Ultra Electronics Holdings	3,387	1.67	
Electronic & electrical equipment		1.65	0.40
136,500 Spectris	3,344	1.65	
Industrial engineering		3.59	4.35
63,000 Andritz	2,337	1.15	
76,500 Atlas Copco 'A'	1,283	0.63	
113,500 Vallourec	3,668	1.81	
Support services		3.11	4.79
100,000 DCC	3,159	1.55	
1,341,500 G4S	3,171	1.56	
Automobiles & parts		3.91	4.35
58,000 Bayerische Motoren Werke	3,994	1.97	
60,000 Delticom	1,663	0.82	
100,000 EiringKlinger	2,283	1.12	
Food producers		9.02	9.50
100,500 Chr. Hansen Holding	2,476	1.22	
80,000 Danone	3,360	1.65	
153,000 Nestlé (Regd.)	6,900	3.40	
235,500 Unilever	5,577	2.75	
Leisure goods		1.57	1.63
238,000 Amer Sports	3,193	1.57	
Personal goods		4.99	4.56
54,500 adidas	3,770	1.86	
27,000 HUGO BOSS	2,143	1.05	
107,000 Pandora	4,230	2.08	
Healthcare equipment & services		3.23	3.38
93,500 Fresenius Medical Care	3,808	1.88	
32,500 Sonova Holding	2,743	1.35	
Pharmaceuticals & biotechnology		6.52	8.25
135,500 Novartis (Regd.)	6,778	3.34	
35,000 Roche Holding 'Genussscheine'	6,449	3.18	
General retailers		1.94	2.12
643,000 Inchcape	3,932	1.94	

M&G Pan European Fund

PORTFOLIO

PORTFOLIO STATEMENT (continued)

as at 28 February 2014

Holding	Value £'000	28.02.14 %	31.08.13 %
Media		3.36	3.67
73,000 GFK	2,524	1.24	
76,500 Publicis Groupe	4,298	2.12	
Travel & leisure		3.34	3.49
151,500 Carnival	3,789	1.87	
318,000 Compass Group	2,986	1.47	
Banks		9.16	9.02
902,500 HSBC Holdings	5,692	2.80	
143,000 Société Générale	5,634	2.77	
263,500 Standard Chartered	3,302	1.63	
129,000 Svenska Handelsbanken 'A'	3,990	1.96	
Non-life insurance		3.95	4.09
94,500 Vienna Insurance Group	2,897	1.43	
28,000 Zurich Insurance	5,111	2.52	
Life insurance		2.01	1.77
300,500 Prudential	4,081	2.01	
Real estate investment trusts		0.96	0.94
296,000 Shaftesbury	1,951	0.96	
Financial services		1.75	2.07
338,000 GAM Holding (Regd.)	3,549	1.75	
Software & computer services		6.84	6.01
131,000 Fidessa Group	3,209	1.58	
286,500 Indra Sistemas	3,124	1.54	
81,000 SAP	3,871	1.91	
78,000 Wincor Nixdorf	3,673	1.81	
Technology hardware & equipment		2.12	2.37
555,000 Ericsson 'B'	4,303	2.12	
'AAA' rated money market funds [a]		2.60	1.55
5,286,000 Northern Trust Global Fund - Sterling	5,286	2.60	
Portfolio of investments	202,854	99.90	100.66
Net other assets / (liabilities)	204	0.10	(0.66)
Net assets attributable to shareholders	203,058	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 six months ended 28 February 2014

	£'000
Largest purchases	
Indra Sistemas	2,800
Kingspan Group	2,721
TGS-NOPEC Geophysical	2,365
Spectris	2,296
Standard Chartered	1,234
Umicore	625
AZ Electronic Materials	574
Unilever	438
Danone	428
Petrofac	340
HSBC Holdings	307
Roche Holding 'Genussscheine'	256
Nestlé (Regd.)	222
Novartis (Regd.)	218
Pandora	218
Société Générale	174
Zurich Insurance	174
Total	164
adidas	152
Airbus (formerly European Aeronautic Defence and Space)	139
Northern Trust Global Fund - Sterling [a]	21,709
Other purchases	2,945
Total purchases	40,499
Largest sales	
Amadeus IT Holdings	2,985
GlaxoSmithKline	2,896
Wincor Nixdorf	1,142
Hochschild Mining	801
Airbus (formerly European Aeronautic Defence and Space)	709
Publicis Groupe	705
HSBC Holdings	481
Repsol	393
Novartis (Regd.)	376
Ericsson 'B'	331
Roche Holding 'Genussscheine'	324
Société Générale	319
Inchcape	316
Bayerische Motoren Werke	301
adidas	287
Unilever	196
Nestlé (Regd.)	170
Zurich Insurance	159
Total	143
SAP	115
Northern Trust Global Fund - Sterling [a]	19,284
Other sales	2,494
Total sales	34,927

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

M&G Pan European Fund

INTERIM FINANCIAL STATEMENTS (unaudited)

For the six months ended 28 February 2014.

STATEMENT OF TOTAL RETURN

	2014		2013	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		10,762		35,206
Revenue	956		1,133	
Expenses	(1,540)		(1,394)	
Net expense before taxation	(584)		(261)	
Taxation	(26)		(77)	
Net expense after taxation		(610)		(338)
Total return before distributions		10,152		34,868
Finance costs: Distributions		(759)		(908)
Change in net assets attributable to shareholders from investment activities		9,393		33,960

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2014		2013	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		185,317		160,049
Amounts received on issue of shares	16,132		13,861	
Amounts paid on cancellation of shares	(8,109)		(21,269)	
		8,023		(7,408)
Stamp Duty Reserve Tax		(7)		(17)
Change in net assets attributable to shareholders from investment activities (see above)		9,393		33,960
Retained distributions on Accumulation shares		328		335
Unclaimed distributions		4		4
Closing net assets attributable to shareholders		203,058		186,923

The opening net assets attributable to shareholders for 2014 differs to the closing position in 2013 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

BALANCE SHEET

	as at 28 February 2014		as at 31 August 2013	
	£'000	£'000	£'000	£'000
Assets				
Investment assets		202,854		186,537
Debtors	872		1,852	
Cash and bank balances	0		379	
Total other assets		872		2,231
Total assets		203,726		188,768
Liabilities				
Creditors				
Net distributions payable on Income shares	(452)		(2,494)	
Other creditors	(216)		(957)	
Total liabilities		(668)		(3,451)
Net assets attributable to shareholders		203,058		185,317

NOTE TO THE FINANCIAL STATEMENTS

Accounting policies

The interim financial statements have been prepared on the same basis as the audited annual financial statements for the year ended 31 August 2013. They are in accordance with the historical cost convention, as modified by the revaluation of investments, and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010.

Further Information

LIQUIDITY

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

DILUTION

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

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

THE EU SAVINGS DIRECTIVE

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

M&G American Fund	2.03%
M&G Asian Fund	0.67%
M&G European Fund	1.61%
M&G European Index Tracker Fund	0.94%
M&G European Smaller Companies Fund	2.93%
M&G Global Basics Fund	6.00%
M&G Global Growth Fund	1.76%
M&G Global Leaders Fund	2.07%
M&G Japan Fund	0.73%
M&G Japan Smaller Companies Fund	0.63%
M&G North American Value Fund	2.23%
M&G Pan European Fund	2.60%

OTHER

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

PORTFOLIO TURNOVER RATES

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

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

	as at 28.02.14	as at 31.08.13
M&G American Fund	25.84%	53.51%
M&G Asian Fund	2.80%	-1.20%
M&G European Fund	17.52%	-5.24%
M&G European Smaller Companies Fund	34.44%	23.16%
M&G Global Basics Fund	35.64%	24.16%
M&G Global Growth Fund	16.31%	92.66%
M&G Global Leaders Fund	98.45%	10.17%
M&G Japan Fund	4.36%	-0.99%
M&G Japan Smaller Companies Fund	66.44%	84.77%
M&G North American Value Fund	101.45%	-28.38%
M&G Pan European Fund	18.30%	12.41%

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		Total Expense Ratio			
			28.02.14	31.08.13		
			%	%		
M&G American Fund	Euro	Class 'A'	1.66	1.66		
		Class 'A-H'	1.68	1.70		
		Class 'C'	0.91	0.91		
		Class 'C-H'	0.93	0.95		
	US dollar	Class 'A'	1.66	1.66		
		Class 'C'	0.91	0.91		
		M&G Asian Fund	Euro	Class 'A'	1.73	1.73
				Class 'C'	0.98	0.98
US dollar	Class 'A'		1.73	1.73		
	Class 'C'		0.98	0.99		
M&G European Fund	Euro	Class 'A'	1.69	1.70		
		Class 'C'	0.94	0.94		
M&G European Smaller Companies Fund	Euro	Class 'A'	1.70	1.71		
		Class 'C'	0.96	0.96		
M&G Global Basics Fund	Euro	Class 'A'	1.92	1.92		
		Class 'C'	0.92	0.91		
	US dollar	Class 'A'	1.92	1.91		
		Class 'C'	0.92	0.92		
M&G Global Growth Fund	Euro	Class 'A'	1.93	1.93		
		Class 'C'	0.93	0.93		
	US dollar	Class 'A'	1.93	1.92		
		Class 'C'	0.93	0.93		
M&G Global Leaders Fund	Euro	Class 'A'	1.92	1.92		
		Class 'C'	0.92	0.92		
	US dollar	Class 'A'	1.92	1.92		
		Class 'C'	0.92	0.92		
M&G Japan Fund	Euro	Class 'A'	1.71	1.75		
		Class 'C'	0.97	1.01		
M&G Japan Smaller Companies Fund	Euro	Class 'A'	1.71	1.74		
		Class 'C'	0.96	0.99		
M&G North American Value Fund	Euro	Class 'A'	1.69	1.68		
		Class 'C'	0.91	0.91		
	US dollar	Class 'A'	1.67	1.69		
		Class 'C'	0.93	0.94		
M&G Pan European Fund	Euro	Class 'A'	1.69	1.68		
		Class 'C'	0.91	0.94		

HONG KONG INVESTOR INFORMATION

The total investment cost as at 28 February 2014 for the following sub-funds is:

Sub-fund	Total investment at cost (£'000)
M&G American Fund	783,610
M&G Global Basics Fund	2,882,900
M&G Global Leaders Fund	788,590
M&G Pan European Fund	167,512

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

Notes

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