

M&G Investment Funds (11)

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

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Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (11) presents its annual report and audited financial statements for the year ended 30 April 2023.

The audited financial statements of M&G Investment Funds (11) and the investment report and 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 (11) is an umbrella Open-Ended Investment Company (OEIC) and contains two sub-funds, hereinafter referred to as 'funds' in the rest of this report. The Company is a non-UCITS Retail Scheme (NURS) and, for the purposes of the AIFMD, qualifies as an alternative investment fund (AIF), 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 1 October 2010, the M&G Episode Income Fund was launched on 11 November 2010 and the M&G Global Target Return Fund was launched on 13 December 2016.

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 April 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 Episode Income Fund

Steven Andrew & Stefano Amato

M&G Global Target Return Fund

Tristan Hanson

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

Investment manager

M&G Investment Management Limited,
10 Fenchurch Avenue, London EC3M 5AG, UK
Telephone: +44 (0)20 7626 4588
(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)

Authorised Corporate Director's Report

Depositary

NatWest Trustee & Depositary 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 2022 can be found on our website at mandg.co.uk/valueassessment

The FCA implemented the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations

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 Entity 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.

On 24 June 2022 all the Sterling Class 'X' Income and Sterling Class 'X' Accumulation shares were merged into the equivalent Sterling Class 'A' Income and Sterling Class 'A' Accumulation shares.

Effective as of 19 December 2022, Stefano Amato was appointed as co-fund manager of the M&G Episode Income Fund.

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.

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.

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 address. The Instrument of Incorporation can also be inspected at our offices or at the office of the Depositary.

Authorised Corporate Director's Report

Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

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
30 June 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 (11) ('the Company') for the year ended 30 April 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
30 June 2023

NatWest Trustee and
Depository Services Limited

Independent Auditor's Report

Independent Auditor's Report to the shareholders of M&G Investment Funds (11)

Opinion

We have audited the financial statements of M&G Investment Funds (11) ("the Company") comprising each of its sub-funds for the year ended 30 April 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 April 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 ACDs' 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 Financial Conduct Authority. 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
30 June 2023

Ernst & Young LLP
Statutory Auditor

Financial statements and notes

The financial statements for M&G Investment Funds (11) 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 (11) 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 at least 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, key service provider's operational resilience, and the impact of COVID-19.

The financial statements of M&G Investment Funds (11) 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

The functional and presentational currency of M&G Investment Funds (11) is UK sterling.

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 each fund's functional currency at the rate of exchange ruling as at 12 noon on 28 April 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 28 April 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.

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- 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

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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 the fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

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. 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.

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

c. 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

Financial statements and notes

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.

d. 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 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 14 March 2023 has been used.

Investment objective

The fund aims to generate a growing level of income over any three-year period. The fund also aims to provide capital growth of 2-4% per annum over any three-year period.

There is no guarantee that the fund will achieve its objective over this, or any other, period. The income distributions and the value of your investment may rise and fall and investors may not recoup the original amount they invested.

Investment policy

The fund manager adopts a flexible approach to the allocation of capital between asset classes in response to changes in economic conditions and the valuation of assets. Central to this approach is the identification of episodes, which are periods of time during which, in the fund manager's view, asset prices become over- or under-stated, relative to objective valuation measures, due to the emotional reaction of investors to events. These episodes can exist over both the short and medium term. The fund invests in transferable securities, fixed income assets (including, but not limited to, corporate bonds and government and public securities), warrants, cash, and near cash. Exposure to these assets, and to property, may be gained via collective investment schemes and derivatives (including equity index futures, currency forwards, interest rate swaps, and other liquid derivatives). The manager may seek to minimise currency risk through the combination of diversification and hedging. Derivatives may also be used for efficient portfolio management purposes. More than 70% of the fund will be in sterling or hedged back to sterling.

Investment approach

The fund manager seeks to achieve the fund's objectives whilst managing risk by investing globally across multiple asset classes, sectors, currencies and countries. Where the fund manager believes opportunities are limited to a few areas, the portfolio may be very concentrated in certain assets or markets. The fund manager will typically take investment positions in individual shares or bonds, but may also take positions at an index or sector level via derivatives.

The fund manager looks to generate a growing level of income by investing in assets that offer a regular income such as dividend-paying equities, corporate bonds and government bonds. The fund will typically invest 20-50% of its assets in equities, 40-80% in bonds and up to 20% in other assets, which can include convertibles.

Benchmark

Benchmark: None.

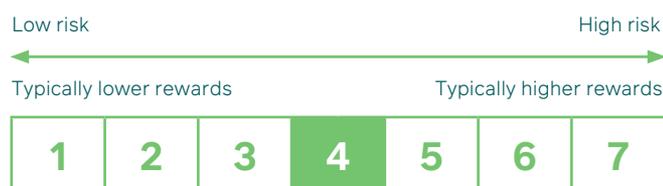
The fund is actively managed and it has no benchmark. Investors can assess the performance of the fund by its objective to provide a growing level of income and capital growth of 2 to 4% per annum, both measured over any three-year period. The fund's annual report for each financial year will include details of the fund's performance in relation to its objective.

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 14.

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 April 2023

Distribution summary

The fund distributed 12 monthly payments totalling 4.17p per Sterling Class 'A' Income shares over the 12 months under review. This represents a decrease of 1% from the 4.21p distributed during the same period a year earlier. As at the end of the reporting period, the payout represented a yield (distributed income as a percentage of the fund's share price on 30 April 2023) of 3.59%.

In respect of the Sterling Class 'I' Income shares, the fund distributed 12 monthly payments totalling 41.30p per Sterling Class 'I' Income share over the 12 months under review. This represents a decrease of 0.4% from the 41.45p distributed during the same period a year earlier. As at the end of the reporting period, the payout represented a yield (distributed income as a percentage of the share price at the end of the period) of 3.50%.

The fund's distribution is shown in the 'Specific share class performance' tables in this report. The distribution is subject to various influences, including changes in the market environment, movements in currency and changes in the fund's tax status. Consequently, there is no guarantee that the fund will increase the income stream in every reporting period.

Performance against objective

Over the review period, the M&G Episode Income Fund produced a negative total return (the combination of income and growth of capital) across all of its share classes.

The fund's distribution decreased by 5.8% per annum (pa) over the three-year period to 30 April 2023. Therefore, during that period, the fund did not meet one of its objectives of generating a growing level of income over any three-year period.

The fund's annualised capital growth increased by 0.7% pa over the three-year period to 30 April 2023. Therefore, it did not meet its objective of providing capital growth of between 2% and 4% on average each year over any three-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.

Over the 12 months, the fund's volatility has tracked higher than expectations (10.8% for the Sterling Class 'I' Accumulation shares vs 4-7% expected over five years) reflecting the volatility seen in the markets over the period.

As volatility increased both in equities and fixed income markets last year the fund did not benefit from cross-asset diversification. However, we expect diversification to improve going forward given current yield levels in the fixed income space.

Performance review

The 12 months under review saw mostly positive returns for equity markets. However, investor sentiment turned negative towards bond markets following aggressive interest rate hikes to combat surging inflation rates.

Authorised Corporate Director's Report

Although there was a continued recovery in the global economy following the COVID-19 pandemic, Russia's invasion of Ukraine and China's zero COVID-19 policy tempered this recovery. At the same time, major central banks, except for Japan, increased interest rates aggressively to combat inflation. In March, the collapse of two US regional banks and Swiss lender Credit Suisse sparked fears of contagion and recession risk.

The reopening of the Chinese economy fuelled great optimism in equity markets in the first quarter of 2023, especially in Asia and Europe. Stockmarkets rebounded from the lows in 2022 with the Chinese markets entering bull market territory (having risen by over 20% from recent lows). In developed markets, Europe outperformed the US and Japan.

The high interest rate environment adversely affected bond markets, as prices fell sharply with a consequent increase in yields (which move in the opposite direction to prices). Longer-dated bonds underperformed shorter-dated bonds because they are more sensitive to interest rate increases.

In the currency market, most major currencies reached record lows against the US dollar in the first half of the review period. However, the dollar subsequently weakened against most major currencies later in the period.

Against this challenging background, the fund delivered a negative total return across all of its share classes, with losses mainly from the allocation to government bonds. However, our equity holdings added modestly to performance.

The gains in equities were driven mainly by our European holdings, particularly French, German and Spanish companies. European banks also contributed positively.

Losses in equities were led by our North American portfolio, in particular our exposure to financials. The US banking crisis in March resulted in heightened volatility in the financial sector. Nevertheless, our holdings of big technology firms mitigated some of these losses following strong performance in the latter

part of the period. Elsewhere, Japanese companies modestly contributed despite the weakness of the Japanese yen.

In core government bonds, our large holding of long-dated US Treasury bonds posted losses due to the large increases in interest rates, especially in the first half of the review period. (Longer-dated bond prices are more sensitive to changes in interest rates.) A tactical investment in UK gilts, introduced after the announcement of a package of unfunded tax cuts caused bond prices to fall, adding modest value.

Our emerging market government bond positions, mainly in Latin America, added to performance with gains from Mexico, Chile and Brazil. These gains were helped by the strength of these currencies in the latter part of the period. However, bonds in Colombia and South Africa detracted from returns.

Investment activities

Early in the review period, we maintained a modest bias towards riskier assets by holding equities in various countries, while having sizeable holdings in US Treasuries, and emerging market government bonds.

Nonetheless, we turned more cautious towards risk assets in the second half of the review period. We made significant portfolio adjustments by reducing our core government bonds and reinvesting the proceeds into money market instruments. Money market instruments are debts due to be repaid within a year and are generally classified as cash. They include interbank loans, commercial papers and Treasury bills.

After a strong rally in US equities in July 2022, we decided to modestly trim our position, giving the portfolio a more neutral stance.

In the autumn, we bought 30-year gilts (UK government bonds) after prices slumped as investors turned bearish over the UK "mini-budget". As the price of these recovered in October, we took full advantage of this 'idiosyncratic' episode to close our position.

In US Treasuries, we switched out of 7-year notes into 30-year bonds as the long-dated bonds became more attractive following a sell-off in October. The 30-year

Authorised Corporate Director's Report

Treasuries also provided potential diversification benefits for the fund.

After rallies in global equity and bond markets in November, we reduced exposure to financial and technology stocks in Europe, the US and Japan. We also reduced US government bonds and held the proceeds in cash.

In 2023, we increased our exposure to corporate bonds by purchasing two European credit funds and increased the duration of our US Treasuries by switching out of 2048 bonds into those maturing in 2052.

After the onset of the US banking crisis in March 2023, we trimmed our exposure to US Treasuries following material outperformance and adjusted our US financial stocks. We sold several stocks deemed riskier and reinvested in larger, well-capitalised US banks, which had fallen sharply.

Towards the end of the review period, we made wholesale changes to the portfolio, seeking to take advantage of the higher yields available. To optimise income generation, we reduced our overweight positions in global technology and financial equities and added to healthcare, utilities and energy stocks. We also diversified our government bond exposure by country and maturity by introducing positions in German and UK bonds, while trimming US Treasuries. These adjustments reduced the cash holding somewhat.

Outlook

Following the banking crisis in March, a lot of attention will return to the US economic data releases in an attempt to gauge global prospects. While data continued to reflect underlying resilience in the US labour market, there are now signs that the US Federal Reserve's interest rate rises may be finally taking effect on the economy.

Equity markets remain buoyant despite slowing earnings and the unknown full repercussions of the banking crisis. Still, we must remain conscious of the fact that we are now a year into an aggressive interest rate hiking cycle, with the lagged effects now starting

to manifest themselves. We maintain a relatively neutral position to equities across portfolios but remain selective in our exposure, preferring to invest in areas that we consider to have cheaper valuations and/or more conservative earnings expectations.

We continue to see enhanced return and diversification opportunities across the fixed income space. We now hold a range of developed market government bonds, from the US, UK and Germany, together with a diverse selection of emerging market government bonds, notably in Brazil and Mexico. Overall, we maintain a broadly neutral duration positioning.

Since the valuations of neither equities or bonds are compelling, in our view, we maintain a meaningful position in cash and near-cash instruments, such as US Treasury bills but are ready to react dynamically if further volatility presents investment opportunities.

Steven Andrew and Stefano Amato

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 30.04.23 £'000	as at 30.04.23 %	as at 30.04.22 %
Equities	212,452	45.50	47.83
United Kingdom	6,118	1.31	5.02
UK equities	6,118	1.31	5.02
4,085,314 Home REIT ^a	1,555	0.33	
610,885 Legal & General	1,420	0.30	
768,324 Sainsbury (J)	2,128	0.46	
31,017 SSE	567	0.12	
469,221 Vodafone	448	0.10	
Belgium	1,523	0.33	0.24
Belgian equities	1,523	0.33	0.24
26,916 KBC	1,523	0.33	
Denmark	1,564	0.33	0.00
Danish equities	1,564	0.33	0.00
1,095 A.P. Møller – Mærsk	1,564	0.33	
France	10,387	2.22	3.13
French equities	10,387	2.22	3.13
53,481 Bouygues	1,547	0.33	
158,910 Crédit Agricole	1,532	0.33	
40,192 Danone	2,114	0.45	
35,661 Edenred	1,836	0.39	
42,705 Orange	442	0.10	
15,925 Sanofi	1,412	0.30	
78,809 Société Générale	1,504	0.32	
Germany	1,848	0.40	2.01
German equities	1,848	0.40	2.01
26,938 Bayer	1,400	0.30	
167,776 Telefónica Deutschland	448	0.10	
Guernsey	0	0.00	0.83
Ireland	1,965	0.42	0.40
Irish equities	1,965	0.42	0.40
26,864 Medtronic	1,965	0.42	

Portfolio statement

Investments (continued)

Holding	as at 30.04.23 £'000	as at 30.04.23 %	as at 30.04.22 %
Equities (continued)			
Italy	1,486	0.32	0.70
Italian equities	1,486	0.32	0.70
714,892 Intesa Sanpaolo	1,486	0.32	
Netherlands	1,624	0.35	0.27
Dutch equities	1,624	0.35	0.27
12,649 NXP Semiconductors	1,624	0.35	
Spain	1,132	0.24	0.57
Spanish equities	1,132	0.24	0.57
35,755 Enagas	561	0.12	
32,066 Endesa	571	0.12	
Sweden	3,184	0.68	0.00
Swedish equities	3,184	0.68	0.00
122,114 Skanska	1,552	0.33	
100,615 Volvo	1,632	0.35	
Switzerland	6,483	1.39	0.00
Swiss equities	6,483	1.39	0.00
2,597 EMS-Chemie	1,689	0.36	
34,849 Holcim	1,819	0.39	
18,498 Novartis	1,511	0.33	
5,869 Roche	1,464	0.31	
United States	132,546	28.39	17.78
US equities	132,546	28.39	17.78
14,253 AbbVie	1,703	0.37	
56,013 Alphabet	4,806	1.03	
9,162 Amgen	1,762	0.38	
190,946 Annaly Capital Management REIT	2,994	0.64	
35,473 Apple	4,757	1.02	
231,917 AT&T	3,271	0.70	
41,310 Blackstone	2,861	0.61	
29,291 Boston Properties REIT	1,234	0.26	
32,709 Bristol Myers Squibb	1,772	0.38	
7,878 Broadcom	3,893	0.83	

Portfolio statement

Investments (continued)

Holding	as at 30.04.23 £'000	as at 30.04.23 %	as at 30.04.22 %
Equities (continued)			
United States (continued)			
US equities (continued)			
47,712 Chesapeake Energy	3,063	0.66	
97,852 Cisco Systems	3,629	0.78	
65,893 Conagra Brands	2,003	0.43	
153,964 Coterra Energy	3,102	0.66	
30,231 CVS Health	1,767	0.38	
25,289 Darden Restaurants	3,062	0.66	
123,542 Dell Technologies	4,225	0.91	
27,729 Dow	1,185	0.25	
25,086 Edison International	1,476	0.32	
52,937 Fastenal	2,295	0.49	
27,830 Gilead Sciences	1,876	0.40	
73,382 Hasbro	3,429	0.73	
169,338 HP	4,024	0.86	
38,327 International Business Machines	3,889	0.83	
43,079 International Paper	1,153	0.25	
13,990 Johnson & Johnson	1,827	0.39	
36,524 Kellogg	2,029	0.43	
63,315 Kraft Heinz	2,016	0.43	
16,295 LyondellBasell Industries	1,189	0.26	
184,834 Medical Properties REIT	1,261	0.27	
20,414 Merck	1,875	0.40	
19,667 Microsoft	4,784	1.02	
78,852 NetApp	3,996	0.86	
313,783 Newell Brands	2,993	0.64	
48,672 NRG Energy	1,342	0.29	
203,525 Paramount Global	3,713	0.80	
55,087 Pfizer	1,712	0.37	
17,933 Pioneer Natural Resources	3,069	0.66	
40,028 Prudential Financial	2,721	0.58	
14,125 Simon Property REIT	1,250	0.27	

Portfolio statement

Investments (continued)

Holding	as at 30.04.23 £'000	as at 30.04.23 %	as at 30.04.22 %
Equities (continued)			
United States (continued)			
US equities (continued)			
12,629 Snap-on	2,621	0.56	
27,622 Texas Instruments	3,649	0.78	
14,857 Union Pacific	2,299	0.49	
15,490 United Parcel Service	2,198	0.47	
100,969 US Bancorp	2,619	0.56	
115,339 Verizon Communications	3,568	0.76	
233,378 Viatris	1,724	0.37	
68,576 Walgreens Boots Alliance	1,924	0.41	
457,642 Western Union	3,958	0.85	
27,809 Whirlpool	2,978	0.64	
Canada	9,977	2.14	2.43
Canadian equities	9,977	2.14	2.43
212,050 Algonquin Power & Utilities	1,418	0.30	
72,022 Bank of Nova Scotia	2,839	0.61	
85,011 Canadian Imperial Bank of Commerce	2,821	0.61	
27,326 Canadian Tire	2,899	0.62	
Japan	11,214	2.40	9.45
Japanese equities	11,214	2.40	9.45
59,200 Aisin	1,382	0.30	
31,600 Brother Industries	395	0.08	
21,600 Canon	411	0.09	
140,900 Isuzu Motors	1,324	0.28	
679 Japan Metropolitan Fund REIT	397	0.09	
59,400 JFE	560	0.12	
10,600 Kao	344	0.07	
26,400 Kirin	343	0.07	
68,900 Komatsu	1,355	0.29	
61,700 Mitsui OSK Lines	1,218	0.26	
30,500 MS&AD Insurance	799	0.17	
42,300 Otsuka	1,147	0.25	

Portfolio statement

Investments (continued)

Holding	as at 30.04.23 £'000	as at 30.04.23 %	as at 30.04.22 %
Equities (continued)			
Japan (continued)			
Japanese equities (continued)			
49,000 SBI	762	0.16	
33,100 Seiko Epson	404	0.09	
4,100 Tokyo Electron	373	0.08	
Australia	5,218	1.12	1.02
Australian equities	5,218	1.12	1.02
103,572 ANZ	1,332	0.29	
87,165 Coles	837	0.18	
128,247 Dexus REIT	526	0.11	
20,650 Rio Tinto	1,224	0.26	
29,472 Sonic Healthcare	552	0.12	
41,998 Woodside Energy	747	0.16	
Bermuda	0	0.00	0.76
China	6,918	1.48	0.68
Chinese equities	6,918	1.48	0.68
13,013,000 China Cinda Asset Management	1,223	0.26	
11,448,000 China Tower	1,156	0.25	
376,000 COSCO SHIPPING	349	0.07	
2,483,000 Country Garden	509	0.11	
4,756,000 Dongfeng Motor	1,812	0.39	
1,522,000 Lenovo	1,242	0.27	
222,000 Sinopharm	627	0.13	
Hong Kong	349	0.07	0.00
Hong Kong equities	349	0.07	0.00
21,500 Orient Overseas International	349	0.07	
South Korea	4,253	0.91	1.26
South Korean equities	4,253	0.91	1.26
35,534 Kia	1,800	0.39	
170,188 LG Uplus	1,123	0.24	
65,635 Samsung Securities	1,330	0.28	

Portfolio statement

Investments (continued)

Holding	as at 30.04.23 £'000	as at 30.04.23 %	as at 30.04.22 %
Equities (continued)			
Taiwan	4,663	1.00	1.28
Taiwanese equities	4,663	1.00	1.28
1,779,000 Acer	1,402	0.30	
185,000 Asustek Computer	1,362	0.29	
1,139,000 Cathay Financial	1,260	0.27	
77,000 Evergreen Marine Corp Taiwan	325	0.07	
191,000 Yang Ming Marine Transport	314	0.07	
Fixed income	192,116	41.14	40.68
United Kingdom	45,541	9.75	0.61
Government bonds	39,303	8.42	0.00
£24,329,877 UK Treasury 3.25% 31/01/2033	23,349	5.00	
£17,007,207 UK Treasury 3.75% 22/10/2053	15,954	3.42	
Investment grade corporate bonds	4,927	1.05	0.28
IDR97,610,000,000 European Bank for Reconstruction & Development 4.25% 07/02/2028	4,927	1.05	
Below investment grade corporate bonds	1,311	0.28	0.33
£1,347,000 John Lewis 6.125% 21/01/2025	1,311	0.28	
Germany	23,129	4.95	0.24
Government bonds	21,493	4.60	0.00
€16,300,827 Germany (Federal Republic of) 2.3% 15/02/2033	14,263	3.05	
€8,300,000 Germany (Federal Republic of) 0% 20/09/2023	7,230	1.55	
Below investment grade corporate bonds	1,636	0.35	0.24
€1,913,000 Nidda Healthcare 7.5% 21/08/2026	1,636	0.35	
Luxembourg	1,362	0.29	0.58
Below investment grade corporate bonds	1,362	0.29	0.58
€1,781,000 Summer BC Holdco 5.75% 31/10/2026	1,362	0.29	
Netherlands	1,911	0.41	0.54
Investment grade corporate bonds	0	0.00	0.07
Below investment grade corporate bonds	1,911	0.41	0.47
US\$2,847,000 VEON 4% 09/04/2025	1,911	0.41	
Portugal	0	0.00	1.87
Government bonds	0	0.00	1.87

Portfolio statement

Investments (continued)

Holding	as at 30.04.23 £'000	as at 30.04.23 %	as at 30.04.22 %
Fixed income (continued)			
United States	55,303	11.84	25.42
Government bonds	49,906	10.69	20.51
US\$12,105,800 US Treasury 0% 25/05/2023	9,681	2.07	
US\$29,498,100 US Treasury 3.5% 15/02/2033	23,705	5.08	
US\$23,616,000 US Treasury 3% 15/08/2052	16,520	3.54	
Investment grade corporate bonds	0	0.00	2.03
Below investment grade corporate bonds	5,397	1.15	2.88
US\$1,857,000 Avantor Funding 4.625% 15/07/2028	1,389	0.30	
US\$1,850,000 CSC 7.5% 01/04/2028	921	0.19	
US\$2,068,000 Ford Motor 7.45% 16/07/2031	1,735	0.37	
US\$1,981,857 iHeartCommunications 6.375% 01/05/2026	1,352	0.29	
Corporate bonds with no credit rating	0	0.00	0.00
US\$1,869,000 TRU Taj 12% 30/03/2040 ^c	0	0.00	
£150,000 Washington Mutual Bank 5.5% 10/06/2059 ^c	0	0.00	
Brazil	14,462	3.10	1.96
Government bonds	14,462	3.10	1.96
BRL97,270,000 Brazil (Federal Republic of) 10% 01/01/2029	14,462	3.10	
Chile	2,317	0.50	1.97
Government bonds	2,317	0.50	1.97
CLP2,520,000,000 Chile (Republic of) 2.5% 01/03/2025	2,317	0.50	
Colombia	13,619	2.92	1.84
Government bonds	13,619	2.92	1.84
COP96,622,700,000 Colombia (Republic of) 6% 28/04/2028	13,619	2.92	
Mexico	14,227	3.05	2.23
Government bonds	14,227	3.05	1.94
MXN352,298,100 Mexico (United Mexican States) 5% 06/03/2025	14,227	3.05	
Below investment grade corporate bonds	0	0.00	0.29
Peru	4,784	1.02	1.47
Government bonds	4,784	1.02	1.47
PEN22,770,000 Peru (Republic of) 6.95% 12/08/2031	4,784	1.02	

Portfolio statement

Investments (continued)

Holding	as at 30.04.23 £'000	as at 30.04.23 %	as at 30.04.22 %
Fixed income (continued)			
Philippines	2,103	0.45	0.00
Government bonds	2,103	0.45	0.00
PHP148,000,000 Philippines (Republic of) 6.25% 14/01/2036	2,103	0.45	
South Africa	13,358	2.86	1.95
Government bonds	13,358	2.86	1.95
ZAR469,451,625 South Africa (Republic of) 6.25% 31/03/2036	13,358	2.86	
Fixed income portfolios	42,395	9.08	5.47
Other	42,395	9.08	5.47
51,457 iShares Core EUR Corporate Bond ETF	5,235	1.12	
1,766,441 iShares EUR Corporate Bond 0-3yr ESG ETF	7,532	1.61	
1,769,149 iShares EUR High Yield Corporate Bond ESG ETF	7,413	1.59	
82,276 iShares USD High Yield Corporate Bond ETF	6,058	1.30	
1,398,000 M&G (Lux) Emerging Markets Hard Currency Bond Fund US dollar 'C' Income ^b	7,958	1.70	
366,147 SPDR® Barclays 10+ Year US Corporate Bond ETF	8,199	1.76	
Property	0	0.00	3.27
United Kingdom	0	0.00	3.27
Currency	790	0.17	0.07
Forward currency contracts	790	0.17	0.07
AU\$(12,229,751) Sold for £6,505,572 (expires 31.07.23)	32	0.01	
CA\$(16,549,609) Sold for £9,753,562 (expires 31.07.23)	32	0.01	
CHF(7,205,497) Sold for £6,551,205 (expires 31.07.23)	43	0.01	
DKK(13,356,675) Sold for £1,592,681 (expires 31.07.23)	7	0.00	
€(71,876,711) Sold for £63,830,113 (expires 31.07.23)	281	0.06	
HK\$27,611,267 Bought for £2,830,739 (expires 31.07.23)	(3)	0.00	
HK\$(98,711,650) Sold for £10,127,190 (expires 31.07.23)	18	0.00	
¥(1,933,929,167) Sold for £11,781,266 (expires 31.07.23)	251	0.05	
KRW(16,144,642,122) Bought for KRW8,072,321,061 (expires 31.07.23)	7	0.00	
SEK(26,024,486) Sold for £2,026,492 (expires 31.07.23)	3	0.00	
TW\$(657,946,550) Bought for TWD328,973,275 (expires 31.07.23)	69	0.02	
US\$(253,652,785) Sold for £203,256,743 (expires 31.07.23)	94	0.02	
US\$(10,234,001) Bought for \$5,117,000 (expires 31.07.23)	(44)	(0.01)	

Portfolio statement

Investments (continued)

Holding	as at 30.04.23 £'000	as at 30.04.23 %	as at 30.04.22 %
Total portfolio	447,753	95.89	97.32
Net other assets/(liabilities)	19,182	4.11	2.68
Net assets attributable to shareholders	466,935	100.00	100.00

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

^a Suspended.

^b Related party.

^c Defaulted bond.

Portfolio statement

Top ten portfolio transactions for the year to 30 April 2023

Largest purchases	£'000
US Treasury 3% 15/08/2052	79,194
US Treasury 0% 28/02/2023	29,418
US Treasury 0% 24/08/2023	25,745
US Treasury 0% 25/05/2023	25,407
UK Treasury 1.25% 31/07/2051	25,131
US Treasury 3.5% 15/02/2033	23,990
UK Treasury 3.25% 31/01/2033	23,814
UK Treasury 3.75% 22/10/2053	16,834
Mexico (United Mexican States) 5% 06/03/2025	14,378
Germany (Federal Republic of) 2.3% 15/02/2033	14,337
Other purchases	290,015
Total purchases	568,263

Largest sales	£'000
US Treasury 3% 15/02/2048	100,081
US Treasury 3% 15/08/2052	62,268
US Treasury 0% 28/02/2023	29,632
UK Treasury 1.25% 31/07/2051	26,791
US Treasury 0% 24/08/2023	24,920
US Treasury 2.375% 31/03/2029	19,972
M&G Property Portfolio Sterling Class 'I' Income	19,764
US Treasury 0% 25/05/2023	15,382
Chile (Republic of) 4.7% 01/09/2030	14,151
Mexico (United Mexican States) 8.5% 18/11/2038	13,878
Other sales	376,421
Total sales	703,260

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	-2.6	+4.1	+1.0	+3.6
Class 'A' Accumulation	-2.7	+4.1	+1.0	+3.6
Class 'I' Income	-2.3	+4.5	+1.4	+4.1
Class 'I' Accumulation	-2.3	+4.5	+1.4	+4.1
Class 'PP' Income	-2.3	+4.6	n/a	n/a
Class 'PP' Accumulation	-2.3	+4.6	n/a	n/a
Class 'R' Income	-2.5	+4.3	+1.2	+3.9
Class 'R' Accumulation	-2.5	+4.3	+1.2	+3.9
Class 'X' Income	-4.6	+10.6	+0.7	+3.7
Class 'X' Accumulation	-4.6	+10.6	+0.7	+3.7

^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 11 November 2010.

for the year to 30 April	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	122.75	125.78	112.88
Return before operating charges	(2.08)	2.54	18.16
Operating charges	(1.23)	(1.36)	(1.50)
Return after operating charges	(3.31)	1.18	16.66
Distributions	(4.17)	(4.21)	(3.76)
Closing NAV	115.27	122.75	125.78
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.02	0.02
Dilution adjustments	(0.01)	(0.01)	(0.01)
Total direct transaction costs	0.04	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.01	0.00
Operating charges	1.06	1.05	1.26
Return after charges	-2.70	+0.94	+14.76
Other information			
Closing NAV (£'000)	54,831	54,814	58,225
Number of shares	47,565,581	44,656,476	46,291,230
Highest share price (UK p)	123.50	133.94	127.28
Lowest share price (UK p)	108.88	122.89	109.19

Sterling Class 'A' Accumulation share performance

The share class was launched on 11 November 2010.

for the year to 30 April	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	185.14	183.62	159.71
Return before operating charges	(3.03)	3.53	26.07
Operating charges	(1.88)	(2.01)	(2.16)
Return after operating charges	(4.91)	1.52	23.91
Distributions	(4.52)	(4.24)	(3.26)
Retained distributions	4.52	4.24	3.26
Closing NAV	180.23	185.14	183.62
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.03	0.03
Dilution adjustments	(0.02)	(0.01)	(0.01)
Total direct transaction costs	0.05	0.02	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.01	0.00
Operating charges	1.06	1.05	1.27
Return after charges	-2.65	+0.83	+14.97
Other information			
Closing NAV (£'000)	14,900	16,104	16,477
Number of shares	8,267,327	8,698,039	8,973,658
Highest share price (UK p)	186.29	198.35	185.13
Lowest share price (UK p)	166.44	181.09	154.49

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 April	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,241.14	1,266.70	1,131.37
Return before operating charges	(21.79)	24.37	181.26
Operating charges	(7.76)	(8.48)	(9.30)
Return after operating charges	(29.55)	15.89	171.96
Distributions	(41.30)	(41.45)	(36.63)
Closing NAV	1,170.29	1,241.14	1,266.70
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.47	0.21	0.18
Dilution adjustments	(0.13)	(0.08)	(0.10)
Total direct transaction costs	0.34	0.13	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.01	0.00
Operating charges	0.66	0.65	0.79
Return after charges	-2.38	+1.25	+15.20
Other information			
Closing NAV (£'000)	123,699	192,987	266,562
Number of shares	10,569,922	15,549,186	21,043,802
Highest share price (UK p)	1,249.12	1,351.39	1,281.01
Lowest share price (UK p)	1,102.60	1,241.68	1,094.57

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 April	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,735.14	1,715.39	1,486.29
Return before operating charges	(29.66)	31.38	241.47
Operating charges	(10.99)	(11.63)	(12.37)
Return after operating charges	(40.65)	19.75	229.10
Distributions	(47.78)	(45.39)	(36.55)
Retained distributions	47.78	45.39	36.55
Closing NAV	1,694.49	1,735.14	1,715.39
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.67	0.28	0.24
Dilution adjustments	(0.19)	(0.12)	(0.14)
Total direct transaction costs	0.48	0.16	0.10
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.01	0.00
Operating charges	0.66	0.65	0.78
Return after charges	-2.34	+1.15	+15.41
Other information			
Closing NAV (£'000)	253,203	302,818	348,501
Number of shares	14,942,720	17,452,117	20,316,109
Highest share price (UK p)	1,746.39	1,856.14	1,729.23
Lowest share price (UK p)	1,562.26	1,692.06	1,438.01

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 30 April	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	99.02	100.96	89.97
Return before operating charges	(1.77)	1.91	14.40
Operating charges	(0.54)	(0.57)	(0.53)
Return after operating charges	(2.31)	1.34	13.87
Distributions	(3.25)	(3.28)	(2.88)
Closing NAV	93.46	99.02	100.96
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.02	0.01
Dilution adjustments	(0.01)	(0.01)	(0.01)
Total direct transaction costs	0.03	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.01	0.00
Operating charges	0.56	0.55	0.56
Return after charges	-2.33	+1.33	+15.42
Other information			
Closing NAV (£'000)	608	18,686	11,865
Number of shares	650,327	18,871,306	11,753,057
Highest share price (UK p)	99.66	107.76	102.09
Lowest share price (UK p)	88.00	99.04	87.05

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 30 April	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	112.06	110.69	95.74
Return before operating charges	(1.94)	2.01	15.53
Operating charges	(0.60)	(0.64)	(0.58)
Return after operating charges	(2.54)	1.37	14.95
Distributions	(3.17)	(3.02)	(2.54)
Retained distributions	3.17	3.02	2.54
Closing NAV	109.52	112.06	110.69
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.02	0.02
Dilution adjustments	(0.01)	(0.01)	(0.01)
Total direct transaction costs	0.03	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.01	0.00
Operating charges	0.56	0.55	0.56
Return after charges	-2.27	+1.24	+15.62
Other information			
Closing NAV (£'000)	10,352	18,660	25,149
Number of shares	9,452,025	16,652,157	22,719,190
Highest share price (UK p)	112.79	119.83	111.58
Lowest share price (UK p)	100.94	109.19	92.63

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 April	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	121.38	124.19	111.20
Return before operating charges	(2.09)	2.46	17.86
Operating charges	(1.04)	(1.15)	(1.21)
Return after operating charges	(3.13)	1.31	16.65
Distributions	(4.09)	(4.12)	(3.66)
Closing NAV	114.16	121.38	124.19
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.02	0.02
Dilution adjustments	(0.01)	(0.02)	(0.01)
Total direct transaction costs	0.04	0.00	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.01	0.00
Operating charges	0.91	0.90	1.03
Return after charges	-2.58	+1.05	+14.97
Other information			
Closing NAV (£'000)	5,631	6,229	6,431
Number of shares	4,932,474	5,132,191	5,177,918
Highest share price (UK p)	122.14	132.34	125.63
Lowest share price (UK p)	107.73	121.48	107.57

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 April	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	170.27	168.67	146.43
Return before operating charges	(2.83)	3.18	23.85
Operating charges	(1.49)	(1.58)	(1.61)
Return after operating charges	(4.32)	1.60	22.24
Distributions	(4.36)	(4.11)	(3.28)
Retained distributions	4.36	4.11	3.28
Closing NAV	165.95	170.27	168.67
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.03	0.02
Dilution adjustments	(0.02)	(0.01)	(0.01)
Total direct transaction costs	0.05	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.01	0.00
Operating charges	0.91	0.90	1.03
Return after charges	-2.54	+0.95	+15.19
Other information			
Closing NAV (£'000)	3,711	3,997	3,961
Number of shares	2,236,028	2,347,733	2,348,268
Highest share price (UK p)	171.35	182.32	170.04
Lowest share price (UK p)	153.16	166.36	141.66

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 11 November 2010, and subsequently merged into Sterling Class 'A' Income on 24 June 2022.

for the year to 30 April Change in NAV per share	2023 UK p	2022 UK p	2021 UK p
Opening NAV	122.82	125.85	112.95
Return before operating charges	(5.51)	2.54	18.17
Operating charges	(0.19)	(1.36)	(1.50)
Return after operating charges	(5.70)	1.18	16.67
Distributions	(0.31)	(4.21)	(3.77)
NAV of in specie transfer	(116.81)	n/a	n/a
Closing NAV	0.00	122.82	125.85
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.02
Dilution adjustments	0.00	(0.01)	(0.01)
Total direct transaction costs	0.00	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.01	0.00
Operating charges	1.05	1.05	1.26
Return after charges	-4.64	+0.94	+14.76
Other information			
Closing NAV (£'000)	0	7,208	8,135
Number of shares	0	5,869,377	6,464,015
Highest share price (UK p)	123.57	134.02	127.36
Lowest share price (UK p)	115.75	122.96	109.24

Sterling Class 'X' Accumulation share performance

The share class was launched on 11 November 2010, and subsequently merged into Sterling Class 'A' Accumulation on 24 June 2022.

for the year to 30 April Change in NAV per share	2023 UK p	2022 UK p	2021 UK p
Opening NAV	185.22	183.70	159.77
Return before operating charges	(8.31)	3.53	26.08
Operating charges	(0.29)	(2.01)	(2.15)
Return after operating charges	(8.60)	1.52	23.93
Distributions	(0.75)	(4.24)	(3.27)
Retained distributions	0.75	4.24	3.27
NAV of in specie transfer	(176.62)	n/a	n/a
Closing NAV	0.00	185.22	183.70
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.03	0.03
Dilution adjustments	0.00	(0.01)	(0.01)
Total direct transaction costs	0.00	0.02	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.01	0.00
Operating charges	1.05	1.05	1.26
Return after charges	-4.64	+0.83	+14.98
Other information			
Closing NAV (£'000)	0	1,249	1,262
Number of shares	0	674,154	686,836
Highest share price (UK p)	186.37	198.43	185.20
Lowest share price (UK p)	175.00	181.17	154.55

Financial statements and notes

Financial statements

Statement of total return

for the year to 30 April	Note	2023		2022	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	3		(31,657)		(4,607)
Revenue	5	21,447		25,666	
Expenses	6	(3,732)		(4,917)	
Interest payable and similar charges		(20)		(14)	
Net revenue/(expense) before taxation		17,695		20,735	
Taxation	7	(2,779)		(3,221)	
Net revenue/(expense) after taxation			14,916		17,514
Total return before distributions			(16,741)		12,907
Distributions	8		(16,626)		(19,894)
Change in net assets attributable to shareholders from investment activities			(33,367)		(6,987)

Statement of change in net assets attributable to shareholders

for the year to 30 April	2023		2022	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		622,752		746,568
Amounts received on issue of shares	6,034		19,199	
Amounts paid on cancellation of shares	(137,320)		(145,891)	
		(131,286)		(126,692)
Dilution adjustments		211		216
Change in net assets attributable to shareholders from investment activities (see above)		(33,367)		(6,987)
Retained distributions on Accumulation shares		8,615		9,639
Unclaimed distributions		10		8
Closing net assets attributable to shareholders		466,935		622,752

Financial statements and notes

Financial statements

Balance sheet

as at 30 April	Note	2023 £'000	2022 £'000
Assets			
Fixed assets			
Investments		447,800	606,410
Current assets			
Debtors	9	17,331	16,617
Cash and bank balances	10	18,350	30,736
Total assets		483,481	653,763
Liabilities			
Investment liabilities		(47)	(340)
Creditors			
Bank overdrafts		0	(27,668)
Distribution payable		(966)	(1,502)
Other creditors	11	(15,533)	(1,501)
Total liabilities		(16,546)	(31,011)
Net assets attributable to shareholders		466,935	622,752

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 April	2023 £'000	2022 £'000
Non-derivative securities	(23,451)	16,732
Derivative contracts	(10,257)	(24,310)
Currency gains/(losses)	1,897	2,696
Management charge rebates taken to capital	148	275
Rebate of ongoing charges from underlying funds taken to capital	6	0
Net capital gains/(losses)	(31,657)	(4,607)

Includes realised losses of £25,521,000 and unrealised losses of £6,290,000 (2022: realised gains of £839,000 and unrealised losses of £5,721,000). Certain realised gains and losses in the current year were unrealised in the prior year.

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 the '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 April	2023 £'000	% of transaction	2022 £'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	218,911		96,420	
Commissions	32	0.01	28	0.03
Taxes	66	0.03	35	0.04
Equities after transaction costs	219,009		96,483	
Debt securities	334,028		64,373	
Collective investment schemes				
Collective investment schemes before transaction costs	15,221		1,287	
Commissions	5	0.03	0	0.00
Collective investment schemes after transaction costs	15,226		1,287	
Total purchases after transaction costs	568,263		162,143	
b) Sales				
Equities				
Equities before transaction costs	281,941		119,669	
Commissions	(54)	0.02	(38)	0.03
Taxes	(48)	0.02	(8)	0.01
Equities after transaction costs	281,839		119,623	
Debt securities	384,850		162,713	
Collective investment schemes				
Collective investment schemes before transaction costs	36,578		12,129	
Commissions	(7)	0.02	(2)	0.02
Collective investment schemes after transaction costs	36,571		12,127	
Total sales after transaction costs	703,260		294,463	

Financial statements and notes

	2023 £'000	% of average NAV	2022 £'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	86	0.02	66	0.01
Collective investment schemes	12	0.00	2	0.00
Total commissions paid	98	0.02	68	0.01
Taxes paid				
Equities	114	0.02	43	0.01
Total taxes paid	114	0.02	43	0.01
Total direct portfolio transaction costs	212	0.04	111	0.02
		%		%
d) Indirect portfolio transaction costs				
Average portfolio dealing spread as at the balance sheet date		0.18		0.30

5 Revenue

for the year to 30 April	2023 £'000	2022 £'000
Bank interest	191	16
Distributions from collective investment schemes: non-taxable	67	243
Distributions from collective investment schemes: taxable	1,096	1,060
Distributions from collective investment schemes: property income dividends	163	590
Dividends from equity investments: non-taxable	7,890	9,884
Interest on debt securities	11,195	13,114
Property distribution: non-taxable	0	3
Property distribution: taxable	791	681
Rebate of ongoing charges from underlying funds	54	75
Total revenue	21,447	25,666

6 Expenses

for the year to 30 April	2023 £'000	2022 £'000
Payable to the ACD or associate		
Annual charge	3,732	4,917
Total expenses	3,732	4,917

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

Financial statements and notes

7 Taxation

for the year to 30 April	2023 £'000	2022 £'000
a) Analysis of charge in the year		
Corporation tax	2,018	2,166
Withholding tax	861	1,167
Double taxation relief	(61)	(122)
Deferred tax (note 7c)	(39)	10
Total taxation	2,779	3,221
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	17,695	20,735
Corporation tax at 20%	3,539	4,147
Effects of:		
Tax on management charge rebates taken to capital	31	55
Dividends from equity investments: non-taxable	(1,591)	(1,971)
Double taxation relief	(61)	(122)
Distributions from collective investment schemes: non-taxable	0	(55)
Withholding tax	861	1,167
Total tax charge (note 7a)	2,779	3,221
c) Provision for deferred taxation		
Provision at the start of the year	46	36
Deferred tax in profit and loss account (note 7a)	(39)	10
Provision at the end of the year	7	46

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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 April	2023		2022	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Dividend distributions				
First interim	685	1,466	771	725
Second interim	671	566	806	655
Third interim	678	608	703	611
Fourth interim	656	933	832	875
Fifth interim	582	649	814	1,098
Sixth interim	580	442	799	940
Seventh interim	592	684	789	1,016
Eighth interim	574	495	795	361
Ninth interim	575	715	768	824
Tenth interim	555	753	740	635
Eleventh interim	539	611	745	851
Final	966	693	1,502	1,048
Total net distributions		16,268		19,703
Income deducted on cancellation of shares		403		223
Income received on issue of shares		(45)		(32)
Distributions		16,626		19,894
Net revenue/(expense) per statement of total return		14,916		17,514
Expenses offset against capital		1,692		2,350
Sharing of relief between classes		49		85
Tax on management charge rebates taken to capital		(31)		(55)
Distributions		16,626		19,894

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9 Debtors

as at 30 April	2023 £'000	2022 £'000
Amounts receivable on issues of shares	251	127
Currency deals outstanding	2,669	0
Corporation tax recoverable	112	0
Debt security interest receivable	2,714	3,331
Distributions receivable	0	195
Dividends receivable	709	1,441
Management charge rebates due	3	19
Rebate of ongoing charges from underlying funds	3	6
Sales awaiting settlement	10,337	10,974
Withholding tax recoverable	533	524
Total debtors	17,331	16,617

10 Cash and bank balances

as at 30 April	2023 £'000	2022 £'000
Cash held as bank balances	18,350	30,736
Total cash and bank balances	18,350	30,736

11 Other creditors

as at 30 April	2023 £'000	2022 £'000
Amounts payable on cancellation of shares	751	1,095
Annual charge payable	101	303
Corporation tax payable	0	57
Currency deals outstanding	2,668	0
Deferred taxation	7	46
Purchases awaiting settlement	12,006	0
Total other creditors	15,533	1,501

12 Contingent assets, liabilities and outstanding commitments

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

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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 01.05.22	Issued	Movements Cancelled	Converted	Closing 30.04.23
Sterling					
Class 'A' Income	44,656,476	1,130,153	(4,015,336)	5,794,288	47,565,581
Class 'A' Accumulation	8,698,039	338,102	(1,433,394)	664,580	8,267,327
Class 'I' Income	15,549,186	1,888	(4,981,152)	0	10,569,922
Class 'I' Accumulation	17,452,117	56,000	(2,565,397)	0	14,942,720
Class 'PP' Income	18,871,306	1,475,634	(19,696,613)	0	650,327
Class 'PP' Accumulation	16,652,157	1,144,140	(8,344,272)	0	9,452,025
Class 'R' Income	5,132,191	236,816	(436,533)	0	4,932,474
Class 'R' Accumulation	2,347,733	155,165	(266,870)	0	2,236,028
Class 'X' Income	5,869,377	0	(78,068)	(5,791,309)	0
Class 'X' Accumulation	674,154	0	(9,837)	(664,317)	0

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'	1.05
Class 'I'	0.65
Class 'PP'	0.55
Class 'R'	0.90
Class 'X'	1.05

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.

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

During the year, there were transactions in shares in related parties of M&G Securities Limited with a total value of £19,764,000 (2022: £4,670,000).

At the balance sheet date, the fund held shares in related parties of M&G Securities Limited with a value of £7,958,000 (2022: £29,141,000).

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 2.11% (2022: 1.64%) 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 April	Assets 2023	Liabilities 2023	Assets 2022	Liabilities 2022
Basis of valuation	£'000	£'000	£'000	£'000
Level 1	363,993	0	450,871	0
Level 2	82,252	(47)	155,539	(340)
Level 3	1,555	0	0	0
	447,800	(47)	606,410	(340)

Level 3 assets include only Home REIT which temporarily had trading suspended.

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 14.

18 Market risk sensitivity and exposure

VaR is the risk measurement methodology used to assess the fund's leverage and market risk volatility. When VaR is calculated as a percentage of the net asset value it may not be greater than the VaR limit set for the fund.

The VaR limit set during the financial year to 30 April 2023 was 11% (2022: 11%).

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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 April 2023 and 30 April 2022.

for the year to 30 April	2023 % of VaR	2023 Utilisation of VaR 11%	2022 % of VaR	2022 Utilisation of VaR 11%
Lowest	4.40	40.00	4.03	36.64
Highest	5.72	52.00	7.11	64.64
Average	4.94	44.92	5.46	49.66

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 April	2023 £'000	2022 £'000
Investment grade securities	139,059	187,777
Below investment grade securities	53,056	65,592
Other investments	255,638	352,701
Total	447,753	606,070

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 April 2023	Forward currency contracts £'000
Citigroup	143
JPMorgan	112
Merrill Lynch	39
Morgan Stanley	3
Royal Bank of Canada	(3)
State Street Bank	496
Total	790

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as at 30 April 2022	Forward currency contracts £'000
HSBC	325
JPMorgan	266
Merrill Lynch	(288)
State Street Bank	136
Total	439

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 April 2023 and 30 April 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 April	2023 ^a £'000	2023 ^a % ^b	2022 ^a £'000	2022 ^a % ^b
Lowest	738,981	148.00	1,048,098	157.00
Highest	1,815,400	372.00	2,288,308	341.00
Average	973,781	184.72	1,221,704	173.75

^a Leverage has been calculated using the Gross Sum of Notional Approach for derivative positions only (including forward currency contracts) and excludes all physical holdings.

^b Expressed as a percentage over fund valuation.

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21 Dividend distribution tables

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

Monthly distribution periods

	Start	End	Xd	Payment
First interim	01.05.22	31.05.22	01.06.22	30.06.22
Second interim	01.06.22	30.06.22	01.07.22	31.07.22
Third interim	01.07.22	31.07.22	01.08.22	31.08.22
Fourth interim	01.08.22	31.08.22	01.09.22	30.09.22
Fifth interim	01.09.22	30.09.22	03.10.22	31.10.22
Sixth interim	01.10.22	31.10.22	01.11.22	30.11.22
Seventh interim	01.11.22	30.11.22	01.12.22	31.12.22
Eighth interim	01.12.22	31.12.22	03.01.23	31.01.23
Ninth interim	01.01.23	31.01.23	01.02.23	28.02.23
Tenth interim	01.02.23	28.02.23	01.03.23	31.03.23
Eleventh interim	01.03.23	31.03.23	03.04.23	30.04.23
Final	01.04.23	30.04.23	02.05.23	31.05.23

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.

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Sterling Class 'A' Income shares

Ordinary distributions for the year to 30 April	Income 2023 UK p	Group 2 Equalisation 2023 UK p	Group 1 & 2 Distribution	
			2023 UK p	2022 UK p
First interim	0.0000	0.3079	0.3079	0.2799
Second interim	0.0000	0.3146	0.3146	0.3099
Third interim	0.0000	0.3247	0.3247	0.2864
Fourth interim	0.0000	0.3194	0.3194	0.3284
Fifth interim	0.0000	0.3015	0.3015	0.3263
Sixth interim	0.0000	0.3113	0.3113	0.3259
Seventh interim	0.0000	0.3240	0.3240	0.3273
Eighth interim	0.0000	0.3191	0.3191	0.3324
Ninth interim	0.0000	0.3288	0.3288	0.3276
Tenth interim	0.0000	0.3258	0.3258	0.3192
Eleventh interim	0.0000	0.3266	0.3266	0.3234
Final	0.0836	0.5869	0.6705	0.7232

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 30 April	Income 2023 UK p	Group 2 Equalisation 2023 UK p	Group 1 & 2 Distribution	
			2023 UK p	2022 UK p
First interim	0.3405	0.4118	0.7523	0.2873
Second interim	0.1466	0.1215	0.2681	0.2687
Third interim	0.0341	0.2659	0.3000	0.2443
Fourth interim	0.3584	0.1281	0.4865	0.3700
Fifth interim	0.2158	0.1181	0.3339	0.4843
Sixth interim	0.1087	0.1078	0.2165	0.4343
Seventh interim	0.1024	0.2619	0.3643	0.4278
Eighth interim	0.1911	0.0620	0.2531	0.1272
Ninth interim	0.1516	0.2343	0.3859	0.3608
Tenth interim	0.1389	0.2808	0.4197	0.3006
Eleventh interim	0.2237	0.1174	0.3411	0.4131
Final	0.2319	0.1686	0.4005	0.5203

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Sterling Class 'I' Income shares

Ordinary distributions for the year to 30 April	Income 2023 UK p	Group 2 Equalisation 2023 UK p	Group 1 & 2 Distribution 2023 UK p	2022 UK p
First interim	0.0000	3.1151	3.1151	2.8197
Second interim	0.0000	3.1837	3.1837	3.0858
Third interim	0.0000	3.2865	3.2865	2.7137
Fourth interim	0.0000	3.2338	3.2338	3.3118
Fifth interim	0.0000	3.0532	3.0532	3.2917
Sixth interim	0.0000	3.1528	3.1528	3.2877
Seventh interim	0.0000	3.2827	3.2827	3.3030
Eighth interim	0.0000	3.2341	3.2341	3.3559
Ninth interim	0.0000	3.3336	3.3336	3.3083
Tenth interim	0.0000	3.3038	3.3038	3.2243
Eleventh interim	0.0000	3.3123	3.3123	3.2676
Final	1.7875	4.0165	5.8040	6.4756

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 30 April	Income 2023 UK p	Group 2 Equalisation 2023 UK p	Group 1 & 2 Distribution 2023 UK p	2022 UK p
First interim	2.5379	4.9847	7.5226	3.2009
Second interim	1.6558	1.3020	2.9578	2.9265
Third interim	0.8979	2.3400	3.2379	2.7516
Fourth interim	2.1072	2.9533	5.0605	3.9640
Fifth interim	2.3155	1.2524	3.5679	5.0050
Sixth interim	0.9608	1.5017	2.4625	4.2858
Seventh interim	1.8576	1.9946	3.8522	4.7409
Eighth interim	1.5538	1.2606	2.8144	1.6924
Ninth interim	2.2528	1.8438	4.0966	3.8784
Tenth interim	1.8442	2.5198	4.3640	3.2611
Eleventh interim	1.9521	1.7131	3.6652	4.3539
Final	2.7444	1.4367	4.1811	5.3254

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Sterling Class 'PP' Income shares

Ordinary distributions for the year to 30 April	Income 2023 UK p	Group 2 Equalisation 2023 UK p	Group 1 & 2 Distribution	
			2023 UK p	2022 UK p
First interim	0.0000	0.2485	0.2485	0.2247
Second interim	0.0000	0.2540	0.2540	0.2422
Third interim	0.0000	0.2622	0.2622	0.2146
Fourth interim	0.0000	0.2580	0.2580	0.2640
Fifth interim	0.0000	0.2436	0.2436	0.2624
Sixth interim	0.0000	0.2513	0.2513	0.2622
Seventh interim	0.0000	0.2620	0.2620	0.2633
Eighth interim	0.0000	0.2581	0.2581	0.2676
Ninth interim	0.0000	0.2661	0.2661	0.2638
Tenth interim	0.0000	0.2637	0.2637	0.2571
Eleventh interim	0.0000	0.2644	0.2644	0.2606
Final	0.0754	0.3421	0.4175	0.5005

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 30 April	Income 2023 UK p	Group 2 Equalisation 2023 UK p	Group 1 & 2 Distribution	
			2023 UK p	2022 UK p
First interim	0.2217	0.2732	0.4949	0.2147
Second interim	0.0961	0.1021	0.1982	0.1953
Third interim	0.0807	0.1352	0.2159	0.1851
Fourth interim	0.1251	0.2099	0.3350	0.2639
Fifth interim	0.1238	0.1138	0.2376	0.3307
Sixth interim	0.0322	0.1307	0.1629	0.2969
Seventh interim	0.0802	0.1756	0.2558	0.3013
Eighth interim	0.1071	0.0859	0.1930	0.1173
Ninth interim	0.1610	0.1114	0.2724	0.2584
Tenth interim	0.1349	0.1539	0.2888	0.2177
Eleventh interim	0.1177	0.1266	0.2443	0.2889
Final	0.0805	0.1956	0.2761	0.3511

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Sterling Class 'R' Income shares

Ordinary distributions for the year to 30 April	Income 2023 UK p	Group 2 Equalisation 2023 UK p	Group 1 & 2 Distribution 2023 UK p	2022 UK p
First interim	0.0000	0.3045	0.3045	0.2764
Second interim	0.0000	0.3112	0.3112	0.3060
Third interim	0.0000	0.3212	0.3212	0.2786
Fourth interim	0.0000	0.3160	0.3160	0.3244
Fifth interim	0.0000	0.2983	0.2983	0.3224
Sixth interim	0.0000	0.3080	0.3080	0.3221
Seventh interim	0.0000	0.3206	0.3206	0.3234
Eighth interim	0.0000	0.3158	0.3158	0.3285
Ninth interim	0.0000	0.3255	0.3255	0.3238
Tenth interim	0.0000	0.3225	0.3225	0.3155
Eleventh interim	0.0000	0.3233	0.3233	0.3197
Final	0.1887	0.4381	0.6268	0.6819

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 30 April	Income 2023 UK p	Group 2 Equalisation 2023 UK p	Group 1 & 2 Distribution 2023 UK p	2022 UK p
First interim	0.2897	0.4192	0.7089	0.2891
Second interim	0.1526	0.1103	0.2629	0.2562
Third interim	0.1040	0.1876	0.2916	0.2417
Fourth interim	0.3080	0.1579	0.4659	0.3586
Fifth interim	0.2364	0.0868	0.3232	0.4626
Sixth interim	0.1544	0.0607	0.2151	0.4848
Seventh interim	0.2099	0.1412	0.3511	0.3425
Eighth interim	0.1816	0.0671	0.2487	0.1354
Ninth interim	0.2098	0.1627	0.3725	0.3501
Tenth interim	0.1503	0.2515	0.4018	0.2928
Eleventh interim	0.1681	0.1629	0.3310	0.3976
Final	0.2551	0.1295	0.3846	0.4951

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Sterling Class 'X' Income shares

Ordinary distributions for the year to 30 April	Income 2023 UK p	Group 2 Equalisation 2023 UK p	Group 1 & 2 Distribution	
			2023 UK p	2022 UK p
First interim	0.0000	0.3081	0.3081	0.2800
Second interim	n/a	n/a	n/a	0.3101
Third interim	n/a	n/a	n/a	0.2866
Fourth interim	n/a	n/a	n/a	0.3286
Fifth interim	n/a	n/a	n/a	0.3265
Sixth interim	n/a	n/a	n/a	0.3262
Seventh interim	n/a	n/a	n/a	0.3275
Eighth interim	n/a	n/a	n/a	0.3326
Ninth interim	n/a	n/a	n/a	0.3278
Tenth interim	n/a	n/a	n/a	0.3194
Eleventh interim	n/a	n/a	n/a	0.3236
Final	n/a	n/a	n/a	0.7241

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 30 April	Income 2023 UK p	Group 2 Equalisation 2023 UK p	Group 1 & 2 Distribution	
			2023 UK p	2022 UK p
First interim	0.2516	0.5002	0.7518	0.2890
Second interim	n/a	n/a	n/a	0.2674
Third interim	n/a	n/a	n/a	0.2444
Fourth interim	n/a	n/a	n/a	0.3702
Fifth interim	n/a	n/a	n/a	0.4845
Sixth interim	n/a	n/a	n/a	0.5953
Seventh interim	n/a	n/a	n/a	0.2646
Eighth interim	n/a	n/a	n/a	0.1273
Ninth interim	n/a	n/a	n/a	0.3610
Tenth interim	n/a	n/a	n/a	0.3008
Eleventh interim	n/a	n/a	n/a	0.4133
Final	n/a	n/a	n/a	0.5206

22 Events after the balance sheet date

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

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For the purposes of these financial statements, the Prospectus dated 14 March 2023 has been used.

Investment objective

The fund aims to achieve a total return (the combination of income and capital growth) of at least 2-4% per annum above the Sterling Overnight Index Average (SONIA), before any charges are taken, in any market conditions and over any three year period.

The fund aims to achieve this while seeking to minimise the degree to which the value of the fund fluctuates over time (volatility), while also seeking to limit monthly losses. Managing the fund in this way reduces its ability to achieve returns significantly above SONIA plus 2-4%.

There is no guarantee that the fund will achieve a positive return over three years, or any other period, and investors may not get back the original amount they invested.

Investment policy

The fund has a highly flexible investment approach with the freedom to invest in different types of investment assets from anywhere in the world. The fund manager's approach combines in-depth research to determine the value of assets over the medium to long term, together with analysis of market reactions to events, to identify investment opportunities.

The fund may at any one time invest in the following asset classes: fixed income securities (including, but not limited to, corporate bonds and government and public securities), company shares, currencies, cash, near cash and deposits. The fund will mostly gain exposure to these assets by investing through derivatives, but may also invest directly, or by investing through other funds. Derivatives are financial contracts whose value is derived from an underlying asset. In cases where the fund manager believes that investment opportunities are limited to a few areas, or where available investment opportunities would add too much risk, the fund may hold a high level of cash. At any one

time the geographical range of the fund may be more focused rather than globally diversified.

The fund may also invest in other transferable securities and warrants (allowing the fund manager to buy stocks for a fixed price until a certain date) which may be from anywhere in the world and denominated in any currency.

The fund may take short positions (holding derivatives with the aim of delivering a positive return when the assets they are linked to fall in value) in markets, currencies, securities, and groups of securities. The fund also has the flexibility to gain exposure to investments exceeding the net asset value of the fund in order to increase potential returns in both rising and falling markets.

Derivatives can be used to meet the fund's investment objective and for efficient portfolio management.

Investment approach

The fund manager adopts a flexible approach to the allocation of capital between asset classes in response to changes in economic conditions and the valuation of assets, guided by a robust valuation framework. The fund manager seeks to respond to opportunities created by asset prices moving away from a reasonable sense of 'fair' value due to investors reacting emotionally to events. The blend of investments held in the fund is actively adjusted depending on where the fund manager sees the most value and to manage risks in order to limit monthly losses. The fund manager will seek to manage risk by combining diversified and relatively uncorrelated assets (which are assets affected by market conditions in different ways) and by employing derivative strategies to help protect or profit from falling markets. In cases where the fund manager believes that investment opportunities are limited to a few areas, or where the available investment opportunities would add too much risk to the fund, the fund may hold high levels of cash.

The fund manager believes that this approach has the potential to limit monthly losses to less than 3% in

Authorised Corporate Director's Report

normal to stressed times and less than 6% in highly stressed times. The fund manager believes the fund has the potential to deliver an annualised volatility (the degree to which the value of the fund fluctuates over any 12-month period) of between 3% and 7%. The fund manager will ensure the fund's 1-month 99% VaR remains below 6%.

Benchmark

Benchmark: SONIA + 2-4%

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

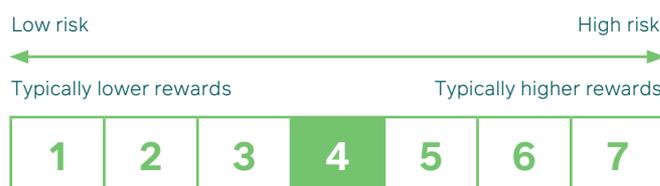
The fund is actively managed. The fund manager has complete freedom in choosing which assets to buy, hold and sell in the fund.

For unhedged share classes, the rate 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 14.

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 April 2023

Performance against objective

All of the M&G Global Target Return Fund's share classes recorded a positive total return (the combination of income and growth of capital) over the review period. The fund aims to provide a combination of capital growth and income equivalent to at least the Sterling Overnight Index Average (SONIA) plus 2-4% per annum (pa) before charges over any three-year period and in any market conditions. The fund was ahead of its benchmark, which returned 4.6% in the period under review. Over three years, all of the fund's five share classes outperformed the benchmark, which returned 3.8% pa in the period.

Prior to 20 July 2021, the fund's benchmark was 3-month GBP LIBOR plus 4% pa. The fund's historical benchmark performance is calculated using a weighted average of the two benchmarks according to the length

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of time each was applicable during the review period. The benchmark figure from 20 July 2021 onwards is calculated using SONIA plus 2% pa, which represents the lower threshold for the current benchmark.

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

At the outset of the period in review, our belief was that financial market valuations remained vulnerable if economic data continued to show persistent inflation. In our view, the likely response of central banks to raise interest rates would be problematic for asset prices. Accordingly, our net exposure to equity markets was low for much of the period and bond duration (sensitivity to changes in interest rates) in developed markets was positioned to benefit from higher interest rates.

The period under review saw both equity and bond markets deliver negative returns. Investor sentiment oscillated as concerns over the structure and persistence of inflation and uncertainties over the path of global economic performance affected all asset classes. Markets expressed volatility as most major central banks continued to raise interest rates to moderate the pass through of price shocks rooted in energy prices and supply constraints. The environment of rising interest rates and slowing growth was a weak background for markets to absorb additional risks, such as recent failures in the regional banking sector in the US and the forced sale of Swiss bank Credit Suisse in Europe.

Against this difficult backdrop, the fund delivered a positive return over the review period, driven by our investment strategy of adjusting the portfolio in response to a volatile investment environment, and benefiting from our portfolio's flexibility to take both long and short positions across a broad range of asset classes. The fund successfully outperformed its benchmark during the period.

All asset classes contributed positively to performance over the review period, including the fund's average

short position in equity indices. (A short position seeks to benefit from a fall in the price of an asset.) The only strategy to deliver a negative contribution was a bank equity basket; this was negligible, despite the stresses in the sector in March.

Government bonds delivered the largest contribution over the period. The fund benefited from dynamic management of short and long positions in developed markets to adapt to the speed and magnitude of interest rate rises in those economies, while maintaining long positions in selected emerging markets where we found attractive valuations and supportive currency outlooks (a long position seeks to benefit from a rise in the price of an asset).

The fund engaged in UK swap curve trades early in the review period that contributed to the fund's performance (interest rate swaps are derivative contracts which exchange fixed-rate payments for floating-rate payments. The swap rate is the fixed interest rate that an investor demands to compensate for the uncertainty of having to pay the floating interest rate as part of the swap contract. The swap curve plots the swap rates across all the maturities available. Trading along the swap curve typically seeks to take advantage of the difference between the investor's view of where future interest rates may be and the market view).

Our allocation to other asset classes, such as asset-backed securities and corporate bonds, as well as currency effects on converting to sterling, also contributed positively to performance.

As market participants became more pessimistic about both inflation and recession, depressed valuations presented an opportunity in the fourth quarter of 2022 to increase the fund's exposure to bonds and equities in a tactical contrarian fashion. This switch benefited the fund and was closed out towards the end of the calendar year. The early part of 2023 saw the fund positioned conservatively, as we awaited better opportunities to deploy capital. Our assessment of market valuations had become more balanced in

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contrast to the complacency that was evident in markets a year previously.

Investment activities

We continued to position our portfolio defensively during the review period and to actively manage our exposures to benefit from market volatility. Our change in positioning was most notable in government bonds, where the fund repositioned from a material net long position to modestly short as markets rapidly repriced to express changing expectations of central bank policy rate trajectories. We scaled down our equity exposure modestly over the period and used futures markets periodically to deviate from that trend and benefit from market volatility. We initiated a tactical rebalancing from bonds to equities towards the end of the period, seeking to take advantage of what we see as attractive opportunities after relative outperformance by bonds in recent market moves.

Between mid-August and the end of September 2022, we added various short positions in the S&P 500 Index seeking to capitalise on the weaknesses in the US stockmarket, as we felt the market was vulnerable to persistent concerns over inflation and higher interest rates.

At the beginning of October, we also added equity exposure to East Asian stockmarkets, especially in Hong Kong. After falling steeply in 2022, we felt that these markets had potentially attractive relative value compared with other regions.

In government bonds, we reduced our exposure to some emerging market bonds by closing our positions in Indonesia and scaling down our holdings in Mexico and Brazil. However, we added a small position in Poland. Elsewhere, we were bearish towards developed market government bonds, especially in the US and Germany. This reflected our view that the market was potentially underestimating the extent of future interest rate increases that might be carried out by the Federal Reserve and European Central Bank. Short positions in 5-year US Treasuries and 2-year German Bunds benefited from a period of rising interest rates.

We were active in managing our exposure to the UK yield curve (by holding bonds of different maturities) during the review period. Following the UK government's 'mini budget' under Prime Minister Liz Truss's leadership in late September, we took advantage of the higher yields available by buying long-dated UK government bonds and also receiving exposure to UK swap rates at a three-year maturity. Both of these positions were closed during October after strong gains.

By October, following the material declines in global bond and equity markets, we felt valuations were more compelling and therefore we added to exposure in both asset classes. This proved to be a profitable tactical trade and we accordingly booked gains on the positions late in the year. So far in 2023, activity has been relatively limited, reflecting a much more balanced valuation backdrop for markets amid an unclear economic environment. Equity exposure was increased and bond exposure reduced temporarily, taking a contrarian view to market movements in the aftermath of the SVB bank failure. These positions were subsequently reduced after a rebound in equity markets. At the end of the period, the fund had relatively light positioning with a preference for non-US equity versus US equity; some long duration exposure to US bonds and a small allocation to high yielding currencies.

Outlook

Overall, our current portfolio allocation is designed to strike a prudent balance between seeking opportunities to increase the value of the portfolio, while also providing diversification and offering the potential to protect capital in adverse scenarios.

The currently volatile backdrop provides opportunities for active investors. However, given the degree of prevailing uncertainty, we believe it is prudent to be highly tactical.

Moreover, the flexibility of the fund in being able to take short positions in assets provides scope to generate returns in falling markets should we assess (correctly)

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that certain asset prices are vulnerable to economic and market developments.

Alongside these two factors, we believe that our ability to invest in an array of asset classes and geographies makes us well placed to navigate and respond to future developments in the current investment environment.

Tristan Hanson

Fund manager

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 30.04.23 £'000	as at 30.04.23 %	as at 30.04.22 %
Equities	5,490	5.95	5.66
Software & computer services	321	0.35	0.52
615,100 NetLink NBN	321	0.35	
Banks	748	0.81	1.74
643,000 China Construction Bank	344	0.37	
13,642 KB Financial	404	0.44	
Closed-ended investments	1,687	1.83	2.43
876,641 Greencoat Renewables ^a	828	0.90	
546,509 Greencoat UK Wind	859	0.93	
Real estate investment & services	0	0.00	0.25
Automobiles & parts	296	0.32	0.00
884,000 Brilliance China Automotive	296	0.32	
Construction & materials	438	0.48	0.00
1,058,500 Sinopec Engineering	438	0.48	
Industrial transportation	1,139	1.23	0.46
559,090 COSCO SHIPPING Ports	294	0.32	
1,324,000 Pacific Basin Shipping	368	0.40	
1,722,000 Sinotrans	477	0.51	
Oil & gas	861	0.93	0.26
16,817 Hana Financial	422	0.46	
1,486,000 Sinopec Kantons	439	0.47	
Equity derivatives	(48)	(0.05)	0.18
Equity futures contracts	(48)	(0.05)	0.18
12 FTSE 100 Index Jun 2023	33	0.04	
(49) S&P 500 Index Jun 2023	(127)	(0.14)	
7 TOPIX Index Jun 2023	46	0.05	
Equity portfolios	2,607	2.82	2.05
74,245 iShares Core MSCI Emerging Markets Investable Market Index ETF	1,751	1.89	
61,580 Xtrackers MSCI USA Banks UCITS ETF	856	0.93	

Portfolio statement

Investments (continued)

Holding		as at 30.04.23 £'000	as at 30.04.23 %	as at 30.04.22 %
Fixed income		79,534	86.13	85.95
Debt securities		74,754	80.95	86.17
'AAA' credit rated bonds		6,613	7.16	10.71
£56,966	Bowbell No. 2 FRN 3.0216% 16/04/2056	57	0.06	
£380,000	Castell 2020-1 FRN 4.2874% 25/03/2053	381	0.41	
£130,219	CMF 2020-1 FRN 2.7872% 16/01/2057	130	0.14	
£877,000	Coventry Building Society FRN 3.2633% 15/01/2025	878	0.95	
£173,772	Darrowby No. 5 FRN 2.6728% 20/12/2057	174	0.19	
£1,650,000	Export Development Canada FRN 2.5216% 17/01/2025	1,654	1.79	
£72,217	Holmes Master Issuer FRN 3.3133% 15/10/2054	72	0.08	
£150,150	Lanark Master Issuer FRN 2.5565% 22/12/2069	150	0.16	
£876,000	Leeds Building Society FRN 3.281% 15/01/2025	877	0.95	
£612,000	Royal Bank of Canada FRN 3.5416% 30/01/2025	611	0.66	
£798,000	Royal Bank of Canada FRN 4.9492% 18/01/2028	800	0.87	
£828,000	TSB Bank FRN 4.5458% 14/02/2027	829	0.90	
'AA' credit rated bonds		61,385	66.48	63.76
£4,237,500	UK Treasury 0% 15/05/2023	4,231	4.58	
£2,525,000	UK Treasury 0% 05/06/2023	2,515	2.72	
£3,790,000	UK Treasury 0% 10/07/2023	3,759	4.07	
£5,225,000	UK Treasury 0% 24/07/2023	5,171	5.60	
£2,246,000	UK Treasury 0% 07/08/2023	2,220	2.40	
£6,708,000	UK Treasury 0% 29/08/2023	6,610	7.16	
£5,907,000	UK Treasury 0% 18/09/2023	5,805	6.29	
£9,089,000	UK Treasury 0% 25/09/2023	8,924	9.67	
£1,711,000	UK Treasury 0% 02/10/2023	1,678	1.82	
£4,309,000	UK Treasury 0% 16/10/2023	4,218	4.57	
£4,718,000	UK Treasury 0% 23/10/2023	4,614	5.00	
US\$6,024,000	US Treasury 0% 06/07/2023	4,787	5.18	
US\$6,665,000	US Treasury 0% 17/08/2023	5,266	5.70	
US\$2,656,200	US Treasury IL 0.125% 15/02/2052	1,587	1.72	
'BBB' credit rated bonds		2,185	2.36	4.75
€808,000	Mexico (United Mexican States) 1.45% 25/10/2033	514	0.56	

Portfolio statement

Investments (continued)

Holding		as at 30.04.23 £'000	as at 30.04.23 %	as at 30.04.22 %
Fixed income (continued)				
Debt securities (continued)				
'BBB' credit rated bonds (continued)				
MXN20,481,900	Mexico (United Mexican States) 7.75% 29/05/2031	853	0.92	
MXN19,400,000	Mexico (United Mexican States) 8.5% 18/11/2038	818	0.88	
	'BB' credit rated bonds	4,571	4.95	6.95
BRL11,674,000	Brazil (Federal Republic of) 10% 01/01/2029	1,736	1.88	
ZAR83,078,516	South Africa (Republic of) 8.5% 31/01/2037	2,835	3.07	
	Debt derivatives	54	0.06	(0.22)
	Credit default swaps	54	0.06	0.17
€4,692,286	Markit iTraxx Europe Crossover Series 37 V1 5 Year Jun 2027	54	0.06	
	Interest rate swaps	0	0.00	(0.39)
	Fixed income portfolios	4,726	5.12	0.00
20,574	M&G Total Return Credit Investment Fund ^b	2,322	2.52	
238,068	M&G Short Dated Corporate Bond Fund Sterling Class 'I' Income ^b	2,404	2.60	
	Currency	75	0.08	0.17
	Forward currency contracts	75	0.08	0.17
BRL(12,182,368)	Bought for BRL6,091,184 (expires 31.07.23)	(16)	(0.02)	
CLP(614,565,952)	Bought for CLP307,282,976 (expires 31.07.23)	4	0.01	
€(5,492,836)	Sold for £4,877,309 (expires 31.07.23)	21	0.02	
HK\$(31,840,161)	Sold for £3,266,599 (expires 31.07.23)	6	0.01	
HUF194,646,410	Bought for £445,062 (expires 31.07.23)	1	0.00	
MXN(19,175,125)	Sold for £833,437 (expires 31.07.23)	(1)	0.00	
PLN2,341,454	Bought for £447,744 (expires 31.07.23)	(1)	0.00	
SG\$(553,421)	Sold for £333,405 (expires 31.07.23)	1	0.00	
KRW(4,605,366,582)	Bought for KRW2,302,683,291 (expires 31.07.23)	2	0.00	
CHF(879,325)	Sold for £799,479 (expires 31.07.23)	5	0.01	
THB(40,852,023)	Sold for £964,328 (expires 31.07.23)	(2)	0.00	
TW\$(151,394,796)	Bought for TWD75,697,398 (expires 31.07.23)	20	0.02	
US\$(1,794,739)	Bought for \$897,369 (expires 31.07.23)	12	0.01	
US\$(20,511,538)	Sold for £16,436,186 (expires 31.07.23)	8	0.01	
US\$(991,056)	Bought for \$495,528 (expires 31.07.23)	0	0.00	

Portfolio statement

Investments (continued)

Holding	as at 30.04.23 £'000	as at 30.04.23 %	as at 30.04.22 %
Currency (continued)			
Forward currency contracts (continued)			
US\$(991,056) Bought for \$495,528 (expires 31.07.23)	(6)	(0.01)	
ZAR(60,005,526) Sold for £2,609,880 (expires 31.07.23)	21	0.02	
Total portfolio	87,658	94.93	94.01
Net other assets/(liabilities)	4,681	5.07	5.99
Net assets attributable to shareholders	92,339	100.00	100.00

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

^a AIM quoted.

^b Related party.

Portfolio statement

Top ten portfolio transactions for the year to 30 April 2023

Largest purchases	£'000
UK Treasury 0% 25/09/2023	8,909
US Treasury 0% 17/08/2023	7,350
US Treasury 0% 23/02/2023	7,153
UK Treasury 0% 11/04/2023	7,003
UK Treasury 0% 29/08/2023	6,571
UK Treasury 0% 18/09/2023	5,794
UK Treasury 0% 19/12/2022	5,601
UK Treasury 0% 06/03/2023	5,258
UK Treasury 0% 24/07/2023	5,138
UK Treasury 0% 27/02/2023	5,075
Other purchases	94,479
Total purchases	158,331

Largest sales	£'000
US Treasury 0% 23/02/2023	7,353
UK Treasury 0% 11/04/2023	7,096
US Treasury 0% 18/08/2022	7,050
UK Treasury 0% 19/12/2022	5,644
UK Treasury 0% 11/07/2022	5,600
UK Treasury 0% 25/07/2022	5,309
UK Treasury 0% 06/03/2023	5,292
UK Treasury 0% 27/02/2023	5,139
UK Treasury 0% 12/09/2022	5,009
UK Treasury 0% 30/05/2022	4,993
Other sales	77,940
Total sales	136,425

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' Accumulation	+6.4	+5.2	+2.2	n/a
Class 'I' Accumulation	+6.7	+5.5	+2.4	n/a
Class 'L' Accumulation	+6.9	+5.7	+2.6	n/a
Class 'PP' Income	+6.8	+5.6	n/a	n/a
Class 'PP' Accumulation	+6.8	+5.6	n/a	n/a
Benchmark^b	+4.6	+3.8	+4.2	n/a

^a Not annualised.

^b The benchmark prior to 19 July 2021 was 3-month GBP LIBOR +4%. Thereafter it is SONIA +2%.

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' Accumulation share performance

The share class was launched on 13 December 2016.

for the year to 30 April	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	110.70	107.74	101.19
Return before operating charges	8.10	3.89	7.45
Operating charges	(0.99)	(0.93)	(0.90)
Return after operating charges	7.11	2.96	6.55
Distributions	(2.31)	(0.95)	(1.29)
Retained distributions	2.31	0.95	1.29
Closing NAV	117.81	110.70	107.74
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.02	0.01
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.02	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.02	0.02	0.01
Operating charges	0.87	0.85	0.86
Return after charges	+6.42	+2.75	+6.47
Other information			
Closing NAV (£'000)	1,716	1,062	931
Number of shares	1,456,415	959,499	863,599
Highest share price (UK p)	117.91	111.44	108.74
Lowest share price (UK p)	109.51	107.64	100.51

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 13 December 2016.

for the year to 30 April	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	111.77	108.35	101.74
Return before operating charges	8.10	3.97	7.28
Operating charges	(0.60)	(0.55)	(0.67)
Return after operating charges	7.50	3.42	6.61
Distributions	(2.66)	(1.27)	(1.49)
Retained distributions	2.66	1.27	1.49
Closing NAV	119.27	111.77	108.35
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.02	0.01
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.02	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.02	0.02	0.01
Operating charges	0.52	0.50	0.64
Return after charges	+6.71	+3.16	+6.50
Other information			
Closing NAV (£'000)	27,415	8,373	11,879
Number of shares	22,984,825	7,491,439	10,963,449
Highest share price (UK p)	119.36	112.47	109.40
Lowest share price (UK p)	110.63	108.38	101.06

Financial highlights

Sterling Class 'L' Accumulation share performance

The share class was launched on 24 February 2017.

for the year to 30 April	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	112.43	108.90	101.78
Return before operating charges	8.11	3.81	7.39
Operating charges	(0.32)	(0.28)	(0.27)
Return after operating charges	7.79	3.53	7.12
Distributions	(2.91)	(1.50)	(1.81)
Retained distributions	2.91	1.50	1.81
Closing NAV	120.22	112.43	108.90
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.02	0.01
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.02	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.02	0.02	0.01
Operating charges	0.27	0.25	0.26
Return after charges	+6.93	+3.24	+7.00
Other information			
Closing NAV (£'000)	63,018	59,212	57,644
Number of shares	52,417,999	52,664,699	52,930,804
Highest share price (UK p)	120.30	113.12	109.76
Lowest share price (UK p)	111.33	108.81	101.11

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 30 April	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	105.54	104.02	99.38
Return before operating charges	7.63	3.66	7.26
Operating charges	(0.46)	(0.42)	(0.54)
Return after operating charges	7.17	3.24	6.72
Distributions	(3.03)	(1.72)	(2.08)
Closing NAV	109.68	105.54	104.02
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.02	0.01
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.02	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.02	0.02	0.01
Operating charges	0.42	0.40	0.53
Return after charges	+6.79	+3.11	+6.76
Other information			
Closing NAV (£'000)	22	21	21
Number of shares	20,000	20,000	20,000
Highest share price (UK p)	112.79	107.93	106.97
Lowest share price (UK p)	104.48	103.92	98.70

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 30 April	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	108.30	105.06	98.36
Return before operating charges	7.85	3.67	7.23
Operating charges	(0.48)	(0.43)	(0.53)
Return after operating charges	7.37	3.24	6.70
Distributions	(2.67)	(1.33)	(1.53)
Retained distributions	2.67	1.33	1.53
Closing NAV	115.67	108.30	105.06
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.02	0.01
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.02	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.02	0.02	0.01
Operating charges	0.42	0.40	0.52
Return after charges	+6.81	+3.08	+6.81
Other information			
Closing NAV (£'000)	168	40	41
Number of shares	145,348	37,329	39,396
Highest share price (UK p)	115.74	108.97	105.88
Lowest share price (UK p)	107.22	104.93	97.70

Financial statements and notes

Financial statements

Statement of total return

for the year to 30 April	Note	2023		2022	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	3		3,219		1,301
Revenue	5	2,582		1,286	
Expenses	6	(236)		(203)	
Interest payable and similar charges		(2)		(2)	
Net revenue/(expense) before taxation		2,344		1,081	
Taxation	7	(424)		(172)	
Net revenue/(expense) after taxation			1,920		909
Total return before distributions			5,139		2,210
Distributions	8		(1,924)		(923)
Change in net assets attributable to shareholders from investment activities			3,215		1,287

Statement of change in net assets attributable to shareholders

for the year to 30 April	2023		2022	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		68,708		70,516
Amounts received on issue of shares	23,221		3,128	
Amounts paid on cancellation of shares	(4,981)		(7,118)	
		18,240		(3,990)
Dilution adjustments		2		0
Change in net assets attributable to shareholders from investment activities (see above)		3,215		1,287
Retained distributions on Accumulation shares		2,174		895
Closing net assets attributable to shareholders		92,339		68,708

Financial statements and notes

Financial statements

Balance sheet

as at 30 April	Note	2023 £'000	2022 £'000
Assets			
Fixed assets			
Investments		87,811	65,993
Current assets			
Debtors	9	1,859	286
Cash and bank balances	10	3,805	3,980
Total assets		93,475	70,259
Liabilities			
Investment liabilities		(153)	(1,400)
Creditors			
Distribution payable		(1)	0
Other creditors	11	(982)	(151)
Total liabilities		(1,136)	(1,551)
Net assets attributable to shareholders		92,339	68,708

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 April	2023 £'000	2022 £'000
Non-derivative securities	(35)	1,260
Derivative contracts	3,014	(179)
Currency gains/(losses)	231	204
Management charge rebates taken to capital	9	12
Rebate of ongoing charges from underlying funds taken to capital	0	4
Net capital gains/(losses)	3,219	1,301

Includes realised gains of £4,161,000 and unrealised losses of £951,000 (2022: realised gains of £1,142,000 and unrealised gains of £143,000). Certain realised gains and losses in the current year were unrealised in the prior year.

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 the '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 April	2023 £'000	% of transaction	2022 £'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	2,481		674	
Commissions	1	0.03	0	0.00
Taxes	3	0.12	0	0.00
Equities after transaction costs	2,485		674	
Debt securities	145,635		83,887	
Collective investment schemes				
Collective investment schemes before transaction costs	10,208		2,349	
Commissions	2	0.02	1	0.04
Taxes	1	0.01	0	0.00
Collective investment schemes after transaction costs	10,211		2,350	
Total purchases after transaction costs	158,331		86,911	
b) Sales				
Equities				
Equities before transaction costs	997		1,943	
Commissions	0	0.04	(1)	0.05
Taxes	(1)	0.11	(1)	0.05
Equities after transaction costs	996		1,941	
Debt securities	131,059		79,344	
Collective investment schemes				
Collective investment schemes before transaction costs	4,371		9,055	
Commissions	(1)	0.02	(2)	0.02
Collective investment schemes after transaction costs	4,370		9,053	
Total sales after transaction costs	136,425		90,338	

Financial statements and notes

	2023 £'000	% of average NAV	2022 £'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	1	0.00	1	0.00
Collective investment schemes	3	0.01	3	0.00
Derivatives	2	0.00	3	0.01
Total commissions paid	6	0.01	7	0.01
Taxes paid				
Equities	4	0.01	1	0.00
Collective investment schemes	1	0.00	0	0.00
Derivatives	2	0.00	3	0.01
Total taxes paid	7	0.01	4	0.01
Total direct portfolio transaction costs	13	0.02	11	0.02
		%		%
d) Indirect portfolio transaction costs				
Average portfolio dealing spread as at the balance sheet date		0.09		0.10

5 Revenue

for the year to 30 April	2023 £'000	2022 £'000
Bank interest	19	0
Derivative revenue	172	(187)
Distributions from collective investment schemes: non-taxable	38	70
Distributions from collective investment schemes: taxable	18	31
Dividends from equity investments: non-taxable	277	274
Dividends from equity investments: taxable	0	(4)
Interest on debt securities	2,052	1,087
Management charge rebates	6	15
Total revenue	2,582	1,286

6 Expenses

for the year to 30 April	2023 £'000	2022 £'000
Payable to the ACD or associate		
Annual charge	236	203
Total expenses	236	203

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

Financial statements and notes

7 Taxation

for the year to 30 April	2023 £'000	2022 £'000
a) Analysis of charge in the year		
Corporation tax	408	151
Withholding tax	14	17
Double taxation relief	0	(7)
Capital gains tax (Indonesia)	2	11
Deferred tax (note 7c)	0	0
Total taxation	424	172
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	2,344	1,081
Corporation tax at 20%	469	216
Effects of:		
Tax on management charge rebates taken to capital	2	3
Dividends from equity investments: non-taxable	(63)	(68)
Double taxation relief	0	(7)
Withholding tax	14	17
Capital gains tax (Indonesia)	2	11
Total tax charge (note 7a)	424	172
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 April	2023		2022	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Dividend distributions				
Final	1	2,174	0 ^a	895
Total net distributions		2,175		895
Income deducted on cancellation of shares		64		51
Income received on issue of shares		(315)		(23)
Distributions		1,924		923
Net revenue/(expense) per statement of total return		1,920		909
Sharing of relief between classes		4		3
Tax on management charge rebates taken to capital		(2)		0
Capital gains tax offset against capital		2		11
Distributions		1,924		923

^a Distribution is less than £1,000.

9 Debtors

as at 30 April	2023 £'000	2022 £'000
Amounts receivable on issues of shares	1,009	5
Currency deals outstanding	573	0
Debt security interest receivable	210	245
Derivative revenue receivable	16	23
Dividends receivable	51	11
Management charge rebates due	0	1
Withholding tax recoverable	0	1
Total debtors	1,859	286

10 Cash and bank balances

as at 30 April	2023 £'000	2022 £'000
Amounts held at futures clearing houses and collateral manager	1,074	994
Cash held as bank balances	2,731	2,986
Total cash and bank balances	3,805	3,980

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11 Other creditors

as at 30 April	2023 £'000	2022 £'000
Annual charge payable	2	7
Corporation tax payable	408	144
Currency deals outstanding	572	0
Total other creditors	982	151

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 01.05.22	Issued	Movements Cancelled	Converted	Closing 30.04.23
Sterling					
Class 'A' Accumulation	959,499	632,540	(135,624)	0	1,456,415
Class 'I' Accumulation	7,491,439	19,446,360	(3,952,974)	0	22,984,825
Class 'L' Accumulation	52,664,699	0	(246,700)	0	52,417,999
Class 'PP' Income	20,000	0	0	0	20,000
Class 'PP' Accumulation	37,329	108,019	0	0	145,348

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'	0.85
Class 'I'	0.50
Class 'L'	0.25
Class 'PP'	0.40

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.

During the year, there were transactions with related parties of M&G Securities Limited with a total value of £5,972,000 (2022: £3,315,000).

At the balance sheet date, the fund held shares in related parties of M&G Securities Limited with a value of £4,726,000 (2022: £1,408,000).

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 0.00% (2022: 0.00%) 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 April	Assets 2023 £'000	Liabilities 2023 £'000	Assets 2022 £'000	Liabilities 2022 £'000
Basis of valuation				
Level 1	74,286	(127)	47,830	(9)
Level 2	13,525	(26)	18,163	(1,391)
Level 3	0	0	0	0
	87,811	(153)	65,993	(1,400)

Financial statements and notes

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 14.

18 Market risk sensitivity and exposure

VaR is the risk measurement methodology used to assess the fund's leverage and market risk volatility. When VaR is calculated as a percentage of the net asset value it may not be greater than the VaR limit set for the fund.

The VaR limit set during the financial year to 30 April 2023 was 6% (2022: 6%).

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 April 2023 and 30 April 2022.

for the year to 30 April	2023 % of VaR	2023 Utilisation of VaR 6%	2022 % of VaR	2022 Utilisation of VaR 6%
Lowest	1.00	16.67	1.23	20.50
Highest	2.35	39.17	3.51	58.50
Average	1.40	23.38	2.27	37.88

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 April	2023 £'000	2022 £'000
Investment grade securities	70,183	54,431
Below investment grade securities	4,571	4,777
Other investments	12,904	5,385
Total	87,658	64,593

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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 April 2023	Swaps £'000	Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch	0	0	(48)
Barclays Bank	30	11	0
Citigroup	(62)	26	0
Goldman Sachs	86	(16)	0
JPMorgan	0	32	0
State Street Bank	0	(3)	0
UBS	0	25	0
Total	54	75	(48)

as at 30 April 2022	Swaps £'000	Forward currency contracts £'000	Futures £'000
Barclays Bank	0	16	0
Citigroup	(266)	109	0
Goldman Sachs	115	(13)	0
JPMorgan	0	9	0
Merrill Lynch	0	0	123
State Street Bank	0	4	0
UBS	0	(10)	0
Total	(151)	115	123

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 April 2023 and 30 April 2022 are disclosed in the table below. Leverage has been calculated

Financial statements and notes

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 April	2023 £'000	2023 %	2022 ^a £'000	2022 ^a % ^b
Lowest	77,621	100.00	115,136	167.00
Highest	247,338	348.00	302,314	436.00
Average	117,505	153.41	164,123	235.09

^a Leverage has been calculated using the Gross Sum of Notional Approach for derivative positions only (including forward currency contracts) and excludes all physical holdings.

^b Expressed as a percentage over fund valuation.

21 Dividend distribution tables

This fund pays annual ordinary distributions and the following table sets out the distribution period.

Annual distribution period

	Start	End	Xd	Payment
Final	01.05.22	30.04.23	02.05.23	30.06.23

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' Accumulation shares

Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2023	2022
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Final	1.0725	1.2407	2.3132	0.9543

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2023	2022
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Final	1.0803	1.5786	2.6589	1.2727

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Sterling Class 'L' Accumulation shares

Ordinary distributions for the year to 30 April	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Final	2.9107	0.0000	2.9107	1.4992

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 30 April	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Final	3.0274	0.0000	3.0274	1.7218

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 30 April	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Final	1.5246	1.1479	2.6725	1.3258

22 Events after the balance sheet date

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

Other regulatory disclosures

Alternative Investment Fund Managers Directive (AIFMD)

In accordance with the AIFMD we are required to report to investors on the 'leverage' of the funds and any 'special arrangements' that exist in relation to each fund's assets.

Leverage

Under AIFMD, leverage is defined as any method by which each fund increases its exposure through borrowing or the use of derivatives. This exposure must be calculated in two ways, the 'gross method' and the 'commitment method'. The fund must not exceed maximum exposures under both methods.

'Gross method' is calculated as the sum of all positions of the fund (both positive and negative), that is, all eligible assets, liabilities and derivatives, including derivatives held for risk reduction purposes.

'Commitment method' exposure is also calculated as the sum of all positions of the fund (both positive and negative), but after netting off derivative and security positions as specified by AIFMD rules.

Therefore as at 30 April 2023 the total amount of leverage is as follows:

Gross method:

M&G Episode Income Fund 177%

M&G Global Target Return Fund 119%

Commitment method:

M&G Episode Income Fund 107%

M&G Global Target Return Fund 163%

Special arrangements

A 'Special Arrangement' is an arrangement in relation to fund assets that results in an investor or group of investors receiving different redemption rights to those generally available to investors in a given share class.

The funds had no assets subject to special arrangements for the period ending 30 April 2023.

Remuneration

In line with the requirements of the Alternative Investment Fund Managers Directive ("AIFMD"), M&G Securities Limited (the "AIFM") is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under the AIFMD.

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 alternative investment funds managed by the AIFM. Further details of the remuneration policy can be found on our website: mandgplc.com/our-business/mandg-investments/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.

The AIFM is required under the AIFMD 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 AIFs it manages (including M&G Investment Funds (11)) and generally includes senior management, risk takers and control functions. 'Identified Staff' typically provide both AIFMD and non-AIFMD 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 the AIFM 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

Other regulatory disclosures

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	2,221	5,036	7,257	9
Other Identified Staff	3,477	17,850	21,328	18

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.

