

M&G Investment Funds (3)

**Annual report and audited financial statements
for the year ended 30 June 2023**

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Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (3) presents its annual report and audited financial statements for the year ended 30 June 2023.

The audited financial statements of M&G Investment Funds (3), the Authorised Corporate Director's Reports including the portfolio statements, financial highlights and the audited financial statements and notes of each sub-fund are presented in their individual sections of this report as set out in the contents page.

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

Company information

M&G Investment Funds (3) is an umbrella Open-Ended Investment Company (OEIC) and contains six sub-funds, hereinafter referred to as 'funds' in the rest of this report. Each fund is a UK UCITS (Undertakings for Collective Investment in Transferable Securities) scheme as defined in the Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA). This OEIC is an Investment Company with Variable Capital (ICVC) incorporated under the Open-Ended Investment Companies Regulations 2001. It is authorised and regulated by the FCA under the Financial Services and Markets Act 2000.

The Company was authorised on 8 August 2001 and was launched on 7 March 2002, 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 funds may be established by the ACD from time to time with the agreement of the Depositary and approval from the FCA. The funds are operated separately and the assets of each fund are managed in accordance with the investment objective and policy applicable to that fund.

As at 30 June 2023 none of the funds held shares of the other funds within this OEIC.

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

Fund managers

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

M&G Corporate Bond Fund

Richard Woolnough & Ben Lord

M&G Dividend Fund

Michael Stiasny

M&G Emerging Markets Bond Fund

Claudia Calich

M&G Global Government Bond Fund

Eva Sun-Wai

M&G Recovery Fund

Michael Stiasny

M&G Smaller Companies Fund

James Taylor

ACD

M&G Securities Limited,
10 Fenchurch Avenue, London EC3M 5AG, UK
Telephone: 0800 390 390 (UK only)
(Authorised and regulated by the Financial Conduct Authority. M&G Securities Limited is a member of the Investment Association and of the Investing and Saving Alliance)

Directors of the ACD

N J Brooks, C Dobson (non executive director),
S A Fitzgerald, P R Jelfs,
M McGrade (non executive director), L J Mumford

Authorised Corporate Director's Report

Investment manager

M&G Investment Management Limited,
10 Fenchurch Avenue, London EC3M 5AG, UK
(Authorised and regulated by the Financial Conduct Authority)

Registrar

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

Depository

NatWest Trustee & Depository Services Limited,
House A, Floor 0, 175 Glasgow Road, Gogarburn,
Edinburgh EH12 1HQ, UK
(Authorised and regulated by the Financial Conduct Authority)

Independent auditor

Ernst & Young LLP
Atria One, 144 Morrison Street, Edinburgh EH3 8EX, UK

Annual value assessment

An annual assessment report is available which shows the value provided to investors in each of M&G's UK-based funds. The assessment report evaluates whether M&G's charges are justified in the context of the overall service delivered to its investors. The latest report to 31 March 2023 can be found on our website at mandg.co.uk/valueassessment

Climate-related Financial Disclosures (TCFD)

We have produced TCFD reports in compliance with the FCA's rules on climate-related financial disclosures. The TCFD Fund Reports are designed to help you understand the impact these funds have on the climate and equally how climate change could influence the performance of the fund. The reports will also give you the ability to compare a range of climate metrics with other funds. To understand the governance, strategy and risk management that M&G has in place to manage

the risks and opportunities related to climate change, please refer to the M&G Investments Management TCFD report.

These reports are available via the Sustainability Disclosures page on our website mandg.com/footer/sustainability-disclosures

Important information

The events in Ukraine continue to bring uncertainty. The ACD continues to monitor the associated risks that are posed to the Company.

As of January 2023 the operating charge figure includes the underlying charges for closed-ended funds, such as investment trusts and REITs (real estate investment trusts). There is no change to what you are currently being charged; this is a presentational change to align with the latest industry guidance issued by the Investment Association.

At the shareholder meeting on 17 May 2023, the merger of the M&G European Corporate Bond Fund into the M&G Strategic Corporate Bond Fund was approved by shareholders. The effective date of the merger was 9th June 2023. Termination of the M&G European Corporate Bond Fund has been completed with an effective date of 29 June 2023.

Please refer to the 'Investment review' section for further details on significant events during the period. Investment reviews may become quickly outdated in relation to ongoing economic and geopolitical events.

Authorised Corporate Director's Report

Investor information

The Prospectus, Instrument of Incorporation, Key Investor Information Documents, costs and charges illustration, the latest annual or interim investment report and financial statements as well as a list of purchases and sales are available free of charge on request from the following addresses. The Instrument of Incorporation can also be inspected at our offices or at the office of the Depository.

Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

Customer services and administration for non-UK clients:

M&G Securities Limited,
c/o CACEIS Investor Services Bank S.A.
14 Porte de France,
L-4360 Esch-sur-Alzette,
Luxembourg

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

Telephone: +352 2605 9944
Email: csmang@caceis.com

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

Swiss paying agent and representative:

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

Authorised Corporate Director's Report

Authorised Corporate Director's Responsibilities

The Authorised Corporate Director (ACD) is required to prepare annual and interim reports for the Company. The ACD must ensure that the financial statements contained in this report for each of the funds, are prepared in accordance with the Investment Association Statement of Recommended Practice for Financial Statements of UK Authorised Funds (SORP) and UK Financial Reporting Standards, and give a true and fair view of the net revenue or expenses and net capital gains or losses for the accounting period, and the financial position at the end of that period.

The ACD is required to keep proper accounting records, and to manage the Company in accordance with the Collective Investment Schemes sourcebook, as issued (and amended) by the FCA, the Instrument of Incorporation and the Prospectus, and to take reasonable steps for the prevention and detection of fraud or other irregularities. Additionally, the ACD is responsible for preparing the financial statements on a going concern basis unless it is appropriate to presume that the Company will not continue in operation.

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.

M&G Securities Limited
1 September 2023

Depository's Responsibilities and Report

Statement of the Depository's Responsibilities and Report of the Depository to the Shareholders of M&G Investment Funds (3) ('the Company') for the year ended 30 June 2023

The Depository must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI2001/1228) (the OEIC Regulations), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Company's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as detailed below.

The Depository must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depository is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depository must ensure that:

- the Company's cashflows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares in the Company is calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ('the AFM') are carried out (unless they conflict with the Regulations).

The Depository also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

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

- i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company, and
- ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

Edinburgh
1 September 2023

NatWest Trustee and
Depository Services Limited

Independent Auditor's Report

Independent Auditor's Report to the shareholders of M&G Investment Funds (3)

Opinion

We have audited the financial statements of M&G Investment Funds (3) ("the Company") comprising each of its sub-funds for the year ended 30 June 2023, which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Shareholders, the Balance Sheet, the related notes and the Distribution Tables, and the accounting policies of the Company, which include a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company comprising each of its sub-funds as at 30 June 2023, and of the net revenue and the net capital gains/losses on the scheme property of the Company comprising each of its sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Authorised Corporate Director's ("the ACD") use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the ACD with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The ACD is responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

Independent Auditor's Report

We have nothing to report in this regard.

Opinions on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority (the "FCA")

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the FCA and the Instrument of Incorporation; and
- there is nothing to indicate that adequate accounting records have not been kept or that the financial statements are not in agreement with those records; and
- the information given in the ACD's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter in relation to which the rules of the Collective Investment Schemes Sourcebook of the FCA require us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of the ACD

As explained more fully in the ACD's responsibilities statement set out on page 4, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the ACD determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the ACD is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the ACD either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Independent Auditor's Report

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are United Kingdom Generally Accepted Accounting Practice (UK GAAP), the Investment Association's Statement of Recommended Practice (IA SORP), the FCA Collective Investment Schemes Sourcebook, the OEIC Regulations, the Company's Instrument of Incorporation and the Prospectus.
- We understood how the Company is complying with those frameworks through discussions with the ACD and the Company's administrator and a review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override, specifically management's propensity to influence revenue and amounts available for distribution. We identified a fraud risk with respect to the incomplete or inaccurate income recognition through incorrect classification of special dividends and the resulting impact to amounts available for distribution. We tested the appropriateness of management's classification of material special dividends as either a capital or revenue return.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the ACD with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Company.
- Due to the regulated nature of the Company, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists

where appropriate, to identify non-compliance with the applicable laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's shareholders, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes sourcebook of the FCA. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Edinburgh
1 September 2023

Ernst & Young LLP
Statutory Auditor

Financial statements and notes

The financial statements for M&G Investment Funds (3) comprise the individual financial statements for each fund and the notes below.

Notes to the financial statements

1 Statement of compliance

The financial statements of M&G Investment Funds (3) have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014 and amended in June 2017, except in relation to the separate disclosure in note 13.

2 Summary of significant accounting policies

a. Basis of preparation

There are no material events that have been identified that may cast significant doubt on the Company's ability to continue as a going concern for the next twelve months from the date these financial statements are authorised for issue. The ACD believes that the Company has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis in preparing the financial statements. The ACD has made an assessment of each fund's ability to continue as a going concern which is made as at the date of issue of these financial statements and considers liquidity, declines in global capital markets, investor intention, known redemption levels, expense projections and key service provider's operational resilience.

The financial statements of M&G Investment Funds (3) are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

b. Functional and presentational currency

Where the functional and presentational currency of a fund is not UK sterling this is disclosed in the Financial statements and notes' of that fund.

c. Exchange rates

Transactions in currencies other than each fund's functional currency are translated at the rate of exchange ruling on the date of the transaction and where applicable assets and liabilities are translated into the fund's functional currency at the rate of exchange ruling as at 12 noon on 30 June 2023 being the last business day of the accounting period.

d. Investments – recognition and valuation

The provisions of both Section 11 and Section 12 of FRS 102 have been applied in full. All investments have been classified as fair value through profit and loss and recognised initially at fair value, which is normally the transaction price (excluding transaction costs and accrued interest).

At the end of the reporting period all investments have been measured at their fair value using the prices and the portfolio holdings determined at 12 noon on 30 June 2023, being the last valuation point of the accounting period, as this is not materially different from a valuation carried out at close of business on the balance sheet date.

Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the single price or most recent transaction price is used. Interest accrued is not included in the fair value. The methods of determining fair value for the principal classes of investment are:

- Equities and debt securities which are traded on an active market are included at the quoted price, which is normally the bid price, excluding any accrued interest in respect of bonds.

Financial statements and notes

- Equities traded on the Alternative Investment Market (AIM), whose liquidity cannot be guaranteed, are included at their quoted bid price as this represents the most objective and appropriate method of valuation.
 - Collective investment schemes operated by the ACD are included at either their cancellation price for dual priced funds or their single price for single priced funds.
 - Collective investment schemes operated by another manager are included at either their bid price for dual priced funds or their single price for single priced funds.
 - Other equities and debt securities which are unquoted or not actively traded on a quoted market are included at a value estimated by the ACD using an appropriate valuation technique, excluding any accrued interest in respect of bonds.
 - Exchange traded futures and options are included at the cost of closing out the contract at the balance sheet date.
 - Over the counter equity options, credit default swaps, interest rate swaps, asset swaps and inflation swaps are included at a value provided by Markit Valuations Limited, an independent credit derivative price provider. Their fair value excludes any accrued interest in respect of derivatives where the income is revenue in nature.
 - Forward currency contracts, for share class hedging and investment, are included at a value determined by reference to current forward exchange rates for contracts with similar maturity profiles.
- e. Recognition of income and expenses**
- Dividends, including ordinary stock dividends, from equity investments are recognised when the security is quoted ex-dividend.
 - Distributions from collective investment schemes are recognised when the scheme is priced ex-distribution.
 - Interest on debt securities is recognised on an effective interest rate basis. Bank interest is recognised on an accruals basis.
 - Underwriting commission is recognised when the issue takes place.
 - Revenue from derivatives is recognised on an accruals basis.
 - Fee rebates from investing in other collective investment schemes are recognised on an accruals basis.
 - Expenses are recognised on an accruals basis.
- f. Treatment of income and expenses**
- Any increases or decreases in the fair value of investments and gains and losses realised on sales of investments are treated as capital and recognised in net capital gains/(losses).
 - The value of any enhancement to a stock dividend is treated as capital.
 - Ordinary equity dividends, including ordinary stock dividends are treated as revenue.
 - Special dividends, share buy backs or additional share issues may be treated as revenue or capital depending on the facts of each particular case.
 - Distributions from collective investment schemes are treated as revenue in nature, except for any element of equalisation, which represents the average amount of income included in the price paid for the collective investment scheme, which is treated as capital.

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- Debt security interest comprises the coupon interest and the difference between the purchase price and the expected maturity price spread over its expected remaining life. This is treated as revenue with the difference adjusting the cost of the shares and treated as capital.
- Other interest income, such as bank interest is treated as revenue.
- Underwriting commission is treated as revenue, except where the fund is required to take up all or some of the shares underwritten, in which case a proportion of the commission received is deducted from the cost of the shares and treated as capital.
- The treatment of the income on derivative contracts depends upon the nature of the transaction. Both motive and circumstances are used to determine whether the returns should be treated as capital or revenue. Where positions are undertaken to protect or enhance capital, and the circumstances support this, the returns are recognised in net capital gains; similarly where the motives and circumstances are to generate or protect revenue, and the circumstances support this, the returns are included within net revenue before taxation. Where positions generate total returns it will generally be appropriate to apportion such returns between capital and revenue to properly reflect the nature of the transaction.
- Expenses relating to the purchase and sale of investments are treated as capital; all other expenses are treated as revenue.
- Rebates of charges from holdings in collective investment schemes are treated as revenue or capital in accordance with the underlying scheme's distribution policy.

g. Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Ongoing charges from underlying funds:** Ongoing charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

These charges do not include portfolio transaction costs or any entry and exit charges (also known as initial and redemption charges). The charging structures of share classes may differ, and therefore the operating charges may differ.

Operating charges are in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

h. Portfolio transaction costs

Portfolio transaction costs are incurred by funds when buying and selling investments. These costs vary depending on the types of investment, their market capitalisation, country of exchange and

Financial statements and notes

method of execution. They are made up of direct and indirect portfolio transaction costs:

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

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

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive.

i. Tax

Dividends and similar income receivable are recognised at an amount that includes any withholding tax but excludes irrecoverable tax credits. Any withholding tax suffered is shown as part of the tax charge.

Tax is accounted for at the appropriate rate of corporation tax with relief for double taxation taken where appropriate. The tax accounting treatment follows the principal amounts involved.

Deferred tax is recognised in respect of temporary timing differences that have originated but not reversed by the balance sheet date. Deferred tax is measured on a non-discounted basis, at the average rate of tax expected to apply in the period in which it expects the deferred tax to be realised or settled. A deferred tax asset is only recognised to the extent that it is more likely than not that the asset will be recovered.

Marginal tax relief has not been taken into account in respect of expenses offset against capital.

j. Allocation of returns to share classes

The annual charge is directly attributable to individual share classes. All other returns are apportioned to each fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

All available net revenue accounted for in accordance with the above policies and adjusted where relevant by any specific distribution policies set out in the notes to that fund's financial statements, is distributed to holders of Income shares or retained and reinvested for holders of Accumulation shares. Should expenses and taxation together exceed revenue, there will be no distribution and the shortfall will be met from capital.

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

3 Risk management policies

The ACD is responsible for establishing, implementing and maintaining an adequate and documented risk management policy for identifying, measuring and managing all risks to which funds are or might be exposed.

The Company's investment activities expose it to various types of risk which are associated with the financial instruments and markets in which it invests; market risk, credit risk and liquidity risk.

These financial statements are designed to enable users to evaluate the nature and extent of those risks and how they are managed.

The following risk management policies are applicable to the funds, with specific risk disclosures set out in the notes to the financial statements of each fund.

Financial statements and notes

a. Market risk

Market risk is the risk of loss resulting from fluctuations in the market value of positions in a fund's portfolio attributable to changes in market variables, such as interest rates, exchange rates, equity and commodity prices or an issuer's creditworthiness.

In relation to market risk, processes are applied that take account of the investment objective and policy of each fund. All funds are subject to an investment oversight process in accordance with the type and nature of the fund. In addition all funds are monitored for compliance within regulatory limits.

In measuring and monitoring market risk, the global exposure of a fund may be calculated using a 'commitment' approach or 'Value at Risk' (VaR) approach.

b. Commitment approach

The commitment approach is applied for funds investing only in traditional asset classes, namely equities, fixed income, money market instruments and collective investment schemes.

In addition, the approach is applied for funds which use or intend to use derivatives or instruments embedding derivatives, but only for efficient portfolio management purposes, or in a simple way not necessarily restricted to efficient portfolio management.

Under the commitment approach the global exposure of funds is measured and monitored using a commitment (adjusted notional) methodology.

Market risk is considered on a daily basis and forms the foundation of investment oversight analysis. This can include for each fund (but is not limited to) the analysis of factors such as fund concentration; style, geographical, industry and market capitalisation biases; active, systematic and

specific risk measurements; active money; and beta characteristics.

c. Value at Risk approach

The Value at Risk (VaR) approach is a methodology for estimating the maximum potential loss due to market risk based on historic market volatilities and correlations. More particularly, the VaR approach gives a broad indication of the maximum potential loss at a given confidence level (probability), over a specific time period under normal market conditions.

Instrument and portfolio modelling techniques are based on market accepted practices and are subject to regular audit (back-testing). Market risk factors that are analysed include swap rates, government yield curves, equity prices, exchange rates, market volatility, credit spreads and credit default swap (CDS) spreads.

The VaR model is based on a Monte Carlo process with actual VaR being reported on the basis of a 99% confidence interval over a one month period (20 business days). Risk factor history used in the Monte Carlo process is based on 250 business days. From the variance/covariance matrices, a parametric Monte Carlo scenario set of 5,000 simulations is derived and applied to the fund.

VaR does have limitations in its ability to present valid levels of risk in extreme market conditions. Accordingly, the Risk Analysis team also carries out monthly stress testing and scenario based analysis. Stress testing allows for extreme sets of market circumstances which may not be reflected in historical data sets thereby enabling further assessment of combinations of market movements which may cause serious damage to portfolio values. The key element to the scenario based analysis is challenging the correlation assumptions implicit within statistical based models such as VaR.

Financial statements and notes

The stress test and scenario based analysis is customised for each fund type and the VaR analysis is produced on a daily basis.

The table below shows funds using the 'commitment' approach and those using the 'Value at Risk (VaR)' approach:

Fund	Global exposure approach
M&G Corporate Bond Fund	VaR
M&G Dividend Fund	Commitment
M&G Emerging Markets Bond Fund	VaR
M&G Global Government Bond Fund	VaR
M&G Recovery Fund	Commitment
M&G Smaller Companies Fund	Commitment

d. Liquidity risk

Liquidity risk is the risk that a fund's holdings cannot be sold, liquidated or closed out at limited cost in an adequately short time frame and that the ability of the scheme to comply at any time with its obligation to sell and redeem shares is thereby compromised.

The overall liquidity profile for each fund is reviewed and updated regularly. The liquidity profile takes into account investment, cashflow and market liquidity considerations.

Investment liquidity considerations include an assessment of asset class liquidity conditions, liquidity of underlying holdings, portfolio construction and concentration, the scale of individual stock ownership and the nature of the investment strategy.

Cashflow liquidity is managed in each fund on a daily basis using reports that include subscription and redemption information as well as the impact of trading, derivative lifecycle events and corporate action activity. In addition to the daily reporting, the fund managers are provided with reporting that highlights the impact of reasonably

predictable events in the portfolio, including an allowance for the potential future exposures that might result from derivative exposures.

Market (or distribution-related) considerations include an assessment of asset demand, fund growth, client concentration and the persistency of the client base. Supplementary to this, market liquidity stress tests are carried out on a monthly basis for all funds.

Liquidity in funds is independently assessed and challenged through the internal governance process at M&G. Fund liquidity is modelled and compared against potential liability scenarios such as severe redemption or collateral calls and any funds with liquidity issues are flagged to the internal committee. Funds flagged to the internal committee are escalated and remedial action agreed. None of the funds have been escalated for remedial action.

e. Credit risk

For funds exposed to credit risk, the credit rating, yield and maturity of each interest bearing security is considered to determine if the yield fully reflects the risk. The capital value of interest-bearing securities within the funds will fall in the event of the default or perceived increased credit risk of an issuer.

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

Funds investing in derivatives are exposed to counterparty risk. This is the risk that the other party to the transaction fails to fulfil their obligations, either by failing to pay or failing to deliver securities. To minimise this risk, carefully selected, financially strong and well-established counterparties are selected following a thorough due diligence review and collateral is posted daily (in the form of cash or high-quality government

Financial statements and notes

bonds). Derivative positions are valued on a mark-to-market basis (revalued to reflect prevailing market prices) daily and collateral moves from one counterparty to the other to reflect movements in the unrealised profit or loss. As a result, the maximum loss to the fund would be limited to that day's price movements in affected derivatives contracts.

For funds in which they are used, credit default swaps are bought and sold in response to detailed credit research to take advantage of anticipated movements in credit spreads on individual stocks and baskets of securities. When a fund buys a credit default swap the default risk associated with the underlying security transfers to the counterparty. When a fund sells a credit default swap the fund assumes the credit risk of the underlying security.

Authorised Corporate Director's Report

For the purposes of these financial statements, the Prospectus dated 9 June 2023 has been used.

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than the average return of the iBoxx Sterling Corporates GBP Index over any five-year period.

Investment policy

At least 70% of the fund is invested, directly or indirectly through derivatives, in investment grade corporate debt securities including investment grade asset-backed securities. These securities can be issued by companies from anywhere in the world, including emerging markets. These securities are denominated in sterling or hedged back to sterling.

Other investments may include:

- debt securities issued or guaranteed by governments and their agencies, public authorities, quasi-sovereigns and supranational bodies and denominated in any currency;
- below investment grade and unrated debt securities;
- below investment grade and unrated asset-backed securities; and
- other transferable securities, cash, and near cash, directly or via collective investment schemes (including funds managed by M&G).

Investments in asset-backed securities are limited to 20% of the fund.

Derivatives may be used for investment purposes, efficient portfolio management and hedging.

Investment approach

The fund is diversified across a range of investment grade debt securities from a variety of sectors and geographies. The fund's investment approach is based on the principle that returns from corporate bond markets are driven by a combination of macroeconomic, asset class, sector, geographic and stock-level factors. As different factors dominate returns at different stages of the economic cycle, the fund manager applies a flexible investment approach, changing the blend of duration and credit exposure in the portfolio to weight them appropriately. Individual credit selection is carried out with the assistance of an in-house team of credit analysts to complement the fund manager's views.

Benchmark

Benchmark: iBoxx Sterling Corporates GBP Index.

The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

The fund is actively managed.

The fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund.

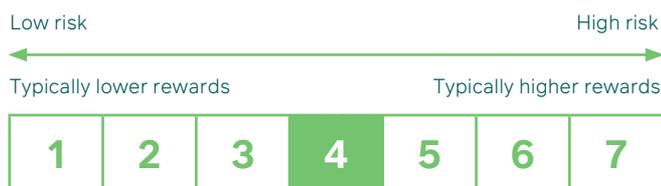
For unhedged share classes, the benchmark is shown in the share class currency.

Authorised Corporate Director's Report

Risk profile

For details of the risks associated with this fund, please refer to the Prospectus. For details of the risk management policies, please refer to pages 12 to 15.

The following table shows the risk number associated with the fund and is based on Sterling Class 'A' shares.



The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has not changed during this period.

Investment review

For the year ended 30 June 2023

Performance against objective

Over the reporting period the fund delivered negative returns across all share classes, but outperformed its benchmark, which fell by 5.0% over the same period.

Prior to 6th March 2023 the benchmark was the IA Sterling Corporate Bond Sector. Thereafter it is the iBoxx Sterling Corporates GBP Index. The performance of the sector and that of the index have been linked to reflect the change.

The fund's objective is to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than the average of the iBoxx Sterling Corporates GBP Index over any five-year period. Two of the fund's five share classes did not achieve the objective, while three were above the benchmark over five years.

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

Performance review

The period under review saw heightened volatility across global bond markets, with the majority of fixed income assets (also known as bonds) posting negative returns. The joint effort by major central banks to curb inflationary pressure pushed the rate central banks lend to other commercial banks in the UK and the US up to 5% from a low of 1% at the start of the review period.

This high interest rate environment caused bond yields (which move inversely to bond prices) to soar, most notably at the front end of the yield curve, which plots the yield of government bonds with different maturities.

Among the asset classes, developed market government bonds fared poorly, as persistently high core inflation led to expectations of continued interest rate rises. Investment grade corporate bonds fared better. However, the UK market lagged its US and European counterparts as the Bank of England (BoE) adopted a more restrictive monetary policy to address high inflation rates in the UK.

Against this backdrop, the fund delivered a negative return but outperformed its benchmark. The biggest driver of outperformance was the fund's yield curve positioning, particularly in the UK market. One of the key drivers of a bond fund's performance is its ability to adjust the portfolio's sensitivity to changes in interest rates, known as 'duration' and measured in years. Being shorter duration means that a fund is relatively less sensitive to changes in interest rates than longer duration funds. The fund, on average, had a shorter duration position compared to the iBoxx Sterling Corporate Index, a corporate bond index comprising liquid bonds developed by financial information provider Markit. Given that major government bond yields increased substantially during the period under review, the fund's shorter duration positioning benefited relative fund performance.

Sector allocation and security selection were also modestly beneficial for relative performance. In terms

Authorised Corporate Director's Report

of the latter, our picks in UK non-financial investment grade bonds contributed the most.

Investment activities

We started the review period with a more cautious approach toward credit risk, especially in UK corporate bonds. We sold some sterling and euro denominated bonds and rotated into their US dollar-denominated equivalents, as valuations looked more compelling. The fund is predominantly invested in sterling-denominated investment grade corporate bonds, however it has the flexibility to seek opportunities outside the sterling market. When it does so, the currency exposure will typically be fully hedged.

During the period, we also added some asset-backed securities (ABS), namely Gatwick, Heathrow and Manchester airports. ABS are bonds backed by assets that produce regular cashflows, such as credit card receivables, car and mortgage loans. They are mostly floating rate in nature and may benefit when interest rates rise.

At the start of the year, we participated in a number of well-priced new issues in utilities (EDF, NW Electric) and banks (Lloyds, Barclays, Crédit Agricole). In March, we added several new issues from the utilities sector (Severn Trent, Wessex Water and National Gas) and UK financials (Coventry Building Society and Nationwide).

In the secondary market (where already issued bonds are traded between market participants), we bought European financials Bank of Ireland, Santander, ING and Zurich Insurance and firms such as Amgen, Oracle, Yorkshire Water and Land Securities. In February, we reduced our credit risk by trimming our exposure to energy companies BP and Total, telecommunications firm AT&T and real estate developer Hammerson. Later, we also reduced exposure to names such as Goldman Sachs, Altria, Walgreens, Next and Axa on valuation grounds.

Towards the end of the period, we focused on more defensive names with purchases in utilities (EDF, E.ON, Northern Water) and high-quality banks and insurers. In June, we reduced exposure to Thames Water, favouring other water companies (Anglian, Yorkshire, Severn

Trent). We moved some US dollar exposure (financials, telecommunications and utilities) into sterling-denominated Wells Fargo, EDF and Deutsche Telekom.

Outlook

After one of the fastest series of rate hikes in history, the market is now predicting rates are likely to come down gradually over the next 12 months. However, it's important to note that the market's forecast is based on an average of two very different outcomes – on the one hand, where the US economy keeps growing and rates rise to perhaps 6% or beyond; and on the other, where we see further banking problems and a steep recession causing the Federal Reserve to slash rates back towards 2%.

In the US, inflationary pressures are easing. The question though is how fast inflation components (rent and wage-sensitive items) will fall from here. Given the tight labour market and the undersupplied housing market, disinflation in these components might not be as fast as some are predicting. As a result, the road to 2% inflation might prove more difficult than what is currently priced in.

The UK inflation report for May surprised the market, remaining stubbornly high for a second consecutive month. This will add further pressure on the BoE to maintain a hawkish stance. The UK seems to be facing a greater risk of stagflation (stagnant economic growth and high inflation) at the moment compared to other developed markets.

Nevertheless, we believe most of the bad news are already reflected in the price, making the UK investment grade corporate bond market compelling and relatively cheap versus the US and eurozone markets.

Richard Woolnough & Ben Lord

Co-fund managers

Employees of M&G FA 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.

Portfolio statement

Investments

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income	1,211,081	93.62	98.47
Debt securities	1,210,457	93.57	98.76
'AAA' credit rated bonds	53,777	4.16	15.36
£2,840,000 Broadgate Financing 4.821% 05/07/2033	2,596	0.20	
£4,429,000 Canadian Imperial Bank of Commerce FRN 5.927% 23/06/2026	4,475	0.35	
£5,000,000 Commonwealth Bank of Australia FRN 5.591% 01/11/2028	5,066	0.39	
£10,000,000 Lloyds Bank 6% 08/02/2029	10,225	0.79	
£4,441,000 Nationwide Building Society FRN 5.1879% 24/02/2031	4,355	0.34	
£14,000,000 Royal Bank of Canada FRN 5.0412% 30/01/2025	13,990	1.08	
£10,000,000 Santander 5.25% 16/02/2029	9,855	0.76	
£3,250,000 TSB Bank FRN 5.2901% 22/06/2028	3,215	0.25	
'AA' credit rated bonds	155,153	11.99	13.39
£815,000 Broadgate Financing 4.999% 05/10/2031	749	0.06	
£7,000,000 Land Securities Capital Markets 1.974% 08/02/2024	6,808	0.52	
£5,877,000 Land Securities Capital Markets 2.399% 08/02/2029	4,883	0.38	
£553,000 Land Securities Capital Markets Var. Rate 5.391% 31/03/2027	536	0.04	
£12,660,000 MassMutual Global Funding II 1.375% 15/12/2026	10,694	0.83	
£4,807,000 Mercantile Investment Trust 6.125% 25/02/2030	4,828	0.37	
£6,426,000 Metropolitan Life Global Funding I 0.625% 08/12/2027	5,029	0.39	
£5,000,000 Metropolitan Life Global Funding I 1.625% 12/10/2028	3,991	0.31	
£1,000,000 Metropolitan Life Global Funding I 1.625% 21/09/2029	767	0.06	
£14,000,000 New York Life Global Funding 0.75% 14/12/2028	10,683	0.82	
£3,840,000 New York Life Global Funding 1.25% 17/12/2026	3,236	0.25	
£7,000,000 SNCF Réseau 5.25% 07/12/2028	6,947	0.54	
£919,148 Telereal Securitisation 1.3657% 10/12/2031	758	0.06	
£145,000,000 UK Treasury 0.625% 22/10/2050	58,271	4.50	
£15,000,000 UK Treasury 3.75% 22/07/2052	13,277	1.03	
£10,000,000 UK Treasury 4.25% 07/12/2046	9,566	0.74	
£3,865,000 Walmart 5.25% 28/09/2035	3,856	0.30	
£10,000,000 Walmart 5.625% 27/03/2034	10,274	0.79	
'A' credit rated bonds	154,389	11.93	11.13
€2,500,000 Allianz Var. Rate 4.252% 05/07/2052	1,986	0.15	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)			
Debt securities (continued)			
'A' credit rated bonds (continued)			
£3,000,000 Anglian Water Services Financing 2.75% 26/10/2029	2,484	0.19	
£1,425,000 Anglian Water Services Financing 6% 20/06/2039	1,415	0.11	
£2,250,000 Assura Financing 3% 19/07/2028	1,888	0.15	
€3,000,000 AXA Var. Rate 5.5% 11/07/2043	2,566	0.20	
£1,400,000 Banco Santander Var. Rate 4.75% 30/08/2028	1,294	0.10	
£7,000,000 Bank of America Var. Rate 1.667% 02/06/2029	5,576	0.43	
£6,660,000 Bank of America Var. Rate 3.584% 27/04/2031	5,616	0.43	
£5,000,000 BG Energy Capital 5% 04/11/2036	4,588	0.35	
£5,000,000 Comcast 5.5% 23/11/2029	4,912	0.38	
£249,061 Coventry & Rugby Hospital 3.246% 30/06/2040	537	0.04	
£2,000,000 Crédit Agricole Var. Rate 5.75% 29/11/2027	1,919	0.15	
£2,893,000 East Japan Railway 1.162% 15/09/2028	2,284	0.18	
£3,000,000 Grand Union 4.625% 04/12/2043	2,365	0.18	
£671,482 Greater Gabbard OFTO 4.137% 29/11/2032	604	0.05	
€2,000,000 Hannover Rueck Var. Rate 5.875% 26/08/2043	1,783	0.14	
£1,192,000 Housing Finance 5% 30/09/2027	1,119	0.09	
£1,838,716 Housing Finance 8.625% 13/11/2023	1,851	0.14	
£2,000,000 HSBC Var. Rate 3% 29/05/2030	1,616	0.12	
£1,438,690 Integrated Accommodation Services 6.48% 31/03/2029	1,431	0.11	
£5,000,000 International Business Machines 4.875% 06/02/2038	4,429	0.34	
£7,000,000 JPMorgan Chase Var. Rate 1.895% 28/04/2033	5,047	0.39	
US\$8,000,000 JPMorgan Chase Var. Rate 2.069% 01/06/2029	5,394	0.42	
US\$2,500,000 JPMorgan Chase Var. Rate 2.739% 15/10/2030	1,689	0.13	
US\$1,779,000 JPMorgan Chase Var. Rate 4.586% 26/04/2033	1,329	0.10	
US\$6,000,000 JPMorgan Chase Var. Rate 4.912% 25/07/2033	4,595	0.36	
£2,790,000 Leeds Building Society 1.375% 06/10/2027	2,238	0.17	
£1,000,000 London & Quadrant Housing Trust 2.625% 28/02/2028	854	0.07	
£7,000,000 Morgan Stanley Var. Rate 5.789% 18/11/2033	6,681	0.52	
€1,700,000 Münchener Rückversicherungs-Gesellschaft Var. Rate 1% 26/05/2042	1,049	0.08	
£2,750,000 Northern Powergrid Yorkshire 4.375% 05/07/2032	2,457	0.19	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)			
Debt securities (continued)			
'A' credit rated bonds (continued)			
£3,000,000 Notting Hill Genesis 3.75% 20/12/2032	2,543	0.20	
€1,000,000 Philip Morris International 1.45% 01/08/2039	523	0.04	
€5,970,000 Philip Morris International 1.875% 06/11/2037	3,501	0.27	
€7,000,000 Philip Morris International 2% 09/05/2036	4,305	0.33	
£2,000,000 Places for People 3.625% 22/11/2028	1,740	0.13	
£219,495 Road Management Services 3.642% 31/03/2028	483	0.04	
£5,000,000 Royal Bank of Canada 5% 24/01/2028	4,685	0.36	
£1,888,000 Society of Lloyd's Var. Rate 4.875% 07/02/2047	1,699	0.13	
£4,176,000 South Eastern Power Networks 5.5% 05/06/2026	4,058	0.31	
£3,100,000 South Eastern Power Networks 6.375% 12/11/2031	3,185	0.25	
£1,731,000 Southern Housing 3.5% 19/10/2047	1,194	0.09	
£5,872,000 Toronto-Dominion Bank 2.875% 05/04/2027	5,122	0.40	
€3,000,000 TotalEnergies Var. Rate 2.125% Perpetual	1,850	0.14	
£4,000,000 TotalEnergies Capital International 1.405% 03/09/2031	2,914	0.23	
£5,128,000 Toyota Motor Finance 4.625% 08/06/2026	4,891	0.38	
£8,208,000 UBS Var. Rate 1.875% 03/11/2029	6,351	0.49	
£5,000,000 UBS Var. Rate 2.25% 09/06/2028	4,128	0.32	
£1,000,000 UNITE (USAF) II 3.374% 30/06/2023	1,000	0.08	
£1,211,000 Wales & West Utilities Finance 4.625% 13/12/2023	1,202	0.09	
£6,000,000 Wales & West Utilities Finance 5% 07/03/2028	5,665	0.44	
£3,500,000 Wales & West Utilities Finance 5.75% 29/03/2030	3,427	0.26	
US\$1,000,000 Willow No. 2 Var. Rate 4.25% 01/10/2045	733	0.06	
£6,500,000 Zurich Finance Ireland Designated Activity Var. Rate 5.125% 23/11/2052	5,594	0.43	
	815,486	63.04	54.83
'BBB' credit rated bonds			
£4,000,000 3i 5.75% 03/12/2032	3,831	0.30	
£4,000,000 ABN AMRO Bank 5.125% 22/02/2028	3,732	0.29	
US\$3,000,000 AerCap Ireland Capital 3.3% 30/01/2032	1,921	0.15	
€2,000,000 Altria 3.125% 15/06/2031	1,476	0.11	
US\$5,019,000 Altria 3.4% 04/02/2041	2,727	0.21	
US\$2,000,000 Altria 3.875% 16/09/2046	1,093	0.08	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
US\$5,500,000 Altria 5.95% 14/02/2049	4,067	0.31	
£7,000,000 América Móvil 4.375% 07/08/2041	5,769	0.45	
£3,000,000 América Móvil 4.948% 22/07/2033	2,779	0.21	
£3,200,000 Amgen 4% 13/09/2029	2,873	0.22	
£2,569,000 Annington Funding 2.308% 06/10/2032	1,774	0.14	
£2,910,000 Annington Funding 2.924% 06/10/2051	1,563	0.12	
£2,889,000 Annington Funding 3.184% 12/07/2029	2,296	0.18	
£4,152,000 Annington Funding 3.685% 12/07/2034	3,104	0.24	
£1,812,000 Annington Funding 3.935% 12/07/2047	1,231	0.10	
£3,000,000 APA Infrastructure 2.5% 15/03/2036	1,943	0.15	
£5,000,000 APA Infrastructure 3.125% 18/07/2031	3,909	0.30	
£3,000,000 Aroundtown 3% 16/10/2029	1,877	0.15	
US\$1,000,000 Aroundtown 5.375% 21/03/2029	582	0.04	
£2,500,000 Assicurazioni Generali Var. Rate 6.269% Perpetual	2,419	0.19	
£20,000,000 AT&T 4.375% 14/09/2029	17,976	1.39	
£850,000 AT&T 7% 30/04/2040	890	0.07	
£5,000,000 Australia & New Zealand Banking Var. Rate 1.809% 16/09/2031	4,083	0.32	
£5,000,000 Aviva Var. Rate 4% 03/06/2055	3,715	0.29	
£6,950,000 Aviva Var. Rate 4.375% 12/09/2049	5,847	0.45	
£2,000,000 Aviva Var. Rate 5.125% 04/06/2050	1,730	0.13	
£6,000,000 Aviva Var. Rate 6.125% 14/11/2036	5,763	0.45	
£3,000,000 Banco Bilbao Vizcaya Argentaria Var. Rate 3.104% 15/07/2031	2,560	0.20	
US\$800,000 Banco Santander 2.958% 25/03/2031	519	0.04	
£13,500,000 Banco Santander Var. Rate 2.25% 04/10/2032	10,647	0.82	
£2,300,000 Banco Santander Var. Rate 3.125% 06/10/2026	2,081	0.16	
US\$1,400,000 Banco Santander Var. Rate 3.225% 22/11/2032	869	0.07	
US\$2,500,000 Bank of America Var. Rate 3.846% 08/03/2037	1,678	0.13	
£1,091,000 Barclays 3.25% 17/01/2033	812	0.06	
£3,917,000 Barclays Var. Rate 6.369% 31/01/2031	3,737	0.29	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
£6,165,000 Barclays Var. Rate 8.407% 14/11/2032	6,104	0.47	
£13,873,000 BAT International Finance 2.25% 09/09/2052	5,402	0.42	
£12,408,000 BAT International Finance 4% 23/11/2055	6,817	0.53	
£4,308,000 BAT International Finance 5.75% 05/07/2040	3,416	0.26	
£6,333,000 BAT International Finance 6% 24/11/2034	5,486	0.42	
£4,000,000 BNP Paribas 1.25% 13/07/2031	2,733	0.21	
£7,800,000 BNP Paribas 2.875% 24/02/2029	6,424	0.50	
£8,000,000 BNP Paribas 5.75% 13/06/2032	7,551	0.58	
US\$5,000,000 Boeing 5.805% 01/05/2050	3,872	0.30	
US\$6,000,000 Boeing 5.93% 01/05/2060	4,601	0.36	
€3,447,000 BP Capital Markets Var. Rate 3.625% Perpetual	2,569	0.20	
£5,000,000 BP Capital Markets Var. Rate 4.25% Perpetual	4,394	0.34	
£6,000,000 BPCE 5.25% 16/04/2029	5,330	0.41	
£8,000,000 BPCE Var. Rate 2.5% 30/11/2032	6,315	0.49	
£14,000,000 British Telecommunications 3.125% 21/11/2031	11,233	0.87	
£7,632,000 British Telecommunications 6.375% 23/06/2037	7,410	0.57	
US\$4,000,000 Broadcom 4.3% 15/11/2032	2,862	0.22	
£4,000,000 BUPA Finance 1.75% 14/06/2027	3,320	0.26	
£2,000,000 BUPA Finance 4.125% 14/06/2035	1,487	0.11	
£1,000,000 BUPA Finance 5% 08/12/2026	925	0.07	
£9,455,000 Cadent Finance 2.125% 22/09/2028	7,635	0.59	
£957,000 Cadent Finance 2.625% 22/09/2038	612	0.05	
£10,000,000 CaixaBank Var. Rate 3.5% 06/04/2028	8,681	0.67	
US\$706,000 Celanese 6.379% 15/07/2032	556	0.04	
£1,000,000 Centrica 4.375% 13/03/2029	900	0.07	
£7,000,000 Centrica 7% 19/09/2033	7,425	0.57	
£1,666,000 Channel Link Enterprises Finance 3.848% 30/06/2050	1,093	0.08	
£7,000,000 Channel Link Enterprises Finance Var. Rate 3.043% 30/06/2050	5,717	0.44	
£3,892,000 Citigroup 4.5% 03/03/2031	3,388	0.26	
US\$8,099,000 Citigroup Var. Rate 3.785% 17/03/2033	5,618	0.43	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
£6,000,000 CK Hutchison Telecom Finance 2.625% 17/10/2034	3,913	0.30	
£8,000,000 Cooperatieve Rabobank 4.625% 23/05/2029	6,992	0.54	
£3,301,000 Coventry Building Society 2% 20/12/2030	2,404	0.19	
£2,785,000 CPUK Finance 3.69% 28/08/2028	2,352	0.18	
£7,700,000 Crédit Agricole Var. Rate 1.874% 09/12/2031	6,261	0.48	
£1,000,000 Crédit Agricole Var. Rate 7.5% Perpetual	940	0.07	
£1,703,000 CRH Finance 4.125% 02/12/2029	1,520	0.12	
£4,000,000 Danske Bank Var. Rate 2.25% 14/01/2028	3,339	0.26	
£890,921 Delamare Finance 5.5457% 19/02/2029	850	0.07	
£5,920,000 Delamare Finance 6.067% 19/02/2029	5,570	0.43	
€3,000,000 Deutsche Bahn Finance Var. Rate 1.6% Perpetual	2,046	0.16	
£2,500,000 Deutsche Bank Var. Rate 6.125% 12/12/2030	2,289	0.18	
US\$6,940,000 Deutsche Telekom International Finance 8.75% 15/06/2030	6,514	0.50	
US\$843,000 Deutsche Telekom International Finance 9.25% 01/06/2032	842	0.07	
£1,640,000 DWR Cymru Financing 2.375% 31/03/2034	1,126	0.09	
£5,000,000 E.ON International Finance 4.75% 31/01/2034	4,446	0.34	
£6,000,000 E.ON International Finance 5.875% 30/10/2037	5,731	0.44	
£1,000,000 E.ON International Finance 6.25% 03/06/2030	1,002	0.08	
£1,000,000 E.ON International Finance 6.375% 07/06/2032	1,014	0.08	
£4,050,000 EDF 5.125% 22/09/2050	3,202	0.25	
£1,700,000 EDF 5.5% 25/01/2035	1,510	0.12	
£2,000,000 EDF 5.5% 27/03/2037	1,737	0.13	
£7,800,000 EDF 5.5% 17/10/2041	6,647	0.51	
£2,000,000 EDF 5.875% 18/07/2031	1,892	0.15	
US\$3,000,000 EDF 6% 22/01/2114	2,083	0.16	
£2,300,000 EDF 6% 23/01/2114	1,989	0.15	
£7,000,000 EDF 6.125% 02/06/2034	6,590	0.51	
£4,000,000 Electricity North West 8.875% 25/03/2026	4,214	0.33	
US\$3,000,000 Enel Finance International 5.5% 15/06/2052	2,129	0.16	
US\$4,000,000 Enel Finance International 6.8% 15/09/2037	3,300	0.26	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
US\$1,000,000 Enel Finance International 7.75% 14/10/2052	912	0.07	
€10,583,000 Engie 5.95% 16/03/2111	10,337	0.80	
US\$1,500,000 Eni 4.75% 12/09/2028	1,151	0.09	
€178,000 Eni Var. Rate 3.375% Perpetual	128	0.01	
£1,865,000 ENW Finance 4.893% 24/11/2032	1,710	0.13	
£1,000,000 Eversholt Funding 3.529% 07/08/2042	709	0.05	
£4,000,000 Gatwick Funding 2.5% 15/04/2030	3,170	0.25	
£13,500,000 Gatwick Funding 3.125% 28/09/2039	9,052	0.70	
£2,556,000 Gatwick Funding 3.25% 26/02/2048	1,610	0.12	
£2,000,000 Gatwick Funding 4.625% 27/03/2034	1,737	0.13	
£3,000,000 Gatwick Funding 5.75% 23/01/2037	2,796	0.22	
£8,000,000 Goldman Sachs Var. Rate 3.625% 29/10/2029	6,890	0.53	
£2,781,000 Grainger 3% 03/07/2030	2,092	0.16	
£1,110,559 Greene King Finance 4.0643% 15/03/2035	908	0.07	
£1,281,243 Greene King Finance 5.318% 15/09/2031	1,148	0.09	
£6,000,000 H.J. Heinz Finance 6.25% 18/02/2030	5,870	0.45	
£4,344,000 Hammerson 6% 23/02/2026	3,921	0.30	
£4,951,000 Hammerson 7.25% 21/04/2028	4,394	0.34	
€869,000 Hammerson Ireland Finance 1.75% 03/06/2027	610	0.05	
£6,011,000 Heathrow Funding 2.75% 13/10/2029	4,891	0.38	
£3,000,000 Heathrow Funding 5.875% 13/05/2041	2,877	0.22	
£6,000,000 Heathrow Funding 7.075% 04/08/2028	6,071	0.47	
£5,000,000 Holcim Sterling Finance (Netherlands) 3% 12/05/2032	3,878	0.30	
£10,000,000 HSBC Var. Rate 8.201% 16/11/2034	10,107	0.78	
€3,000,000 Iberdrola International Var. Rate 2.25% Perpetual	2,110	0.16	
£23,000,000 Imperial Brands Finance 4.875% 07/06/2032	19,085	1.48	
£5,000,000 Imperial Brands Finance 5.5% 28/09/2026	4,758	0.37	
£2,566,000 Informa 3.125% 05/07/2026	2,305	0.18	
£4,000,000 ING Var. Rate 6.25% 20/05/2033	3,700	0.29	
£5,000,000 InterContinental Hotels 3.375% 08/10/2028	4,234	0.33	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
£3,000,000 Intesa Sanpaolo 2.5% 15/01/2030	2,316	0.18	
£3,886,000 Intesa Sanpaolo 2.625% 11/03/2036	2,517	0.19	
US\$8,000,000 Italy (Republic of) 3.875% 06/05/2051	4,539	0.35	
£1,500,000 Italy (Republic of) 6% 04/08/2028	1,459	0.11	
£2,000,000 KBC Var. Rate 5.5% 20/09/2028	1,891	0.15	
£2,500,000 KPN 5.75% 17/09/2029	2,387	0.18	
£3,000,000 Kraft Heinz Foods 4.125% 01/07/2027	2,770	0.21	
£3,000,000 La Banque Postale Var. Rate 5.625% 21/09/2028	2,790	0.22	
£1,500,000 Leeds Building Society Var. Rate 3.75% 25/04/2029	1,263	0.10	
£12,500,000 Legal & General Var. Rate 5.125% 14/11/2048	11,214	0.87	
£3,500,000 Legal & General Var. Rate 5.625% Perpetual	2,685	0.21	
£350,000 Lloyds Bank 11.75% Perpetual	500	0.04	
£3,000,000 Lloyds Banking Var. Rate 1.985% 15/12/2031	2,481	0.19	
£7,500,000 Lloyds Banking Var. Rate 2.707% 03/12/2035	5,405	0.42	
£1,562,000 Logikor Financing 2.75% 15/01/2030	1,142	0.09	
£750,000 Longstone Finance 4.896% 19/04/2031	662	0.05	
£1,000,000 Manchester Airport Funding 2.875% 31/03/2039	678	0.05	
£6,000,000 Manchester Airport Funding 2.875% 30/09/2044	3,765	0.29	
£11,000,000 Manchester Airport Funding 4.75% 31/03/2034	9,914	0.77	
£6,000,000 McDonald's 5.875% 23/04/2032	6,042	0.47	
£10,000,000 Mexico (United Mexican States) 5.625% 19/03/2114	7,321	0.57	
£1,027,840 Mitchells & Butlers Finance 5.574% 15/12/2030	956	0.07	
£2,579,640 Mitchells & Butlers Finance FRN 5.7202% 15/12/2033	2,210	0.17	
£1,000,000 Mondelēz International 3.875% 06/03/2045	726	0.06	
US\$10,000,000 Morgan Stanley Var. Rate 2.484% 16/09/2036	5,917	0.46	
US\$3,032,000 National Australia Bank Var. Rate 3.347% 12/01/2037	1,874	0.14	
£12,000,000 National Gas Transmission 1.125% 14/01/2033	7,598	0.59	
£2,000,000 National Gas Transmission 1.375% 07/02/2031	1,414	0.11	
£1,000,000 National Gas Transmission 1.625% 14/01/2043	490	0.04	
£1,163,000 National Gas Transmission 5.75% 05/04/2035	1,099	0.08	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
£5,000,000 National Grid Electricity Distribution West Midlands 5.75% 16/04/2032	4,866	0.38	
£1,780,000 Nationwide Building Society Var. Rate 6.178% 07/12/2027	1,721	0.13	
£12,000,000 NatWest Var. Rate 2.105% 28/11/2031	9,863	0.76	
£1,548,000 NatWest Var. Rate 3.125% 28/03/2027	1,386	0.11	
£2,589,000 NatWest Var. Rate 3.619% 29/03/2029	2,219	0.17	
£1,099,000 NatWest Var. Rate 3.622% 14/08/2030	1,010	0.08	
US\$1,244,000 NatWest Var. Rate 3.754% 01/11/2029	918	0.07	
£4,654,000 Next 4.375% 02/10/2026	4,340	0.34	
£2,500,000 NIE Finance 5.875% 01/12/2032	2,458	0.19	
£4,000,000 NIE Finance 6.375% 02/06/2026	3,969	0.31	
£3,000,000 Nordea Bank Var. Rate 1.625% 09/12/2032	2,327	0.18	
£4,500,000 Northern Gas Networks 5.625% 23/03/2040	4,164	0.32	
£2,500,000 Northumbrian Water 5.625% 29/04/2033	2,383	0.18	
US\$4,000,000 Oracle 5.55% 06/02/2053	3,000	0.23	
£4,000,000 Orange 8.125% 20/11/2028	4,373	0.34	
£2,503,000 Ørsted 5.125% 13/09/2034	2,324	0.18	
£11,000,000 Pearson Funding 3.75% 04/06/2030	9,291	0.72	
€2,500,000 Repsol International Finance Var. Rate 3.75% Perpetual	2,003	0.15	
£1,500,000 Saint-Gobain 4.625% 09/10/2029	1,389	0.11	
£4,000,000 Santander Var. Rate 2.421% 17/01/2029	3,244	0.25	
£4,000,000 Scotland Gas Networks 4.875% 21/12/2034	3,529	0.27	
£3,000,000 Scottish Hydro Electric Transmission 2.25% 27/09/2035	2,061	0.16	
£1,009,000 Severn Trent Utilities Finance 2.625% 22/02/2033	758	0.06	
£4,000,000 Severn Trent Utilities Finance 2.75% 05/12/2031	3,137	0.24	
£735,000 Severn Trent Utilities Finance 4.625% 30/11/2034	650	0.05	
£1,762,000 Severn Trent Utilities Finance 5.25% 04/04/2036	1,632	0.13	
£5,000,000 Severn Trent Utilities Finance 6.25% 07/06/2029	4,932	0.38	
£2,620,000 Skipton Building Society Var. Rate 6.25% 25/04/2029	2,469	0.19	
US\$2,500,000 Société Générale Var. Rate 3.337% 21/01/2033	1,569	0.12	
£3,750,000 South West Water Finance 5.875% 16/07/2040	3,486	0.27	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
€1,250,000 Southern Var. Rate 1.875% 15/09/2081	838	0.06	
£6,000,000 Southern Gas Networks 3.1% 15/09/2036	4,287	0.33	
£4,000,000 Southern Gas Networks 4.875% 05/10/2023	3,984	0.31	
£1,500,000 Southern Gas Networks 6.375% 15/05/2040	1,488	0.11	
£1,345,000 Southern Water Services Finance 1.625% 30/03/2027	1,110	0.09	
£5,000,000 Southern Water Services Finance 2.375% 28/05/2028	4,080	0.32	
£6,000,000 Southern Water Services Finance 3% 28/05/2037	4,033	0.31	
£3,445,000 SP Transmission 2% 13/11/2031	2,623	0.20	
£4,000,000 SSE 8.375% 20/11/2028	4,352	0.34	
£3,395,000 SSE Var. Rate 3.74% Perpetual	3,060	0.24	
€1,500,000 SSE Var. Rate 4% Perpetual	1,181	0.09	
£1,217,000 Swedbank Var. Rate 1.375% 08/12/2027	1,009	0.08	
£3,000,000 Swedbank Var. Rate 7.272% 15/11/2032	2,907	0.22	
US\$1,500,000 Telefónica Emisiones 5.213% 08/03/2047	1,014	0.08	
US\$6,000,000 Telefónica Emisiones 7.045% 20/06/2036	5,125	0.40	
£200,088 Telereal Securitisation 6.1645% 10/12/2031	190	0.01	
£1,000,000 Tesco Corporate Treasury Services 1.875% 02/11/2028	798	0.06	
£5,000,000 Tesco Corporate Treasury Services 5.5% 27/02/2035	4,593	0.36	
£4,553,855 Tesco Property Finance 3 5.744% 13/04/2040	4,196	0.32	
£4,000,000 Thames Water Utilities Finance 2.625% 24/01/2032	2,937	0.23	
£2,349,000 Thames Water Utilities Finance 5.125% 28/09/2037	1,946	0.15	
£3,600,000 Thames Water Utilities Finance 6.5% 09/02/2032	3,407	0.26	
£8,500,000 Thames Water Utilities Finance 6.75% 16/11/2028	8,141	0.63	
£3,400,000 Trafford Centre Finance FRN 5.4019% 28/07/2038	2,753	0.21	
£3,300,000 United Utilities Water Finance 2.625% 12/02/2031	2,641	0.20	
£10,000,000 Verizon Communications 1.875% 19/09/2030	7,599	0.59	
£2,500,000 Verizon Communications 3.125% 02/11/2035	1,867	0.14	
£5,000,000 Verizon Communications 3.375% 27/10/2036	3,774	0.29	
£6,000,000 Verizon Communications 4.75% 17/02/2034	5,395	0.42	
£1,100,000 Volkswagen International Finance 3.375% 16/11/2026	983	0.08	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
£11,000,000 Volkswagen International Finance 4.125% 17/11/2031	9,390	0.73	
US\$1,000,000 Warnermedia 5.141% 15/03/2052	634	0.05	
US\$6,000,000 Warnermedia 5.391% 15/03/2062	3,780	0.29	
£4,000,000 Wells Fargo 2.125% 24/09/2031	2,946	0.23	
£10,000,000 Wells Fargo 4.875% 29/11/2035	8,405	0.65	
£7,000,000 Wells Fargo Var. Rate 3.473% 26/04/2028	6,132	0.47	
£2,000,000 Welltower 4.5% 01/12/2034	1,629	0.13	
£3,398,000 Welltower 4.8% 20/11/2028	3,053	0.24	
£2,195,000 Wessex Water Services Finance 5.125% 31/10/2032	2,026	0.16	
£4,000,000 Westfield America Management 2.625% 30/03/2029	3,005	0.23	
£4,000,000 Whitbread 3% 31/05/2031	3,047	0.24	
£500,000 WPP Finance 2013 2.875% 14/09/2046	284	0.02	
£6,994,000 WPP Finance 2017 3.75% 19/05/2032	5,702	0.44	
£1,620,000 Yorkshire Building Society Var. Rate 1.5% 15/09/2029	1,218	0.09	
£2,426,000 Yorkshire Power Finance 7.25% 04/08/2028	2,492	0.19	
£5,600,000 Yorkshire Water Finance 1.75% 26/11/2026	4,761	0.37	
£4,500,000 Yorkshire Water Finance 2.75% 18/04/2041	2,853	0.22	
£2,000,000 Yorkshire Water Finance 5.25% 28/04/2030	1,878	0.15	
£1,167,000 Yorkshire Water Finance 5.5% 28/04/2035	1,090	0.08	
'BB' credit rated bonds	28,142	2.18	3.29
£3,500,000 Bank of Ireland Var. Rate 7.594% 06/12/2032	3,340	0.26	
US\$960,000 Cellnex Finance 3.875% 07/07/2041	544	0.04	
US\$3,000,000 Charter Communications Operating 3.85% 01/04/2061	1,413	0.11	
US\$4,000,000 Charter Communications Operating 5.25% 01/04/2053	2,504	0.19	
£2,000,000 Commerzbank Var. Rate 8.625% 28/02/2033	1,918	0.15	
£1,759,000 Co-Operative Bank Finance Var. Rate 9.5% 24/05/2028	1,751	0.13	
£267,000 Coventry Building Society Var. Rate 6.875% Perpetual	247	0.02	
£550,000 Daily Mail & General Trust 6.375% 21/06/2027	479	0.04	
£5,000,000 Ford Motor Credit 4.535% 06/03/2025	4,737	0.37	
£728,000 Intesa Sanpaolo 5.148% 10/06/2030	585	0.04	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)			
Debt securities (continued)			
'BB' credit rated bonds (continued)			
£1,000,000 Intesa Sanpaolo 8.505% 20/09/2032	955	0.07	
£2,367,000 Lloyds Banking Var. Rate 7.875% Perpetual	2,087	0.16	
£2,535,000 Lloyds Banking Var. Rate 8.5% Perpetual	2,345	0.18	
£1,000,000 Marston's Issuer Var. Rate 5.1774% 15/07/2032	852	0.07	
£563,953 Marston's Issuer Var. Rate 5.9051% 15/10/2027	508	0.04	
£63,594 Mitchells & Butlers Finance 5.965% 15/12/2023	63	0.00	
£976,458 Mitchells & Butlers Finance 6.013% 15/12/2028	872	0.07	
£921,000 Nationwide Building Society Var. Rate 5.875% Perpetual	858	0.07	
€1,000,000 Telefónica Europe Var. Rate 2.88% Perpetual	720	0.06	
£1,500,000 Time Warner Cable 5.75% 02/06/2031	1,364	0.11	
'B' credit rated bonds	0	0.00	0.14
'CCC' credit rated bonds	3,430	0.26	0.61
£626,395 INTU Metrocentre 1% 04/12/2024 ^a	626	0.05	
£5,997,958 Metrocentre Finance 8.75% 06/12/2023	2,804	0.21	
'D' credit rated bonds	80	0.01	0.01
£192,146 INTU Debenture 5.562% 31/12/2027	80	0.01	
Bonds with no credit rating	0	0.00	0.00
£250,000 Washington Mutual Bank 5.5% 10/06/2059 ^b	0	0.00	
Debt derivatives	624	0.05	(0.29)
Credit default swaps	0	0.00	0.02
Interest rate swaps	312	0.03	(0.05)
€5,000,000 Pay 2.33% Receive VAR Dec 2052	192	0.01	
US\$11,000,000 Pay 3.0225% Receive VAR Nov 2052	479	0.04	
US\$10,000,000 Pay 3.235% Receive VAR Feb 2053	86	0.01	
US\$11,000,000 Pay 3.3987% Receive VAR Oct 2052	(135)	(0.01)	
US\$8,000,000 Pay 3.5747% Receive VAR Oct 2052	(310)	(0.02)	
Interest rate futures	312	0.02	(0.26)
(300) 5 Year US Treasury Note Sep 2023	425	0.03	
(252) Euro-Bund Sep 2023	122	0.01	
400 UK Long Gilt Bond Sep 2023	(218)	(0.02)	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)			
Debt derivatives (continued)			
Interest rate futures (continued)			
(40) US Treasury Long Bond Sep 2023	14	0.00	
(50) US Ultra Treasury Bond Sep 2023	(31)	0.00	
Currency	(1,537)	(0.12)	(0.10)
Forward currency contracts			
€(50,882,977) Sold for £43,439,900 (expires 19.07.23)	(256)	(0.02)	
US\$5,785,027 Bought for £4,574,081 (expires 19.07.23)	0	0.00	
US\$(129,096,407) Sold for £100,786,886 (expires 19.07.23)	(1,281)	(0.10)	
Total portfolio	1,209,544	93.50	98.37
Net other assets/(liabilities)	84,121	6.50	1.63
Net assets attributable to shareholders	1,293,665	100.00	100.00

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

^a Unlisted/unquoted.

^b Defaulted bond.

Portfolio statement

Top ten portfolio transactions for the year to 30 June 2023

Largest purchases	£'000
UK Treasury 0.625% 22/10/2050	96,415
UK Treasury 1.25% 31/07/2051	40,094
UK Treasury 1.75% 07/09/2037	32,776
UK Treasury 3.75% 22/07/2052	24,444
AT&T 4.375% 14/09/2029	19,081
UK Treasury 4.25% 07/12/2040	16,338
UK Treasury 1.25% 22/10/2041	12,815
Walmart 5.625% 27/03/2034	11,551
Lloyds Bank 6% 08/02/2029	10,800
UK Treasury 4.25% 07/12/2046	10,500
Other purchases	489,005
Total purchases	763,819

Largest sales	£'000
UK Treasury 4.5% 07/09/2034	36,990
UK Treasury 1.75% 07/09/2037	36,099
UK Treasury 0.625% 22/10/2050	33,448
UK Treasury 4.25% 07/12/2040	32,333
UK Treasury 1.25% 31/07/2051	31,438
UK Treasury 4.25% 07/06/2032	29,610
Aroundtown 5.375% 21/03/2029	26,093
Lloyds Bank 5.125% 07/03/2025	14,168
UK Treasury 1.25% 22/10/2041	13,475
Wells Fargo 2.0% 28/07/2025	12,274
Other sales	639,676
Total sales	905,604

Purchases and sales exclude the cost and proceeds of 'AAA' rated money market funds.

Financial highlights

Fund performance

Please note past performance is not a guide to future performance and the value of investments, and the income from them, will fluctuate. This will cause the fund price to fall as well as rise and you may not get back the original amount you invested.

As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different.

For additional information, including monthly fund commentaries, fund facts, performance information (including a range of performance graphs) and other documents, please visit our website at mandg.com/investments

Long-term performance by share class

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period. Calculated on a price to price basis with income reinvested. Please refer to 'Specific share class performance' tables for the share class launch dates.

Share class	One year % ^a	Three years % pa	Five years % pa	Ten years % pa
Sterling				
Class 'A' Income	-4.3	-4.8	-1.0	+1.7
Class 'A' Accumulation	-4.3	-4.9	-1.0	+1.7
Class 'I' Income	-3.9	-4.4	-0.5	+2.1
Class 'I' Accumulation	-3.9	-4.5	-0.5	+2.1
Class 'PP' Income	-3.8	-4.3	n/a	n/a
Class 'PP' Accumulation	-3.8	-4.4	n/a	n/a
Class 'R' Income	-4.1	-4.7	-0.8	+1.9
Class 'R' Accumulation	-4.1	-4.7	-0.8	+1.9
Benchmark	-5.0	-5.1	-1.0	+2.1

^a Not annualised.

Specific share class performance

The following comparative tables show the performance of each share class. All 'Performance and charges' percentages represent an annual rate except for the 'Return after operating charges' which is calculated as a percentage of the opening net asset value per share (NAV per share). 'Dilution adjustments' are only in respect of direct portfolio transaction costs.

'Operating charges' and 'Direct portfolio transaction costs' are calculated as a percentage of average net asset value. Where there is a change in the charging structure, you may see variances in the 'operating charges' between the comparative and current year figures.

The closing NAV per share shown may diverge from the highest and lowest share prices (used for dealing purposes) as at the balance sheet date due to accounting and valuation adjustments.

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 15 April 1994.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	34.92	41.18	40.90
Return before operating charges	(1.22)	(4.91)	1.77
Operating charges	(0.28)	(0.32)	(0.41)
Return after operating charges	(1.50)	(5.23)	1.36
Distributions	(1.42)	(1.03)	(1.08)
Closing NAV	32.00	34.92	41.18
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.83	0.82	0.98
Return after charges	-4.30	-12.70	+3.33
Other information			
Closing NAV (£'000)	287,311	353,993	134,499
Number of shares	897,772,903	1,013,603,915	326,647,151
Highest share price (UK p)	36.57	41.80	42.57
Lowest share price (UK p)	29.95	34.98	40.75

Sterling Class 'A' Accumulation share performance

The share class was launched on 15 April 1994.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	68.75	78.91	76.39
Return before operating charges	(2.40)	(9.53)	3.29
Operating charges	(0.56)	(0.63)	(0.77)
Return after operating charges	(2.96)	(10.16)	2.52
Distributions	(2.28)	(1.37)	(1.26)
Retained distributions	2.28	1.37	1.26
Closing NAV	65.79	68.75	78.91
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.83	0.82	0.98
Return after charges	-4.31	-12.88	+3.30
Other information			
Closing NAV (£'000)	152,173	197,071	240,643
Number of shares	231,302,638	286,662,143	304,947,635
Highest share price (UK p)	72.00	80.11	80.17
Lowest share price (UK p)	59.56	68.30	76.24

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 2 July 2007.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	35.95	42.23	41.75
Return before operating charges	(1.25)	(5.05)	1.80
Operating charges	(0.15)	(0.17)	(0.22)
Return after operating charges	(1.40)	(5.22)	1.58
Distributions	(1.47)	(1.06)	(1.10)
Closing NAV	33.08	35.95	42.23
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.43	0.41	0.52
Return after charges	-3.89	-12.36	+3.78
Other information			
Closing NAV (£'000)	316,565	382,334	1,270,004
Number of shares	956,951,244	1,063,459,984	3,007,594,723
Highest share price (UK p)	37.67	42.89	43.55
Lowest share price (UK p)	30.87	36.01	41.67

Sterling Class 'I' Accumulation share performance

The share class was launched on 2 July 2007.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	73.32	83.82	80.77
Return before operating charges	(2.57)	(10.16)	3.48
Operating charges	(0.31)	(0.34)	(0.43)
Return after operating charges	(2.88)	(10.50)	3.05
Distributions	(2.73)	(1.78)	(1.72)
Retained distributions	2.73	1.78	1.72
Closing NAV	70.44	73.32	83.82
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.43	0.42	0.52
Return after charges	-3.93	-12.53	+3.78
Other information			
Closing NAV (£'000)	357,432	356,437	466,497
Number of shares	507,394,210	486,164,547	556,530,586
Highest share price (UK p)	76.81	85.13	84.98
Lowest share price (UK p)	63.59	72.83	80.61

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	85.94	100.83	99.56
Return before operating charges	(3.01)	(12.05)	4.29
Operating charges	(0.27)	(0.31)	(0.39)
Return after operating charges	(3.28)	(12.36)	3.90
Distributions	(3.51)	(2.53)	(2.63)
Closing NAV	79.15	85.94	100.83
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.33	0.32	0.39
Return after charges	-3.82	-12.26	+3.92
Other information			
Closing NAV (£'000)	149,860	186,567	227,261
Number of shares	189,328,873	217,097,447	225,397,749
Highest share price (UK p)	90.05	102.42	103.93
Lowest share price (UK p)	73.81	86.07	99.37

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	98.48	112.48	108.24
Return before operating charges	(3.44)	(13.65)	4.66
Operating charges	(0.32)	(0.35)	(0.42)
Return after operating charges	(3.76)	(14.00)	4.24
Distributions	(3.76)	(2.50)	(2.45)
Retained distributions	3.76	2.50	2.45
Closing NAV	94.72	98.48	112.48
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.33	0.32	0.38
Return after charges	-3.82	-12.45	+3.92
Other information			
Closing NAV (£'000)	7,337	7,357	8,592
Number of shares	7,745,913	7,470,241	7,639,029
Highest share price (UK p)	103.18	114.25	113.97
Lowest share price (UK p)	85.44	97.83	108.03

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	94.65	111.44	110.46
Return before operating charges	(3.30)	(13.28)	4.75
Operating charges	(0.62)	(0.72)	(0.86)
Return after operating charges	(3.92)	(14.00)	3.89
Distributions	(3.86)	(2.79)	(2.91)
Closing NAV	86.87	94.65	111.44
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.68	0.67	0.76
Return after charges	-4.14	-12.56	+3.52
Other information			
Closing NAV (£'000)	8,488	8,895	11,054
Number of shares	9,770,841	9,397,396	9,919,513
Highest share price (UK p)	99.15	113.15	115.09
Lowest share price (UK p)	81.22	94.80	110.25

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	128.30	147.05	142.04
Return before operating charges	(4.48)	(17.80)	6.13
Operating charges	(0.86)	(0.95)	(1.12)
Return after operating charges	(5.34)	(18.75)	5.01
Distributions	(4.45)	(2.76)	(2.66)
Retained distributions	4.45	2.76	2.66
Closing NAV	122.96	128.30	147.05
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.68	0.67	0.76
Return after charges	-4.16	-12.75	+3.53
Other information			
Closing NAV (£'000)	14,499	16,626	20,587
Number of shares	11,791,408	12,959,047	13,999,883
Highest share price (UK p)	134.38	149.30	149.26
Lowest share price (UK p)	111.19	127.46	141.77

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Statement of total return

for the year to 30 June	Note	2023		2022	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	3		(111,406)		(268,435)
Revenue	5	58,755		51,843	
Expenses	6	(7,903)		(10,917)	
Interest payable and similar charges		(3)		(4)	
Net revenue/(expense) before taxation		50,849		40,922	
Taxation	7	72		177	
Net revenue/(expense) after taxation			50,921		41,099
Total return before distributions			(60,485)		(227,336)
Distributions	8		(55,716)		(48,163)
Change in net assets attributable to shareholders from investment activities			(116,201)		(275,499)

Statement of change in net assets attributable to shareholders

for the year to 30 June	2023		2022	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		1,509,280		2,727,897
Amounts received on issue of shares	97,394		383,086	
Amounts paid on cancellation of shares	(217,655)		(550,477)	
Value of in specie transfers paid	0		(790,427)	
		(120,261)		(957,818)
Dilution adjustments		619		893
Change in net assets attributable to shareholders from investment activities (see above)		(116,201)		(275,499)
Retained distributions on Accumulation shares		20,208		13,789
Unclaimed distributions		20		18
Closing net assets attributable to shareholders		1,293,665		1,509,280

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Balance sheet

as at 30 June	Note	2023 £'000	2022 £'000
Assets			
Fixed assets			
Investments		1,211,775	1,470,584
Current assets			
Debtors	9	32,856	23,273
Cash and bank balances	10	23,457	25,191
Cash equivalents		49,819	24,690
Total assets		1,317,907	1,543,738
Liabilities			
Investment liabilities		(2,231)	(10,254)
Creditors			
Bank overdrafts		0	(3,478)
Overdrawn positions at futures clearing houses and collateral manager		0	(2,190)
Distribution payable		(9,155)	(7,646)
Other creditors	11	(12,856)	(10,890)
Total liabilities		(24,242)	(34,458)
Net assets attributable to shareholders		1,293,665	1,509,280

Financial statements and notes

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 9 to 12.

2 Distribution policy

In determining the amount available for distribution to Income shares, the annual charge is offset against capital, increasing the amount available for distribution whilst restraining capital performance to an equivalent extent.

3 Net capital gains/(losses)

for the year to 30 June	2023 £'000	2022 £'000
Non-derivative securities	(113,906)	(257,787)
Derivative contracts	85	(11,065)
Currency gains/(losses)	2,415	417
Net capital gains/(losses)	(111,406)	(268,435)

Financial statements and notes

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the sections on 'Operating charges' and 'Portfolio transaction costs' within 'Notes to the financial statements' on pages 11 and 12. Total direct portfolio transaction costs are stated before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

for the year to 30 June	2023 £'000	% of transaction	2022 £'000	% of transaction
a) Purchases				
Debt securities	763,819		707,670	
b) Sales				
Debt securities	870,714		1,556,142	
Other transaction types				
Corporate actions	34,890		7,355	
Total sales	905,604		1,563,497	
	2023 £'000	% of average NAV	2022 £'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Derivatives	14	0.00	12	0.00
Taxes paid				
Derivatives	15	0.00	13	0.00
Total direct portfolio transaction costs	29	0.00	25	0.00
		%		%
d) Indirect portfolio transaction costs				
Average portfolio dealing spread as at the balance sheet date		0.66		0.68

5 Revenue

for the year to 30 June	2023 £'000	2022 £'000
Bank interest	69	5
Derivative revenue	534	(613)
Interest distributions	1,563	144
Interest on debt securities	56,556	52,265
Rebate of ongoing charges from underlying funds	33	42
Total revenue	58,755	51,843

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6 Expenses

for the year to 30 June	2023 £'000	2022 £'000
Payable to the ACD or associate		
Annual charge	7,903	10,917
Total expenses	7,903	10,917

Audit fees for the financial year ending 2023 were £12,000 (2022: £12,000) (including VAT), which are covered by the annual charge.

7 Taxation

for the year to 30 June	2023 £'000	2022 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	(72)	(177)
Deferred tax (note 7c)	0	0
Total taxation	(72)	(177)
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	50,849	40,922
Corporation tax at 20%	10,170	8,184
Effects of:		
Interest distributions	(10,170)	(8,184)
Withholding tax	(72)	(177)
Total tax charge (note 7a)	(72)	(177)
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset in the current financial year (2022: same).

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8 Distributions

For each distribution period, the distributions payable on Income shares (Inc) and distributions retained on Accumulation shares (Acc) are disclosed.

for the year to 30 June	2023		2022	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Interest distributions				
First interim	8,185	4,481	7,574	3,495
Second interim	8,637	4,916	6,937	3,160
Third interim	8,979	5,254	7,029	3,318
Final	9,155	5,557	7,646	3,816
Total net distributions		55,164		42,975
Income deducted on cancellation of shares		1,032		7,454
Income received on issue of shares		(480)		(2,266)
Distributions		55,716		48,163
Net revenue/(expense) per statement of total return		50,921		41,099
Expenses offset against capital		4,795		7,059
Undistributed income brought forward		1		4
Undistributed income carried forward		(1)		1
Distributions		55,716		48,163

9 Debtors

as at 30 June	2023 £'000	2022 £'000
Amounts receivable on issues of shares	189	1,440
Currency deals outstanding	2,329	0
Debt security interest receivable	21,316	19,899
Distributions receivable	185	45
Rebate of ongoing charges from underlying funds	2	1
Sales awaiting settlement	8,835	1,888
Total debtors	32,856	23,273

10 Cash and bank balances

as at 30 June	2023 £'000	2022 £'000
Amounts held at futures clearing houses and collateral manager	16,882	19,188
Cash held as bank balances	6,575	6,003
Total cash and bank balances	23,457	25,191

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11 Other creditors

as at 30 June	2023 £'000	2022 £'000
Amounts payable on cancellation of shares	2,069	2,709
Annual charge payable	423	405
Currency deals outstanding	2,326	0
Derivative expense payable	655	655
Purchases awaiting settlement	7,383	7,121
Total other creditors	12,856	10,890

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2022: same).

13 Shares in issue

The following table shows each class of share in issue during the year. Each share class has the same rights on winding up however they may have different charging structures as set out in note 14.

Share class	Opening 01.07.22	Issued	Movements Cancelled	Converted	Closing 30.06.23
Sterling					
Class 'A' Income	1,013,603,915	16,049,999	(131,881,011)	0	897,772,903
Class 'A' Accumulation	286,662,143	16,059,059	(71,418,564)	0	231,302,638
Class 'I' Income	1,063,459,984	47,187,637	(153,696,377)	0	956,951,244
Class 'I' Accumulation	486,164,547	71,324,917	(50,095,254)	0	507,394,210
Class 'PP' Income	217,097,447	11,966,165	(39,734,739)	0	189,328,873
Class 'PP' Accumulation	7,470,241	1,340,001	(1,064,329)	0	7,745,913
Class 'R' Income	9,397,396	951,614	(578,169)	0	9,770,841
Class 'R' Accumulation	12,959,047	98,762	(1,266,401)	0	11,791,408

It is not possible to separately identify all share class conversions. As a result, the share class movements (issued/cancelled) as disclosed in the table above may also include share class conversions.

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14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class. The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

Share class	Annual charge %
Sterling	
Class 'A'	0.85
Class 'I'	0.45
Class 'PP'	0.35
Class 'R'	0.70

15 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the fund except with in specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to shareholders' and note 8. Amounts due to/from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the annual charge are disclosed in note 6. Amounts due at the year end in respect of the annual charge are disclosed in note 11.

Amounts paid to M&G Securities Limited in respect of rebate arrangements for the annual charge are disclosed in notes 3 and 5. Amounts due at the year end from the ACD, and/or associate, in respect of these rebates are disclosed in note 9.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 7.22% (2022: 7.07%) of the fund's shares.

16 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities, highly liquid bonds (eg Government bonds) and exchange traded derivatives (eg futures) for which quoted prices are readily and regularly available.

Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

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Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 30 June	Assets 2023 £'000	Liabilities 2023 £'000	Assets 2022 £'000	Liabilities 2022 £'000
Level 1	87,673	(249)	101,142	(6,132)
Level 2	1,123,476	(1,982)	1,368,863	(4,122)
Level 3	626	0	579	0
	1,211,775	(2,231)	1,470,584	(10,254)

Level 3 assets comprise solely of INTU Metrocentre 1% 04/12/2024 (2022: INTU Metrocentre 1% 23/12/2023) which is a unlisted.

17 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 15.

18 Market risk sensitivity and exposure

VaR is the risk measurement methodology used to assess the fund's leverage and market risk volatility.

The VaR limit set during the period to 5 March 2023 was 15% (2022: 15%).

The VaR limit set during the period from 6 March 2023 was two times the benchmark.

The lowest, highest and average VaR, as well as utilisation of VaR with reference to the limit above, are calculated during the financial years ended 30 June 2023 and 30 June 2022.

	from 6 March 2023 to 30 June 2023 % of VaR	from 6 March 2023 to 30 June 2023 Utilisation of VaR %	from 1 July 2022 to 5 March 2023 % of VaR	from 1 July 2022 to 5 March 2023 Utilisation of VaR 15%	2022 % of VaR	2022 Utilisation of VaR 15%
for the year ended 30 June						
Lowest	5.67	49.74	3.51	23.40	2.55	17.00
Highest	6.61	49.11	7.96	53.07	3.75	25.00
Average	6.13	49.80	6.00	40.00	2.97	19.81

19 Credit risk

The fund is exposed to credit risk both through the credit quality of the investments it holds and through the derivative positions with counterparties. The table below shows the credit quality of the investments held in the portfolio.

as at 30 June	2023 £'000	2022 £'000
Investment grade securities	1,178,805	1,405,928
Below investment grade securities	31,652	60,217
Other investments	(913)	(5,815)
Total	1,209,544	1,460,330

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The tables below show the exposure to counterparties. Collateral is posted daily, in the form of cash or high-quality government bonds, to minimise this exposure.

as at 30 June 2023	Swaps £'000	Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch	0	5	312
Barclays Bank	312	(4)	0
Citigroup	0	(260)	0
HSBC	0	(1,273)	0
JPMorgan	0	(5)	0
Total	312	(1,537)	312

as at 30 June 2022	Swaps £'000	Forward currency contracts £'000	Futures £'000
Barclays Bank	(671)	0	0
JPMorgan	238	0	0
Merrill Lynch	0	0	(3,871)
National Australia Bank	0	120	0
Standard Chartered Bank	0	12	0
State Street Bank	0	(1,643)	0
Total	(433)	(1,511)	(3,871)

20 Leverage risk

Funds using VaR approaches are required to disclose the level of leverage employed during the financial reporting period.

Derivatives can be used by the fund to generate market exposure to investments exceeding the net asset value. As a result of this exposure, the size of any positive or negative movement in markets may have a more significant effect on the net asset value of the fund.

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 30 June 2023 and 30 June 2022 are disclosed in the table below. Leverage has been calculated using the Gross Sum of Notional Approach for derivative positions only (including forward currency contracts) and excludes all physical holdings. Percentages are expressed with reference to fund valuation.

for the year to 30 June	2023 £'000	2023 %	2022 £'000	2022 %
Lowest	282,710	21.56	270,329	12.73
Highest	866,050	62.45	846,600	55.83
Average	438,657	31.35	429,131	22.66

Financial statements and notes

21 Interest distribution tables

This fund pays quarterly interest distributions and the following table sets out the distribution periods.

Quarterly distribution periods

	Start	End	Xd	Payment
First interim	01.07.22	30.09.22	03.10.22	30.11.22
Second interim	01.10.22	31.12.22	03.01.23	28.02.23
Third interim	01.01.23	31.03.23	03.04.23	31.05.23
Final	01.04.23	30.06.23	03.07.23	31.08.23

The following tables set out for each distribution the rates per share for both Group 1 and Group 2 shares.

Group 1 shares are those purchased prior to a distribution period and therefore their income rate is the same as the distribution rate.

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of income and equalisation. Equalisation is the average amount of income included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the income and equalisation components.

Sterling Class 'A' Income shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
First interim	0.1026	0.2158	0.3184	0.2529
Second interim	0.1247	0.2235	0.3482	0.2393
Third interim	0.1345	0.2356	0.3701	0.2521
Final	0.1337	0.2508	0.3845	0.2867

Sterling Class 'A' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
First interim	0.4269	0.0560	0.4829	0.3263
Second interim	0.2501	0.3067	0.5568	0.3005
Third interim	0.3023	0.2996	0.6019	0.3339
Final	0.3588	0.2823	0.6411	0.4070

Financial statements and notes

Sterling Class 'I' Income shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.1466	0.1814	0.3280	0.2596
Second interim	0.1559	0.2031	0.3590	0.2458
Third interim	0.1553	0.2267	0.3820	0.2596
Final	0.1382	0.2591	0.3973	0.2949

Sterling Class 'I' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.2957	0.2935	0.5892	0.4302
Second interim	0.4058	0.2586	0.6644	0.4042
Third interim	0.3448	0.3716	0.7164	0.4354
Final	0.3518	0.4063	0.7581	0.5122

Sterling Class 'PP' Income shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.2979	0.4861	0.7840	0.6196
Second interim	0.4472	0.4113	0.8585	0.5871
Third interim	0.4371	0.4767	0.9138	0.6193
Final	0.5585	0.3918	0.9503	0.7051

Sterling Class 'PP' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.2818	0.5346	0.8164	0.6052
Second interim	0.3576	0.5585	0.9161	0.5710
Third interim	0.2272	0.7602	0.9874	0.6113
Final	0.7292	0.3142	1.0434	0.7143

Financial statements and notes

Sterling Class 'R' Income shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.4600	0.4031	0.8631	0.6846
Second interim	0.6587	0.2855	0.9442	0.6481
Third interim	0.4552	0.5491	1.0043	0.6830
Final	0.4145	0.6290	1.0435	0.7770

Sterling Class 'R' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.4396	0.5102	0.9498	0.6630
Second interim	0.5498	0.5356	1.0854	0.6159
Third interim	0.4551	0.7171	1.1722	0.6751
Final	0.6850	0.5602	1.2452	0.8109

22 Events after the balance sheet date

There were no events after the balance sheet date to disclose.

Authorised Corporate Director's Report

For the purposes of these financial statements, the Prospectus dated 9 June 2023 has been used.

Investment objective

The fund has three aims:

- To provide an annual yield higher than that of the FTSE All-Share Index;
- To provide an income stream that increases every year;
- To provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the FTSE All-Share Index over any five-year period.

Investment policy

At least 70% of the fund is invested in equity securities and equity-related securities of companies across any sector and market capitalisation, that are incorporated, domiciled, listed or do most of their business in the United Kingdom.

The fund may also invest in other transferable securities, including the shares of non-UK companies, cash and near cash directly or via collective investment schemes (including funds managed by M&G).

The Derivatives may be used for efficient portfolio management and hedging.

Investment approach

The fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies. The fund typically invests in a well-diversified portfolio of high-yielding UK stocks. The yield premium attached to the fund generally means that there is a bias towards good value, out of favour stocks (ie those stocks which the fund manager considered to be undervalued by the market). The emphasis on yield helps to identify stocks that are relatively cheap and to avoid those that are expensive. From the universe of high yielding stocks, the fund

manager identifies companies that are competitive, with a strong business franchise and that have attractive dividend growth prospects.

Benchmark

Benchmark: FTSE All-Share Index.

The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

The fund is actively managed.

The fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

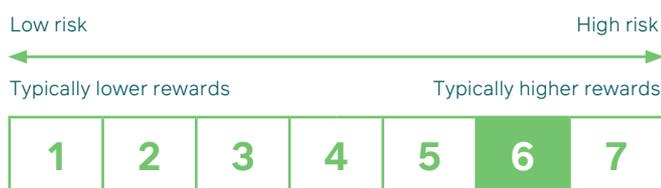
For unhedged and hedged share classes, the benchmark is shown in the share class currency.

Authorised Corporate Director's Report

Risk profile

For details of the risks associated with this fund, please refer to the Prospectus. For details of the risk management policies, please refer to pages 12 to 15.

The following table shows the risk number associated with the fund and is based on Sterling Class 'A' shares.



The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has not changed during this period.

Investment review

For the year ended 30 June 2023

Performance against objective

The fund achieved the objective of growing its income distribution over the 12-month review period. The fund distributed income of 3.21p per Sterling Class 'A' Income share, an increase of 5.6% over the 3.04p payment made in the same period last year. The inflation rate in May 2023 was 8.7% as measured by the Consumer Price Index (CPI) and 11.3% as measured by the Retail Prices Index (RPI). This year's distribution increase represents an all-time high, and in absolute terms exceeds the 2019 distribution while the market distribution is not expected to recover to its pre-pandemic level until possibly as late as 2024.

On 30 June 2023, when the fund went ex-dividend, the yield on the Sterling Class 'A' Income shares was 6.13%,

64% above the benchmark FTSE All-Share Index yield of 3.74%, meeting the fund's objective to exceed the index yield.

On a five-year basis, the fund has lagged the benchmark FTSE All-Share Index in total return terms (the combination of capital growth and income), thereby missing its objective. Over this period, the index returned 3.1% pa.

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

Performance review

UK stocks as measured by the FTSE All-Share Index returned 7.9% in the year under review against a backdrop of high inflation and rising interest rates. Markets started the reporting year with gains before suffering declines later in the summer of 2022 due to interest rate hikes by the US Federal Reserve (Fed) and fears that Europe would fall into a recession because of rising energy prices. Inflation surpassed 10% in the UK and reached a record in the euro area, fanned by the war in Ukraine and curtailed supplies of Russian gas.

UK assets plunged in late September following the mini budget of former Prime Minister Liz Truss, with sterling collapsing. Bank of England (BoE) intervention eased turmoil in the gilt market and concerns about the systemic risk in UK pensions. Rishi Sunak soon replaced Truss as prime minister. Her short-lived premiership had followed Boris Johnson's resignation earlier in the year.

The BoE stepped up efforts to tame surging inflation in November with a three quarters of a percentage point interest rate increase, its biggest hike since 1989. In total, the central bank raised rates eight times in the year ended June 2023, lifting its benchmark to 5%. The rate was just 0.1% before hikes began in December 2021.

Global markets rallied in late 2022 and early 2023 on speculation that the Fed was nearing the end of rate increases because of slowing inflation in the US. The easing of COVID restrictions in China was another boost. The rally rode out the failure of some US regional

Authorised Corporate Director's Report

banks in March, with global stocks and government bonds both posting monthly gains, even with a collapse in bank shares. Markets cemented advances through June, when the Fed paused rate hikes for the first time in 15 months.

Across the entire reporting period, Brent crude prices fell as markets adjusted to Russian sanctions. Gold and copper rose.

The FTSE 100 index of larger companies outperformed more domestically focused UK indices over the year, helped by increases in interest rates boosting bank profits and a historically weak pound bolstering global companies' overseas earnings. The FTSE 100 posted total returns of 9.1%, surpassing gains of 1.9% for the FTSE 250 Index of medium-sized companies and of -0.3% for the FTSE Smaller Companies (ex investment companies) Index.

The fund had a smaller allocation to companies in the FTSE 100 versus its benchmark. This dented performance over the year. To a lesser extent, stock selection within the FTSE 250 and an above-benchmark position in the FTSE Smaller Companies Index also cost some performance. A positive contribution from stock selection in non-FTSE holdings was outweighed by an above-market weighting as the overseas positions in particular were affected by a recovery in sterling.

From an industry perspective, technology was the biggest positive contributor to relative returns, mainly due to favourable security selection. Stockpicking in utilities and an above-benchmark exposure to energy were also beneficial. Notable detractors included our below-benchmark positions and stock selection in consumer discretionary and industrials. Our choices in financials also weighed on returns.

At the security level, software provider Micro Focus and sausage skin manufacturer Devro were amongst the biggest positive contributors following their takeovers, ahead of BP which was boosted by bumper profits, while Moneysupermarket.com benefited from a pickup in policy switching. Direct Line Insurance was the largest detractor as higher claims costs sparked profit warnings and the cancellation of the dividend. The

company has been hit by inflation in used car prices and other costs pushing up the size of its payouts and the impact of a cold December on home claims. However, we expect higher premiums over the next couple of years to help restore the company's balance sheet. British American Tobacco and Vodafone also weighed on the fund's performance. British American Tobacco shares fell following strong performance last year and increasing market concern around its significant level of debt given rising interest rates. The mobile-phone operator lowered its full-year outlook, parted with its CEO and suffered concerns about a potential dividend cut.

Investment activities

During the year, the fund added a new position in BT (British Telecom) after the telecoms company restored its dividend. The fund also bought into homebuilder Taylor Wimpey, while selling down rival Vistry, due to greater confidence in its dividend policy. Other additions included logistics provider Wincanton, commodity-shipping company Pacific Basin, paving maker Marshalls, car insurer Sabre Insurance, debt manager Ashmore and Kenmare Resources, which owns the world's largest titanium mineral deposit.

The fund gained a holding in Haleon in July following the consumer health company's spin-off from GSK (formerly GlaxoSmithKline). This position was exited in early 2023 after a recovery in the share price. Furniture retailer Dunelm, meanwhile, was bought during the year and subsequently sold following strong performance. Other exits included software firm Micro Focus, transport group Go-Ahead and sausage-skin maker Devro following takeovers. Urban Logistics REIT (real estate investment trust) and Warehouse REIT were sold because of deteriorating prospects for the commercial real estate sector. Investment managers Jupiter and Schroders also left the portfolio as their dividend yields had become unattractive.

Outlook

The fund's performance relative to the benchmark over the past year reflects a change in the market environment. This has very much backed more expensive, lower-yielding companies with reliable

Authorised Corporate Director's Report

earnings growth, and as a result the style has outperformed by some magnitude higher-yielding companies with lower earnings growth prospects, the natural hunting ground for the fund.

UK companies' greater financial strength means they are better able to weather an economic slowdown than before the 2008 global financial crisis. Many FTSE All-Share Index members are also heavily exposed to overseas markets, which provides a buffer against domestic economic risks.

Banks, in particular, have greatly boosted capital since the financial crash, giving them more capacity to absorb bad debts. Lenders also benefit from higher interest rates.

Sterling has recovered from the worst of the sell-off after the Truss mini-budget. Still, it remains weaker versus the US dollar compared to 15 months ago. During the period in review this was beneficial to US dollar-exposed stocks listed in the UK, notably including oil companies, miners, pharmaceuticals and tobacco producers. These four sectors and banks were expected to generate more than half of all UK dividends in 2023.

The domestic stockmarket's historically low valuation and a weaker pound could spur more overseas takeovers of UK companies. This possibility may now be dampened by higher borrowing costs and economic uncertainty, but corporates remain on the alert for opportunistic approaches.

In terms of dividends, total market-wide payouts might make only modest progress in 2023 because of reductions in mining dividends and one-off payouts. UK dividends will likely only regain their pre-pandemic highs in 2024.

Michael Stiasny

Fund manager

An employee of M&G FA 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.

Portfolio statement

Investments

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Equities	805,538	100.75	101.67
Software & computer services	11,619	1.45	1.76
4,300,000 Moneysupermarket.com	11,619	1.45	
Telecommunication service providers	25,571	3.20	2.92
6,392,486 BT	7,879	0.99	
5,000,000 NetLink NBN Trust	2,477	0.31	
20,523,996 Vodafone	15,215	1.90	
Pharmaceuticals & biotechnology	86,570	10.83	13.13
56,000 AbbVie	5,909	0.74	
392,033 AstraZeneca	44,402	5.55	
2,320,000 GSK	32,304	4.04	
160,000 Takeda Pharmaceutical	3,955	0.50	
Banks	91,130	11.40	7.65
397,613 Close Brothers	3,453	0.43	
8,310,717 HSBC	51,718	6.47	
50,910,247 Lloyds Banking	22,095	2.76	
5,750,279 NatWest	13,864	1.74	
Investment banking & brokerage services	53,094	6.64	6.20
5,065,000 abrdn	11,082	1.38	
3,953,030 Ashmore	8,175	1.02	
16,028,227 Duke Royalty ^a	5,129	0.64	
1,021,270 Hargreaves Lansdown	8,293	1.04	
1,059,145 IG	7,165	0.90	
387,443 Intermediate Capital	5,368	0.67	
362,708 St. James's Place	3,905	0.49	
2,228,085 XPS Pensions	3,977	0.50	
Closed-ended investments	20,788	2.60	3.15
1,082,991 Atrato Onsite Energy	884	0.11	
1,306,127 Pollen Street	8,098	1.01	
6,054,862 SDCL Energy Efficiency Income Trust	4,492	0.56	
9,535,771 Taylor Maritime Investments	7,314	0.92	
Life insurance	62,542	7.82	7.81
4,821,280 Aviva	19,092	2.39	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Equities (continued)			
Life insurance (continued)			
3,230,566 Chesnara	8,884	1.11	
7,500,000 Legal & General	17,085	2.14	
3,279,711 Phoenix	17,481	2.18	
Non-life insurance	16,518	2.07	2.80
1,500,000 Conduit	6,915	0.87	
3,410,482 Direct Line Insurance	4,609	0.58	
3,682,838 Sabre Insurance	4,994	0.62	
Real estate investment & services	6,991	0.87	0.85
23,303,190 Grit Real Estate Income	6,991	0.87	
Real estate investment trusts	11,256	1.41	2.77
4,638,260 Home ^b	1,765	0.22	
5,964,178 NewRiver	5,290	0.66	
9,063,259 Regional	4,201	0.53	
Household goods & home construction	7,683	0.96	1.62
2,194,908 Taylor Wimpey	2,273	0.28	
500,000 Vistry	3,272	0.41	
2,965,500 Watkin Jones ^a	2,138	0.27	
Media	25,259	3.16	3.23
13,552,650 ITV	9,354	1.17	
10,475,000 Reach	7,034	0.88	
954,088 STV	2,128	0.27	
821,389 WPP	6,743	0.84	
Retailers	7,268	0.91	0.92
1,761,606 ScS	2,625	0.33	
296,094 WH Smith	4,643	0.58	
Travel & leisure	17,654	2.21	3.05
1,415,730 Entain	17,654	2.21	
Food producers	0	0.00	0.61
Tobacco	69,568	8.70	11.06
1,400,000 British American Tobacco	36,659	4.58	
1,880,000 Imperial Brands	32,909	4.12	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Equities (continued)			
Personal care, drug & grocery stores			
5,192,990 Tesco	12,899	1.61	
308,472 Unilever	12,634	1.58	
Construction & materials			
3,031,025 Kier	2,273	0.28	
894,019 Marshalls	2,123	0.27	
General industrials			
4,426,274 DS Smith	12,070	1.51	1.44
Industrial support services			
301,565 PayPoint	1,445	0.18	0.26
Industrial transportation			
1,940,061 International Distributions Services	4,270	0.53	
9,500,000 Pacific Basin Shipping	2,285	0.29	
2,234,129 Wincanton	5,641	0.71	
Industrial materials			
283,138 UPM-Kymmene	6,626	0.83	0.84
Industrial metals & mining			
175,000 Anglo American	3,906	0.49	
1,684,500 Central Asia Metals ^a	3,042	0.38	
732,849 Kenmare Resources	3,269	0.41	
710,000 Rio Tinto	35,464	4.43	
Chemicals			
132,401 Johnson Matthey	2,310	0.29	
125,000 Methanex	4,052	0.51	
750,000 Synthomer	555	0.07	
300,000 Victrex	4,128	0.51	
Oil & gas			
12,897,351 BP	59,508	7.44	
14,055,051 Diversified Energy	12,340	1.55	
2,990 Prosafe	25	0.00	
1,488,310 Shell	34,879	4.36	
68,937 TotalEnergies	3,136	0.39	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Equities (continued)			
Electricity			
1,133,279 Drax	6,496	0.81	
1,211,292 SSE	22,106	2.77	
Gas, water & multi-utilities			
720,000 Engie	9,435	1.18	
2,276,226 National Grid	23,605	2.95	
156,230 United Utilities	1,505	0.19	
Total portfolio	805,538	100.75	101.67
Net other assets/(liabilities)	(6,028)	(0.75)	(1.67)
Net assets attributable to shareholders	799,510	100.00	100.00

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

^a AIM quoted.

^b Suspended/delisted.

Portfolio statement

Top ten portfolio transactions for the year to 30 June 2023

Largest purchases	£'000
HSBC	16,675
BT	7,819
Shell	6,204
Hargreaves Lansdown	6,054
Engie	5,103
Wincanton	4,968
NatWest	4,495
Legal & General	4,355
Pacific Basin Shipping	3,510
Kenmare Resources	3,315
Other purchases	30,591
Total purchases	93,089

Largest sales	£'000
Micro Focus International	14,751
BP	12,807
Devro	9,744
Haleon	9,575
British American Tobacco	8,709
AstraZeneca	8,040
Go-Ahead	8,032
Direct Line Insurance	5,082
Jupiter Fund Management	5,002
Lloyds Banking	4,699
Other sales	55,589
Total sales	142,030

Purchases and sales exclude the cost and proceeds of 'AAA' rated money market funds.

Financial highlights

Fund performance

Please note past performance is not a guide to future performance and the value of investments, and the income from them, will fluctuate. This will cause the fund price to fall as well as rise and you may not get back the original amount you invested.

As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different.

For additional information, including monthly fund commentaries, fund facts, performance information (including a range of performance graphs) and other documents, please visit our website at mandg.com/investments

Long-term performance by share class

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period. Calculated on a price to price basis with income reinvested. Please refer to 'Specific share class performance' tables for the share class launch dates.

Share class	One year % ^a	Three years % pa	Five years % pa	Ten years % pa
Sterling				
Class 'A' Income	+0.6	+8.5	+1.0	+3.6
Class 'A' Accumulation	+0.6	+8.5	+0.9	+3.6
Class 'C' Income	+1.7	+9.7	+2.2	+5.0
Class 'I' Income	+1.0	+9.0	+1.5	+4.3
Class 'I' Accumulation	+1.0	+9.0	+1.5	+4.2
Class 'R' Income	+0.7	+8.7	+1.2	+4.0
Class 'R' Accumulation	+0.7	+8.7	+1.2	+4.0
Benchmark	+7.9	+10.0	+3.1	+5.9

^a Not annualised.

Specific share class performance

The following comparative tables show the performance of each share class. All 'Performance and charges' percentages represent an annual rate except for the 'Return after operating charges' which is calculated as a percentage of the opening net asset value per share (NAV per share). 'Dilution adjustments' are only in respect of direct portfolio transaction costs.

'Operating charges' and 'Direct portfolio transaction costs' are calculated as a percentage of average net asset value. Where there is a change in the charging structure, you may see variances in the 'operating charges' between the comparative and current year figures.

The closing NAV per share shown may diverge from the highest and lowest share prices (used for dealing purposes) as at the balance sheet date due to accounting and valuation adjustments.

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 6 May 1964.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	51.99	54.22	45.44
Return before operating charges	0.94	1.41	11.85
Operating charges	(0.61)	(0.60)	(0.56)
Return after operating charges	0.33	0.81	11.29
Distributions	(3.21)	(3.04)	(2.51)
Closing NAV	49.11	51.99	54.22
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.04	0.04
Dilution adjustments	0.00	(0.03)	(0.01)
Total direct transaction costs	0.03	0.01	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs	0.06	0.06	0.06
Operating charges	1.15	1.08	1.20
Return after charges	+0.63	+1.49	+24.85
Other information			
Closing NAV (£'000)	188,651	217,925	228,185
Number of shares	384,105,141	419,148,428	420,846,175
Highest share price (UK p)	56.70	58.01	56.73
Lowest share price (UK p)	48.31	50.63	42.00

Sterling Class 'A' Accumulation share performance

The share class was launched on 6 May 1964.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	737.07	726.88	580.23
Return before operating charges	13.06	18.30	153.93
Operating charges	(8.77)	(8.11)	(7.28)
Return after operating charges	4.29	10.19	146.65
Distributions	(37.78)	(33.19)	(25.22)
Retained distributions	37.78	33.19	25.22
Closing NAV	741.36	737.07	726.88
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.45	0.49	0.51
Dilution adjustments	0.00	(0.47)	(0.16)
Total direct transaction costs	0.45	0.02	0.35
Performance and charges	%	%	%
Direct portfolio transaction costs	0.06	0.06	0.06
Operating charges	1.15	1.08	1.20
Return after charges	+0.58	+1.40	+25.27
Other information			
Closing NAV (£'000)	60,886	65,380	63,512
Number of shares	8,212,734	8,870,217	8,737,714
Highest share price (UK p)	815.95	788.25	743.96
Lowest share price (UK p)	690.37	688.00	540.88

Financial highlights

Sterling Class 'C' Income share performance

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

The share class was launched on 3 January 2006.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	66.55	68.65	56.87
Return before operating charges	1.19	1.77	14.94
Operating charges	(0.04)	0.00	0.00
Return after operating charges	1.15	1.77	14.94
Distributions	(4.13)	(3.87)	(3.16)
Closing NAV	63.57	66.55	68.65
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.05	0.05
Dilution adjustments	0.00	(0.04)	(0.02)
Total direct transaction costs	0.04	0.01	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs	0.06	0.06	0.06
Operating charges	0.06	0.00	0.06
Return after charges	+1.73	+2.58	+26.27
Other information			
Closing NAV (£'000)	409,822	454,756	516,000
Number of shares	644,655,118	683,303,634	751,664,821
Highest share price (UK p)	73.09	73.94	71.79
Lowest share price (UK p)	62.04	64.59	52.78

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,062.67	1,103.72	920.61
Return before operating charges	19.15	28.67	240.92
Operating charges	(8.14)	(7.67)	(6.80)
Return after operating charges	11.01	21.00	234.12
Distributions	(65.74)	(62.05)	(51.01)
Closing NAV	1,007.94	1,062.67	1,103.72
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.63	0.74	0.80
Dilution adjustments	0.00	(0.70)	(0.25)
Total direct transaction costs	0.63	0.04	0.55
Performance and charges	%	%	%
Direct portfolio transaction costs	0.06	0.06	0.06
Operating charges	0.75	0.68	0.74
Return after charges	+1.04	+1.90	+25.43
Other information			
Closing NAV (£'000)	80,776	85,223	93,337
Number of shares	8,013,971	8,019,735	8,456,571
Highest share price (UK p)	1,161.91	1,183.83	1,154.64
Lowest share price (UK p)	988.66	1,033.56	852.43

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,707.15	1,676.82	1,332.37
Return before operating charges	30.11	42.14	354.46
Operating charges	(13.29)	(11.81)	(10.01)
Return after operating charges	16.82	30.33	344.45
Distributions	(94.77)	(83.68)	(64.82)
Retained distributions	94.77	83.68	64.82
Closing NAV	1,723.97	1,707.15	1,676.82
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.03	1.14	1.17
Dilution adjustments	0.00	(1.08)	(0.37)
Total direct transaction costs	1.03	0.06	0.80
Performance and charges	%	%	%
Direct portfolio transaction costs	0.06	0.06	0.06
Operating charges	0.75	0.68	0.74
Return after charges	+0.99	+1.81	+25.85
Other information			
Closing NAV (£'000)	25,677	21,574	20,194
Number of shares	1,489,381	1,263,776	1,204,324
Highest share price (UK p)	1,894.63	1,822.90	1,715.93
Lowest share price (UK p)	1,600.82	1,591.50	1,244.06

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	103.64	107.92	90.24
Return before operating charges	1.87	2.81	23.59
Operating charges	(1.06)	(1.03)	(0.92)
Return after operating charges	0.81	1.78	22.67
Distributions	(6.40)	(6.06)	(4.99)
Closing NAV	98.05	103.64	107.92
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.07	0.08
Dilution adjustments	0.00	(0.07)	(0.02)
Total direct transaction costs	0.06	0.00	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs	0.06	0.06	0.06
Operating charges	1.00	0.93	0.99
Return after charges	+0.78	+1.65	+25.12
Other information			
Closing NAV (£'000)	15,006	15,832	16,682
Number of shares	15,303,487	15,275,822	15,457,189
Highest share price (UK p)	113.13	115.57	112.90
Lowest share price (UK p)	96.35	100.88	83.49

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	166.50	163.95	130.60
Return before operating charges	2.94	4.13	34.69
Operating charges	(1.72)	(1.58)	(1.34)
Return after operating charges	1.22	2.55	33.35
Distributions	(8.80)	(7.75)	(5.98)
Retained distributions	8.80	7.75	5.98
Closing NAV	167.72	166.50	163.95
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.11	0.12
Dilution adjustments	0.00	(0.11)	(0.04)
Total direct transaction costs	0.10	0.00	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs	0.06	0.06	0.06
Operating charges	1.00	0.93	0.99
Return after charges	+0.73	+1.56	+25.54
Other information			
Closing NAV (£'000)	18,692	18,882	18,764
Number of shares	11,144,636	11,340,360	11,444,756
Highest share price (UK p)	184.49	177.96	167.79
Lowest share price (UK p)	156.02	155.34	121.84

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Statement of total return

for the year to 30 June	Note	2023		2022	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	3		(36,329)		(26,308)
Revenue	5	53,566		53,422	
Expenses	6	(4,157)		(4,414)	
Interest payable and similar charges		(21)		(39)	
Net revenue/(expense) before taxation		49,388		48,969	
Taxation	7	(300)		(293)	
Net revenue/(expense) after taxation			49,088		48,676
Total return before distributions			12,759		22,368
Distributions	8		(52,184)		(52,046)
Change in net assets attributable to shareholders from investment activities			(39,425)		(29,678)

Statement of change in net assets attributable to shareholders

for the year to 30 June	2023		2022	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		879,572		972,330
Amounts received on issue of shares	38,732		32,926	
Amounts paid on cancellation of shares	(85,295)		(101,240)	
		(46,563)		(68,314)
Dilution adjustments		291		212
Change in net assets attributable to shareholders from investment activities (see above)		(39,425)		(29,678)
Retained distributions on Accumulation shares		5,487		4,858
Unclaimed distributions		148		164
Closing net assets attributable to shareholders		799,510		879,572

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Balance sheet

as at 30 June	Note	2023 £'000	2022 £'000
Assets			
Fixed assets			
Investments		805,538	890,458
Current assets			
Debtors	9	3,538	3,979
Cash and bank balances	10	1,626	2,900
Cash equivalents		10,809	3,782
Total assets		821,511	901,119
Liabilities			
Creditors			
Bank overdrafts		0	(47)
Distribution payable		(21,105)	(20,649)
Other creditors	11	(896)	(851)
Total liabilities		(22,001)	(21,547)
Net assets attributable to shareholders		799,510	879,572

Financial statements and notes

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 9 to 12.

2 Distribution policy

In order to conduct a controlled dividend flow to shareholders, interim distributions will be at the fund manager's discretion, up to the maximum of the distributable income available for the period.

In determining the amount available for distribution to Income shares, the annual charge is offset against capital, increasing the amount available for distribution whilst restraining capital performance to an equivalent extent.

3 Net capital gains/(losses)

for the year to 30 June	2023 £'000	2022 £'000
Non-derivative securities	(35,979)	(26,025)
Currency gains/(losses)	(350)	(283)
Net capital gains/(losses)	(36,329)	(26,308)

Financial statements and notes

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the sections on 'Operating charges' and 'Portfolio transaction costs' within 'Notes to the financial statements' on pages 11 and 12. Total direct portfolio transaction costs are stated before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

for the year to 30 June	2023 £'000	% of transaction	2022 £'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	91,578		120,038	
Commissions	33	0.04	43	0.04
Taxes	423	0.46	517	0.43
Equities after transaction costs	92,034		120,598	
Collective investment schemes				
Collective investment schemes before transaction costs	1,049			
Commissions	1	0.05	0	0.00
Taxes	5	0.50	0	0.00
Collective investment schemes after transaction costs	1,055		0	
Total purchases after transaction costs	93,089		120,598	
b) Sales				
Equities				
Equities before transaction costs	142,039		191,624	
Commissions	(52)	0.04	(75)	0.04
Equities after transaction costs	141,987		191,549	
Collective investment schemes	43		279	
Total sales after transaction costs	142,030		191,828	
	2023 £'000	% of average NAV	2022 £'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	85	0.01	118	0.01
Collective investment schemes	1	0.00	0	0.00
Total commissions paid	86	0.01	118	0.01
Taxes paid				
Equities	423	0.05	517	0.05
Collective investment schemes	5	0.00	0	0.00
Total taxes paid	428	0.05	517	0.05
Total direct portfolio transaction costs	514	0.06	635	0.06

Financial statements and notes

	%	%
d) Indirect portfolio transaction costs		
Average portfolio dealing spread as at the balance sheet date	0.33	0.43

5 Revenue

for the year to 30 June	2023 £'000	2022 £'000
Bank interest	5	0
Distributions from collective investment schemes: taxable	822	922
Dividends from equity investments: non-taxable	49,698	50,475
Dividends from equity investments: taxable	280	192
Interest distributions	219	6
Property distribution: non-taxable	3	(65) ^a
Property distribution: taxable	1,383	1,892
Rebate of ongoing charges from underlying funds	4	0
Stock dividends	1,152	0
Total revenue	53,566	53,422

^a This amount relates to an adjustment in respect of the prior year.

6 Expenses

for the year to 30 June	2023 £'000	2022 £'000
Payable to the ACD or associate		
Annual charge	4,157	4,414
Total expenses	4,157	4,414

Audit fees for the financial year ending 2023 were £11,000 (2022: £11,000) (including VAT), which are covered by the annual charge.

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7 Taxation

for the year to 30 June	2023 £'000	2022 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	300	293
Deferred tax (note 7c)	0	0
Total taxation	300	293
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	49,388	48,969
Corporation tax at 20%	9,878	9,794
Effects of:		
Dividends from equity investments: non-taxable	(9,940)	(10,082)
Stock dividends: non-taxable	(231)	0
Current year expenses not utilised	293	288
Withholding tax	300	293
Total tax charge (note 7a)	300	293
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of £39,410,000 (2022: £39,117,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

Financial statements and notes

8 Distributions

For each distribution period, the distributions payable on Income shares (Inc) and distributions retained on Accumulation shares (Acc) are disclosed.

for the year to 30 June	2023		2022	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Dividend distributions				
First interim	5,616	669	5,931	607
Second interim	5,547	659	5,876	571
Third interim	13,538	1,558	13,769	1,403
Final	21,105	2,601	20,649	2,277
Total net distributions		51,293		51,083
Income deducted on cancellation of shares		1,536		1,643
Income received on issue of shares		(645)		(680)
Distributions		52,184		52,046
Net revenue/(expense) per statement of total return		49,088		48,676
Expenses offset against capital		3,095		3,369
Undistributed income brought forward		1		0
Undistributed income carried forward		0		1
Distributions		52,184		52,046

9 Debtors

as at 30 June	2023 £'000	2022 £'000
Amounts receivable on issues of shares	0	38
Distributions receivable	39	3
Dividends receivable	3,107	3,227
Withholding tax recoverable	392	711
Total debtors	3,538	3,979

10 Cash and bank balances

as at 30 June	2023 £'000	2022 £'000
Cash held as bank balances	1,626	2,900
Total cash and bank balances	1,626	2,900

Financial statements and notes

11 Other creditors

as at 30 June	2023 £'000	2022 £'000
Amounts payable on cancellation of shares	389	651
Annual charge payable	227	197
Purchases awaiting settlement	280	3
Total other creditors	896	851

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2022: same).

13 Shares in issue

The following table shows each class of share in issue during the year. Each share class has the same rights on winding up however they may have different charging structures as set out in note 14.

Share class	Opening 01.07.22	Issued	Movements Cancelled	Converted	Closing 30.06.23
Sterling					
Class 'A' Income	419,148,428	8,931,605	(43,974,892)	0	384,105,141
Class 'A' Accumulation	8,870,217	191,358	(848,841)	0	8,212,734
Class 'C' Income	683,303,634	26,235,868	(64,884,384)	0	644,655,118
Class 'I' Income	8,019,735	740,808	(746,572)	0	8,013,971
Class 'I' Accumulation	1,263,776	326,520	(100,915)	0	1,489,381
Class 'R' Income	15,275,822	760,176	(732,511)	0	15,303,487
Class 'R' Accumulation	11,340,360	706,361	(902,085)	0	11,144,636

It is not possible to separately identify all share class conversions. As a result, the share class movements (issued/cancelled) as disclosed in the table above may also include share class conversions.

14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class. The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

Share class	Annual charge %
Sterling	
Class 'A'	1.10
Class 'C'	0.00
Class 'I'	0.70
Class 'R'	0.95

Financial statements and notes

15 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the fund except with in specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to shareholders' and note 8. Amounts due to/from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the annual charge are disclosed in note 6. Amounts due at the year end in respect of the annual charge are disclosed in note 11.

Amounts paid to M&G Securities Limited in respect of rebate arrangements for the annual charge are disclosed in notes 3 and 5. Amounts due at the year end from the ACD, and/or associate, in respect of these rebates are disclosed in note 9.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 60.33% (2022: 59.81%) of the fund's shares.

16 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities, highly liquid bonds (eg Government bonds) and exchange traded derivatives (eg futures) for which quoted prices are readily and regularly available.

Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 30 June Basis of valuation	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	803,773	0	890,458	0
Level 2	0	0	0	0
Level 3	1,765	0	0	0
	805,538	0	890,458	0

Home REIT was suspended in the period and has been transferred from Level 1 to Level 3. Home REIT is held at the last traded price prior to suspension.

17 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 15.

Financial statements and notes

18 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by £40,277,000 (2022: £44,523,000). A five per cent decrease would have an equal and opposite effect.

19 Currency risk sensitivity and exposure

Currency risk is not considered significant for the fund and is therefore not disclosed.

20 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

21 Credit risk

Credit risk with regards to derivative balances is not considered significant and is therefore not disclosed.

22 Dividend distribution tables

This fund pays quarterly ordinary distributions and the following table sets out the distribution periods.

Quarterly distribution periods

	Start	End	Xd	Payment
First interim	01.07.22	30.09.22	03.10.22	30.11.22
Second interim	01.10.22	31.12.22	03.01.23	28.02.23
Third interim	01.01.23	31.03.23	03.04.23	31.05.23
Final	01.04.23	30.06.23	03.07.23	31.08.23

The following tables set out for each distribution the rates per share for both Group 1 and Group 2 shares.

Group 1 shares are those purchased prior to a distribution period and therefore their income rate is the same as the distribution rate.

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of income and equalisation. Equalisation is the average amount of income included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the income and equalisation components.

Sterling Class 'A' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.0000	0.3825	0.3825	0.3750
Second interim	0.0000	0.3825	0.3825	0.3750
Third interim	0.0000	0.9500	0.9500	0.9000
Final	0.2404	1.2546	1.4950	1.3919

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Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.0000	4.6000	4.6000	4.1800
Second interim	0.0000	4.5000	4.5000	3.9000
Third interim	0.0000	10.7700	10.7700	9.6000
Final	3.9144	13.9996	17.9140	15.5141

Sterling Class 'C' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.2526	0.2374	0.4900	0.4750
Second interim	0.0000	0.4900	0.4900	0.4750
Third interim	0.0000	1.2200	1.2200	1.1500
Final	0.2714	1.6601	1.9315	1.7729

Sterling Class 'I' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.0000	7.8000	7.8000	7.6000
Second interim	0.0000	7.8000	7.8000	7.6500
Third interim	0.0000	19.5000	19.5000	18.4000
Final	8.7216	21.9164	30.6380	28.4008

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.0000	11.4000	11.4000	10.3500
Second interim	0.0000	11.4000	11.4000	10.0000
Third interim	0.0000	27.2600	27.2600	24.4000
Final	9.8398	34.8683	44.7081	38.9301

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Sterling Class 'R' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.0000	0.7625	0.7625	0.7500
Second interim	0.0000	0.7625	0.7625	0.7450
Third interim	0.0000	1.9000	1.9000	1.8000
Final	0.5717	2.4067	2.9784	2.7639

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.0000	1.0600	1.0600	0.9750
Second interim	0.0000	1.0600	1.0600	0.9150
Third interim	0.0000	2.5200	2.5200	2.2500
Final	1.0906	3.0696	4.1602	3.6073

23 Events after the balance sheet date

There were no events after the balance sheet date to disclose.

Authorised Corporate Director's Report

For the purposes of these financial statements, the Prospectus dated 9 June 2023 has been used.

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of a composite index* over any five-year period.

* The composite index is made up of one third JPM EMBI Global Diversified Index, one third JPM CEMBI Broad Diversified Index and one third JPM GBI-EM Global Diversified Index.

Investment policy

At least 80% of the fund is invested, directly or indirectly through derivatives, in emerging market debt securities. These securities can be issued or guaranteed by emerging market governments and their agencies, public authorities, quasi-sovereigns, supranational bodies and companies that are incorporated, domiciled, listed or do most of their business in emerging markets. These securities can be denominated in any currency, including emerging market currencies.

Other investments may include:

- asset-backed securities; and
- other transferable securities, cash, and near cash, directly or via collective investment schemes (including funds managed by M&G).

There are no credit quality restrictions applicable to the fund's investments.

Derivatives may be used for investment purposes, efficient portfolio management and hedging.

Investment approach

The fund is globally diversified across a range of emerging market debt securities and issuers from a variety of sectors and geographies. The fund's investment approach is flexible and begins with an assessment of macroeconomic factors such as global risk appetite and the catalysts of global economic growth.

On a regional and country-specific level, factors such as monetary and fiscal policies, capital flows, and political and regulatory environments are assessed. The result of this analysis will help inform the country, currency allocations and duration of the portfolio.

Individual credit selection is carried out with the assistance of an in-house team of credit analysts to complement the fund manager's views.

Benchmark

A composite index comprising:

- 1/3 JPM EMBI Global Diversified Index.
- 1/3 JPM CEMBI Broad Diversified Index.
- 1/3 JPM GBI-EM Global Diversified Index.

The benchmark is a target which the fund seeks to outperform. The composite index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark does not constrain the fund's portfolio construction.

The fund is actively managed.

The fund manager has complete freedom in choosing which assets to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

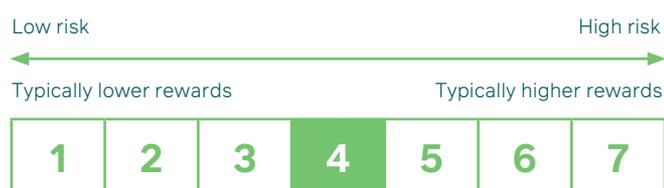
For unhedged and hedged share classes, the benchmark is shown in the share class currency.

Authorised Corporate Director's Report

Risk profile

For details of the risks associated with this fund, please refer to the Prospectus. For details of the risk management policies, please refer to pages 12 to 15.

The following table shows the risk number associated with the fund and is based on Sterling Class 'A' shares.



The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has not changed during this period.

Investment review

For the year ended 30 June 2023

Performance against objective

Between 1 July 2022 and 30 June 2023, the fund delivered a strong positive total return (the combination of income and growth of capital) across its sterling share classes. The fund outperformed its benchmark, which returned 3.4% over the same period.

The fund's benchmark is a composite index consisting of 1/3 JPM Emerging Markets Bond (EMBI) Global Diversified Index, 1/3 JPM Corporate EMBI (CEMBI) Broad Diversified Index, and 1/3 JPM GBI-EM Global Diversified Index.

Over five years, the fund's unhedged share classes achieved the objective of providing a combination of capital growth and income, net of the ongoing charge figure, higher than the benchmark composite index over any five-year period. The hedged share classes posted

a return below that of the benchmark composite index, which was 1.9% pa over five years.

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

Performance review

In the first half of the review period, the outlook for emerging market debt continued to worsen due to sharp rises in interest rates. Higher food and energy prices in developing countries weighed on inflation expectations, putting upward pressure on the prices of other goods and services. A strong US dollar exacerbated the situation, resulting in a flight of capital from emerging markets.

However, emerging market bonds rebounded strongly in the fourth quarter of 2022. This strong performance continued into the new year amid optimism about the reopening of the Chinese economy and expectations that major central banks would end their interest-rate hiking cycle in 2023. Moreover, major emerging market currencies such as the Mexican peso and Brazilian real rallied against the US dollar. Nonetheless, the US banking crisis in March created heightened volatility among lower-rated financial issuers.

Towards the end of the period, the asset class benefited from an improved inflation outlook and continued weakness in the US dollar. The high yield segment (bonds rated below investment grade by credit rating agencies, as they are considered to carry more risk) benefited the most from broad positive sentiment towards riskier assets.

Emerging market debt registered positive returns over the review period, with local currency sovereign debt outperforming hard currency sovereign bonds and hard currency corporate bonds. (Hard currency are highly traded, relatively stable international currencies, such as the US dollar and euro). Within local currency sovereign debt, FX returns have been particularly strong with the Colombian Peso and Mexican Dollar being standout performers over the period. Whilst Latin American currencies have generally performed strongly, Asia currencies have relatively underperformed.

Authorised Corporate Director's Report

Against this backdrop, the fund delivered a strong positive return and significantly outperformed its benchmark.

Fund outperformance was driven largely by country allocation decisions. The fund's above-benchmark positioning in Uruguay, Ivory Coast and Morocco aided relative performance. However, our underweight positioning in Macau and Chile detracted.

Investment activities

At the start of the review period, we reduced our position in Armenia due to concerns over the country's fundamentals. Other sovereign bond holdings we trimmed included Bahrain, Romania and Bolivia.

In hard currency bonds, we increased our exposure to larger economies in Latin America and Eastern Europe. Despite a lacklustre market for new issuance (also known as primary market) we managed to participate in new sovereign issues from Bulgaria and Romania in September as well as US dollar sovereign bonds from Panama, Columbia and Poland at the end of the year.

At the beginning of 2023, we were once again active in the primary market, participating in new dollar issuances from a number of countries including Mexico, Hungary, Indonesia and the United Arab Emirates. In the secondary market (where existing bonds are traded between market participants), we added sovereign bonds from Jamaica, but trimmed exposures to Peru, and Uruguay on valuation concerns.

In spring, we focused on new issues from Eastern European countries such as Poland and Slovakia as these offered new-issue premiums. We also bought hard currency bonds from Cyprus, Romania and Hungary. Towards the end of the period, we added new euro issues from San Marino, Albania and Lithuania and a US dollar-denominated bond from Guatemala.

Within local currency assets, we exited a position in Chinese government bonds given our concerns over economic growth. Following a sharp sell-off in South Korean domestic bonds, we added several high-quality Asian financials at what we saw as attractive valuations. Elsewhere, we increased our positions in Brazil, South

Africa, Hungary and India, but reduced exposure to Chile. We remain overweight in local currency sovereigns.

Within corporate bonds, we trimmed our exposure to Enfragen Energia (Colombia), VTR (Chile) and KOS (Ghana) in August. Later we reduced our holdings in Brazilian car rental operator Simpar and investment management company XP. In March, we bought a few names including Bharti Airtel, Natura and Hunt Oil, as these bonds were trading at attractive valuations.

Towards the end of the period, we bought new bonds issued by Hungary's OTP Bank, Hungarian Development Bank, UAE property developer Aldar Investments, South Korea's SK Telecom, Romanian lender Banca Transilvania, Mexican financial firm BBVA and Israeli energy company Energean.

Outlook

Looking ahead, we continue to see value in emerging market bonds. While it is important to be selective in this space, emerging market countries generally offer the strongest long-term growth potential, in our view, and benefit from young populations and low debt/gross domestic product (GDP) ratios. Valuations also look attractive to us, with the asset class offering yields well in excess of inflation.

Emerging market central banks generally acted ahead of the curve in this interest rate tightening cycle and aggressively hiked rates early. We believe this means inflation should start to come down quite rapidly and provide a further tailwind to the asset class. While not without risks we are currently finding attractive opportunities in a number of areas, especially in Latin America and South East Asia, based on valuation grounds.

Claudia Calich

Fund manager

An employee of M&G FA 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.

Portfolio statement

Investments

Holding	as at 30.06.23 \$'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income	1,665,541	97.98	97.58
Debt securities	1,665,541	97.98	97.58
'AAA' credit rated bonds	42,504	2.50	3.39
INR350,000,000 European Bank for Reconstruction & Development 6.3% 26/10/2027	4,150	0.25	
INR650,000,000 International Bank for Reconstruction & Development 6.85% 24/04/2028	7,868	0.46	
GEL9,000,000 International Finance 7.5% 18/10/2023	3,401	0.20	
UZS12,000,000,000 International Finance 11% 18/10/2024	990	0.06	
SG\$31,450,000 Singapore (Republic of) 2.75% 01/07/2023	23,175	1.36	
SG\$4,000,000 Singapore (Republic of) 3% 01/09/2024	2,920	0.17	
'AA' credit rated bonds	23,196	1.36	1.55
US\$1,750,000 First Abu Dhabi Bank 4.375% 24/04/2028	1,707	0.10	
US\$8,875,000 Qatar (State of) 5.103% 23/04/2048	8,817	0.52	
US\$11,000,000 Qatar Energy 3.125% 12/07/2041	8,395	0.49	
US\$5,150,000 TSMC Arizona 2.5% 25/10/2031	4,277	0.25	
'A' credit rated bonds	100,890	5.93	4.88
US\$3,800,000 AIA Var. Rate 2.7% Perpetual	3,354	0.20	
€3,000,000 Bank Gospodarstwa Krajowego 3% 30/05/2029	3,004	0.18	
€3,355,000 Bank Gospodarstwa Krajowego 5.125% 22/02/2033	3,760	0.22	
US\$5,600,000 Bermuda (Govt. of) 5% 15/07/2032	5,456	0.32	
US\$3,250,000 BOC Aviation 2.625% 17/09/2030	2,764	0.16	
US\$3,200,000 BOC Aviation 3.875% 27/04/2026	3,034	0.18	
US\$4,423,000 EIG Pearl 3.545% 31/08/2036	3,766	0.22	
US\$3,604,000 Greensaif Pipelines Bidco 6.129% 23/02/2038	3,675	0.21	
US\$3,467,000 Greensaif Pipelines Bidco 6.51% 23/02/2042	3,584	0.21	
¥3,435,000,000 Japan (Govt. of) 0.1% 20/06/2024	23,800	1.40	
€3,750,000 Lithuania (Republic of) 3.875% 14/06/2033	4,082	0.24	
€6,000,000 Poland (Republic of) 4.25% 14/02/2043	6,378	0.37	
US\$6,255,000 Poland (Republic of) 5.5% 04/04/2053	6,272	0.37	
US\$3,539,000 Poland (Republic of) 5.75% 16/11/2032	3,704	0.22	
US\$6,100,000 SA Global Sukuk 2.694% 17/06/2031	5,246	0.31	
€13,100,000 Slovakia (Republic of) 4% 23/02/2043	14,113	0.83	
US\$7,550,000 Tencent 3.24% 03/06/2050	4,898	0.29	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 \$'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds	460,849	27.11	21.32
US\$4,400,000 ABJA Investment 5.45% 24/01/2028	4,350	0.26	
US\$2,388,000 Aldar Investment Properties 4.875% 24/05/2033	2,349	0.14	
US\$1,250,000 Banco de Crédito del Perú Var. Rate 3.125% 01/07/2030	1,144	0.07	
US\$3,433,000 Banco de Crédito del Perú Var. Rate 3.25% 30/09/2031	3,009	0.18	
US\$3,250,000 Banco General 4.125% 07/08/2027	3,054	0.18	
US\$4,800,000 Bank Leumi Le-Israel Var. Rate 3.275% 29/01/2031	4,282	0.25	
US\$2,250,000 Bank of East Asia Var. Rate 4.875% 22/04/2032	2,031	0.12	
€5,023,000 Bulgaria (Republic of) 4.125% 23/09/2029	5,387	0.32	
€4,059,000 Bulgaria (Republic of) 4.625% 23/09/2034	4,375	0.26	
US\$3,800,000 Burgan Bank Var. Rate 2.75% 15/12/2031	2,872	0.17	
US\$2,174,000 Consorcio Transmataro 5.2% 11/04/2038	1,997	0.12	
US\$5,580,000 Corporación Financiera de Desarrollo 2.4% 28/09/2027	4,857	0.29	
€5,000,000 Croatia (Republic of) 1.75% 04/03/2041	3,801	0.22	
€5,500,000 Croatia (Republic of) 4% 14/06/2035	5,943	0.35	
US\$1,638,000 Flex 6% 15/01/2028	1,660	0.10	
US\$4,100,000 Fondo MIVIVIENDA 4.625% 12/04/2027	3,977	0.23	
US\$3,678,000 Freeport Indonesia 4.763% 14/04/2027	3,554	0.21	
US\$1,540,000 Hungarian Export-Import Bank 6.125% 04/12/2027	1,521	0.09	
US\$13,835,000 Hungary (Republic of) 6.25% 22/09/2032	14,132	0.83	
US\$4,450,000 Hutama Karya 3.75% 11/05/2030	4,074	0.24	
US\$4,300,000 Indofood CBP Sukses Makmur 3.398% 09/06/2031	3,619	0.21	
IDR157,000,000,000 Indonesia (Republic of) 7.5% 15/06/2035	11,345	0.67	
IDR259,881,000,000 Indonesia (Republic of) 8.25% 15/05/2036	19,908	1.17	
IDR192,600,000,000 Indonesia (Republic of) 8.375% 15/03/2034	14,773	0.87	
IDR191,667,000,000 Indonesia (Republic of) 8.375% 15/04/2039	14,842	0.87	
US\$2,700,000 International Container Terminal Services 4.75% 17/06/2030	2,604	0.15	
US\$2,970,000 Israel Electric 3.75% 22/02/2032	2,524	0.15	
KZT2,700,000,000 Kazakhstan (Republic of) 0% 20/01/2024	5,508	0.32	
KZT1,200,000,000 Kazakhstan (Republic of) 0% 13/03/2024	2,399	0.14	
KZT920,000,000 Kazakhstan (Republic of) 8.05% 20/05/2024	1,921	0.11	

Portfolio statement

Investments (continued)

Holding		as at 30.06.23 \$'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)				
Debt securities (continued)				
'BBB' credit rated bonds (continued)				
KZT394,728,000	Kazakhstan (Republic of) 13.75% 24/06/2026	865	0.05	
KZT1,100,000,000	Kazakhstan (Republic of) 16.7% 13/01/2025	2,494	0.15	
US\$5,500,000	KazMunayGas National 6.375% 24/10/2048	4,677	0.28	
US\$4,650,000	Lenovo 3.421% 02/11/2030	3,871	0.23	
US\$1,600,000	Lenovo 5.875% 24/04/2025	1,588	0.09	
MYR34,000,000	Malaysia (Govt. of) 3.582% 15/07/2032	7,126	0.42	
MYR23,678,000	Malaysia (Govt. of) 3.844% 15/04/2033	5,040	0.30	
MYR62,000,000	Malaysia (Govt. of) 3.885% 15/08/2029	13,370	0.79	
US\$4,511,000	Mashreqbank Var. Rate 7.875% 24/02/2033	4,690	0.28	
US\$5,150,000	Meituan 3.05% 28/10/2030	4,056	0.24	
£5,520,000	Mexico (United Mexican States) 5.625% 19/03/2114	5,111	0.30	
MXN220,000,000	Mexico (United Mexican States) 8% 05/09/2024	12,461	0.73	
MXN812,790,000	Mexico (United Mexican States) 8.5% 18/11/2038	46,288	2.72	
US\$2,453,000	MFB Magyar Fejlesztési Bank Zrt 6.5% 29/06/2028	2,422	0.14	
US\$4,479,000	Mizrahi-Tefahot Bank Var. Rate 3.077% 07/04/2031	3,905	0.23	
€2,727,000	MVM 0.875% 18/11/2027	2,329	0.14	
US\$4,000,000	NBK Tier 1 Var. Rate 3.625% Perpetual	3,456	0.20	
US\$7,500,000	OTP Bank Var. Rate 7.5% 25/05/2027	7,485	0.44	
US\$3,800,000	Panama (Republic of) 4.5% 16/04/2050	2,907	0.17	
US\$7,500,000	Panama (Republic of) 6.4% 14/02/2035	7,774	0.46	
PEN36,000,000	Peru (Republic of) 5.4% 12/08/2034	8,764	0.52	
PEN45,000,000	Peru (Republic of) 5.94% 12/02/2029	12,151	0.71	
PEN34,500,000	Peru (Republic of) 6.15% 12/08/2032	9,090	0.53	
PEN30,000,000	Peru (Republic of) 7.3% 12/08/2033	8,500	0.50	
€5,900,000	Perusahaan Listrik Negara 1.875% 05/11/2031	4,812	0.28	
US\$5,200,000	Perusahaan Listrik Negara 4.875% 17/07/2049	4,243	0.25	
PHP240,000,000	Philippines (Republic of) 6.125% 22/08/2028	4,348	0.26	
PHP393,000,000	Philippines (Republic of) 6.25% 14/01/2036	7,039	0.41	
US\$5,000,000	Prosus 3.061% 13/07/2031	3,885	0.23	
€9,202,000	Romania (Republic of) 2.875% 13/04/2042	6,113	0.36	

Portfolio statement

Investments (continued)

Holding		as at 30.06.23 \$'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)				
Debt securities (continued)				
'BBB' credit rated bonds (continued)				
RON54,000,000	Romania (Republic of) 4.15% 26/01/2028	10,649	0.63	
RON27,000,000	Romania (Republic of) 4.25% 28/04/2036	4,563	0.27	
US\$13,614,000	Romania (Republic of) 7.125% 17/01/2033	14,399	0.85	
RON52,000,000	Romania (Republic of) 8.75% 30/10/2028	12,320	0.72	
US\$3,738,000	Shinhan Bank 4.375% 13/04/2032	3,400	0.20	
US\$4,300,000	SK Hynix 2.375% 19/01/2031	3,300	0.19	
US\$3,300,000	Standard Chartered Var. Rate 6.301% 09/01/2029	3,305	0.19	
THB187,687,000	Thailand (Kingdom of) IL 1.25% 12/03/2028	5,685	0.33	
UYU666,902,481	Uruguay (Republic of) 3.875% 02/07/2040	23,424	1.38	
UYU453,157,534	Uruguay (Republic of) 8.25% 21/05/2031	11,132	0.65	
'BB' credit rated bonds		580,185	34.13	34.39
US\$3,170,000	Alsea 7.75% 14/12/2026	3,135	0.18	
US\$7,897,000	Azerbaijan (Republic of) 3.5% 01/09/2032	6,729	0.40	
€900,000	Banca Transilvania EMTN Var. Rate 8.875% 27/04/2027	1,002	0.06	
€1,881,000	Banca Transilvania SNR NPF EMTN Var. Rate 8.875% 27/04/2027	2,090	0.12	
US\$2,500,000	Banco Continental 2.75% 10/12/2025	2,258	0.13	
US\$5,350,000	Banco Mercantil del Norte Var. Rate 7.625% Perpetual	4,806	0.28	
US\$5,850,000	Bangkok Bank Var. Rate 3.733% 25/09/2034	4,969	0.29	
US\$4,300,000	Bank Negara Indonesia Persero Var. Rate 4.3% Perpetual	3,525	0.21	
US\$4,075,000	BBVA Bancomer Var. Rate 5.125% 18/01/2033	3,556	0.21	
US\$1,556,000	BBVA Bancomer Var. Rate 8.45% 29/06/2038	1,554	0.09	
US\$4,701,000	Bidvest 3.625% 23/09/2026	4,184	0.25	
US\$10,471,968	Bioceanico Sovereign Certificate 0% 05/06/2034	7,331	0.43	
COP19,571,000,000	Bogota Distrito Capital 9.75% 26/07/2028	4,054	0.24	
BRL279,000,000	Brazil (Federal Republic of) 10% 01/01/2029	55,829	3.28	
BRL92,000,000	Brazil (Federal Republic of) 10% 01/01/2033	18,057	1.06	
US\$2,700,000	Cemex 3.875% 11/07/2031	2,258	0.13	
US\$7,000,000	Colombia (Republic of) 4.125% 22/02/2042	4,405	0.26	
US\$8,050,000	Colombia (Republic of) 4.125% 15/05/2051	4,743	0.28	

Portfolio statement

Investments (continued)

Holding		as at 30.06.23 \$'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)				
Debt securities (continued)				
'BB' credit rated bonds (continued)				
US\$3,500,000	Colombia (Republic of) 5% 15/06/2045	2,399	0.14	
US\$2,800,000	Colombia (Republic of) 5.625% 26/02/2044	2,073	0.12	
US\$3,150,000	Colombia (Republic of) 6.125% 18/01/2041	2,545	0.15	
COP73,500,000,000	Colombia (Republic of) 7.25% 18/10/2034	13,997	0.82	
COP53,000,000,000	Colombia (Republic of) 7.25% 26/10/2050	8,893	0.52	
US\$7,156,000	Colombia (Republic of) 7.5% 02/02/2034	6,960	0.41	
US\$2,282,000	Colombia (Republic of) 8% 20/04/2033	2,315	0.14	
US\$1,860,000	Continuum Energy Levanter 4.5% 09/02/2027	1,724	0.10	
€5,300,000	Côte d'Ivoire (Republic of) 4.875% 30/01/2032	4,459	0.26	
€7,000,000	Côte d'Ivoire (Republic of) 5.25% 22/03/2030	6,372	0.37	
€7,539,000	Côte d'Ivoire (Republic of) 6.625% 22/03/2048	5,784	0.34	
€7,250,000	Cyprus (Republic of) 0.95% 20/01/2032	6,312	0.37	
€5,720,000	Cyprus (Republic of) 4.125% 13/04/2033	6,371	0.37	
US\$1,725,000	Dominica (Republic of) 4.875% 23/09/2032	1,460	0.09	
US\$4,167,000	Dominica (Republic of) 5.875% 30/01/2060	3,193	0.19	
US\$3,200,000	Dominica (Republic of) 6% 22/02/2033	2,938	0.17	
US\$5,500,000	Dominica (Republic of) 6.4% 05/06/2049	4,637	0.27	
US\$2,890,000	Dominica (Republic of) 7.45% 30/04/2044	2,810	0.17	
DOP630,000,000	Dominica (Republic of) 9.75% 05/06/2026	11,470	0.67	
DOP423,050,000	Dominica (Republic of) 13.625% 03/02/2033	9,338	0.55	
US\$636,000	Ecopetrol 5.875% 28/05/2045	429	0.02	
US\$2,900,000	Ecopetrol 6.875% 29/04/2030	2,627	0.15	
US\$3,850,000	Ecopetrol 7.375% 18/09/2043	3,178	0.19	
US\$3,848,000	Ecopetrol 8.875% 13/01/2033	3,784	0.22	
US\$2,800,000	Electricidad Firme de Mexico 4.9% 20/11/2026	2,446	0.14	
COP31,919,000,000	Empresas Publicas de Medellin ESP 8.375% 08/11/2027	6,043	0.36	
US\$2,000,000	Energean Israel Finance 4.875% 30/03/2026	1,854	0.11	
US\$1,576,974	Energean Israel Finance 5.375% 30/03/2028	1,418	0.08	
US\$3,703,704	Energean Israel Finance 8.5% 30/09/2033	3,719	0.22	
US\$4,343,000	EnfraGen Energia 5.375% 30/12/2030	2,822	0.17	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 \$'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)			
Debt securities (continued)			
'BB' credit rated bonds (continued)			
US\$7,096,000 Georgia (Govt. of) 2.75% 22/04/2026	6,346	0.37	
US\$4,500,000 Georgian Railway 4% 17/06/2028	3,859	0.23	
US\$4,554,000 Globo Comunicacao e Participacoes 5.5% 14/01/2032	3,552	0.21	
US\$5,600,000 Greenko Solar Mauritius 5.95% 29/07/2026	5,230	0.31	
US\$9,750,000 Guatemala (Republic of) 4.65% 07/10/2041	7,778	0.46	
US\$4,439,000 Guatemala (Republic of) 4.875% 13/02/2028	4,210	0.25	
US\$7,820,000 Guatemala (Republic of) 4.9% 01/06/2030	7,279	0.43	
US\$3,667,000 Guatemala (Republic of) 6.6% 13/06/2036	3,687	0.22	
US\$10,450,000 Heritage Petroleum 9% 12/08/2029	10,811	0.64	
US\$2,898,688 Hunt Oil Company of Peru 6.375% 01/06/2028	2,781	0.16	
US\$2,000,000 Ipoteka-Bank 5.5% 19/11/2025	1,842	0.11	
US\$5,300,000 KUO 5.75% 07/07/2027	4,668	0.27	
€7,084,000 Macedonia (Govt. of) 1.625% 10/03/2028	6,215	0.37	
€5,100,000 Macedonia (Govt. of) 3.675% 03/06/2026	5,161	0.30	
US\$3,000,000 MAF Global Securities Var. Rate 6.375% Perpetual	2,910	0.17	
US\$2,681,000 MAF Global Securities Var. Rate 7.875% Perpetual	2,711	0.16	
US\$4,700,000 MARB Bondco 3.95% 29/01/2031	3,354	0.20	
US\$3,400,000 Metalsa 3.75% 04/05/2031	2,655	0.16	
US\$5,000,000 Millicom International Cellular 4.5% 27/04/2031	3,854	0.23	
US\$2,610,000 Millicom International Cellular 6.25% 25/03/2029	2,342	0.14	
US\$11,752,000 Morocco (Kingdom of) 4% 15/12/2050	7,871	0.46	
US\$6,928,000 Morocco (Kingdom of) 5.5% 11/12/2042	5,956	0.35	
US\$2,137,000 National Bank of Uzbekistan 4.85% 21/10/2025	2,010	0.12	
US\$1,046,000 Natura &Co 6% 19/04/2029	969	0.06	
US\$2,271,000 Natura Cosméticos 4.125% 03/05/2028	1,964	0.12	
US\$3,650,000 Network i2i Var. Rate 5.65% Perpetual	3,537	0.21	
US\$3,650,000 Nexa Resources 6.5% 18/01/2028	3,493	0.21	
US\$4,500,000 OCP 3.75% 23/06/2031	3,709	0.22	
US\$3,000,000 OCP 6.875% 25/04/2044	2,742	0.16	
US\$7,200,000 Oman (Sultanate of) 6.5% 08/03/2047	6,689	0.39	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 \$'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)			
Debt securities (continued)			
'BB' credit rated bonds (continued)			
US\$9,566,000 Oman (Sultanate of) 6.75% 17/01/2048	9,130	0.54	
US\$11,311,000 Paraguay (Republic of) 6.1% 11/08/2044	10,673	0.63	
MXN90,322,600 Petroleos Mexicanos 7.19% 12/09/2024	4,882	0.29	
US\$2,750,000 Rede D'or Finance 4.5% 22/01/2030	2,346	0.14	
US\$4,225,000 Rede D'or Finance 4.95% 17/01/2028	3,853	0.23	
US\$3,000,000 Renew Wind Energy 4.5% 14/07/2028	2,534	0.15	
US\$5,533,000 Sagicor Finacial 5.3% 13/05/2028	5,194	0.31	
€6,000,000 San Marino (Republic of) 6.5% 19/01/2027	6,479	0.38	
US\$1,750,000 Sasol Financing USA 8.75% 03/05/2029	1,704	0.10	
€10,973,000 Serbia (Republic of) 1.65% 03/03/2033	7,899	0.46	
€10,368,000 Serbia (Republic of) 2.05% 23/09/2036	6,869	0.40	
US\$431,790 Seychelles (Republic of) 8% 01/01/2026	428	0.02	
US\$10,780,000 Sharjah (Govt. of) 6.5% 23/11/2032	11,080	0.65	
US\$3,374,000 Sitios Latinoamerica 5.375% 04/04/2032	3,038	0.18	
US\$9,300,000 South Africa (Republic of) 5.375% 24/07/2044	6,559	0.39	
ZAR642,118,303 South Africa (Republic of) 8.75% 28/02/2048	24,312	1.43	
ZAR538,000,000 South Africa (Republic of) 8.875% 28/02/2035	23,040	1.36	
US\$7,050,000 Southern Gas Corridor CJSC 6.875% 24/03/2026	7,140	0.42	
US\$3,750,000 Telefonica Celular del Paraguay 5.875% 15/04/2027	3,450	0.20	
€3,150,000 Teva Pharmaceutical Finance Netherlands II 3.75% 09/05/2027	3,084	0.18	
US\$4,200,000 Teva Pharmaceutical Finance Netherlands III 6.75% 01/03/2028	4,106	0.24	
US\$5,200,000 Teva Pharmaceutical Finance Netherlands III 7.875% 15/09/2029	5,335	0.31	
US\$2,050,000 Uzbek Industrial and Construction Bank 5.75% 02/12/2024	1,915	0.11	
US\$8,139,000 Uzbekistan (Republic of) 3.9% 19/10/2031	6,515	0.38	
US\$5,211,000 Uzbekistan (Republic of) 5.375% 20/02/2029	4,750	0.28	
UZS43,500,000,000 Uzbekistan (Republic of) 14% 19/07/2024	3,750	0.22	
UZS24,920,000,000 Uzbekistan (Republic of) 14.5% 25/11/2023	2,145	0.13	

Portfolio statement

Investments (continued)

Holding		as at 30.06.23 \$'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)				
Debt securities (continued)				
'BB' credit rated bonds (continued)				
US\$6,506,500	Vietnam (Socialist Republic of) 5.5% 12/03/2028	6,234	0.37	
US\$3,000,000	Vivo Energy Investments 5.125% 24/09/2027	2,701	0.16	
	'B' credit rated bonds	254,914	15.00	21.14
€3,275,000	Albania (Republic of) 3.5% 09/10/2025	3,389	0.20	
€5,334,000	Albania (Republic of) 3.5% 23/11/2031	4,803	0.28	
€10,500,000	Albania (Republic of) 5.9% 09/06/2028	11,140	0.66	
US\$2,900,000	Angola (Republic of) 8.75% 14/04/2032	2,427	0.14	
US\$8,763,000	Angola (Republic of) 9.375% 08/05/2048	6,900	0.41	
US\$7,863,000	Armenia (Republic of) 3.6% 02/02/2031	6,139	0.36	
US\$3,200,000	Armenia (Republic of) 3.95% 26/09/2029	2,645	0.16	
US\$3,427,000	Aydem Yenilenebilir Enerji 7.75% 02/02/2027	2,888	0.17	
US\$7,000,000	Bahamas (Commonwealth of) 6% 21/11/2028	5,577	0.33	
US\$6,478,000	Bahamas (Commonwealth of) 8.95% 15/10/2032	5,543	0.33	
US\$5,775,000	Bahrain (Kingdom of) 5.25% 25/01/2033	5,013	0.29	
US\$3,600,000	Bahrain (Kingdom of) 5.625% 30/09/2031	3,319	0.19	
US\$2,700,000	Banco Davivienda Var. Rate 6.65% Perpetual	1,972	0.12	
US\$3,500,000	Banco Industrial Guatemala Var. Rate 4.875% 29/01/2031	3,211	0.19	
€7,650,000	Benin (Republic of) 4.875% 19/01/2032	6,276	0.37	
€5,348,000	Benin (Republic of) 6.875% 19/01/2052	4,088	0.24	
€8,550,000	Cameroon (Republic of) 5.95% 07/07/2032	6,631	0.39	
US\$2,000,000	Cemex Var. Rate 9.125% Perpetual	2,019	0.12	
US\$4,300,000	Costa Rica (Republic of) 5.625% 30/04/2043	3,676	0.22	
US\$3,911,000	Costa Rica (Republic of) 6.55% 03/04/2034	3,914	0.23	
US\$4,200,000	Costa Rica (Republic of) 7% 04/04/2044	4,069	0.24	
CRC1,000,000,000	Costa Rica (Republic of) 9.66% 30/09/2026	1,964	0.12	
CRC200,000,000	Costa Rica (Republic of) 10.35% 24/09/2025	390	0.02	
US\$4,739,000	Egypt (Arab Republic of) 5.8% 30/09/2027	3,130	0.18	
US\$10,383,000	Egypt (Arab Republic of) 8.7002% 01/03/2049	5,556	0.33	
US\$6,735,000	Egypt (Arab Republic of) 8.875% 29/05/2050	3,605	0.21	
US\$2,655,000	ERO Copper 6.5% 15/02/2030	2,286	0.13	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 \$'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)			
Debt securities (continued)			
'B' credit rated bonds (continued)			
US\$5,917,000 Honduras (Republic of) 5.625% 24/06/2030	4,775	0.28	
US\$6,383,000 Honduras (Republic of) 6.25% 19/01/2027	5,796	0.34	
US\$5,100,000 Jamaica (Govt. of) 7.875% 28/07/2045	5,868	0.34	
US\$4,692,000 Jordan (Kingdom of) 6.125% 29/01/2026	4,596	0.27	
US\$10,835,000 Jordan (Kingdom of) 7.375% 10/10/2047	9,288	0.55	
US\$4,688,000 Kenbourne Invest 4.7% 22/01/2028	3,129	0.18	
US\$6,460,000 Kenya (Republic of) 8% 22/05/2032	5,429	0.32	
US\$4,900,000 Kenya (Republic of) 8.25% 28/02/2048	3,743	0.22	
US\$3,350,000 Liberty Costa Rica Senior Secured Finance 10.875% 15/01/2031	3,298	0.19	
US\$2,800,000 Liquid Telecommunications Financing 5.5% 04/09/2026	1,554	0.09	
US\$3,180,000 Mongolia (Govt. of) 3.5% 07/07/2027	2,670	0.16	
US\$3,850,000 Mongolia (Govt. of) 4.45% 07/07/2031	2,989	0.18	
US\$4,208,000 Mongolia (Govt. of) 5.125% 07/04/2026	3,922	0.23	
US\$2,500,000 Mongolia (Govt. of) 8.65% 19/01/2028	2,517	0.15	
US\$2,000,000 Mongolia (Govt. of) 8.75% 09/03/2024	2,018	0.12	
US\$6,200,000 Namibia (Republic of) 5.25% 29/10/2025	5,870	0.34	
US\$3,990,000 Oriflame Investment 5.125% 04/05/2026	1,829	0.11	
US\$3,846,000 Papua New Guinea (Govt. of) 8.375% 04/10/2028	3,561	0.21	
US\$7,351,000 Petroleos Mexicanos 6.75% 21/09/2047	4,557	0.27	
US\$11,400,000 Petroleos Mexicanos 7.69% 23/01/2050	7,639	0.45	
US\$9,000,000 Rwanda (Republic of) 5.5% 09/08/2031	6,748	0.40	
€4,150,000 Senegal (Republic of) 4.75% 13/03/2028	3,870	0.23	
€3,150,000 Senegal (Republic of) 5.375% 08/06/2037	2,275	0.13	
US\$5,000,000 Senegal (Republic of) 6.25% 23/05/2033	4,166	0.24	
US\$4,900,000 Senegal (Republic of) 6.75% 13/03/2048	3,479	0.20	
US\$1,757,000 Silknet 8.375% 31/01/2027	1,717	0.10	
€3,725,000 Srpska (Republic of) 4.75% 27/04/2026	3,742	0.22	
US\$11,517,000 Tajikistan (Republic of) 7.125% 14/09/2027	9,349	0.55	
US\$5,365,000 Total Play Telecomunicaciones 6.375% 20/09/2028	3,158	0.19	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 \$'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)			
Debt securities (continued)			
'B' credit rated bonds (continued)			
US\$10,000,000 Türkiye (Republic of) 4.875% 16/04/2043	6,396	0.38	
US\$8,000,000 Türkiye (Republic of) 5.75% 11/05/2047	5,418	0.32	
US\$6,885,000 Türkiye (Republic of) 6.5% 20/09/2033	5,834	0.34	
US\$1,500,000 Türkiye (Republic of) 6.625% 17/02/2045	1,144	0.07	
'CCC' credit rated bonds	123,368	7.26	6.51
US\$2,766,000 ALROSA Finance 3.1% 25/06/2027 ^a	0	0.00	
US\$3,300,000 Banco do Brasil Var. Rate 6.25% Perpetual	2,939	0.17	
US\$9,200,000 Barbados (Govt. of) 6.5% 01/10/2029	8,585	0.50	
€2,596,000 BOI Finance 7.5% 16/02/2027	2,415	0.14	
US\$1,886,000 Bolivia (Plurinational State of) 4.5% 20/03/2028	1,194	0.07	
US\$2,082,908 Ecuador (Republic of) 0% 31/07/2030	597	0.04	
US\$7,136,364 Ecuador (Republic of) 1.5% 31/07/2040	2,181	0.13	
US\$7,179,271 Ecuador (Republic of) 2.5% 31/07/2035	2,457	0.14	
US\$7,000,000 El Salvador (Republic of) 7.1246% 20/01/2050	3,858	0.23	
US\$4,250,000 El Salvador (Republic of) 9.5% 15/07/2052	2,650	0.16	
US\$5,825,000 Eskom 6.75% 06/08/2023	5,803	0.34	
US\$7,200,000 Eskom 7.125% 11/02/2025	7,061	0.42	
US\$8,500,000 Gabon (Republic of) 6.625% 06/02/2031	6,726	0.40	
US\$9,700,000 Gabon (Republic of) 6.95% 16/06/2025	9,093	0.53	
US\$2,212,000 GTLK Europe 5.125% 31/05/2024 ^a	0	0.00	
US\$631,000 GTLK Europe Capital 4.65% 10/03/2027 ^a	0	0.00	
US\$3,208,000 GTLK Europe Capital 5.95% 17/04/2025 ^a	0	0.00	
US\$7,070,625 Iraq (Republic of) 5.8% 15/01/2028	6,480	0.38	
US\$3,350,000 Kosmos Energy 7.125% 04/04/2026	2,938	0.17	
US\$3,079,000 Maldives Sukuk Issuance 9.875% 08/04/2026	2,529	0.15	
US\$11,700,000 Mozambique (Republic of) 5% 15/09/2031	8,819	0.52	
US\$3,000,000 Nigeria (Federal Republic of) 7.143% 23/02/2030	2,506	0.15	
US\$12,186,000 Nigeria (Federal Republic of) 7.375% 28/09/2033	9,566	0.56	
US\$1,800,000 Nigeria (Federal Republic of) 7.875% 16/02/2032	1,503	0.09	
US\$9,243,000 Nigeria (Federal Republic of) 8.747% 21/01/2031	8,247	0.49	

Portfolio statement

Investments (continued)

Holding		as at 30.06.23 \$'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)				
Debt securities (continued)				
'CCC' credit rated bonds (continued)				
US\$4,400,000	Pakistan (Islamic Republic of) 6.875% 05/12/2027	2,064	0.12	
US\$2,852,000	Pakistan (Islamic Republic of) 8.875% 08/04/2051	1,251	0.07	
RUB2,783,367,000	Russia (Federation of) 8.15% 03/02/2027	16,547	0.97	
US\$4,226,000	VTR Comunicaciones 5.125% 15/01/2028	2,182	0.13	
US\$3,500,000	YPF 8.5% 28/07/2025	3,177	0.19	
	'C' credit rated bonds	31,888	1.88	1.62
€4,992,000	Argentina (Republic of) 0.125% 09/07/2030	1,478	0.09	
US\$10,000,000	Argentina (Republic of) 0.5% 09/07/2030	3,276	0.19	
US\$31,170,041	Argentina (Republic of) 1.5% 09/07/2035	9,153	0.54	
US\$5,000,000	Argentina (Republic of) 1.5% 09/07/2046	1,473	0.09	
ARS193,441,000	Argentina (Republic of) 15.5% 17/10/2026	140	0.01	
ARS67,000,000	Argentina (Republic of) 16% 17/10/2023	211	0.01	
US\$2,828,297	Buenos Aires (Province of) 5.25% 01/09/2037	1,065	0.06	
US\$3,000,000	Córdoba (Province of) 6.875% 01/02/2029	1,964	0.12	
US\$3,268,000	NAK Naftogaz Ukraine via Kondor Finance 7.625% 08/11/2026	1,237	0.07	
US\$2,093,000	NPC Ukrenergo 6.875% 09/11/2028	422	0.02	
€5,000,000	Ukraine (Republic of) 6.75% 20/06/2028	1,132	0.07	
US\$10,017,000	Ukraine (Republic of) 7.375% 25/09/2034	2,283	0.13	
UAH27,923,000	Ukraine (Republic of) 9.99% 22/05/2024	649	0.04	
UAH58,000,000	Ukraine (Republic of) 11.67% 22/11/2023	1,264	0.07	
UAH150,000,000	Ukraine (Republic of) 12.7% 30/10/2024	3,347	0.20	
UAH30,000,000	Ukraine (Republic of) 15.5% 02/10/2024	819	0.05	
UAH60,000,000	Ukraine (Republic of) 19.7% 06/08/2025	1,181	0.07	
UAH40,000,000	Ukraine (Republic of) 19.75% 05/11/2025	794	0.05	
	'D' credit rated bonds	16,173	0.95	0.83
US\$8,934,000	Ghana (Republic of) 8.125% 26/03/2032	3,788	0.22	
US\$4,200,000	Ghana (Republic of) 8.627% 16/06/2049	1,706	0.10	
US\$1,750,000	Sri Lanka (Republic of) 6.2% 11/05/2027	769	0.05	
US\$1,950,000	Sri Lanka (Republic of) 6.75% 18/04/2028	854	0.05	
US\$2,200,000	Sri Lanka (Republic of) 7.55% 28/03/2030	966	0.06	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 \$'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)			
Debt securities (continued)			
'D' credit rated bonds (continued)			
US\$3,200,000 Sri Lanka (Republic of) 7.85% 14/03/2029	1,399	0.08	
US\$12,676,000 Venezuela (Republic of) 7% 31/03/2038 ^a	1,105	0.06	
US\$6,171,300 Venezuela (Republic of) 9.25% 07/05/2028 ^a	538	0.03	
US\$2,200,000 Yuzhou 7.7% 20/02/2025	139	0.01	
US\$1,600,000 Yuzhou 7.85% 12/08/2026	103	0.01	
US\$4,635,000 Zambia (Republic of) 8.5% 14/04/2024 ^a	2,686	0.16	
US\$3,700,000 Zambia (Republic of) 8.97% 30/07/2027 ^a	2,120	0.12	
Bonds with no credit rating	31,574	1.86	1.95
US\$11,132,000 Abu Dhabi (Emirate of) 3.9% 09/09/2050	8,043	0.47	
US\$6,647,000 Commercial Bank of Qatar Var. Rate 4.5% Perpetual	5,992	0.35	
US\$4,200,000 Jollibee Worldwide Pte 4.75% 24/06/2030	3,953	0.23	
US\$11,676,200 Petroleos de Venezuela 5.375% 12/04/2027 ^a	409	0.03	
US\$3,000,000 Petroleos de Venezuela 6% 16/05/2024 ^a	101	0.01	
US\$2,944,927 Petroleos de Venezuela 9.75% 17/05/2035 ^a	107	0.01	
US\$3,700,000 Sovcombank Via SovCom Capital 8% 07/04/2030 ^a	0	0.00	
US\$15,439,000 Vietnam Debt & Asset Trading 1% 10/10/2025	12,969	0.76	
Currency	(415)	(0.02)	0.16
Forward currency contracts	(415)	(0.02)	0.16
CLP6,489,000,000 Bought for \$7,932,472 (expires 23.08.23)	92	0.01	
CZK808,000,000 Bought for \$36,370,167 (expires 23.08.23)	441	0.03	
€(142,658,970) Sold for \$153,693,735 (expires 23.08.23)	(1,518)	(0.09)	
£3,600,000 Bought for \$4,473,402 (expires 23.08.23)	81	0.00	
£(16,257,664) Sold for \$20,204,458 (expires 23.08.23)	(362)	(0.02)	
HUF7,950,000,000 Bought for \$22,523,147 (expires 05.07.23)	687	0.04	
INR648,560,000 Bought for \$7,819,534 (expires 23.08.23)	70	0.00	
PLN37,850,000 Bought for \$8,909,788 (expires 23.08.23)	304	0.02	
THB364,320,000 Bought for \$10,535,728 (expires 23.08.23)	(210)	(0.01)	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 \$'000	as at 30.06.23 %	as at 30.06.22 %
Share class hedging	4,506	0.26	(0.22)
Forward currency contracts for share class hedging	4,506	0.26	(0.22)
£661,482,829 Bought for \$832,111,071 (expires 12.07.23)	4,501	0.26	
£(781,060) Sold for \$992,665 (expires 12.07.23)	5	0.00	
Total portfolio	1,669,632	98.22	97.52
Net other assets/(liabilities)	30,199	1.78	2.48
Net assets attributable to shareholders	1,699,831	100.00	100.00

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

^a Defaulted bond.

Portfolio statement

Top ten portfolio transactions for the year to 30 June 2023

Largest purchases	\$'000
Japan (Govt. of) 0.1% 20/06/2024	25,308
Mexico (United Mexican States) 8.5% 18/11/2038	21,769
Romania (Republic of) 7.125% 17/01/2033	19,716
Japan (Govt. of) 0.1% 20/06/2023	19,634
South Africa (Republic of) 8.875% 28/02/2035	17,663
Brazil (Federal Republic of) 10% 01/01/2033	15,268
Hungary (Republic of) 6.25% 22/09/2032	14,254
Slovakia (Republic of) 4% 23/02/2043	13,992
Romania (Republic of) 6.625% 27/09/2029	13,883
Brazil (Federal Republic of) 10% 01/01/2029	12,995
Other purchases	858,573
Total purchases	1,033,055

Largest sales	\$'000
China (Republic of) 3.27% 19/11/2030	21,006
Japan (Govt. of) 0.1% 20/06/2023	19,075
Romania (Republic of) 6.625% 27/09/2029	13,884
Singapore (Republic of) 1.75% 01/02/2023	13,560
Türkiye (Republic of) 9.375% 19/01/2033	10,993
Mexico (United Mexican States) 8.5% 18/11/2038	6,620
Romania (Republic of) 7.125% 17/01/2033	6,231
Dominica (Republic of) 8.9% 15/02/2033	6,189
Bank Gospodarstwa Krajowego 3% 30/05/2029	6,050
Chile (Republic of) 5% 01/10/2028	5,914
Other sales	257,486
Total sales	367,008

Purchases and sales exclude the cost and proceeds of 'AAA' rated money market funds.

Financial highlights

Fund performance

Please note past performance is not a guide to future performance and the value of investments, and the income from them, will fluctuate. This will cause the fund price to fall as well as rise and you may not get back the original amount you invested.

As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different.

For additional information, including monthly fund commentaries, fund facts, performance information (including a range of performance graphs) and other documents, please visit our website at mandg.com/investments

Long-term performance by share class

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period. Calculated on a price to price basis with income reinvested. Please refer to 'Specific share class performance' tables for the share class launch dates.

Share class	One year % ^a	Three years % pa	Five years % pa	Ten years % pa
Sterling				
Class 'A' Income	+9.9	-1.1	+2.5	+4.9
Class 'A' Accumulation	+9.9	-1.1	+2.6	+4.9
Class 'I' Income	+10.3	-0.7	+3.0	+5.4
Class 'I' Accumulation	+10.4	-0.7	+3.1	+5.4
Class 'I-H' Income	+13.0	-0.7	+0.8	n/a
Class 'I-H' Accumulation	+13.0	-0.7	+0.8	n/a
Class 'PP' Income	+10.4	-0.6	n/a	n/a
Class 'PP' Accumulation	+10.5	-0.5	n/a	n/a
Class 'PP-H' Income	+13.2	n/a	n/a	n/a
Class 'PP-H' Accumulation	+13.1	n/a	n/a	n/a
Class 'R' Income	+10.1	-0.9	+2.7	+5.1
Class 'R' Accumulation	+10.1	-0.9	+2.8	+5.2
Benchmark	+3.4	-2.6	+1.9	+3.8

^a Not annualised.

Specific share class performance

The following comparative tables show the performance of each share class. All 'Performance and charges' percentages represent an annual rate except for the 'Return after operating charges' which is calculated as a percentage of the opening net asset value per share (NAV per share). 'Dilution adjustments' are only in respect of direct portfolio transaction costs.

'Operating charges' and 'Direct portfolio transaction costs' are calculated as a percentage of average net asset value. Where there is a change in the charging structure, you may see variances in the 'operating charges' between the comparative and current year figures.

The closing NAV per share shown may diverge from the highest and lowest share prices (used for dealing purposes) as at the balance sheet date due to accounting and valuation adjustments.

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 1 October 2002.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	73.46	86.16	92.76
Return before operating charges	7.28	(6.66)	(0.74)
Operating charges	(0.85)	(0.91)	(1.07)
Return after operating charges	6.43	(7.57)	(1.81)
Distributions	(5.05)	(5.13)	(4.79)
Closing NAV	74.84	73.46	86.16
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	1.09	1.10	1.19
Return after charges	+8.75	-8.79	-1.95
Other information			
Closing NAV (\$'000)	7,393	8,235	4,725
Number of shares	7,811,050	9,258,716	3,956,363
Highest share price (UK p)	82.33	88.58	95.71
Lowest share price (UK p)	72.38	75.37	85.74

Sterling Class 'A' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	224.40	246.76	251.91
Return before operating charges	22.34	(19.71)	(2.20)
Operating charges	(2.63)	(2.65)	(2.95)
Return after operating charges	19.71	(22.36)	(5.15)
Distributions	(13.12)	(12.15)	(10.28)
Retained distributions	13.12	12.15	10.28
Closing NAV	244.11	224.40	246.76
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.03	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.03	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	1.09	1.10	1.19
Return after charges	+8.78	-9.06	-2.04
Other information			
Closing NAV (\$'000)	9,249	8,671	4,418
Number of shares	2,995,980	3,191,035	1,291,521
Highest share price (UK p)	253.23	253.68	259.85
Lowest share price (UK p)	221.09	222.05	238.74

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 19 April 2012.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	101.79	118.91	127.41
Return before operating charges	10.10	(9.22)	(0.99)
Operating charges	(0.75)	(0.80)	(0.91)
Return after operating charges	9.35	(10.02)	(1.90)
Distributions	(7.01)	(7.10)	(6.60)
Closing NAV	104.13	101.79	118.91
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.70	0.69	0.73
Return after charges	+9.19	-8.43	-1.49
Other information			
Closing NAV (\$'000)	205,003	159,751	199,721
Number of shares	155,673,168	129,609,526	121,159,713
Highest share price (UK p)	114.19	122.43	131.75
Lowest share price (UK p)	100.32	104.30	118.19

Sterling Class 'I' Accumulation share performance

The share class was launched on 19 April 2012.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	168.97	185.06	188.06
Return before operating charges	16.84	(14.82)	(1.65)
Operating charges	(1.26)	(1.27)	(1.35)
Return after operating charges	15.58	(16.09)	(3.00)
Distributions	(10.60)	(9.89)	(8.53)
Retained distributions	10.60	9.89	8.53
Closing NAV	184.55	168.97	185.06
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.02	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.70	0.69	0.73
Return after charges	+9.22	-8.69	-1.60
Other information			
Closing NAV (\$'000)	367,427	341,690	585,638
Number of shares	157,423,447	167,003,534	228,270,901
Highest share price (UK p)	191.14	190.54	194.42
Lowest share price (UK p)	166.51	166.99	178.85

Financial highlights

Sterling Class 'I-H' Income share performance

The share class was launched on 24 July 2015.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	69.19	93.08	88.77
Return before operating charges	8.57	(18.14)	10.17
Operating charges	(0.53)	(0.64)	(0.72)
Return after operating charges	8.04	(18.78)	9.45
Distributions	(4.75)	(5.11)	(5.14)
Closing NAV	72.48	69.19	93.08
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.72	0.73	0.76
Return after charges	+11.62	-20.18	+10.65
Other information			
Closing NAV (\$'000)	187,467	24,891	72,417
Number of shares	204,504,993	29,710,788	56,120,237
Highest share price (UK p)	76.03	94.93	99.44
Lowest share price (UK p)	65.49	71.76	89.57

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 24 July 2015.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	103.82	130.92	118.37
Return before operating charges	13.08	(26.20)	13.52
Operating charges	(0.79)	(0.90)	(0.97)
Return after operating charges	12.29	(27.10)	12.55
Distributions	(6.46)	(6.37)	(5.96)
Retained distributions	6.46	6.37	5.96
Closing NAV	116.11	103.82	130.92
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.72	0.73	0.76
Return after charges	+11.84	-20.70	+10.60
Other information			
Closing NAV (\$'000)	207,493	149,757	236,719
Number of shares	141,299,046	119,130,278	130,431,707
Highest share price (UK p)	117.80	133.53	133.11
Lowest share price (UK p)	98.23	103.82	119.39

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	73.08	85.26	91.24
Return before operating charges	7.28	(6.59)	(0.70)
Operating charges	(0.46)	(0.50)	(0.55)
Return after operating charges	6.82	(7.09)	(1.25)
Distributions	(5.04)	(5.09)	(4.73)
Closing NAV	74.86	73.08	85.26
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.59	0.60	0.60
Return after charges	+9.33	-8.32	-1.37
Other information			
Closing NAV (\$'000)	12,746	6,024	54,128
Number of shares	13,462,464	6,808,109	45,797,505
Highest share price (UK p)	82.00	87.81	94.40
Lowest share price (UK p)	72.03	74.84	84.72

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	97.57	106.76	108.34
Return before operating charges	9.72	(8.57)	(0.93)
Operating charges	(0.62)	(0.62)	(0.65)
Return after operating charges	9.10	(9.19)	(1.58)
Distributions	(6.23)	(5.82)	(5.02)
Retained distributions	6.23	5.82	5.02
Closing NAV	106.67	97.57	106.76
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.60	0.59	0.60
Return after charges	+9.33	-8.61	-1.46
Other information			
Closing NAV (\$'000)	283,478	237,461	166,791
Number of shares	210,120,864	200,985,919	112,694,483
Highest share price (UK p)	110.44	109.96	112.08
Lowest share price (UK p)	96.16	96.41	103.15

Financial highlights

Sterling Class 'PP-H' Income share performance

The share class was launched on 15 March 2021.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	73.76	99.13	100.00
Return before operating charges	9.22	(19.33)	2.15
Operating charges	(0.51)	(0.56)	(0.19)
Return after operating charges	8.71	(19.89)	1.96
Distributions	(5.08)	(5.48)	(2.83)
Closing NAV	77.39	73.76	99.13
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.61	0.62	0.63
Return after charges	+11.81	-20.06	+1.96
Other information			
Closing NAV (\$'000)	401,584	3,960	3,883
Number of shares	410,325,075	4,433,694	2,825,362
Highest share price (UK p)	81.17	101.14	102.91
Lowest share price (UK p)	69.84	76.51	98.71

Sterling Class 'PP-H' Accumulation share performance

The share class was launched on 15 March 2021.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	80.92	101.97	100.00
Return before operating charges	10.19	(20.45)	2.16
Operating charges	(0.54)	(0.60)	(0.19)
Return after operating charges	9.65	(21.05)	1.97
Distributions	(5.13)	(5.10)	(1.45)
Retained distributions	5.13	5.10	1.45
Closing NAV	90.57	80.92	101.97
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.62	0.63	0.63
Return after charges	+11.93	-20.64	+1.97
Other information			
Closing NAV (\$'000)	13,543	5,520	7,386
Number of shares	11,824,275	5,633,158	5,225,356
Highest share price (UK p)	91.89	104.03	102.91
Lowest share price (UK p)	76.60	80.92	98.71

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	93.60	109.62	117.76
Return before operating charges	9.28	(8.48)	(0.93)
Operating charges	(0.93)	(1.01)	(1.12)
Return after operating charges	8.35	(9.49)	(2.05)
Distributions	(6.44)	(6.53)	(6.09)
Closing NAV	95.51	93.60	109.62
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.95	0.94	0.98
Return after charges	+8.92	-8.66	-1.74
Other information			
Closing NAV (\$'000)	1,724	1,320	2,075
Number of shares	1,427,646	1,164,896	1,365,549
Highest share price (UK p)	104.94	112.77	121.63
Lowest share price (UK p)	92.24	95.99	109.04

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	153.42	168.46	171.61
Return before operating charges	15.28	(13.47)	(1.50)
Operating charges	(1.55)	(1.57)	(1.65)
Return after operating charges	13.73	(15.04)	(3.15)
Distributions	(9.22)	(8.56)	(7.36)
Retained distributions	9.22	8.56	7.36
Closing NAV	167.15	153.42	168.46
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.02	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.95	0.95	0.98
Return after charges	+8.95	-8.93	-1.84
Other information			
Closing NAV (\$'000)	2,724	2,611	3,601
Number of shares	1,288,492	1,405,335	1,541,767
Highest share price (UK p)	173.29	173.28	177.22
Lowest share price (UK p)	151.17	151.75	162.92

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Statement of total return

for the year to 30 June	Note	2023		2022	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains/(losses)	3		91,331		(364,129)
Revenue	5	75,759		73,363	
Expenses	6	(7,534)		(8,559)	
Interest payable and similar charges		(25)		(25)	
Net revenue/(expense) before taxation		68,200		64,779	
Taxation	7	(394)		(211)	
Net revenue/(expense) after taxation			67,806		64,568
Total return before distributions			159,137		(299,561)
Distributions	8		(70,250)		(66,736)
Change in net assets attributable to shareholders from investment activities			88,887		(366,297)

Statement of change in net assets attributable to shareholders

for the year to 30 June	2023		2022	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		949,891		1,357,389
Amounts received on issue of shares	859,326		351,143	
Amounts paid on cancellation of shares	(249,461)		(445,228)	
		609,865		(94,085)
Dilution adjustments		5,016		2,535
Change in net assets attributable to shareholders from investment activities (see above)		88,887		(366,297)
Retained distributions on Accumulation shares		46,172		50,349
Closing net assets attributable to shareholders		1,699,831		949,891

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Balance sheet

as at 30 June	Note	2023 \$'000	2022 \$'000
Assets			
Fixed assets			
Investments		1,671,722	926,443
Current assets			
Debtors	9	46,250	25,501
Cash and bank balances	10	24,497	29,098
Cash equivalents		20,497	4,039
Total assets		1,762,966	985,081
Liabilities			
Investment liabilities		(2,090)	(4,080)
Creditors			
Bank overdrafts		(18,973)	(22,985)
Distribution payable		(27,684)	(7,531)
Other creditors	11	(14,388)	(594)
Total liabilities		(63,135)	(35,190)
Net assets attributable to shareholders		1,699,831	949,891

Financial statements and notes

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 9 to 12.

The fund's functional and presentational currency is US dollars as this better reflects the currency of its primary economic environment.

2 Distribution policy

In determining the amount available for distribution to Income shares, the annual charge is offset against capital, increasing the amount available for distribution whilst restraining capital performance to an equivalent extent.

3 Net capital gains/(losses)

for the year to 30 June	2023 \$'000	2022 \$'000
Non-derivative securities	72,846	(345,094)
Derivative contracts	15,751	(29,900)
Currency gains/(losses)	2,734	10,865
Net capital gains/(losses)	91,331	(364,129)

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4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the sections on 'Operating charges' and 'Portfolio transaction costs' within 'Notes to the financial statements' on pages 11 and 12. Total direct portfolio transaction costs are stated before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

for the year to 30 June	2023 \$'000	2022 \$'000
a) Purchases		
Debt securities	1,033,055	671,626
b) Sales		
Debt securities	351,432	667,537
Other transaction types		
Corporate actions	15,576	44,315
Total sales	367,008	711,852
c) There were no direct portfolio transaction costs		
	%	%
d) Indirect portfolio transaction costs		
Average portfolio dealing spread as at the balance sheet date	1.07	1.30

5 Revenue

for the year to 30 June	2023 \$'000	2022 \$'000
Bank interest	140	9
Derivative revenue	457	(615)
Interest distributions	630	31
Interest on debt securities	74,520	73,926
Rebate of ongoing charges from underlying funds	12	12
Total revenue	75,759	73,363

6 Expenses

for the year to 30 June	2023 \$'000	2022 \$'000
Payable to the ACD or associate		
Annual charge	7,534	8,559
Total expenses	7,534	8,559

Audit fees for the financial year ending 2023 were £13,000 (2022: £12,000) (including VAT), which are covered by the annual charge.

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7 Taxation

for the year to 30 June	2023 \$'000	2022 \$'000
a) Analysis of charge in the year		
Corporation tax	79	0
Withholding tax	394	211
Double taxation relief	(79)	0
Deferred tax (note 7c)	0	0
Total taxation	394	211
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	68,200	64,779
Corporation tax at 20%	13,640	12,956
Effects of:		
Double taxation relief	(79)	0
Interest distributions	(13,561)	(12,956)
Withholding tax	394	211
Total tax charge (note 7a)	394	211
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset in the current financial year (2022: same).

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8 Distributions

For each distribution period, the distributions payable on Income shares (Inc) and distributions retained on Accumulation shares (Acc) are disclosed.

for the year to 30 June	2023		2022	
	Inc \$'000	Acc \$'000	Inc \$'000	Acc \$'000
Interest distributions				
Interim	8,747	19,890	9,284	26,692
Final	27,684	26,282	7,531	23,657
Total net distributions		82,603		67,164
Income deducted on cancellation of shares		4,538		6,100
Income received on issue of shares		(16,891)		(6,528)
Distributions		70,250		66,736
Net revenue/(expense) per statement of total return		67,806		64,568
Expenses offset against capital		2,444		2,167
Undistributed income brought forward		1		0
Undistributed income carried forward		(1)		1
Distributions		70,250		66,736

9 Debtors

as at 30 June	2023 \$'000	2022 \$'000
Amounts receivable on issues of shares	5,231	196
Bank interest receivable	0	3
Currency deals outstanding	5,262	22
Debt security interest receivable	35,614	21,307
Distributions receivable	42	7
Sales awaiting settlement	0	3,873
Withholding tax recoverable	101	93
Total debtors	46,250	25,501

10 Cash and bank balances

as at 30 June	2023 \$'000	2022 \$'000
Amounts held at futures clearing houses and collateral manager	1,734	2,950
Cash held as bank balances	22,763	26,148
Total cash and bank balances	24,497	29,098

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11 Other creditors

as at 30 June	2023 \$'000	2022 \$'000
Amounts payable on cancellation of shares	4,773	256
Annual charge payable	651	316
Currency deals outstanding	5,260	22
Purchases awaiting settlement	3,704	0
Total other creditors	14,388	594

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2022: same).

13 Shares in issue

The following table shows each class of share in issue during the year. Each share class has the same rights on winding up however they may have different charging structures as set out in note 14.

Share class	Opening	Issued	Movements		Closing
	01.07.22		Cancelled	Converted	
Sterling					
Class 'A' Income	9,258,716	595,751	(2,043,417)	0	7,811,050
Class 'A' Accumulation	3,191,035	617,624	(812,679)	0	2,995,980
Class 'I' Income	129,609,526	62,217,842	(36,154,200)	0	155,673,168
Class 'I' Accumulation	167,003,534	51,171,826	(60,751,913)	0	157,423,447
Class 'I-H' Income	29,710,788	181,501,781	(6,707,576)	0	204,504,993
Class 'I-H' Accumulation	119,130,278	47,747,376	(25,578,608)	0	141,299,046
Class 'PP' Income	6,808,109	9,856,358	(3,202,003)	0	13,462,464
Class 'PP' Accumulation	200,985,919	35,830,128	(26,695,183)	0	210,120,864
Class 'PP-H' Income	4,433,694	406,866,054	(974,673)	0	410,325,075
Class 'PP-H' Accumulation	5,633,158	6,484,052	(292,935)	0	11,824,275
Class 'R' Income	1,164,896	339,745	(76,995)	0	1,427,646
Class 'R' Accumulation	1,405,335	302,397	(419,240)	0	1,288,492

It is not possible to separately identify all share class conversions. As a result, the share class movements (issued/cancelled) as disclosed in the table above may also include share class conversions.

Financial statements and notes

14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class. The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

Share class	Annual charge %
Sterling	
Class 'A'	1.10
Class 'I'	0.70
Class 'I-H'	0.73
Class 'PP'	0.60
Class 'PP-H'	0.63
Class 'R'	0.95

15 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the fund except with in specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to shareholders' and note 8. Amounts due to/from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the annual charge are disclosed in note 6. Amounts due at the year end in respect of the annual charge are disclosed in note 11.

Amounts paid to M&G Securities Limited in respect of rebate arrangements for the annual charge are disclosed in notes 3 and 5. Amounts due at the year end from the ACD, and/or associate, in respect of these rebates are disclosed in note 9.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 13.33% (2022: 25.66%) of the fund's shares.

16 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities, highly liquid bonds (eg Government bonds) and exchange traded derivatives (eg futures) for which quoted prices are readily and regularly available.

Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

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Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 30 June	Assets 2023 \$'000	Liabilities 2023 \$'000	Assets 2022 \$'000	Liabilities 2022 \$'000
Level 1	23,800	0	0	0
Level 2	1,647,922	(2,090)	913,778	(4,080)
Level 3	0	0	12,665	0
	1,671,722	(2,090)	926,443	(4,080)

17 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 15.

18 Market risk sensitivity and exposure

VaR is the risk measurement methodology used to assess the fund's leverage and market risk volatility.

The VaR limit set during the period to 5 March 2023 was 20% (2022: 20%).

The VaR limit set during the period from 6 March 2023 was two times the benchmark.

The lowest, highest and average VaR, as well as utilisation of VaR with reference to the limit above, are calculated during the financial years ended 30 June 2023 and 30 June 2022.

for the year ended 30 June	from 6 March 2023 to 30 June 2023 % of VaR	from 6 March 2023 to 30 June 2023 Utilisation of VaR %	from 1 July 2022 to 5 March 2023 % of VaR	from 1 July 2022 to 5 March 2023 Utilisation of VaR 20%	2022 % of VaR	2022 Utilisation of VaR 20%
Lowest	5.41	57.37	6.29	31.45	4.63	23.15
Highest	6.75	67.64	7.92	39.60	6.66	33.30
Average	6.13	64.99	6.91	34.57	5.17	25.87

19 Credit risk

The fund is exposed to credit risk both through the credit quality of the investments it holds and through the derivative positions with counterparties. The table below shows the credit quality of the investments held in the portfolio.

as at 30 June	2023 \$'000	2022 \$'000
Investment grade securities	627,439	294,535
Below investment grade securities	1,006,528	609,897
Unrated securities	31,574	18,473
Other investments	4,091	(542)
Total	1,669,632	922,363

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The tables below show the exposure to counterparties. Collateral is posted daily, in the form of cash or high-quality government bonds, to minimise this exposure.

as at 30 June 2023	Forward currency contracts \$'000
BNP Paribas	441
Goldman Sachs	90
HSBC	971
JPMorgan	(572)
Standard Chartered Bank	(263)
State Street Bank	4,587
UBS	(1,163)
Total	4,091

as at 30 June 2022	Forward currency contracts \$'000
Barclays Bank	(76)
BNP Paribas	(419)
Citigroup	(632)
HSBC	2,499
National Australia Bank	250
State Street Bank	(2,072)
UBS	(92)
Total	(542)

20 Leverage risk

Funds using VaR approaches are required to disclose the level of leverage employed during the financial reporting period.

Derivatives can be used by the fund to generate market exposure to investments exceeding the net asset value. As a result of this exposure, the size of any positive or negative movement in markets may have a more significant effect on the net asset value of the fund.

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 30 June 2023 and 30 June 2022 are disclosed in the table below. Leverage has been

Financial statements and notes

calculated using the Gross Sum of Notional Approach for derivative positions only (including forward currency contracts) and excludes all physical holdings. Percentages are expressed with reference to fund valuation.

for the year to 30 June	2023 \$'000	2023 %	2022 \$'000	2022 %
Lowest	488,074	49.26	524,792	40.80
Highest	2,857,677	182.95	1,829,660	177.30
Average	799,296	70.27	807,590	66.13

21 Exchange rate risk for hedged share classes

This fund contains hedged share classes. These share classes operate currency hedges designed to reduce the impact of exchange rates in certain circumstances. As a result, profit and loss on the currency hedges may impact the liquidity of the overall fund. On a day to day basis this is monitored using reporting from the outsourced provider of the hedged share class service. On an ongoing basis the size of the hedged share classes is monitored to ensure that unforeseen exchange rate volatility can be adequately managed without significantly impacting all shareholders. The exposure to forward currency contracts for share class hedging at the year-end accounting date is disclosed in the portfolio statement on page 92.

22 Interest distribution tables

This fund pays semi-annual interest distributions and the following table sets out the distribution periods.

Semi-annual distribution periods

	Start	End	Xd	Payment
Interim	01.07.22	31.12.22	03.01.23	28.02.23
Final	01.01.23	30.06.23	03.07.23	31.08.23

The following tables set out for each distribution the rates per share for both Group 1 and Group 2 shares.

Group 1 shares are those purchased prior to a distribution period and therefore their income rate is the same as the distribution rate.

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of income and equalisation. Equalisation is the average amount of income included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the income and equalisation components.

Sterling Class 'A' Income shares

Interest distributions for the year to 30 June	Group 2		Group 1 & 2 Distribution	
	Income 2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
Interim	1.4143	1.0727	2.4870	2.4245
Final	1.4197	1.1454	2.5651	2.7078

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Sterling Class 'A' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023	Equalisation	Distribution	
	2023	2023	2023	2022
	UK p	UK p	UK p	UK p
Interim	3.0585	3.2684	6.3269	5.5841
Final	3.0412	3.7513	6.7925	6.5701

Sterling Class 'I' Income shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023	Equalisation	Distribution	
	2023	2023	2023	2022
	UK p	UK p	UK p	UK p
Interim	2.0728	1.3769	3.4497	3.3493
Final	1.2128	2.3523	3.5651	3.7480

Sterling Class 'I' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023	Equalisation	Distribution	
	2023	2023	2023	2022
	UK p	UK p	UK p	UK p
Interim	2.7392	2.3773	5.1165	4.5619
Final	2.9803	2.5073	5.4876	5.3276

Sterling Class 'I-H' Income shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023	Equalisation	Distribution	
	2023	2023	2023	2022
	UK p	UK p	UK p	UK p
Interim	0.8994	1.4040	2.3034	2.5316
Final	0.5742	1.8731	2.4473	2.5765

Sterling Class 'I-H' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023	Equalisation	Distribution	
	2023	2023	2023	2022
	UK p	UK p	UK p	UK p
Interim	1.4024	1.6727	3.0751	3.0799
Final	1.0583	2.3303	3.3886	3.2939

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Sterling Class 'PP' Income shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Interim	1.8274	0.6498	2.4772	2.4020
Final	1.5971	0.9643	2.5614	2.6895

Sterling Class 'PP' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Interim	1.4594	1.5462	3.0056	2.6850
Final	1.5874	1.6353	3.2227	3.1313

Sterling Class 'PP-H' Income shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Interim	1.2154	1.2418	2.4572	2.7284
Final	1.1327	1.4855	2.6182	2.7475

Sterling Class 'PP-H' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Interim	0.3870	2.0528	2.4398	2.4843
Final	1.2456	1.4406	2.6862	2.6137

Sterling Class 'R' Income shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Interim	1.7860	1.3841	3.1701	3.0857
Final	1.3685	1.9036	3.2721	3.4490

Financial statements and notes

Sterling Class 'R' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023	Equalisation	Distribution	
	2023	2023	2023	2022
	UK p	UK p	UK p	UK p
Interim	2.6436	1.8021	4.4457	3.9368
Final	1.8760	2.8945	4.7705	4.6216

23 Events after the balance sheet date

There were no events after the balance sheet date to disclose.

Authorised Corporate Director's Report

For the purposes of these financial statements, the Prospectus dated 9 June 2023 has been used.

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than the average return of the Bloomberg Global Treasury Index Unhedged USD over any five-year period.

Investment policy

At least 70% of the fund is invested, directly or indirectly through derivatives, in investment grade debt securities. These securities can be issued or guaranteed by governments and their agencies, public authorities, quasi-sovereigns, and supranational bodies from anywhere in the world, including emerging markets. These securities can be denominated in any currency.

Other investments may include:

- below investment grade debt securities, issued or guaranteed by governments and their agencies, public authorities, quasi-sovereigns and supranational bodies;
- asset backed securities; and
- other transferable securities, cash, and near cash, directly or via collective investment schemes (including funds managed by M&G).

Derivatives may be used for investment purposes, efficient portfolio management and hedging.

Investment approach

The fund is globally diversified across a range of government debt securities and issuers from a variety of sectors and geographies. The fund's investment approach is flexible and begins with an assessment of macroeconomic factors such as expectations on interest rates, inflation and economic growth.

On a regional and country-specific level, factors such as monetary and fiscal policies, capital flows, and political and regulatory environments are assessed. The result of this analysis helps to inform the country, currency allocations and duration of the portfolio.

Individual credit selection is carried out with the assistance of an in-house team of credit analysts to complement the fund manager's views.

Benchmark

Benchmark: Bloomberg Global Treasury Index Unhedged USD.

The benchmark is a target against which the fund seeks to outperform. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

The fund is actively managed.

The fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund.

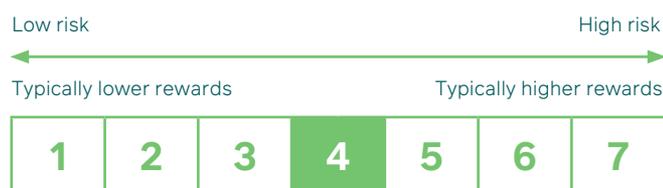
For unhedged and hedged share classes, the benchmark is shown in the share class currency.

Authorised Corporate Director's Report

Risk profile

For details of the risks associated with this fund, please refer to the Prospectus. For details of the risk management policies, please refer to pages 12 to 15.

The following table shows the risk number associated with the fund and is based on Sterling Class 'A' shares.



The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has not changed during this period.

Investment review

For the year ended 30 June 2023

Performance against objective

Between 1 July 2022 (the start of the review period) and 30 June 2023, the M&G Global Government Bond Fund delivered negative performance across its sterling share classes. Returns were ahead of the fund's benchmark.

Prior to 19 April 2021 the benchmark was the IA Global Bond Sector average. From 19 April 2021 to 5th March 2023 it was the IA Global Government Bond Sector average. Thereafter it is Bloomberg Global Treasury Index Unhedged USD.

For the five-year period, the fund met its objective, which is to provide a combination of capital growth and income, net of the ongoing charge figure, higher than that of the average return of the benchmark over any five-year period. Across all share classes, the fund

delivered annualised returns surpassing the negative 0.78% pa return of the benchmark over the five-year period.

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

Performance review

Bonds generally produced negative returns across the reporting period because central banks raised interest rates to cool rampant inflation. Rate increases depress the value of fixed-rate assets, such as bonds, because buyers demand higher yields as compensation. (Bond prices move in the opposite direction to yields.)

Government bonds mainly fell in the second half of 2022, extending declines from the first six months of the year, as the fallout from the war in Ukraine and pent-up demand from COVID-19 stoked price increases. US inflation reached a multi-decade high of 9.1% in June. Inflation surpassed 10% in the UK and eurozone in subsequent months.

Central banks ratcheted up interest rates in a bid to stem price rises. The US Federal Reserve (Fed) raised rates seven times in 2022, including four hikes in the second half of the year. The European Central Bank began tightening in July 2022, ending about eight years of negative borrowing costs. The Bank of England (BoE) lifted its benchmark rate eight times in 2022.

The BoE also stepped into the gilt market in late September following a market collapse sparked by then-Prime Minister Liz Truss's government announcing unfunded spending plans. The pound touched a record-low \$1.03 as part of the upheaval. Truss resigned less than two months after replacing Boris Johnson as prime minister. She was succeeded by Rishi Sunak.

Toward the end of 2022, inflation cooled in the US and attention turned to when the Fed would end rate hikes. This helped to boost bonds through the first half of 2023. US bank failures in March also bolstered government debt as investors rushed into safer assets.

Authorised Corporate Director's Report

The Fed ultimately paused hikes in June 2023, while in Europe and the UK, rate increases continued amid still-high price rises.

The Fed's rate increases over the course of the year weighed on emerging market debt because higher returns in the US dent the appeal of riskier assets elsewhere in the world. Higher rates bolstered the US dollar in 2022. The currency was more stable in 2023 as rate expectations cooled – the euro gained in 2022, while sterling fell. Both rose in the first half of 2023 amid expectations of further rate increases.

The fund's outperformance during the year was largely driven by asset allocation. Overweight (above-benchmark) positions in emerging market debt, including bonds from Uruguay, Argentina and Morocco, were notably beneficial. Security selection also contributed positively, particularly in Mexico and Indonesia, while our choices among US bonds were the biggest drag on performance. The yield curve impact was beneficial for returns. Throughout the year, the fund maintained less sensitivity to interest rate changes (known as duration) than the benchmark, and a little more sensitivity to changes in credit conditions (known as credit spread duration).

Investment activities

The fund exited Chinese government bonds through November amid geopolitical and trade concerns. They had previously performed well because of support from the People's Bank of China. We also exited Italian bonds by early August due to political uncertainties. We bought Bulgarian and Romanian debt in the primary market (the market for newly-issued bonds) and Serbian in the secondary (the market where already-issued bonds are traded).

Toward the end of 2022, we added non-US dollar exchange rate risk due to the US currency weakening. This included selling hard-currency debt from the likes of Paraguay, Croatia and the Philippines. We bought local currency debt in countries including Indonesia, Brazil and Peru. The fund also switched into short-dated Singapore bonds to add currency exposure.

Toward year-end, we reduced overall duration from nearly neutral to almost a year underweight.

Moving into 2023, we removed all Japanese yen duration because of potential shifts in Bank of Japan policies, as well as adding Australian exposure due to the reopening in China after COVID-19, as China is a big export market for Australia. We added duration during a February sell-off, and later reduced Latin American currency exposure after outperformance. We dipped back into Chinese yuan debt, while remaining well underweight.

The fund added a little duration moving into April on bund (German government bonds) weakness, as well as buying longer-dated Spanish bonds and medium-term Portuguese and French debt. We bought into a new issue from Cyprus. In May, we closed a long position in Danish krone, and reduced our underweight US dollar position. We sold half of our exposure in Hungary before some local market stress.

Outlook

Assessing the outlook for the global economy means weighing conflicting datapoints. On the one hand, growth is low or even negative in countries including the US. Still, this is offset by a historically tight labour market, which is a boost to consumption. Provided that the labour market remains stable, a recession might be avoided.

Authorised Corporate Director's Report

The risk may come from central banks overtightening because inflation is falling faster than they realise. This could hit labour markets and cause a recession. This danger contributed to the Fed's June pause in rate increases. Inflation has started to come down in the US, while remaining more elevated in Europe, and particularly in the UK. Any slowdown in the economy would likely boost investment grade bonds due to a decline in rates.

Eva Sun-Wai

Fund manager

An employee of M&G FA 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.

Portfolio statement

Investments

Holding	as at 30.06.23 \$'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income	100,451	96.31	95.64
Debt securities	100,360	96.22	95.78
'AAA' credit rated bonds	13,590	13.03	16.51
AU\$1,900,000 Australia (Commonwealth of) 1.75% 21/06/2051	729	0.70	
AU\$3,619,000 Australia (Commonwealth of) 2.75% 21/11/2028	2,257	2.16	
€1,616,000 Germany (Federal Republic of) 0.25% 15/08/2028	1,565	1.50	
€1,541,000 Germany (Federal Republic of) 0.5% 15/02/2025	1,601	1.54	
€490,000 Germany (Federal Republic of) 1.8% 15/08/2053	460	0.44	
€829,000 Germany (Federal Republic of) IL 0.1% 15/04/2026	1,088	1.04	
€1,565,000 Germany (Federal Republic of) IL 0.5% 15/04/2030	2,147	2.06	
INR170,060,000 International Finance 6.3% 25/11/2024	2,047	1.96	
€500,000 Netherlands (Kingdom of) 0.5% 15/07/2032	448	0.43	
€440,000 Netherlands (Kingdom of) 2.5% 15/07/2033	467	0.45	
SG\$1,151,000 Singapore (Republic of) 2.25% 01/08/2036	781	0.75	
'AA' credit rated bonds	36,708	35.19	22.89
€748,000 Austria (Republic of) 0.9% 20/02/2032	683	0.65	
€1,350,000 Belgium (Kingdom of) 0.35% 22/06/2032	1,162	1.11	
CA\$3,423,000 Canada (Govt. of) 3.75% 01/02/2025	2,538	2.43	
CZK56,640,000 Czechia (Republic of) 2.4% 17/09/2025	2,426	2.33	
€920,000 France (Republic of) 2% 25/11/2032	924	0.89	
NZD4,407,000 New Zealand (Govt. of) 0.5% 15/05/2026	2,373	2.27	
US\$187,500 Petroleos Mexicanos 2.46% 15/12/2025	170	0.16	
US\$205,000 Qatar (State of) 5.103% 23/04/2048	204	0.20	
US\$513,000 Qatar (State of) 6.4% 20/01/2040	601	0.58	
£2,200,000 UK Treasury 0.375% 22/10/2026	2,382	2.28	
£860,000 UK Treasury 3.5% 22/10/2025	1,038	1.00	
£850,000 UK Treasury 3.75% 22/07/2052	951	0.91	
£1,000,000 UK Treasury 3.75% 22/10/2053	1,114	1.07	
£1,744,136 UK Treasury 4.125% 29/01/2027	2,127	2.04	
£458,000 UK Treasury IL 0.125% 22/03/2039	643	0.62	
US\$6,201,400 US Treasury 0.25% 15/06/2024	5,902	5.66	
US\$3,074,300 US Treasury 3% 15/11/2044	2,571	2.46	
US\$802,200 US Treasury 3% 15/02/2047	667	0.64	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 \$'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)			
Debt securities (continued)			
'AA' credit rated bonds (continued)			
US\$650,000 US Treasury 3% 15/08/2052	544	0.52	
US\$1,358,000 US Treasury 3.375% 15/08/2042	1,220	1.17	
US\$1,327,300 US Treasury 4.125% 15/11/2032	1,350	1.29	
US\$1,480,300 US Treasury IL 0.75% 15/02/2045	1,552	1.49	
US\$2,364,400 US Treasury IL 2.375% 15/01/2027	3,566	3.42	
'A' credit rated bonds	7,672	7.36	17.13
CLP1,095,000,000 Chile (Republic of) 4.7% 01/09/2030	1,321	1.27	
¥148,800,000 Japan (Govt. of) 0.6% 20/03/2024	1,036	0.99	
¥389,900,000 Japan (Govt. of) 1.3% 20/06/2035	2,923	2.80	
¥178,900,000 Japan (Govt. of) IL 0.1% 10/03/2029	1,383	1.33	
PLN4,345,000 Poland (Republic of) 3.25% 25/07/2025	1,009	0.97	
'BBB' credit rated bonds	22,259	21.34	17.59
€525,000 Bulgaria (Republic of) 3.125% 26/03/2035	495	0.47	
€441,000 Bulgaria (Republic of) 4.625% 23/09/2034	475	0.46	
€1,195,000 Croatia (Republic of) 1.5% 17/06/2031	1,105	1.06	
€650,000 Hungary (Republic of) 1.625% 28/04/2032	534	0.51	
US\$1,161,000 Hutama Karya 3.75% 11/05/2030	1,063	1.02	
US\$893,000 Indonesia (Republic of) 2.55% 09/06/2031	760	0.73	
IDR19,921,000,000 Indonesia (Republic of) 8.25% 15/05/2036	1,526	1.46	
IDR11,335,000,000 Indonesia (Republic of) 8.375% 15/03/2034	869	0.83	
€490,000 Italy (Republic of) 3.25% 01/03/2038	475	0.46	
€1,663,000 Italy (Republic of) 5.75% 01/02/2033	2,054	1.97	
MYR3,601,000 Malaysia (Govt. of) 4.254% 31/05/2035	787	0.75	
€661,000 Mexico (United Mexican States) 1.45% 25/10/2033	529	0.51	
MXN20,500,000 Mexico (United Mexican States) 5% 06/03/2025	1,105	1.06	
£469,000 Mexico (United Mexican States) 5.625% 19/03/2114	434	0.42	
MXN6,500,000 Mexico (United Mexican States) 8.5% 18/11/2038	370	0.35	
MXN9,400,000 Mexico (United Mexican States) 10% 05/12/2024	546	0.52	
€1,049,000 MFB Magyar Fejlesztési Bank Zrt 1.375% 24/06/2025	1,053	1.01	
€791,000 Peru (Republic of) 3.75% 01/03/2030	829	0.79	

Portfolio statement

Investments (continued)

Holding		as at 30.06.23 \$'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)				
Debt securities (continued)				
'BBB' credit rated bonds (continued)				
PEN2,940,000	Peru (Republic of) 5.94% 12/02/2029	794	0.76	
PEN2,050,000	Peru (Republic of) 6.15% 12/08/2032	540	0.52	
€577,000	Philippines (Republic of) 0.7% 03/02/2029	519	0.50	
PHP48,000,000	Philippines (Republic of) 6.25% 14/01/2036	860	0.82	
€482,549	Portugal (Republic of) 1% 12/04/2052	287	0.28	
€528,000	Romania (Republic of) 1.75% 13/07/2030	436	0.42	
US\$638,000	Romania (Republic of) 3.625% 27/03/2032	541	0.52	
€437,000	Spain (Kingdom of) 1% 30/07/2042	298	0.29	
€370,000	Spain (Kingdom of) 1.9% 31/10/2052	265	0.25	
THB16,630,000	Thailand (Kingdom of) 1.585% 17/12/2035	412	0.39	
UYU31,463,711	Uruguay (Republic of) 3.875% 02/07/2040	1,105	1.06	
UYU27,535,000	Uruguay (Republic of) 8.25% 21/05/2031	676	0.65	
UYU20,288,000	Uruguay (Republic of) 8.5% 15/03/2028	517	0.50	
	'BB' credit rated bonds	13,214	12.67	15.67
COP4,993,000,000	Bogota Distrito Capital 9.75% 26/07/2028	1,034	0.99	
BRL7,955,000	Brazil (Federal Republic of) 10% 01/01/2029	1,592	1.53	
COP13,385,000	Colombia (Republic of) 2.25% 18/04/2029	1,005	0.96	
US\$1,000,000	Colombia (Republic of) 7.375% 18/09/2037	946	0.91	
€220,000	Cyprus (Republic of) 4.125% 13/04/2033	245	0.23	
US\$947,000	Guatemala (Republic of) 4.9% 01/06/2030	882	0.85	
€975,000	Macedonia (Govt. of) 3.675% 03/06/2026	987	0.95	
€634,000	Morocco (Kingdom of) 1.5% 27/11/2031	510	0.49	
€354,000	Morocco (Kingdom of) 2% 30/09/2030	308	0.29	
US\$347,000	Morocco (Kingdom of) 5.5% 11/12/2042	298	0.29	
US\$208,000	Paraguay (Republic of) 4.95% 28/04/2031	199	0.19	
US\$800,000	Paraguay (Republic of) 6.1% 11/08/2044	755	0.72	
€313,000	Serbia (Republic of) 3.125% 15/05/2027	304	0.29	
RSD86,700,000	Serbia (Republic of) 4.5% 20/08/2032	708	0.68	
US\$112,290	Seychelles (Republic of) 8% 01/01/2026	111	0.11	
ZAR33,351,000	South Africa (Republic of) 8.75% 28/02/2048	1,263	1.21	

Portfolio statement

Investments (continued)

Holding		as at 30.06.23 \$'000	as at 30.06.23 %	as at 30.06.22 %
Fixed income (continued)				
Debt securities (continued)				
'BB' credit rated bonds (continued)				
US\$4,870,000,000	Uzbekistan (Republic of) 14.5% 25/11/2023	419	0.40	
US\$1,719,900	Vietnam (Socialist Republic of) 5.5% 12/03/2028	1,648	1.58	
'B' credit rated bonds		1,730	1.66	2.53
US\$1,111,000	Bahamas (Commonwealth of) 8.95% 15/10/2032	951	0.91	
€1,304,000	Egypt (Arab Republic of) 5.625% 16/04/2030	779	0.75	
'CCC' credit rated bonds		1,654	1.59	0.48
US\$339,000	Nigeria (Federal Republic of) 8.375% 24/03/2029	304	0.29	
RUB227,020,000	Russia (Federation of) 8.15% 03/02/2027 ^a	1,350	1.30	
'C' credit rated bonds		1,567	1.50	0.69
US\$1,940,000	Argentina (Republic of) 1.5% 09/07/2035	570	0.55	
US\$1,468,233	Argentina (Republic of) 3.875% 09/01/2038	512	0.49	
ARS36,000,000	Argentina (Republic of) 15.5% 17/10/2026	26	0.02	
€2,000,000	Ukraine (Republic of) 4.375% 27/01/2032	459	0.44	
Bonds with no credit rating		1,966	1.88	2.29
US\$2,341,000	Vietnam Debt & Asset Trading 1% 10/10/2025	1,966	1.88	
Debt derivatives		91	0.09	(0.14)
Credit default swaps		352	0.34	0.36
US\$8,150,000	Markit CDX Emerging Markets Series 38 V1 5 Year Dec 2027	352	0.34	
Interest rate swaps		20	0.02	(0.24)
¥95,000,000	Pay 0.9102% Receive VAR May 2052	20	0.02	
Interest rate futures		(281)	(0.27)	(0.26)
128	2 Year US Treasury Note Sep 2023	(210)	(0.20)	
13	Euro-Bono Sep 2023	(7)	(0.01)	
15	Euro-BTP Sep 2023	6	0.01	
16	Euro-Oat Sep 2023	(9)	(0.01)	
17	Euro-Schatz Sep 2023	(11)	(0.01)	
25	UK Long Gilt Bond Sep 2023	(17)	(0.02)	
7	US Treasury Long Bond Sep 2023	(3)	0.00	
12	US Ultra Treasury Bond Sep 2023	(30)	(0.03)	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 \$'000	as at 30.06.23 %	as at 30.06.22 %
Currency	(144)	(0.14)	(0.15)
Forward currency contracts	(144)	(0.14)	(0.15)
AU\$(1,635,000) Sold for \$1,122,598 (expires 20.09.23)	38	0.04	
BRL2,850,000 Bought for \$580,825 (expires 20.09.23)	(2)	0.00	
BRL(2,850,000) Sold for \$578,123 (expires 20.09.23)	0	0.00	
CLP(422,460,000) Sold for \$521,491 (expires 20.09.23)	1	0.00	
CNY36,120,000 Bought for \$5,082,385 (expires 20.09.23)	(68)	(0.07)	
COP(2,530,000,000) Sold for \$591,915 (expires 20.09.23)	0	0.00	
€2,295,876 Bought for CZK55,000,000 (expires 20.09.23)	(2)	0.00	
€2,276,612 Bought for \$2,496,721 (expires 20.09.23)	(16)	(0.02)	
£3,828,684 Bought for €4,477,914 (expires 20.09.23)	(36)	(0.03)	
£(9,010,960) Sold for \$11,547,464 (expires 20.09.23)	149	0.14	
IDR8,000,000,000 Bought for \$534,049 (expires 20.09.23)	(1)	0.00	
¥140,000,000 Bought for €911,877 (expires 20.09.23)	(14)	(0.01)	
¥1,340,000,000 Bought for \$9,571,474 (expires 20.09.23)	(195)	(0.19)	
MXN(34,550,000) Sold for \$1,985,518 (expires 20.09.23)	(7)	(0.01)	
NOK20,450,000 Bought for \$1,929,655 (expires 20.09.23)	(24)	(0.02)	
NZD(3,890,000) Sold for \$2,415,529 (expires 20.09.23)	50	0.05	
SEK16,000,000 Bought for €1,369,989 (expires 20.09.23)	(17)	(0.02)	
Total portfolio	100,307	96.17	95.49
Net other assets/(liabilities)	3,998	3.83	4.51
Net assets attributable to shareholders	104,305	100.00	100.00

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

^a Sanctioned.

Portfolio statement

Top ten portfolio transactions for the year to 30 June 2023

Largest purchases	\$'000
US Treasury 0.25% 15/06/2024	5,799
US Treasury IL 2.375% 15/01/2027	4,564
Japan (Govt. of) 0.6% 20/03/2024	4,133
US Treasury 1.75% 15/05/2023	3,113
UK Treasury 2.25% 07/09/2023	3,073
Canada (Govt. of) 3.75% 01/02/2025	2,491
UK Treasury 0.375% 22/10/2026	2,483
New Zealand (Govt. of) 0.5% 15/05/2026	2,469
UK Treasury 4.125% 29/01/2027	2,155
UK Treasury 0.625% 31/07/2035	2,118
Other purchases	26,503
Total purchases	58,901

Largest sales	\$'000
US Treasury 3.125% 15/11/2028	9,334
China (Republic of) 3.27% 19/11/2030	4,276
Japan (Govt. of) 2.1% 20/12/2029	3,621
US Treasury 1.75% 15/05/2023	3,135
UK Treasury 2.25% 07/09/2023	2,870
Japan (Govt. of) 0.6% 20/03/2024	2,690
UK Treasury 0.375% 22/10/2026	2,663
Canada (Govt. of) 2.25% 01/03/2024	2,501
UK Treasury 1.625% 22/10/2028	2,476
Japan (Govt. of) 1.3% 20/06/2035	2,390
Other sales	52,540
Total sales	88,496

Purchases and sales exclude the cost and proceeds of 'AAA' rated money market funds.

Financial highlights

Fund performance

Please note past performance is not a guide to future performance and the value of investments, and the income from them, will fluctuate. This will cause the fund price to fall as well as rise and you may not get back the original amount you invested.

As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different.

For additional information, including monthly fund commentaries, fund facts, performance information (including a range of performance graphs) and other documents, please visit our website at mandg.com/investments

Long-term performance by share class

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period. Calculated on a price to price basis with income reinvested. Please refer to 'Specific share class performance' tables for the share class launch dates.

Share class	One year % ^a	Three years % pa	Five years % pa	Ten years % pa
Sterling				
Class 'A' Income	-2.2	-5.8	-0.8	+1.6
Class 'A' Accumulation	-2.1	-5.8	-0.8	+1.6
Class 'I' Income	-1.8	-5.4	-0.3	+2.1
Class 'I' Accumulation	-1.8	-5.4	-0.3	+2.1
Class 'R' Income	-2.0	-5.7	-0.6	+1.8
Class 'R' Accumulation	-2.0	-5.7	-0.6	+1.8
Benchmark^b	-6.9	-4.7	-0.8	+1.4

^a Not annualised.

^b Prior to 19 April 2021 the benchmark was the IA Global Bond Sector average. From 19 April 2021 to 5th March 2023 it was the IA Global Government Bond Sector average. Thereafter it is Bloomberg Global Treasury Index Unhedged USD.

Specific share class performance

The following comparative tables show the performance of each share class. All 'Performance and charges' percentages represent an annual rate except for the 'Return after operating charges' which is calculated as a percentage of the opening net asset value per share (NAV per share). 'Dilution adjustments' are only in respect of direct portfolio transaction costs.

'Operating charges' and 'Direct portfolio transaction costs' are calculated as a percentage of average net asset value. Where there is a change in the charging structure, you may see variances in the 'operating charges' between the comparative and current year figures.

The closing NAV per share shown may diverge from the highest and lowest share prices (used for dealing purposes) as at the balance sheet date due to accounting and valuation adjustments.

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 4 October 1999.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	81.11	90.80	99.60
Return before operating charges	(1.39)	(6.55)	(5.50)
Operating charges	(0.73)	(0.80)	(0.95)
Return after operating charges	(2.12)	(7.35)	(6.45)
Distributions	(2.99)	(2.34)	(2.35)
Closing NAV	76.00	81.11	90.80
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.02	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.90	0.90	1.00
Return after charges	-2.61	-8.09	-6.48
Other information			
Closing NAV (\$'000)	1,521	1,845	2,597
Number of shares	1,582,430	1,877,777	2,063,203
Highest share price (UK p)	85.38	92.45	100.05
Lowest share price (UK p)	77.02	81.53	90.19

Sterling Class 'A' Accumulation share performance

The share class was launched on 4 October 1999.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	128.46	139.88	149.69
Return before operating charges	(2.30)	(10.18)	(8.37)
Operating charges	(1.17)	(1.24)	(1.44)
Return after operating charges	(3.47)	(11.42)	(9.81)
Distributions	(3.64)	(2.34)	(2.15)
Retained distributions	3.64	2.34	2.15
Closing NAV	124.99	128.46	139.88
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.01	0.03	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.90	0.90	1.00
Return after charges	-2.70	-8.16	-6.55
Other information			
Closing NAV (\$'000)	6,794	7,039	8,720
Number of shares	4,297,775	4,525,325	4,496,641
Highest share price (UK p)	135.19	142.43	150.37
Lowest share price (UK p)	124.01	127.09	137.50

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	964.87	1,075.62	1,174.42
Return before operating charges	(16.69)	(77.67)	(65.06)
Operating charges	(4.86)	(5.30)	(5.99)
Return after operating charges	(21.55)	(82.97)	(71.05)
Distributions	(35.67)	(27.78)	(27.75)
Closing NAV	907.65	964.87	1,075.62
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.20	0.01
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.04	0.20	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.50	0.50	0.53
Return after charges	-2.23	-7.71	-6.05
Other information			
Closing NAV (\$'000)	12,116	11,587	22,584
Number of shares	1,055,488	991,767	1,514,526
Highest share price (UK p)	1,016.51	1,097.21	1,182.49
Lowest share price (UK p)	919.78	969.62	1,067.97

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,206.45	1,308.45	1,393.76
Return before operating charges	(21.80)	(95.54)	(78.16)
Operating charges	(6.11)	(6.46)	(7.15)
Return after operating charges	(27.91)	(102.00)	(85.31)
Distributions	(39.03)	(27.30)	(26.11)
Retained distributions	39.03	27.30	26.11
Closing NAV	1,178.54	1,206.45	1,308.45
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.25	0.01
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.05	0.25	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.50	0.50	0.53
Return after charges	-2.31	-7.80	-6.12
Other information			
Closing NAV (\$'000)	82,525	111,614	201,597
Number of shares	5,536,724	7,640,174	11,114,019
Highest share price (UK p)	1,270.87	1,334.72	1,403.25
Lowest share price (UK p)	1,169.21	1,193.46	1,285.68

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2023 UK p	2022 UK p	2021 UK p
Opening NAV	95.04	106.21	116.26
Return before operating charges	(1.63)	(7.66)	(6.43)
Operating charges	(0.72)	(0.77)	(0.87)
Return after operating charges	(2.35)	(8.43)	(7.30)
Distributions	(3.51)	(2.74)	(2.75)
Closing NAV	89.18	95.04	106.21
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.02	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.75	0.75	0.78
Return after charges	-2.47	-7.94	-6.28
Other information			
Closing NAV (\$'000)	497	536	538
Number of shares	441,096	465,494	365,723
Highest share price (UK p)	100.06	108.22	116.92
Lowest share price (UK p)	90.37	95.51	105.48

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2023 UK p	2022 UK p	2021 UK p
Opening NAV	118.23	128.54	137.26
Return before operating charges	(2.13)	(9.36)	(7.68)
Operating charges	(0.90)	(0.95)	(1.04)
Return after operating charges	(3.03)	(10.31)	(8.72)
Distributions	(3.53)	(2.35)	(2.24)
Retained distributions	3.53	2.35	2.24
Closing NAV	115.20	118.23	128.54
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.01	0.02	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.75	0.75	0.78
Return after charges	-2.56	-8.02	-6.35
Other information			
Closing NAV (\$'000)	852	974	1,668
Number of shares	584,846	680,088	936,273
Highest share price (UK p)	124.46	130.97	138.05
Lowest share price (UK p)	114.30	116.96	126.34

Financial statements and notes

Financial statements

Statement of total return

for the year to 30 June	Note	2023		2022	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains/(losses)	3		(2,185)		(41,262)
Revenue	5	4,125		4,934	
Expenses	6	(586)		(1,024)	
Interest payable and similar charges		(2)		(3)	
Net revenue/(expense) before taxation		3,537		3,907	
Taxation	7	(19)		(22)	
Net revenue/(expense) after taxation			3,518		3,885
Total return before distributions			1,333		(37,377)
Distributions	8		(3,601)		(4,002)
Change in net assets attributable to shareholders from investment activities			(2,268)		(41,379)

Statement of change in net assets attributable to shareholders

for the year to 30 June	2023		2022	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		133,595		237,704
Amounts received on issue of shares	12,481		6,035	
Amounts paid on cancellation of shares	(42,518)		(72,051)	
		(30,037)		(66,016)
Dilution adjustments		178		169
Change in net assets attributable to shareholders from investment activities (see above)		(2,268)		(41,379)
Retained distributions on Accumulation shares		2,837		3,117
Closing net assets attributable to shareholders		104,305		133,595

Financial statements and notes

Financial statements

Balance sheet

as at 30 June	Note	2023 \$'000	2022 \$'000
Assets			
Fixed assets			
Investments		100,976	128,971
Current assets			
Debtors	9	1,410	3,430
Cash and bank balances	10	3,910	11,150
Cash equivalents		728	0
Total assets		107,024	143,551
Liabilities			
Investment liabilities		(669)	(1,404)
Creditors			
Bank overdrafts		(1,697)	(6,635)
Overdrawn positions at futures clearing houses and collateral manager		(17)	(54)
Distribution payable		(303)	(222)
Other creditors	11	(33)	(1,641)
Total liabilities		(2,719)	(9,956)
Net assets attributable to shareholders		104,305	133,595

Financial statements and notes

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 9 to 12.

The fund's functional and presentational currency is US dollars as this better reflects the currency of its primary economic environment.

2 Distribution policy

In determining the amount available for distribution to Income shares, the annual charge is offset against capital, increasing the amount available for distribution whilst restraining capital performance to an equivalent extent.

3 Net capital gains/(losses)

for the year to 30 June	2023 \$'000	2022 \$'000
Non-derivative securities	1,696	(40,537)
Derivative contracts	(3,938)	(738)
Currency gains/(losses)	57	13
Net capital gains/(losses)	(2,185)	(41,262)

Financial statements and notes

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the sections on 'Operating charges' and 'Portfolio transaction costs' within 'Notes to the financial statements' on pages 11 and 12. Total direct portfolio transaction costs are stated before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

for the year to 30 June	2023 \$'000		2022 \$'000	
a) Purchases				
Debt securities	58,901		45,250	
b) Sales				
Debt securities	88,496		103,180	
Other transaction types				
Corporate actions	0		2,263	
Total sales	88,496		105,443	
	2023 \$'000	% of average NAV	2022 \$'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Derivatives	2	0.00	2	0.00
Taxes paid				
Derivatives	2	0.00	2	0.00
Total direct portfolio transaction costs	4	0.00	4	0.00
		%		%
d) Indirect portfolio transaction costs				
Average portfolio dealing spread as at the balance sheet date		0.58		0.63

5 Revenue

for the year to 30 June	2023 \$'000	2022 \$'000
Bank interest	2	1
Derivative revenue	73	(79)
Interest distributions	63	2
Interest on debt securities	3,986	5,009
Rebate of ongoing charges from underlying funds	1	1
Total revenue	4,125	4,934

Financial statements and notes

6 Expenses

for the year to 30 June	2023 \$'000	2022 \$'000
Payable to the ACD or associate		
Annual charge	586	1,024
Total expenses	586	1,024

Audit fees for the financial year ending 2023 were £12,000 (2022: £12,000) (including VAT), which are covered by the annual charge.

7 Taxation

for the year to 30 June	2023 \$'000	2022 \$'000
a) Analysis of charge in the year		
Corporation tax	3	0
Withholding tax	16	22
Double taxation relief	(3)	0
Capital gains tax	3	0
Deferred tax (note 7c)	0	0
Total taxation	19	22
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	3,537	3,907
Corporation tax at 20%	707	781
Effects of:		
Double taxation relief	(3)	0
Interest distributions	(704)	(781)
Withholding tax	16	22
Capital gains tax	3	0
Total tax charge (note 7a)	19	22
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset in the current financial year (2022: same).

Financial statements and notes

8 Distributions

For each distribution period, the distributions payable on Income shares (Inc) and distributions retained on Accumulation shares (Acc) are disclosed.

for the year to 30 June	2023		2022	
	Inc \$'000	Acc \$'000	Inc \$'000	Acc \$'000
Interest distributions				
Interim	248	1,187	273	1,607
Final	303	1,650	222	1,510
Total net distributions		3,388		3,612
Income deducted on cancellation of shares		314		429
Income received on issue of shares		(101)		(39)
Distributions		3,601		4,002
Net revenue/(expense) per statement of total return		3,518		3,885
Expenses offset against capital		80		117
Capital gains tax offset against capital		3		0
Distributions		3,601		4,002

9 Debtors

as at 30 June	2023 \$'000	2022 \$'000
Currency deals outstanding	0	838
Debt security interest receivable	1,352	1,625
Distributions receivable	4	1
Derivative income receivable	1	0
Sales awaiting settlement	0	923
Withholding tax recoverable	53	43
Total debtors	1,410	3,430

10 Cash and bank balances

as at 30 June	2023 \$'000	2022 \$'000
Amounts held at futures clearing houses and collateral manager	2,090	3,899
Cash held as bank balances	1,820	7,251
Total cash and bank balances	3,910	11,150

Financial statements and notes

11 Other creditors

as at 30 June	2023 \$'000	2022 \$'000
Amounts payable on cancellation of shares	0	752
Annual charge payable	33	34
Currency deals outstanding	0	835
Derivative expense payable	0	20
Total other creditors	33	1,641

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2022: same).

13 Shares in issue

The following table shows each class of share in issue during the year. Each share class has the same rights on winding up however they may have different charging structures as set out in note 14.

Share class	Opening		Movements		Closing 30.06.23
	01.07.22	Issued	Cancelled	Converted	
Sterling					
Class 'A' Income	1,877,777	232,480	(527,827)	0	1,582,430
Class 'A' Accumulation	4,525,325	500,537	(728,087)	0	4,297,775
Class 'I' Income	991,767	196,540	(132,819)	0	1,055,488
Class 'I' Accumulation	7,640,174	625,266	(2,728,716)	0	5,536,724
Class 'R' Income	465,494	55,377	(79,775)	0	441,096
Class 'R' Accumulation	680,088	29,491	(124,733)	0	584,846

It is not possible to separately identify all share class conversions. As a result, the share class movements (issued/cancelled) as disclosed in the table above may also include share class conversions.

14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class. The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

Share class	Annual charge %
Sterling	
Class 'A'	0.90
Class 'I'	0.50
Class 'R'	0.75

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15 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the fund except with in specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to shareholders' and note 8. Amounts due to/from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the annual charge are disclosed in note 6. Amounts due at the year end in respect of the annual charge are disclosed in note 11.

Amounts paid to M&G Securities Limited in respect of rebate arrangements for the annual charge are disclosed in notes 3 and 5. Amounts due at the year end from the ACD, and/or associate, in respect of these rebates are disclosed in note 9.

At the balance sheet date, there were no material shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary (2022: same).

16 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities, highly liquid bonds (eg Government bonds) and exchange traded derivatives (eg futures) for which quoted prices are readily and regularly available.

Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 30 June	Assets 2023 \$'000	Liabilities 2023 \$'000	Assets 2022 \$'000	Liabilities 2022 \$'000
Basis of valuation				
Level 1	43,849	(287)	44,207	(344)
Level 2	57,127	(382)	84,639	(1,060)
Level 3	0	0	125	0
	100,976	(669)	128,971	(1,404)

17 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 15.

18 Market risk sensitivity and exposure

VaR is the risk measurement methodology used to assess the fund's leverage and market risk volatility.

The VaR limit set during the period to 5 March 2023 was 20% (2022: 20%).

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The VaR limit set during the period from 6 March 2023 was two times the benchmark.

The lowest, highest and average VaR, as well as utilisation of VaR with reference to the limit above, are calculated during the financial years ended 30 June 2023 and 30 June 2022.

for the year ended 30 June	from 6 March 2023 to 30 June 2023 % of VaR	from 6 March 2023 to 30 June 2023 Utilisation of VaR %	from 1 July 2022 to 5 March 2023 % of VaR	from 1 July 2022 to 5 March 2023 Utilisation of VaR 20%	2022 % of VaR	2022 Utilisation of VaR 20%
Lowest	6.29	56.26	5.13	25.65	3.14	15.70
Highest	7.30	57.75	7.72	38.60	5.50	27.50
Average	6.78	56.79	6.38	31.88	3.84	19.19

19 Credit risk

The fund is exposed to credit risk both through the credit quality of the investments it holds and through the derivative positions with counterparties. The table below shows the credit quality of the investments held in the portfolio.

as at 30 June	2023 \$'000	2022 \$'000
Investment grade securities	80,229	99,012
Below investment grade securities	18,165	25,883
Unrated securities	1,966	3,058
Other investments	(53)	(386)
Total	100,307	127,567

The tables below show the exposure to counterparties. Collateral is posted daily, in the form of cash or high-quality government bonds, to minimise this exposure.

as at 30 June 2023	Swaps \$'000	Forward currency contracts \$'000	Futures \$'000
Bank of America Merrill Lynch	0	0	(281)
Barclays Bank	372	0	0
Citigroup	0	(31)	0
HSBC	0	(110)	0
JPMorgan	0	(1)	0
Merrill Lynch	0	(1)	0
Standard Chartered Bank	0	(30)	0
State Street Bank	0	81	0
UBS	0	(52)	0
Total	372	(144)	(281)

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as at 30 June 2022	Swaps \$'000	Forward currency contracts \$'000	Futures \$'000
Barclays Bank	514	0	0
BNP Paribas	0	(5)	0
HSBC	0	227	0
JPMorgan	0	90	0
Merrill Lynch	0	(58)	(344)
National Australia Bank	0	13	0
State Street Bank	0	(369)	0
UBS	(353)	(101)	0
Total	161	(203)	(344)

20 Leverage risk

Funds using VaR approaches are required to disclose the level of leverage employed during the financial reporting period.

Derivatives can be used by the fund to generate market exposure to investments exceeding the net asset value. As a result of this exposure, the size of any positive or negative movement in markets may have a more significant effect on the net asset value of the fund.

Financial statements and notes

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 30 June 2023 and 30 June 2022 are disclosed in the table below. Leverage has been calculated using the Gross Sum of Notional Approach for derivative positions only (including forward currency contracts) and excludes all physical holdings. Percentages are expressed with reference to fund valuation.

for the year to 30 June	2023 \$'000	2023 %	2022 \$'000	2022 %
Lowest	73,659	68.34	83,829	48.62
Highest	285,182	272.18	342,782	152.67
Average	118,133	109.35	151,553	76.12

21 Interest distribution tables

This fund pays semi-annual interest distributions and the following table sets out the distribution periods.

Semi-annual distribution periods

	Start	End	Xd	Payment
Interim	01.07.22	31.12.22	03.01.23	28.02.23
Final	01.01.23	30.06.23	03.07.23	31.08.23

The following tables set out for each distribution the rates per share for both Group 1 and Group 2 shares.

Group 1 shares are those purchased prior to a distribution period and therefore their income rate is the same as the distribution rate.

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of income and equalisation. Equalisation is the average amount of income included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the income and equalisation components.

Sterling Class 'A' Income shares

Interest distributions for the year to 30 June	Group 2		Group 1 & 2 Distribution	
	Income 2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
Interim	0.5526	0.8092	1.3618	1.0520
Final	0.8548	0.7761	1.6309	1.2879

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Sterling Class 'A' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023	Equalisation	Distribution	
	2023	2023	2023	2022
	UK p	UK p	UK p	UK p
Interim	0.9349	0.6481	1.5830	0.9919
Final	0.3823	1.6746	2.0569	1.3498

Sterling Class 'I' Income shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023	Equalisation	Distribution	
	2023	2023	2023	2022
	UK p	UK p	UK p	UK p
Interim	6.9514	9.2637	16.2151	12.4760
Final	11.3683	8.0903	19.4586	15.3029

Sterling Class 'I' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023	Equalisation	Distribution	
	2023	2023	2023	2022
	UK p	UK p	UK p	UK p
Interim	8.4123	8.8638	17.2761	11.9047
Final	12.4495	9.3060	21.7555	15.4001

Sterling Class 'R' Income shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023	Equalisation	Distribution	
	2023	2023	2023	2022
	UK p	UK p	UK p	UK p
Interim	1.1807	0.4156	1.5963	1.2317
Final	1.1008	0.8123	1.9131	1.5080

Sterling Class 'R' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023	Equalisation	Distribution	
	2023	2023	2023	2022
	UK p	UK p	UK p	UK p
Interim	0.7174	0.8279	1.5453	1.0032
Final	1.0284	0.9541	1.9825	1.3421

22 Events after the balance sheet date

There were no events after the balance sheet date to disclose.

Authorised Corporate Director's Report

For the purposes of these financial statements, the Prospectus dated 9 June 2023 has been used.

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the FTSE All-Share Index over any five-year period.

Investment policy

At least 80% of the fund is invested directly in equity securities and equity-related securities of companies across any sectors and market capitalisations that are incorporated, domiciled, listed or do most of their business in the United Kingdom.

The fund may also invest in other transferable securities directly and via collective investment schemes (including funds managed by M&G).

The fund may also hold cash and near cash for liquidity purposes.

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

The fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies.

Recovery investing focuses on companies that have experienced difficulties but have the potential to deliver returns for shareholders through their turnaround over the long-term.

The fund looks to benefit from the market's inefficiency in valuing companies going through short-term challenges. This enables the fund manager to identify companies whose long-term prospects have been under-appreciated by the market.

When analysing a company, the fund manager focuses on three key factors: people, strategy and cashflow.

Developing a constructive dialogue with company management is fundamental to the investment process.

The investment approach means the fund manager is prepared to take a contrarian view and consider areas that are out of favour with other investors. To take this contrarian view, the fund manager focuses on company management, their turnaround strategy and the businesses' ability to generate cashflow.

The fund manager expects individual cases of companies recovering to be the main driver of performance rather than individual sectors and the macroeconomic environment.

The fund manager takes a long-term view with a typical holding period of five years or more.

Benchmark

Benchmark: FTSE All-Share Index.

The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

The fund is actively managed.

The fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

For unhedged and hedged share classes, the benchmark is shown in the share class currency.

Authorised Corporate Director's Report

Risk profile

For details of the risks associated with this fund, please refer to the Prospectus. For details of the risk management policies, please refer to pages 12 to 15.

The following table shows the risk number associated with the fund and is based on Sterling Class 'A' shares.



The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has not changed during this period.

Investment review

For the year ended 30 June 2023

Performance against objective

Over the reporting period, the fund delivered positive returns across all share classes, but lagged the benchmark, which returned 7.9%.

The M&G Recovery Fund's objective is to outperform the FTSE All-Share Index (net of charges) over any five-year period. The fund has underperformed the FTSE All-Share Index in total return terms (the combination of income and growth of capital) across all its share classes over five years, therefore missing its objective. The index returned 3.1% pa in sterling terms in the five years to 30 June 2023.

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

Performance review

UK stocks, as measured by the FTSE All-Share Index, made gains in the year under review against a backdrop of high inflation and rising interest rates.

Markets started the reporting year with gains before suffering declines later in the summer of 2022 because of interest rate hikes by the US Federal Reserve (Fed) and fears that Europe would fall into recession because of rising energy prices. Inflation surpassed 10% in the UK and reached a record in the euro area, fanned by the war in Ukraine and curtailed supplies of Russian gas.

UK assets plunged in late September following the mini budget put forward by former Prime Minister Liz Truss, with sterling collapsing. The Bank of England (BoE) intervened to ease turmoil in the gilt market and concerns about systemic risk in UK pensions. Rishi Sunak soon replaced Truss as prime minister. Her short-lived premiership had followed Boris Johnson's resignation earlier in the year.

The BoE stepped up efforts to tame surging inflation in November with a three quarters of a percentage point interest rate increase, its biggest hike since 1989. In total, the central bank raised rates eight times in the year ended June, lifting its benchmark to 5%. The rate was just 0.1% before hikes began in December 2021.

The FTSE 100 index of larger companies outperformed more domestically focused UK indices over the year, helped by increases in interest rates boosting bank profits and a historically weak pound bolstering global companies' overseas earnings. The FTSE 100 posted total returns of 9.1%, surpassing gains of 1.9% for the FTSE 250 Index of medium-sized companies and of -0.3% for the FTSE Smaller Companies (ex investment companies) Index.

The fund had a smaller allocation to the FTSE 100 than its benchmark and retained an above-market position in medium and smaller-sized companies in the UK. This has been the case for a number of years, as many of the most undervalued and challenged situations can be found in this market segment. Overall, the fund's holdings of larger companies and medium and smaller-sized UK companies outperformed due to good stock

Authorised Corporate Director's Report

selection. However, some value was lost from our above-market exposure to overseas holdings.

At a sector level, the fund's below-market exposure to real estate and consumer staples was beneficial for relative returns. Likewise, the above-benchmark stance and favourable stock selection in technology contributed positively. The fund's largest above-benchmark position was in basic materials, which also benefited performance, although security selection detracted. Stockpicking within the consumer discretionary and industrials sectors also made a negative contribution.

At a stock level, biotech firm Mesoblast was the biggest positive contributor following a successful fundraising. UK oil and gas business BP was also a strong performer after the firm announced record annual profits and increased the dividend by more than expected. Micro Focus performed well following a takeover by Canadian software firm OpenText.

Tullow Oil was the largest detractor due to weak oil prices and motor insurer Direct Line also notably cost some performance, falling sharply after issuing a profit warning and cancelling the final dividend – followed by the departure of the chief executive. However, we expect higher premiums over the next couple of years to help restore the company's balance sheet.

Investment activities

The fund initiated an above-market position in British healthcare stock GSK (formerly GlaxoSmithKline) as US litigation concerning Zantac, its heartburn treatment, opened up a rare valuation opportunity. We also established a position in gambling business Entain. The share prices of betting companies have been weak on concerns about the UK government's gambling review and the impact on earnings from a consumer slowdown. But Entain is well prepared for the review, in our opinion. In addition, Entain has previously rejected takeover approaches at much higher levels from two US rivals, DraftKings and MGM, its joint venture partner.

We exited our position in low-cost carrier EasyJet as airlines face a difficult environment, which is compounded by US dollar costs. The fund sold its stake

in Dignity as the undertaker struggled with rising costs and a trend toward cheaper funerals. In October, we sold the majority of the fund's IWG holding reflecting concerns about demand for flexible office space going into a slowdown. A large holding in Lloyds Banking was sold as we looked to reduce exposure to the banking sector.

Of the four stages of the 'recovery' process for our companies (stage 1 – unloved; stage 2 – stabilising; stage 3 – recovering well; stage 4 – mature), the proportion of companies held in stage 1 remained around the same on balance as a number of businesses progressed to stage 2 (Johnson Matthey and Moneysupermarket) and a number of new companies were bought. Several companies moved from the stabilising stage to 'recovering well' (stage 3). Only one holding – Watchstone – remained in stage 4.

Outlook

UK companies' greater financial strength means they are better able to weather an economic slowdown than before the 2008 global financial crisis. Many FTSE All-Share Index members are also heavily exposed to overseas markets, which provides a buffer against domestic economic risks. Banks, in particular, have greatly boosted capital since the financial crash, giving them more capacity to absorb bad debts. Lenders also benefit from higher interest rates.

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Sterling has recovered from the worst of the sell-off after the Truss mini-budget. Still, it remains weaker versus the dollar than 15 months ago. This is beneficial to dollar-exposed stocks listed in the UK, notably oil companies, miners, drugmakers and tobacco producers. The domestic stockmarket's historically low valuation and a weaker pound could spur more overseas takeovers of UK companies – this possibility may now be dampened by higher borrowing costs and economic uncertainties, but UK listed corporates remain alert to opportunistic approaches.

Michael Stiasny

Fund manager

An employee of M&G FA 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.

Portfolio statement

Investments

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Equities	1,142,437	99.96	100.45
Software & computer services	49,587	4.34	4.17
224,676 FD Technologies ^a	4,327	0.38	
70,156,273 Mirriad Advertising ^a	1,719	0.15	
7,298,042 Moneysupermarket.com	19,720	1.73	
2,534,269 Sage	23,376	2.04	
700,000 WANdisco ^c	0	0.00	
2,872,000 Watchstone ^b	445	0.04	
Telecommunication service providers	17,154	1.50	2.47
13,918,155 BT	17,154	1.50	
Medical equipment & services	11,428	1.00	0.71
33,612,732 Creo Medical ^a	11,428	1.00	
Pharmaceuticals & biotechnology	140,835	12.32	8.67
39,868,814 Alizyme ^c	0	0.00	
38,884,000 e-Therapeutics ^a	7,777	0.68	
3,200,000 GSK	44,557	3.90	
3,361,087 Haleon	10,762	0.94	
2,272,401 HutchMed ADR	20,271	1.77	
59,413,765 Mesoblast	35,146	3.08	
5,295,909 Oxford Biomedica	22,322	1.95	
Banks	131,793	11.53	16.17
13,132,731 HSBC	81,725	7.15	
8,768,357 NatWest	21,140	1.85	
4,209,517 Standard Chartered	28,928	2.53	
Investment banking & brokerage services	39,236	3.43	2.31
6,038,679 Ashmore	12,488	1.09	
2,142,399 Hargreaves Lansdown	17,396	1.52	
16,552,309 IP	9,352	0.82	
Life insurance	19,772	1.73	0.00
1,802,349 Prudential	19,772	1.73	
Non-life insurance	66,267	5.80	6.50
4,426,278 Beazley	25,872	2.26	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Equities (continued)			
Non-life insurance (continued)			
10,267,429 Direct Line Insurance	13,876	1.22	
2,430,658 Hiscox	26,519	2.32	
Real estate investment trusts			
	3,124	0.27	0.00
2,737,878 Shaftesbury Capital	3,124	0.27	
Consumer services			
	37,041	3.24	3.12
1,696,812 Compass	37,041	3.24	
Media			
	63,550	5.56	5.82
2,824,043 Informa	20,536	1.80	
23,581,707 ITV	16,276	1.42	
10,969,090 Reach	7,366	0.64	
2,359,587 WPP	19,372	1.70	
Retailers			
	16,595	1.45	1.34
6,840,622 Marks & Spencer	13,004	1.14	
67,750,000 Mothercare ^a	3,591	0.31	
Travel & leisure			
	47,329	4.14	3.36
2,328,772 Dalata Hotel	9,153	0.80	
1,964,012 Entain	24,491	2.14	
11,081,684 Mobico	10,810	0.95	
7,515,855 Restaurant	2,875	0.25	
Food producers			
	25,215	2.21	3.95
15,601,527 Premier Foods	20,157	1.76	
6,223,693 REA	4,170	0.37	
14,802,157 Zambef Products ^a	888	0.08	
Tobacco			
	10,966	0.96	0.00
626,427 Imperial Brands	10,966	0.96	
Personal care, drug & grocery stores			
	51,795	4.53	2.03
1,264,686 Unilever	51,795	4.53	
Construction & materials			
	49,371	4.32	4.30
4,816,055 Balfour Beatty	16,394	1.43	
21,952,997 Kier	16,465	1.44	
24,000,000 Severfield	16,512	1.45	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Equities (continued)			
Aerospace & defence			
	0	0.00	0.16
General industrials			
	13,314	1.17	1.61
19,102,315 Coats	13,314	1.17	
Industrial support services			
	22,610	1.98	2.11
41,304,092 Capita	11,400	1.00	
1,425,000 Grafton	11,210	0.98	
Industrial transportation			
	12,491	1.09	0.09
5,675,000 International Distributions Services	12,491	1.09	
Industrial metals & mining			
	92,513	8.10	12.77
38,761,085 African Minerals ^c	0	0.00	
144,276,960 Bluejay Mining ^a	2,647	0.23	
991,523 First Quantum Minerals	18,077	1.58	
12,800,000 Hummingbird Resources ^a	1,664	0.15	
11,241,447 Kenmare Resources	50,137	4.39	
34,595,680 Pensana	8,995	0.79	
220,083 Rio Tinto	10,993	0.96	
Precious metals & mining			
	0	0.00	0.84
254,159,091 Troy Resources ^c	0	0.00	
Chemicals			
	16,328	1.43	1.71
935,686 Johnson Matthey	16,328	1.43	
Oil & gas			
	138,581	12.13	12.28
20,594,301 BP	95,022	8.31	
1,213,034 Shell	28,428	2.49	
53,613,804 Tullow Oil	14,937	1.31	
4,426,133 White Energy	192	0.02	
4,426,153 White Energy Rights 07/07/2023	2	0.00	
Electricity			
	0	0.00	0.22
34,149,791 KSK Power Ventur ^c	0	0.00	
Gas, water & multi-utilities			
	60,394	5.28	3.74
17,815,137 Centrica	22,028	1.93	
3,699,674 National Grid	38,366	3.35	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Equities (continued)			
Alternative energy			
1,697,790 Ceres Power	5,148	0.45	
Total portfolio	1,142,437	99.96	100.45
Net other assets/(liabilities)	417	0.04	(0.45)
Net assets attributable to shareholders	1,142,854	100.00	100.00

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

^a AIM quoted.

^b AQSE quoted.

^c Suspended/delisted.

Portfolio statement

Top ten portfolio transactions for the year to 30 June 2023

Largest purchases	£'000
Unilever	25,755
GSK	24,427
Entain	24,065
Prudential	19,713
Centrica	16,932
Hargreaves Lansdown	13,878
Shell	13,689
International Distributions	12,674
Imperial Brands	11,089
Grafton	8,022
Other purchases	83,013
Total purchases	253,257

Largest sales	£'000
Lloyds Banking	37,726
Rio Tinto	34,301
BP	29,487
Micro Focus International	23,623
Kenmare Resources	19,636
Associated British Foods	18,561
HSBC	17,808
Beazley	11,618
Standard Chartered	11,237
Coats	10,676
Other sales	137,799
Total sales	352,472

Purchases and sales exclude the cost and proceeds of 'AAA' rated money market funds.

Financial highlights

Fund performance

Please note past performance is not a guide to future performance and the value of investments, and the income from them, will fluctuate. This will cause the fund price to fall as well as rise and you may not get back the original amount you invested.

As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different.

For additional information, including monthly fund commentaries, fund facts, performance information (including a range of performance graphs) and other documents, please visit our website at mandg.com/investments

Long-term performance by share class

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period. Calculated on a price to price basis with income reinvested. Please refer to 'Specific share class performance' tables for the share class launch dates.

Share class	One year % ^a	Three years % pa	Five years % pa	Ten years % pa
Sterling				
Class 'A' Income	+6.6	+5.5	-4.0	+0.3
Class 'A' Accumulation	+6.5	+5.4	-4.0	+0.3
Class 'C' Income	+7.7	+6.7	-2.7	+1.7
Class 'C' Accumulation	+7.7	+6.6	-2.8	+1.6
Class 'I' Income	+7.0	+5.9	-3.5	+0.9
Class 'I' Accumulation	+7.0	+5.9	-3.5	+0.9
Class 'PP' Income	+7.1	+6.0	n/a	n/a
Class 'PP' Accumulation	+7.1	+6.0	n/a	n/a
Class 'R' Income	+6.7	+5.6	-3.7	+0.6
Class 'R' Accumulation	+6.7	+5.6	-3.7	+0.6
Benchmark	+7.9	+10.0	+3.1	+5.9

^a Not annualised.

Specific share class performance

The following comparative tables show the performance of each share class. All 'Performance and charges' percentages represent an annual rate except for the 'Return after operating charges' which is calculated as a percentage of the opening net asset value per share (NAV per share). 'Dilution adjustments' are only in respect of direct portfolio transaction costs.

'Operating charges' and 'Direct portfolio transaction costs' are calculated as a percentage of average net asset value. Where there is a change in the charging structure, you may see variances in the 'operating charges' between the comparative and current year figures.

The closing NAV per share shown may diverge from the highest and lowest share prices (used for dealing purposes) as at the balance sheet date due to accounting and valuation adjustments.

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 27 June 1977.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	101.48	123.75	96.66
Return before operating charges	7.78	(17.71)	30.49
Operating charges	(1.15)	(1.29)	(1.35)
Return after operating charges	6.63	(19.00)	29.14
Distributions	(3.93)	(3.27)	(2.05)
Closing NAV	104.18	101.48	123.75
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.11	0.10	0.06
Dilution adjustments	0.00	(0.02)	(0.03)
Total direct transaction costs	0.11	0.08	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs	0.10	0.08	0.03
Operating charges	1.08	1.08	1.22
Return after charges	+6.53	-15.35	+30.15
Other information			
Closing NAV (£'000)	260,943	281,454	324,735
Number of shares	250,483,636	277,349,793	262,404,813
Highest share price (UK p)	115.66	127.03	127.65
Lowest share price (UK p)	96.44	103.62	90.39

Sterling Class 'A' Accumulation share performance

The share class was launched on 23 May 1969.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	265.72	314.53	241.49
Return before operating charges	20.42	(45.52)	76.42
Operating charges	(3.03)	(3.29)	(3.38)
Return after operating charges	17.39	(48.81)	73.04
Distributions	(7.35)	(5.06)	(1.75)
Retained distributions	7.35	5.06	1.75
Closing NAV	283.11	265.72	314.53
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.28	0.26	0.15
Dilution adjustments	0.00	(0.05)	(0.06)
Total direct transaction costs	0.28	0.21	0.09
Performance and charges	%	%	%
Direct portfolio transaction costs	0.10	0.08	0.03
Operating charges	1.08	1.08	1.22
Return after charges	+6.54	-15.52	+30.25
Other information			
Closing NAV (£'000)	272,533	352,812	421,330
Number of shares	96,262,918	132,774,405	133,954,075
Highest share price (UK p)	307.56	325.60	321.15
Lowest share price (UK p)	252.55	265.59	225.83

Financial highlights

Sterling Class 'C' Income share performance

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

The share class was launched on 1 July 2004.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	110.40	133.18	102.75
Return before operating charges	8.48	(19.24)	32.62
Operating charges	0.00	0.00	0.00
Return after operating charges	8.48	(19.24)	32.62
Distributions	(4.30)	(3.54)	(2.19)
Closing NAV	114.58	110.40	133.18
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.12	0.11	0.06
Dilution adjustments	0.00	(0.02)	(0.03)
Total direct transaction costs	0.12	0.09	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs	0.10	0.08	0.03
Operating charges	0.00	0.00	0.00
Return after charges	+7.68	-14.45	+31.75
Other information			
Closing NAV (£'000)	50,237	49,110	61,958
Number of shares	43,844,921	44,481,934	46,522,603
Highest share price (UK p)	126.74	137.52	137.30
Lowest share price (UK p)	105.25	112.72	96.50

Sterling Class 'C' Accumulation share performance

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

The share class was launched on 1 July 2004.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	342.71	401.29	304.34
Return before operating charges	26.39	(58.58)	96.95
Operating charges	0.00	0.00	0.00
Return after operating charges	26.39	(58.58)	96.95
Distributions	(13.48)	(10.72)	(6.51)
Retained distributions	13.48	10.72	6.51
Closing NAV	369.10	342.71	401.29
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.37	0.34	0.19
Dilution adjustments	0.00	(0.06)	(0.08)
Total direct transaction costs	0.37	0.28	0.11
Performance and charges	%	%	%
Direct portfolio transaction costs	0.10	0.08	0.03
Operating charges	0.00	0.00	0.00
Return after charges	+7.70	-14.60	+31.86
Other information			
Closing NAV (£'000)	164,847	179,307	233,712
Number of shares	44,662,252	52,320,851	58,239,538
Highest share price (UK p)	399.53	417.89	409.55
Lowest share price (UK p)	326.72	342.54	285.84

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 15 January 2010.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	105.19	127.77	99.33
Return before operating charges	8.08	(18.36)	31.42
Operating charges	(0.75)	(0.84)	(0.87)
Return after operating charges	7.33	(19.20)	30.55
Distributions	(4.09)	(3.38)	(2.11)
Closing NAV	108.43	105.19	127.77
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.11	0.11	0.06
Dilution adjustments	0.00	(0.02)	(0.03)
Total direct transaction costs	0.11	0.09	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs	0.10	0.08	0.03
Operating charges	0.68	0.68	0.77
Return after charges	+6.97	-15.03	+30.76
Other information			
Closing NAV (£'000)	68,146	60,320	82,685
Number of shares	62,850,776	57,341,121	64,716,020
Highest share price (UK p)	120.21	131.44	131.77
Lowest share price (UK p)	100.09	107.41	93.04

Sterling Class 'I' Accumulation share performance

The share class was launched on 15 January 2010.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	288.30	339.89	259.76
Return before operating charges	22.18	(49.35)	82.40
Operating charges	(2.08)	(2.24)	(2.27)
Return after operating charges	20.10	(51.59)	80.13
Distributions	(9.22)	(6.81)	(3.26)
Retained distributions	9.22	6.81	3.26
Closing NAV	308.40	288.30	339.89
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.31	0.28	0.16
Dilution adjustments	0.00	(0.05)	(0.07)
Total direct transaction costs	0.31	0.23	0.09
Performance and charges	%	%	%
Direct portfolio transaction costs	0.10	0.08	0.03
Operating charges	0.68	0.68	0.76
Return after charges	+6.97	-15.18	+30.85
Other information			
Closing NAV (£'000)	259,282	219,862	296,949
Number of shares	84,073,966	76,261,438	87,365,587
Highest share price (UK p)	334.58	352.62	346.98
Lowest share price (UK p)	274.32	288.16	243.31

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	83.61	101.44	78.74
Return before operating charges	6.41	(14.57)	24.97
Operating charges	(0.51)	(0.57)	(0.60)
Return after operating charges	5.90	(15.14)	24.37
Distributions	(3.25)	(2.69)	(1.67)
Closing NAV	86.26	83.61	101.44
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.08	0.06
Dilution adjustments	0.00	(0.01)	(0.02)
Total direct transaction costs	0.09	0.07	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs	0.10	0.08	0.03
Operating charges	0.58	0.58	0.59
Return after charges	+7.06	-14.93	+30.95
Other information			
Closing NAV (£'000)	2,710	2,172	3,172
Number of shares	3,141,679	2,598,416	3,127,123
Highest share price (UK p)	95.60	104.41	104.61
Lowest share price (UK p)	79.57	85.36	73.80

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	83.27	98.07	74.83
Return before operating charges	6.41	(14.25)	23.77
Operating charges	(0.52)	(0.55)	(0.53)
Return after operating charges	5.89	(14.80)	23.24
Distributions	(2.75)	(2.06)	(1.08)
Retained distributions	2.75	2.06	1.08
Closing NAV	89.16	83.27	98.07
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.08	0.05
Dilution adjustments	0.00	(0.01)	(0.02)
Total direct transaction costs	0.09	0.07	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs	0.10	0.08	0.03
Operating charges	0.58	0.58	0.59
Return after charges	+7.07	-15.09	+31.06
Other information			
Closing NAV (£'000)	2,121	1,134	1,331
Number of shares	2,378,961	1,361,472	1,356,932
Highest share price (UK p)	96.70	101.80	100.11
Lowest share price (UK p)	79.25	83.23	70.14

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	89.12	108.51	84.57
Return before operating charges	6.83	(15.55)	26.71
Operating charges	(0.87)	(0.97)	(0.98)
Return after operating charges	5.96	(16.52)	25.73
Distributions	(3.46)	(2.87)	(1.79)
Closing NAV	91.62	89.12	108.51
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.09	0.05
Dilution adjustments	0.00	(0.02)	(0.02)
Total direct transaction costs	0.10	0.07	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs	0.10	0.08	0.03
Operating charges	0.93	0.93	1.01
Return after charges	+6.69	-15.22	+30.42
Other information			
Closing NAV (£'000)	7,963	8,187	10,622
Number of shares	8,691,053	9,187,333	9,788,433
Highest share price (UK p)	101.67	111.47	111.92
Lowest share price (UK p)	84.73	90.99	79.15

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	108.68	128.45	98.41
Return before operating charges	8.36	(18.61)	31.18
Operating charges	(1.07)	(1.16)	(1.14)
Return after operating charges	7.29	(19.77)	30.04
Distributions	(3.18)	(2.26)	(0.95)
Retained distributions	3.18	2.26	0.95
Closing NAV	115.97	108.68	128.45
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.12	0.11	0.06
Dilution adjustments	0.00	(0.02)	(0.03)
Total direct transaction costs	0.12	0.09	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs	0.10	0.08	0.03
Operating charges	0.93	0.93	1.01
Return after charges	+6.71	-15.39	+30.53
Other information			
Closing NAV (£'000)	54,072	54,525	68,581
Number of shares	46,626,393	50,169,225	53,389,983
Highest share price (UK p)	125.92	133.08	131.15
Lowest share price (UK p)	103.34	108.63	92.11

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Statement of total return

for the year to 30 June	Note	2023		2022	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	3		46,081		(254,653)
Revenue	5	45,268		41,848	
Expenses	6	(9,318)		(11,450)	
Interest payable and similar charges		0		(47)	
Net revenue/(expense) before taxation		35,950		30,351	
Taxation	7	(35)		(2)	
Net revenue/(expense) after taxation			35,915		30,349
Total return before distributions			81,996		(224,304)
Distributions	8		(38,839)		(32,946)
Change in net assets attributable to shareholders from investment activities			43,157		(257,250)

Statement of change in net assets attributable to shareholders

for the year to 30 June	2023		2022	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		1,208,883		1,610,625
Amounts received on issue of shares	85,312		91,665	
Amounts paid on cancellation of shares	(217,934)		(255,694)	
		(132,622)		(164,029)
Dilution adjustments		439		550
Change in net assets attributable to shareholders from investment activities (see above)		43,157		(257,250)
Retained distributions on Accumulation shares		22,959		18,966
Unclaimed distributions		38		21
Closing net assets attributable to shareholders		1,142,854		1,208,883

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Balance sheet

as at 30 June	Note	2023 £'000	2022 £'000
Assets			
Fixed assets			
Investments		1,142,437	1,195,610
Current assets			
Debtors	9	5,221	3,866
Cash and bank balances	10	2,310	1,226
Cash equivalents		3,401	18,677
Total assets		1,153,369	1,219,379
Liabilities			
Creditors			
Distribution payable		(8,555)	(8,649)
Other creditors	11	(1,960)	(1,847)
Total liabilities		(10,515)	(10,496)
Net assets attributable to shareholders		1,142,854	1,208,883

Financial statements and notes

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 9 to 12.

2 Distribution policy

In determining the amount available for distribution, ordinary stock dividends have been transferred to capital, reducing the amount available.

In determining the amount available for distribution to Income shares, the annual charge is offset against capital, increasing the amount available for distribution whilst restraining capital performance to an equivalent extent.

3 Net capital gains/(losses)

for the year to 30 June	2023 £'000	2022 £'000
Non-derivative securities	46,043	(254,589)
Currency gains/(losses)	38	(64)
Net capital gains/(losses)	46,081	(254,653)

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4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the sections on 'Operating charges' and 'Portfolio transaction costs' within 'Notes to the financial statements' on pages 11 and 12. Total direct portfolio transaction costs are stated before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

for the year to 30 June	2023 £'000	% of transaction	2022 £'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	252,167		243,985	
Commissions	89	0.04	88	0.04
Taxes	1,001	0.40	1,044	0.43
Total purchases after transaction costs	253,257		245,117	
b) Sales				
Equities				
Equities before transaction costs	352,611		411,930	
Commissions	(138)	0.04	(141)	0.03
Taxes	(1)	0.00	(1)	0.00
Total sales after transaction costs	352,472		411,788	
	2023 £'000	% of average NAV	2022 £'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	227	0.02	229	0.02
Taxes paid				
Equities	1,002	0.08	1,045	0.07
Total direct portfolio transaction costs	1,229	0.10	1,274	0.09
		%		%
d) Indirect portfolio transaction costs				
Average portfolio dealing spread as at the balance sheet date		0.47		0.51

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5 Revenue

for the year to 30 June	2023 £'000	2022 £'000
Bank interest	14	4
Dividends from equity investments: non-taxable	44,160	39,924
Dividends from equity investments: taxable	15	90
Interest distributions	330	20
Property distribution: non-taxable	27	0
Property distribution: taxable	19	0
Rebate of ongoing charges from underlying funds	8	2
Stock dividends	695	1,758
Underwriting commission	0	50
Total revenue	45,268	41,848

6 Expenses

for the year to 30 June	2023 £'000	2022 £'000
Payable to the ACD or associate		
Annual charge	9,318	11,450
Total expenses	9,318	11,450

Audit fees for the financial year ending 2023 were £11,000 (2022: £11,000) (including VAT), which are covered by the annual charge.

Financial statements and notes

7 Taxation

for the year to 30 June	2023 £'000	2022 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	35	2
Deferred tax (note 7c)	0	0
Total taxation	35	2
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	35,950	30,351
Corporation tax at 20%	7,190	6,070
Effects of:		
Dividends from equity investments: non-taxable	(8,837)	(7,985)
Stock dividends: non-taxable	(139)	(351)
Current year expenses not utilised	1,786	2,266
Withholding tax	35	2
Total tax charge (note 7a)	35	2
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of £168,480,000 (2022: £166,694,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

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8 Distributions

For each distribution period, the distributions payable on Income shares (Inc) and distributions retained on Accumulation shares (Acc) are disclosed.

for the year to 30 June	2023		2022	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Dividend distributions				
Interim	6,372	9,489	4,443	5,252
Final	8,555	13,470	8,649	13,714
Total net distributions		37,886		32,058
Income deducted on cancellation of shares		2,079		2,342
Income received on issue of shares		(1,126)		(1,454)
Distributions		38,839		32,946
Net revenue/(expense) per statement of total return		35,915		30,349
Expenses offset against capital		3,618		4,354
Stock dividends not distributed		(695)		(1,758)
Undistributed income brought forward		1		0
Undistributed income carried forward		0		1
Distributions		38,839		32,946

9 Debtors

as at 30 June	2023 £'000	2022 £'000
Amounts receivable on issues of shares	308	157
Distributions receivable	16	11
Dividends receivable	4,299	3,678
Rebate of ongoing charges from underlying funds	0	1
Sales awaiting settlement	598	19
Total debtors	5,221	3,866

10 Cash and bank balances

as at 30 June	2023 £'000	2022 £'000
Cash held as bank balances	2,310	1,226
Total cash and bank balances	2,310	1,226

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11 Other creditors

as at 30 June	2023 £'000	2022 £'000
Amounts payable on cancellation of shares	1,291	1,396
Annual charge payable	504	451
Purchases awaiting settlement	165	0
Total other creditors	1,960	1,847

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2022: same).

13 Shares in issue

The following table shows each class of share in issue during the year. Each share class has the same rights on winding up however they may have different charging structures as set out in note 14.

Share class	Opening 01.07.22	Issued	Movements Cancelled	Converted	Closing 30.06.23
Sterling					
Class 'A' Income	277,349,793	6,657,045	(33,523,202)	0	250,483,636
Class 'A' Accumulation	132,774,405	10,000	(36,521,487)	0	96,262,918
Class 'C' Income	44,481,934	1,802,257	(2,439,270)	0	43,844,921
Class 'C' Accumulation	52,320,851	189,000	(7,847,599)	0	44,662,252
Class 'I' Income	57,341,121	11,685,891	(6,176,236)	0	62,850,776
Class 'I' Accumulation	76,261,438	19,873,000	(12,060,472)	0	84,073,966
Class 'PP' Income	2,598,416	1,182,168	(638,905)	0	3,141,679
Class 'PP' Accumulation	1,361,472	1,584,027	(566,538)	0	2,378,961
Class 'R' Income	9,187,333	444,619	(940,899)	0	8,691,053
Class 'R' Accumulation	50,169,225	1,156,021	(4,698,853)	0	46,626,393

It is not possible to separately identify all share class conversions. As a result, the share class movements (issued/cancelled) as disclosed in the table above may also include share class conversions.

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14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class. The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

Share class	Annual charge %
Sterling	
Class 'A'	1.10
Class 'C'	0.00
Class 'I'	0.70
Class 'PP'	0.60
Class 'R'	0.95

15 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the fund except with in specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to shareholders' and note 8. Amounts due to/from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the annual charge are disclosed in note 6. Amounts due at the year end in respect of the annual charge are disclosed in note 11.

Amounts paid to M&G Securities Limited in respect of rebate arrangements for the annual charge are disclosed in notes 3 and 5. Amounts due at the year end from the ACD, and/or associate, in respect of these rebates are disclosed in note 9.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 11.87% (2022: 12.57%) of the fund's shares.

16 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities, highly liquid bonds (eg Government bonds) and exchange traded derivatives (eg futures) for which quoted prices are readily and regularly available.

Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

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Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 30 June	Assets 2023 £'000	Liabilities 2023 £'000	Assets 2022 £'000	Liabilities 2022 £'000
Level 1	1,141,992	0	1,193,133	0
Level 2	0	0	0	0
Level 3	445	0	2,477	0
	1,142,437	0	1,195,610	0

Level 3 assets comprise of Watchstone (2022: Watchstone) which is AQSE listed.

17 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 15.

18 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by £57,122,000 (2022: £59,781,000). A five per cent decrease would have an equal and opposite effect.

19 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by £4,270,000 (2022: £4,428,000). A five per cent decrease would have an equal and opposite effect.

as at 30 June	2023 £'000	2022 £'000
Currency exposure		
Australian dollar	36,435	30,666
Canadian dollar	18,077	24,405
Euro	9,153	6,372
Sterling	1,057,455	1,120,320
US dollar	21,734	27,120
Total	1,142,854	1,208,883

20 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

Financial statements and notes

21 Credit risk

Credit risk with regards to derivative balances is not considered significant and is therefore not disclosed.

22 Dividend distribution tables

This fund pays semi-annual ordinary distributions and the following table sets out the distribution periods.

Semi-annual distribution periods

	Start	End	Xd	Payment
Interim	01.07.22	31.12.22	03.01.23	28.02.23
Final	01.01.23	30.06.23	03.07.23	31.08.23

The following tables set out for each distribution the rates per share for both Group 1 and Group 2 shares.

Group 1 shares are those purchased prior to a distribution period and therefore their income rate is the same as the distribution rate.

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of income and equalisation. Equalisation is the average amount of income included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the income and equalisation components.

Sterling Class 'A' Income shares

Ordinary distributions for the year to 30 June	Group 2		Group 1 & 2 Distribution	
	Income 2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
Interim	0.6536	0.9933	1.6469	1.0800
Final	1.7919	0.4944	2.2863	2.1886

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 30 June	Group 2		Group 1 & 2 Distribution	
	Income 2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
Interim	1.1098	1.7327	2.8425	1.0929
Final	2.7795	1.7284	4.5079	3.9714

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Sterling Class 'C' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Interim	0.4877	1.3079	1.7956	1.1648
Final	1.7788	0.7296	2.5084	2.3748

Sterling Class 'C' Accumulation shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Interim	1.8317	3.7423	5.5740	3.5091
Final	4.1756	3.7316	7.9072	7.2154

Sterling Class 'I' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Interim	0.8665	0.8421	1.7086	1.1159
Final	1.2287	1.1487	2.3774	2.2665

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Interim	1.3321	2.3455	3.6776	1.8433
Final	3.5367	2.0031	5.5398	4.9622

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Interim	0.5525	0.8057	1.3582	0.8862
Final	1.8910	0.0000	1.8910	1.8008

Financial statements and notes

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
Interim	0.1081	0.9970	1.1051	0.5796
Final	0.4040	1.2430	1.6470	1.4804

Sterling Class 'R' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
Interim	0.4224	1.0243	1.4467	0.9472
Final	1.0953	0.9148	2.0101	1.9212

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
Interim	0.4511	0.7953	1.2464	0.5401
Final	1.2332	0.7022	1.9354	1.7168

23 Events after the balance sheet date

There were no events after the balance sheet date to disclose.

Authorised Corporate Director's Report

For the purposes of these financial statements, the Prospectus dated 9 June 2023 has been used.

Investment objective

The fund aims to deliver a higher total return (the combination of capital growth and income) than the Numis Smaller Companies Index (excluding Investment Companies), net of the ongoing charge figure, over any five year period.

Investment policy

At least 80% of the fund is invested in UK smaller companies. These are UK listed companies which, at the initial time of purchase, are:

- in the bottom 10% (by market capitalisation) of the FTSE All-Share index, or
- in the Numis Smaller Companies Index (excluding Investment Companies), or
- listed on the Alternative Investment Market.

The fund may also invest in collective investment schemes and other transferable securities. Cash and near cash may be held for ancillary purposes and derivatives, including warrants, may be used for efficient portfolio management and hedging purposes.

Investment approach

The fund manager takes a bottom-up approach to stockpicking and aims to construct a well-diversified portfolio. A long-term perspective is adopted with particular focus placed on 'growth drivers', competitive advantage, change, quality of management and valuation.

When a company held by the fund grows such that it no longer has the characteristics of a smaller company, the fund manager will reduce the holding in a manner and timescale best suited to meeting the fund's objective.

Benchmark

Benchmark: Numis Smaller Companies Index (excluding Investment Companies).

The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used to measure the fund's performance and, together with the other index, and the Alternative Investment Market constrains the fund's portfolio construction as they define the investment universe of the fund.

The fund is actively managed.

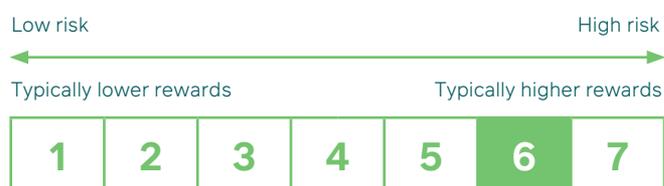
Within the given constraints, the fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

For unhedged and hedged share classes, the benchmark is shown in the share class currency.

Risk profile

For details of the risks associated with this fund, please refer to the Prospectus. For details of the risk management policies, please refer to pages 12 to 15.

The following table shows the risk number associated with the fund and is based on Sterling Class 'A' shares.



The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has not changed during this period.

Authorised Corporate Director's Report

Investment review

For the year ended 30 June 2023

Performance against objective

Between 1 July 2022 (the start of the review period) and 30 June 2023, the M&G Smaller Companies Fund delivered a negative total return (the combination of income and growth of capital) across all of its share classes. Fund performance was behind its benchmark, the Numis Smaller Companies ex Investment Companies Index, which returned 4.4% over the same period.

The fund did not meet its investment objective of delivering a higher total return than the Numis Smaller Companies ex Investment Companies Index over any five-year period for all share classes. The fund's performance was negative over the period, while the index returned 0.8% pa in the five years to 30 June 2023.

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

Performance review

The year under review was a turbulent one for global equity markets, dominated by high inflation and rising interest rates. The war in Ukraine brought continued uncertainty and exacerbated inflationary pressures at a global level. In the UK, September's mini-budget caused political and economic turmoil. Markets rallied in late 2022 as inflation appeared to be easing and China announced plans to lift COVID restrictions. However, volatility resumed in 2023 as inflation remained sticky, bolstered by rising wages and core prices.

In this environment, smaller companies trailed their larger counterparts over the period. Smaller companies are generally more focused on the domestic economy, while larger companies tend to have a greater international exposure. The fund's performance was supported by sector allocation, with an above-benchmark presence in technology adding most value, while a below-index position in real estate was also helpful.

Stock selection detracted overall. Stock picks in cyclical areas, most notably consumer discretionary, technology, financials and industrials, cost some performance over the period. Cyclical stocks tend to be more sensitive to economic cycles than defensive companies, which generally deliver steady returns. Stock picking in consumer staples, energy and basic materials supported performance.

At stock level, detractors included digital transformation and consultancy business Kin and Carta, Inspects, a provider of frames for spectacles, online gaming operator 888 and media content equipment manufacturer Videndum. Kin and Carta reduced its earnings outlook due to a slowdown in clients undertaking digital transformation. Inspects reported deteriorating trading, especially in Europe, as investors became increasingly concerned about its debt levels and liquidity. As for 888, investors were worried about its high levels of borrowing, but they recently welcomed the news that activist shareholders and industry experts had taken a stake in the company, alluding to the good value on offer. Videndum detracted as investors felt the firm is likely to be hurt by a writers' strike in Hollywood.

A number of takeover targets featured among the top 10 contributors to performance in the review period. For example, environmental consultancy firm RPS was the subject of a takeover battle and agreed to an offer from the US's Tetra Tech, while collagen products manufacturer Devro was taken over by German firm Saria. In addition, exhibition and conference organiser Hyve received a recommended takeover offer and Alfa Financial Software has been in negotiations with EQT, although this did not lead to a firm offer in the end.

Other contributors included price comparison website Moneysupermarket.com. Against a backdrop of rising prices, investors are becoming increasingly positive about prospects for the company as consumers look to switch insurance providers.

Investment activities

The fund's turnover has been particularly elevated since the start of 2023, reflecting the largest number of changes within the benchmark, as part of its annual

Authorised Corporate Director's Report

rebalancing, in many years. The Numis Smaller Companies ex Investment Companies Index resets every year as companies join and leave the index.

Real estate services have underperformed the broader market in the past two years and we took advantage of attractive valuations to add to this sector. This involved starting new positions in LondonMetric Property REIT and Shaftesbury Capital.

We started a position in Ascential, a B2B media company, which is undergoing a strategic review and trading at very attractive levels, in our opinion. Also joining the fund was M & C Saatchi, a marketing agency that is recovering from accounting issues and has rejected takeover approaches from two of its peers.

Some complete sales related to takeover activity, with RPS and Devro leaving the portfolio, as discussed above. Healthcare software developer EMIS also taken over during the period, was sold too.

We sold some companies that are exposed to technology-based end markets, where we see earnings risk, namely Kin and Carta, as above, and FDM, a technology services provider.

Outlook

The Bank of England continued raising interest rates, hiking to 5.0% in June. The market's concerns about inflation are increasing and the likelihood of recession is growing. This is a negative scenario for UK small caps, and we continue to adapt the portfolio to manage the risk to earnings for the fund's holdings. We believe the potential for material earnings downgrades this year remains.

James Taylor

Fund manager

An employee of M&G FA 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.

Portfolio statement

Investments

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Equities	182,373	95.71	100.51
Software & computer services	26,095	13.69	17.14
449,396 accesso Technology ^a	3,469	1.82	
2,096,185 Alfa Financial Software	4,046	2.12	
1,534,640 Ascential	3,376	1.77	
932,404 Bytes Technology	4,872	2.56	
4,000,000 Made Tech ^a	620	0.33	
3,204,031 Moneysupermarket.com	8,657	4.54	
186,246 WANdisco ^b	0	0.00	
843,750 Zoo Digital ^a	1,055	0.55	
Technology hardware & equipment	844	0.44	1.61
529,497 TT Electronics	844	0.44	
Telecommunications equipment	1,075	0.56	1.22
655,285 Spirent Communications	1,075	0.56	
Pharmaceuticals & biotechnology	2,270	1.19	0.56
538,573 Oxford Biomedica	2,270	1.19	
Banks	1,787	0.94	0.00
205,724 Close Brothers	1,787	0.94	
Finance & credit services	9,637	5.06	6.33
5,500,000 Distribution Finance Capital ^a	1,870	0.98	
1,400,000 LendInvest ^a	938	0.49	
384,066 Mortgage Advice Bureau ^a	2,228	1.17	
471,706 Paragon Banking	2,509	1.32	
3,268,102 Trufin ^a	2,092	1.10	
53,575 Trufin Rights 11/07/2023 ^a	0	0.00	
Investment banking & brokerage services	17,588	9.23	5.97
821,398 AJ Bell	2,627	1.38	
167,281 Alpha International ^a	3,513	1.84	
156,026 Liontrust Asset Management	1,116	0.58	
774,699 Polar Capital ^a	4,013	2.11	
1,452,049 PureTech Health	3,180	1.67	
169,296 Rathbone Brothers	3,139	1.65	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Equities (continued)			
Non-life insurance			
841,223 Lancashire	4,866	2.55	1.96
Real estate investment & services			
504,743 LSL Property Services	1,413	0.74	0.33
297,069 Savills	2,496	1.31	
Real estate investment trusts			
1,363,232 LondonMetric Property	2,252	1.18	
4,115,103 Shaftesbury Capital	4,695	2.47	
649,307 Workspace	3,055	1.60	
Automobiles & parts			
2,321,072 TI Fluid Systems	3,119	1.64	0.84
Consumer services			
137,856 CVS ^a	2,735	1.44	1.16
Household goods & home construction			
492,513 Redrow	2,193	1.15	
2,410,917 Watkin Jones ^a	1,738	0.91	
Personal goods			
	0	0.00	2.09
Media			
21,215 4imprint	1,015	0.53	
1,694,772 M&C Saatchi ^a	2,542	1.33	
2,173,912 Pebble ^a	2,000	1.05	
2,968,179 Reach	1,993	1.05	
928,302 STV	2,070	1.09	
1,115,740 Wilmington	3,124	1.64	
Retailers			
963,464 Halfords	2,046	1.07	
225,805 WH Smith	3,541	1.86	
Travel & leisure			
4,487,589 888	4,369	2.29	
10,132,003 Gaming Realms ^a	3,151	1.65	
1,140,395 Mobico	1,112	0.58	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Equities (continued)			
Travel & leisure (continued)			
1,560,442 On the Beach	1,456	0.77	
4,783,197 Restaurant	1,830	0.96	
Food producers	5,140	2.70	4.21
3,978,384 Premier Foods	5,140	2.70	
Personal care, drug & grocery stores	1,669	0.88	0.00
1,192,532 IG Design ^a	1,669	0.88	
Construction & materials	8,635	4.53	5.99
376,665 Genuit	1,117	0.59	
918,058 Marshalls	2,180	1.14	
931,028 Tyman	2,397	1.26	
774,830 Volution	2,941	1.54	
Aerospace & defence	5,540	2.91	2.06
1,191,931 Chemring	3,373	1.77	
1,235,459 Senior	2,167	1.14	
General industrials	3,938	2.07	2.16
5,649,652 Coats	3,938	2.07	
Industrial engineering	4,406	2.31	2.37
279,799 Bodycote	1,792	0.94	
382,694 Videndum	2,614	1.37	
Industrial support services	13,924	7.31	16.95
698,516 Alpha Financial Markets Consulting ^a	2,689	1.41	
4,438,908 De La Rue	1,998	1.05	
497,655 Midwich ^a	2,145	1.13	
554,946 PageGroup	2,252	1.18	
1,026,235 Restore ^a	2,360	1.24	
754,531 RWS ^a	1,805	0.95	
196,241 SThree	675	0.35	
Industrial transportation	2,680	1.41	1.43
1,061,395 Wincanton	2,680	1.41	
Industrial metals & mining	7,514	3.94	2.61
507,006 Hill & Smith	7,514	3.94	

Portfolio statement

Investments (continued)

Holding	as at 30.06.23 £'000	as at 30.06.23 %	as at 30.06.22 %
Equities (continued)			
Chemicals	4,956	2.60	2.16
2,425,847 Elementis	2,479	1.30	
1,307,700 Synthomer	967	0.51	
109,750 Victrex	1,510	0.79	
Oil & gas	5,864	3.08	2.33
1,520,906 Hunting	3,027	1.59	
1,061,518 John Wood	1,471	0.77	
659,317 Serica Energy ^a	1,366	0.72	
Total portfolio	182,373	95.71	100.51
Net other assets/(liabilities)	8,178	4.29	(0.51)
Net assets attributable to shareholders	190,551	100.00	100.00

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

^a AIM quoted.

^b Suspended/delisted.

Portfolio statement

Top ten portfolio transactions for the year to 30 June 2023

Largest purchases	£'000
Shaftesbury Capital	4,764
Ascential	3,678
Wilmington	3,370
Savills	3,311
M&C Saatchi	3,219
Alfa Financial Software	2,847
AJ Bell	2,835
Workspace	2,684
LondonMetric Property	2,572
Redrow	2,493
Other purchases	51,061
Total purchases	82,834

Largest sales	£'000
RPS	11,617
Hyve	8,861
EMIS	7,679
Alpha Financial Markets Consulting	7,655
Devro	4,775
Moneysupermarket.com	3,777
NCC	3,763
Future	3,708
Loungers	2,979
JTC	2,661
Other sales	42,063
Total sales	99,538

Purchases and sales exclude the cost and proceeds of 'AAA' rated money market funds.

Financial highlights

Fund performance

Please note past performance is not a guide to future performance and the value of investments, and the income from them, will fluctuate. This will cause the fund price to fall as well as rise and you may not get back the original amount you invested.

As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different.

For additional information, including monthly fund commentaries, fund facts, performance information (including a range of performance graphs) and other documents, please visit our website at mandg.com/investments

Long-term performance by share class

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period. Calculated on a price to price basis with income reinvested. Please refer to 'Specific share class performance' tables for the share class launch dates.

Share class	One year % ^a	Three years % pa	Five years % pa	Ten years % pa
Sterling				
Class 'A' Income	-3.9	+2.7	-1.0	+4.7
Class 'A' Accumulation	-3.9	+2.7	-1.0	+4.7
Class 'C' Income	-2.8	+3.9	+0.3	+6.2
Class 'I' Income	-3.5	+3.1	-0.5	+5.4
Class 'I' Accumulation	-3.6	+3.1	-0.5	+5.4
Class 'R' Income	-3.8	+2.8	-0.7	+5.1
Class 'R' Accumulation	-3.8	+2.8	-0.7	+5.1
Benchmark	+4.4	+9.0	+0.8	+6.0

^a Not annualised.

Specific share class performance

The following comparative tables show the performance of each share class. All 'Performance and charges' percentages represent an annual rate except for the 'Return after operating charges' which is calculated as a percentage of the opening net asset value per share (NAV per share). 'Dilution adjustments' are only in respect of direct portfolio transaction costs.

'Operating charges' and 'Direct portfolio transaction costs' are calculated as a percentage of average net asset value. Where there is a change in the charging structure, you may see variances in the 'operating charges' between the comparative and current year figures.

The closing NAV per share shown may diverge from the highest and lowest share prices (used for dealing purposes) as at the balance sheet date due to accounting and valuation adjustments.

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 27 September 1967.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	336.52	447.31	309.29
Return before operating charges	(8.73)	(98.20)	149.42
Operating charges	(4.26)	(5.42)	(4.90)
Return after operating charges	(12.99)	(103.62)	144.52
Distributions	(8.70)	(7.17)	(6.50)
Closing NAV	314.83	336.52	447.31
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.67	0.79	0.31
Dilution adjustments	0.00	(0.09)	(0.31)
Total direct transaction costs	0.67	0.70	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.20	0.16	0.00
Operating charges	1.25	1.25	1.31
Return after charges	-3.86	-23.17	+46.73
Other information			
Closing NAV (£'000)	75,921	88,538	118,419
Number of shares	24,114,783	26,310,046	26,473,586
Highest share price (UK p)	369.37	497.27	462.68
Lowest share price (UK p)	304.75	340.71	303.36

Sterling Class 'A' Accumulation share performance

The share class was launched on 27 September 1967.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	942.10	1,228.99	836.30
Return before operating charges	(25.13)	(271.95)	405.98
Operating charges	(11.97)	(14.94)	(13.29)
Return after operating charges	(37.10)	(286.89)	392.69
Distributions	(12.62)	(4.85)	(5.18)
Retained distributions	12.62	4.85	5.18
Closing NAV	905.00	942.10	1,228.99
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.89	2.18	0.83
Dilution adjustments	0.00	(0.25)	(0.83)
Total direct transaction costs	1.89	1.93	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.20	0.16	0.00
Operating charges	1.25	1.25	1.31
Return after charges	-3.94	-23.34	+46.96
Other information			
Closing NAV (£'000)	24,332	28,845	37,294
Number of shares	2,688,639	3,061,786	3,034,506
Highest share price (UK p)	1,034.07	1,366.21	1,258.57
Lowest share price (UK p)	853.15	941.64	820.40

Financial highlights

Sterling Class 'C' Income share performance

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

The share class was launched on 3 January 2006.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	373.98	490.89	335.07
Return before operating charges	(10.06)	(109.01)	162.02
Operating charges	0.00	0.00	0.00
Return after operating charges	(10.06)	(109.01)	162.02
Distributions	(9.61)	(7.90)	(6.20)
Closing NAV	354.31	373.98	490.89
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.75	0.87	0.30
Dilution adjustments	0.00	(0.10)	(0.30)
Total direct transaction costs	0.75	0.77	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.20	0.16	0.00
Operating charges	0.00	0.00	0.00
Return after charges	-2.69	-22.21	+48.35
Other information			
Closing NAV (£'000)	22,838	25,500	35,718
Number of shares	6,445,786	6,818,728	7,276,148
Highest share price (UK p)	411.15	547.13	506.76
Lowest share price (UK p)	339.89	378.61	328.82

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,892.82	2,505.91	1,724.72
Return before operating charges	(49.54)	(552.02)	834.91
Operating charges	(16.30)	(20.84)	(17.71)
Return after operating charges	(65.84)	(572.86)	817.20
Distributions	(48.98)	(40.23)	(36.01)
Closing NAV	1,778.00	1,892.82	2,505.91
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.79	4.47	1.71
Dilution adjustments	0.00	(0.52)	(1.71)
Total direct transaction costs	3.79	3.95	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.20	0.16	0.00
Operating charges	0.85	0.85	0.85
Return after charges	-3.48	-22.86	+47.38
Other information			
Closing NAV (£'000)	33,614	34,612	66,718
Number of shares	1,890,551	1,828,611	2,662,409
Highest share price (UK p)	2,078.71	2,788.12	2,590.84
Lowest share price (UK p)	1,716.11	1,916.37	1,691.99

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,288.00	2,972.87	2,015.70
Return before operating charges	(61.77)	(660.23)	978.10
Operating charges	(19.80)	(24.64)	(20.93)
Return after operating charges	(81.57)	(684.87)	957.17
Distributions	(39.75)	(23.29)	(21.29)
Retained distributions	39.75	23.29	21.29
Closing NAV	2,206.43	2,288.00	2,972.87
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	4.60	5.29	2.02
Dilution adjustments	0.00	(0.61)	(2.02)
Total direct transaction costs	4.60	4.68	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.20	0.16	0.00
Operating charges	0.85	0.85	0.85
Return after charges	-3.57	-23.04	+47.49
Other information			
Closing NAV (£'000)	23,225	23,457	32,089
Number of shares	1,052,599	1,025,205	1,079,389
Highest share price (UK p)	2,514.64	3,307.50	3,043.45
Lowest share price (UK p)	2,074.35	2,286.88	1,977.51

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	186.43	247.44	170.72
Return before operating charges	(4.85)	(54.40)	82.55
Operating charges	(2.08)	(2.64)	(2.28)
Return after operating charges	(6.93)	(57.04)	80.27
Distributions	(4.82)	(3.97)	(3.55)
Closing NAV	174.68	186.43	247.44
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.37	0.44	0.17
Dilution adjustments	0.00	(0.05)	(0.17)
Total direct transaction costs	0.37	0.39	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.20	0.16	0.00
Operating charges	1.10	1.10	1.10
Return after charges	-3.72	-23.05	+47.02
Other information			
Closing NAV (£'000)	2,335	2,602	3,375
Number of shares	1,337,082	1,395,478	1,364,119
Highest share price (UK p)	204.67	275.16	255.87
Lowest share price (UK p)	168.90	188.75	167.47

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	223.11	290.62	197.55
Return before operating charges	(5.99)	(64.40)	95.73
Operating charges	(2.50)	(3.11)	(2.66)
Return after operating charges	(8.49)	(67.51)	93.07
Distributions	(3.30)	(1.57)	(1.48)
Retained distributions	3.30	1.57	1.48
Closing NAV	214.62	223.11	290.62
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.45	0.52	0.20
Dilution adjustments	0.00	(0.06)	(0.20)
Total direct transaction costs	0.45	0.46	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.20	0.16	0.00
Operating charges	1.10	1.10	1.10
Return after charges	-3.81	-23.23	+47.11
Other information			
Closing NAV (£'000)	8,286	9,021	12,559
Number of shares	3,860,658	4,043,509	4,321,280
Highest share price (UK p)	244.94	323.17	297.58
Lowest share price (UK p)	202.13	223.00	193.78

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Financial statements

Statement of total return

for the year to 30 June	Note	2023		2022	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	3		(10,496)		(66,356)
Revenue	5	5,359		4,724	
Expenses	6	(2,066)		(2,817)	
Interest payable and similar charges		0		(4)	
Net revenue/(expense) before taxation		3,293		1,903	
Taxation	7	0		0	
Net revenue/(expense) after taxation			3,293		1,903
Total return before distributions			(7,203)		(64,453)
Distributions	8		(4,707)		(3,853)
Change in net assets attributable to shareholders from investment activities			(11,910)		(68,306)

Statement of change in net assets attributable to shareholders

for the year to 30 June	2023		2022	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		212,575		313,366
Amounts received on issue of shares	6,659		13,586	
Amounts paid on cancellation of shares	(17,744)		(46,752)	
		(11,085)		(33,166)
Dilution adjustments		69		221
Change in net assets attributable to shareholders from investment activities (see above)		(11,910)		(68,306)
Retained distributions on Accumulation shares		890		454
Unclaimed distributions		12		6
Closing net assets attributable to shareholders		190,551		212,575

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Financial statements

Balance sheet

as at 30 June	Note	2023 £'000	2022 £'000
Assets			
Fixed assets			
Investments		182,373	209,558
Current assets			
Debtors	9	602	603
Cash and bank balances	10	222	426
Cash equivalents		10,024	4,073
Total assets		193,221	214,660
Liabilities			
Creditors			
Distribution payable		(2,167)	(1,957)
Other creditors	11	(503)	(128)
Total liabilities		(2,670)	(2,085)
Net assets attributable to shareholders		190,551	212,575

Financial statements and notes

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 9 to 12.

2 Distribution policy

In determining the amount available for distribution, ordinary stock dividends have been transferred to capital, reducing the amount available.

In determining the amount available for distribution to Income shares, the annual charge is offset against capital, increasing the amount available for distribution whilst restraining capital performance to an equivalent extent.

3 Net capital gains/(losses)

for the year to 30 June	2023 £'000	2022 £'000
Non-derivative securities	(10,481)	(66,337)
Currency gains/(losses)	(15)	(19)
Net capital gains/(losses)	(10,496)	(66,356)

Financial statements and notes

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the sections on 'Operating charges' and 'Portfolio transaction costs' within 'Notes to the financial statements' on pages 11 and 12. Total direct portfolio transaction costs are stated before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

for the year to 30 June	2023 £'000	% of transaction	2022 £'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	82,460		123,082	
Commissions	39	0.05	43	0.03
Taxes	335	0.40	416	0.34
Total purchases after transaction costs	82,834		123,541	
b) Sales				
Equities				
Equities before transaction costs	99,580		158,037	
Commissions	(42)	0.04	(66)	0.04
Total sales after transaction costs	99,538		157,971	
	2023 £'000	% of average NAV	2022 £'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	81	0.04	109	0.04
Taxes paid				
Equities	335	0.16	416	0.14
Total direct portfolio transaction costs	416	0.20	525	0.18
		%		%
d) Indirect portfolio transaction costs				
Average portfolio dealing spread as at the balance sheet date		0.90		1.43

Financial statements and notes

5 Revenue

for the year to 30 June	2023 £'000	2022 £'000
Bank interest	1	1
Dividends from equity investments: non-taxable	5,031	4,658
Dividends from equity investments: taxable	19	16
Interest distributions	177	9
Property distribution: non-taxable	36	3
Property distribution: taxable	92	35
Rebate of ongoing charges from underlying funds	3	2
Total revenue	5,359	4,724

6 Expenses

for the year to 30 June	2023 £'000	2022 £'000
Payable to the ACD or associate		
Annual charge	2,066	2,817
Total expenses	2,066	2,817

Audit fees for the financial year ending 2023 were £11,000 (2022: £11,000) (including VAT), which are covered by the annual charge.

Financial statements and notes

7 Taxation

for the year to 30 June	2023 £'000	2022 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	0	0
Deferred tax (note 7c)	0	0
Total taxation	0	0
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	3,293	1,903
Corporation tax at 20%	659	381
Effects of:		
Dividends from equity investments: non-taxable	(1,014)	(932)
Current year expenses not utilised	355	551
Total tax charge (note 7a)	0	0
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of £12,406,000 (2022: £12,051,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

For each distribution period, the distributions payable on Income shares (Inc) and distributions retained on Accumulation shares (Acc) are disclosed.

for the year to 30 June	2023		2022	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Dividend distributions				
Interim	1,588	316	1,289	69
Final	2,167	574	1,957	385
Total net distributions	4,645		3,700	
Income deducted on cancellation of shares	125		219	
Income received on issue of shares	(63)		(66)	
Distributions	4,707		3,853	
Net revenue/(expense) per statement of total return	3,293		1,903	
Expenses offset against capital	1,414		1,950	
Distributions	4,707		3,853	

Financial statements and notes

9 Debtors

as at 30 June	2023 £'000	2022 £'000
Distributions receivable	28	3
Dividends receivable	574	578
Sales awaiting settlement	0	22
Total debtors	602	603

10 Cash and bank balances

as at 30 June	2023 £'000	2022 £'000
Cash held as bank balances	222	426
Total cash and bank balances	222	426

11 Other creditors

as at 30 June	2023 £'000	2022 £'000
Amounts payable on cancellation of shares	196	26
Annual charge payable	111	102
Purchases awaiting settlement	196	0
Total other creditors	503	128

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2022: same).

Financial statements and notes

13 Shares in issue

The following table shows each class of share in issue during the year. Each share class has the same rights on winding up however they may have different charging structures as set out in note 14.

Share class	Opening 01.07.22	Issued	Movements Cancelled	Converted	Closing 30.06.23
Sterling					
Class 'A' Income	26,310,046	202,190	(2,397,453)	0	24,114,783
Class 'A' Accumulation	3,061,786	14,370	(387,517)	0	2,688,639
Class 'C' Income	6,818,728	128,749	(501,691)	0	6,445,786
Class 'I' Income	1,828,611	144,251	(82,311)	0	1,890,551
Class 'I' Accumulation	1,025,205	103,193	(75,799)	0	1,052,599
Class 'R' Income	1,395,478	65,000	(123,396)	0	1,337,082
Class 'R' Accumulation	4,043,509	76,000	(258,851)	0	3,860,658

It is not possible to separately identify all share class conversions. As a result, the share class movements (issued/cancelled) as disclosed in the table above may also include share class conversions.

14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class. The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

Share class	Annual
Sterling	
Class 'A'	1.25
Class 'C'	0.00
Class 'I'	0.85
Class 'R'	1.10

15 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the fund except with in specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to shareholders' and note 8. Amounts due to/from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the annual charge are disclosed in note 6. Amounts due at the year end in respect of the annual charge are disclosed in note 11.

Amounts paid to M&G Securities Limited in respect of rebate arrangements for the annual charge are disclosed in notes 3 and 5. Amounts due at the year end from the ACD, and/or associate, in respect of these rebates are disclosed in note 9.

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At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 27.58% (2022: 26.54%) of the fund's shares.

16 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities, highly liquid bonds (eg Government bonds) and exchange traded derivatives (eg futures) for which quoted prices are readily and regularly available.

Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 30 June	Assets 2023	Liabilities 2023	Assets 2022	Liabilities 2022
Basis of valuation	£'000	£'000	£'000	£'000
Level 1	182,373	0	209,558	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	182,373	0	209,558	0

17 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 15.

18 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by £9,119,000 (2022: £10,478,000). A five per cent decrease would have an equal and opposite effect.

19 Currency risk sensitivity and exposure

Currency risk is not considered significant for the fund and is therefore not disclosed.

20 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

Financial statements and notes

21 Credit risk

Credit risk with regards to derivative balances is not considered significant and is therefore not disclosed.

22 Dividend distribution tables

This fund pays semi-annual ordinary distributions and the following table sets out the distribution periods.

Semi-annual distribution periods

	Start	End	Xd	Payment
Interim	01.07.22	31.12.22	03.01.23	28.02.23
Final	01.01.23	30.06.23	03.07.23	31.08.23

The following tables set out for each distribution the rates per share for both Group 1 and Group 2 shares.

Group 1 shares are those purchased prior to a distribution period and therefore their income rate is the same as the distribution rate.

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of income and equalisation. Equalisation is the average amount of income included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the income and equalisation components.

Sterling Class 'A' Income shares

Ordinary distributions for the year to 30 June	Group 2		Group 1 & 2 Distribution	
	Income 2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
Interim	2.1014	1.5131	3.6145	2.8087
Final	3.9956	1.0861	5.0817	4.3577

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 30 June	Group 2		Group 1 & 2 Distribution	
	Income 2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
Interim	1.7706	2.4013	4.1719	0.0000
Final	4.8829	3.5672	8.4501	4.8473

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Sterling Class 'C' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Interim	1.8266	2.1712	3.9978	3.0772
Final	4.3272	1.2869	5.6141	4.8214

Sterling Class 'I' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Interim	10.0913	10.2461	20.3374	15.7441
Final	17.2387	11.4068	28.6455	24.4858

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Interim	7.3303	7.3631	14.6934	5.6617
Final	13.8133	11.2432	25.0565	17.6234

Sterling Class 'R' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Interim	1.2716	0.7304	2.0020	1.5535
Final	2.1813	0.6326	2.8139	2.4129

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Interim	0.3681	0.7804	1.1485	0.1793
Final	1.5264	0.6280	2.1544	1.3866

23 Events after the balance sheet date

There were no events after the balance sheet date to disclose.

Other regulatory disclosures

Remuneration

The below disclosure is made in accordance with Undertakings for Collective Investment in Transferable Securities (“UCITS”) V and the Guidelines on sound remuneration policies under the UCITS issued by the European Securities and Markets Authority (“ESMA Guidelines”).

M&G Securities Limited (the “UCITS Management Company”) is subject to a remuneration policy which is consistent with the principles outlined in the ESMA Guidelines.

The remuneration policy is designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of employees is in line with the risk policies and objectives of the UCITS funds managed by the UCITS Management Company. Further details of the remuneration policy can be found on our website: mandgplc.com/our-business/mandginvestments/mandg-investments-business-policies

The remuneration policy and its implementation is reviewed on an annual basis, or more frequently where required, and is approved by the M&G plc Board Remuneration Committee. The most recent review found no fundamental issues with no material changes made to the policy.

M&G Securities Limited is required under UCITS to make quantitative disclosures of remuneration. These disclosures are made in line with M&G’s interpretation of currently available guidance on quantitative remuneration disclosures. As market or regulatory guidance evolves, M&G may consider it appropriate to make changes to the way in which quantitative disclosures are calculated.

The ‘Identified Staff’ of M&G Securities Limited are those who could have a material impact on the risk profile of M&G Securities Limited or the UCITS funds it manages and generally includes senior management, risk takers and control functions. ‘Identified Staff’ typically provide both UCITS and non-UCITS related services and have a number of areas of responsibility. Therefore, only the portion of remuneration for those

individuals’ services which may be attributable to UCITS is included in the remuneration figures disclosed. Accordingly the figures are not representative of any individual’s actual remuneration. The information needed to provide a further breakdown of remuneration is not readily available and would not be relevant or reliable.

The amounts shown below reflect payments made in respect of the financial year 1 January 2022 to 31 December 2022.

	Fixed Remuneration £000	Variable Remuneration £000	Total £000	Beneficiaries
Senior Management	622	1,303	1,925	9
Other Identified Staff	4,578	18,758	23,336	37

Swiss investor information

For funds registered in Switzerland we are required by FINMA to disclose the Total Expense Ratio (TER).

For these funds the TERs are the same as the operating charges disclosed in the fund’s financial highlights section under ‘Performance and charges’.

Glossary

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

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

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

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

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

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

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

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

Bunds Fixed income securities issued by the German government.

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

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

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

Cash equivalents Deposits or investments with similar characteristics to cash.

Charity Authorised Investment Fund (CAIF) An investment entity that is both a registered charity and an authorised investment fund. The CAIF must comply with charity law as well as financial services laws and regulations, and is usually treated as a registered charity for tax purposes.

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Equities Shares of ownership in a company.

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

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

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

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

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

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

Glossary

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

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

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

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

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

Gilts Fixed income securities issued by the UK government.

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

Hedging A method of reducing unnecessary or unintended risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

Near cash Deposits or investments with similar characteristics to cash.

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

Ongoing Charge Figure The ongoing charge figure represents the operating costs investors can reasonably expect to pay under normal circumstances.

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

Risk/reward ratio A ratio comparing the expected returns of an investment with the amount of risk undertaken.

Safe-haven assets Refers to assets that investors perceive to be relatively safe from suffering a loss in times of market turmoil.

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

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

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

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

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

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

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

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

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

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

Swing pricing Swing pricing is a method of protecting long-term shareholders in the fund from bearing the costs of transactions carried out by shorter-term investors. When investors buy or sell shares in the fund, the fund manager has to buy or sell underlying securities to either invest the cash obtained from investors, or to provide them with cash in exchange for their shares. Swing pricing essentially adjusts the fund shares' daily price to take into account the costs of buying or selling the underlying securities held by the fund. This ensures that transaction costs such as brokerage fees and administrative charges are borne by those investors who trade shares in the fund, not by those who remain invested in the fund. (Also see dilution adjustment).

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

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

Treasuries Fixed income securities issued by the US government.

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

