

M&G Investment Funds (2)

**Annual report and audited financial statements
for the year ended 31 May 2023**

Contents

Authorised Corporate Director's Report	1
Directors' statement	4
Depository's Responsibilities and Report	5
Independent Auditor's Report	6
Financial statements and notes	9
Authorised Corporate Director's Reports, including the portfolio statements, financial highlights, financial statements and notes for:	
M&G Gilt & Fixed Interest Income Fund	16
M&G Global High Yield Bond Fund	38
M&G Index-Linked Bond Fund	79
M&G Index Tracker Fund	99
M&G Short Dated Corporate Bond Fund	140
M&G UK Income Distribution Fund	168
M&G UK Sustain Paris Aligned Fund (formerly M&G UK Select Fund)	202
Other regulatory disclosures	231
Glossary	232

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (2) presents its annual report and audited financial statements for the year ended 31 May 2023.

The audited financial statements of M&G Investment Funds (2), the ACD's Reports including the portfolio statements, financial highlights and the audited financial statements and notes of each sub-fund are presented in their individual sections of this report as set out in the contents page.

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

Company information

M&G Investment Funds (2) is an umbrella Open-Ended Investment Company (OEIC) and contains seven sub-funds, hereinafter referred to as 'funds' in the rest of this report. Each fund is a UK UCITS (Undertakings for Collective Investment in Transferable Securities) scheme as defined in the Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA). This OEIC is an Investment Company with Variable Capital (ICVC) incorporated under the Open-Ended Investment Companies Regulations 2001. It is authorised and regulated by the FCA under the Financial Services and Markets Act 2000.

The Company was authorised on 1 August 2001 and was launched on 24 January 2002, following the conversion of a series of authorised unit trusts.

The Company's principal activity is to carry on business as an OEIC. The Company is structured as an umbrella company, and different funds may be established by the ACD from time to time with the agreement of the Depositary and approval from the FCA. The funds are operated separately and the assets of each fund are managed in accordance with the investment objective and policy applicable to that fund.

As at 31 May 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 Gilt & Fixed Interest Income Fund

Miles Tym

M&G Global High Yield Bond Fund

Stefan Isaacs & James Tomlins

M&G Index-Linked Bond Fund

Miles Tym

M&G Index Tracker Fund

Richard O'Connor

M&G Short Dated Corporate Bond Fund

Matthew Russell

M&G UK Income Distribution Fund

Elina Symon

M&G UK Sustain Paris Aligned Fund (formerly M&G UK Select Fund)

Rory Alexander

ACD

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

Directors of the ACD

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

Authorised Corporate Director's Report

Investment manager

M&G Investment Management Limited,
10 Fenchurch Avenue, London EC3M 5AG, UK
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)

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

Climate-related Financial Disclosures (TCFD)

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

management that M&G has in place to manage the risks and opportunities related to climate change, please refer to the M&G Investments Management TCFD report.

These reports are available via the Sustainability Disclosures page on our website at 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.

Following shareholder approval, on 13 July 2022 the M&G UK Select Fund changed its name to the M&G UK Sustain Paris Aligned Fund and adopted a new investment objective, policy, approach and benchmark as at the same date.

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.

On 27 April 2023 M&G Short Dated Corporate Bond Fund launched Sterling Class 'A' Accumulation shares.

On 4 May 2023 M&G Index Tracker Fund launched Sterling Class 'I' Income shares.

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

Authorised Corporate Director's Report

Investor information

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

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.

Customer services and administration for non-UK clients:

M&G Securities Limited,
c/o RBC I&TS, 14, Porte de France,
L-4360 Esch-sur-Alzette,
Grand Duchy of Luxembourg

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

Telephone: +352 2605 9944

Email: csmang@rbc.com

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

Swiss paying agent and representative:

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

Authorised Corporate Director's Report

Authorised Corporate Director's Responsibilities

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

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

Directors' statement

This report has been prepared in accordance with the requirements of the Collective Investment Schemes sourcebook, as issued and amended by the Financial Conduct Authority.

M&G Securities Limited
18 August 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 (2) ('the Company') for the year ended 31 May 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
18 August 2023

NatWest Trustee and
Depository Services Limited

Independent Auditor's Report

Independent Auditor's Report to the shareholders of M&G Investment Funds (2)

Opinion

We have audited the financial statements of M&G Investment Funds (2) ("the Company") comprising each of its sub-funds for the year ended 31 May 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 (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

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 31 May 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 FCA. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Edinburgh
18 August 2023

Ernst & Young LLP
Statutory Auditor

Financial statements and notes

The financial statements for M&G Investment Funds (2) 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 (2) have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014 and amended in June 2017, except in relation to the separate disclosure in note 13.

2 Summary of significant accounting policies

a. Basis of preparation

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

The financial statements of M&G Investment Funds (2) 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 (2) 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 the fund's functional currency at the rate of exchange ruling as at 12 noon on 31 May 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 31 May 2023, being the last valuation point of the accounting period, as this is not materially different from a valuation carried out at close of business on the balance sheet date.

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

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

Financial statements and notes

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

Financial statements and notes

- 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.

Financial statements and notes

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

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

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

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

i. Tax

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

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

Deferred tax is recognised in respect of temporary timing differences that have originated but not reversed by the balance sheet date. Deferred tax is measured on a non-discounted basis, at the average rate of tax expected to apply in the period

in which it expects the deferred tax to be realised or settled. A deferred tax asset is only recognised to the extent that it is more likely than not that the asset will be recovered.

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

j. Allocation of returns to share classes

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

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

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

3 Risk management policies

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

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

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

Financial statements and notes

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.

a. Market risk

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

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

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

b. Commitment approach

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

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

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

Market risk is considered on a daily basis and forms the foundation of investment oversight analysis. This can include for each fund (but is not limited to) the analysis of factors such as fund

concentration; style, geographical, industry and market capitalisation biases; active, systematic and specific risk measurements; active money; and beta characteristics.

c. Value at Risk approach

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

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

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

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

Financial statements and notes

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.

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

Fund	Global exposure approach
M&G Gilt & Fixed Interest Income Fund	VaR
M&G Global High Yield Bond Fund	VaR
M&G Index-Linked Bond Fund	VaR
M&G Index Tracker Fund	Commitment
M&G Short Dated Corporate Bond Fund	VaR
M&G UK Income Distribution Fund	Commitment
M&G UK Sustain Paris Aligned Fund (formerly M&G UK Select Fund)	Commitment

d. Liquidity risk

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

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

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

Cashflow liquidity is managed in each fund on a daily basis using reports that include subscription and redemption information as well as the impact of trading, derivative lifecycle events and corporate action activity. In addition to the daily reporting, the fund managers are provided with reporting that highlights the impact of reasonably predictable events in the portfolio, including an allowance for the potential future exposures that might result from derivative exposures.

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

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

e. Credit risk

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

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

Funds investing in derivatives are exposed to counterparty risk. This is the risk that the other

Financial statements and notes

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 6 March 2023 has been used.

Investment objective

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

Investment policy

At least 70% of the fund is invested, directly or through derivatives, in investment grade short, medium and long-dated gilts. These securities are issued or guaranteed by the UK government, and denominated in sterling.

Other investments may include transferable securities, cash, and near cash, directly or via collective investment schemes (including funds managed by M&G).

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

Investment approach

The fund is diversified across a range of UK government debt securities. The fund's investment approach is based on the principle that returns from government bonds are driven by a combination of macroeconomic factors such as expectations on interest rates, inflation and economic growth. As different factors dominate returns at different stages of the economic cycle, the manager applies a flexible investment approach, adjusting fund duration as deemed appropriate.

The fund manager seeks to take advantage of 'relative value' opportunities within the UK government bond market, which involves buying the bonds that offer the best value.

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

Benchmark

Benchmark: FTSE Actuaries UK Conventional Gilts All Stocks Index.

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

The fund is actively managed.

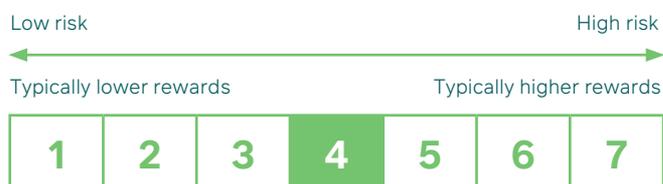
The fund manager has complete freedom in choosing which assets to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

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

Risk profile

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

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



The above number:

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

Authorised Corporate Director's Report

Investment review

For the year ended 31 May 2023

Performance against objective

Between 1 June 2022 (the start of the review period) and 31 May 2023, the M&G Gilt & Fixed Interest Income Fund's Sterling Class 'A' and Class 'I' shares delivered a total return (the combination of income and growth of capital) of -15.9% and -15.7%, respectively. This compares with a return of -15.7% by its benchmark, the FTSE Actuaries UK Conventional Gilts All Stocks Index, over the same period.

Over five years, the fund delivered a negative return and did not meet its objective as the fund trailed the benchmark index, which returned -4.2% pa over this period.

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

Performance review

UK government bonds (also known as gilts) delivered negative returns in the 12 months to the end of May 2023.

Investor sentiment was volatile over much of the period. Market observers were frequently concerned about soaring inflation rates and the prospect of higher interest rates, which weighed on gilt prices. However, gilt prices tended to rise at times when inflation appeared to be easing, thus reducing the likelihood of further interest rate hikes.

The UK saw much political activity over the period with the departure of two prime ministers during the first six months and considerable disquiet over government policy direction at times, causing gilt prices to fall. In the spring of 2023, worries over the health of the banking sector briefly caused deep unease.

Prices have risen sharply as the world economies reopen post the COVID-related shutdowns. In addition, constraints on gas supplies due to economic sanctions and other measures against Russia after it invaded Ukraine have sent energy prices soaring, while global

food costs have also increased sharply. Worries about rocketing inflation have led many central banks to raise interest rates, despite a generally weaker economic backdrop. In the UK, interest rates stood at 4.5% at the end of May 2023, compared with 1.0% at the start of the period under review.

In August 2022, the expectation of continued interest rate rises in the US following indications of a tough approach to inflation from the US Federal Reserve led to sharp declines in government bond prices.

In terms of domestic politics, following the departure of Prime Minister Boris Johnson in summer 2022, Liz Truss briefly held the position and sought to implement a low-tax, pro-economic growth approach. Financial markets responded negatively to her unfunded plan. Sterling plummeted and the Bank of England (BoE) was forced to intervene by buying long-dated gilts in a brief, temporary measure to stabilise the gilt market and to protect certain pension funds, which came under pressure too. The BoE also noted its concerns over future growth, inflation and the housing market, all of which suggested the possibility of higher-than-previously-expected future inflation. UK government bond yields, which move inversely to prices, rose sharply at this time.

Most of the proposed measures of the Truss government were quickly reversed and Liz Truss resigned. Rishi Sunak subsequently became prime minister and the new chancellor, Jeremy Hunt, announced tax rises and initial spending cuts aimed at supporting the UK's finances. The market turmoil subsided and government bonds made healthy gains at this time.

Markets also reacted calmly to the government's Autumn Statement in November, with tax rises and initial spending cuts as the government sought to reassure investors about its fiscal credibility.

As 2022 came to an end, concern rose that stubbornly high inflation would mean further hikes to interest rates in 2023, leading gilt yields higher. The new year brought more encouraging news regarding inflation, partially reversing December's declines in gilt prices. This

Authorised Corporate Director's Report

optimism was short-lived, however, as worries re-emerged that inflation would prove more stubborn than previously anticipated, in turn fuelling fears of higher interest rates for longer, and gilt prices fell.

Despite interest rate hikes from the major central banks, gilt performance was positive in March 2023. At this time, the banking sector took centre stage in the US and Europe due to the collapse of US bank Silicon Valley and the purchase of its UK arm by HSBC, together with the rescue purchase of Switzerland's Credit Suisse by rival UBS. These difficulties in the US and European banking sectors clouded the growth outlook as consumer lending is expected to contract. As a result, gilt yields fell (and prices rose) and volatility increased markedly.

Gilts were weak in April, as UK inflation rose higher than had been expected. The fund's above-benchmark position in 15-20 year bonds versus bonds at the shorter and longer ends of the curve performed well at this time. May also saw disappointing inflation figures, as consumer price inflation only declined to 8.7% in April, rather than 8.2% as had been expected.

Investment activities

Early in the period we reduced the fund's exposure to index-linked gilts. (Index-linked gilts refer to government bonds where the value of the loan and the interest payments are adjusted in line with inflation over the life of the security.) Although elevated levels of inflation are advantageous to holders of these bonds, we were concerned by the lack of interest from pension fund investors, particularly as we felt that sooner or later investors will start to anticipate a sharp correction in inflation rates.

We participated in the syndication of 30-year 'green' gilts, with the move supporting the fund's performance. These refer to assets sold by the government with the funds raised targeted at supporting its environmental and climate goals.

The BoE's action in stepping in to buy long-dated gilts in autumn 2022, as mentioned earlier, resulted in a severe dislocation, leaving long-dated gilts looking extremely expensive, in our opinion. We therefore

reduced exposure to this part of the curve in favour of shorter-dated maturities.

At the end of 2022, we reduced our relative value overweight (above benchmark) allocation to 15-year bonds, which had performed well, and increased exposure to shorter- and longer-dated bonds. The reduction of this relative value position also decreased the portfolio's overall risk.

In March, we reduced the overweight position in the 15-25 year range and increased the weighting in shorter- and longer-dated gilts as we thought the 15-25 year maturity range priced closer to fair value.

Following the disappointing inflation figures for April, the market quickly priced in the increased probability of further interest rate hikes in the following months to combat stubbornly high inflation. As a result, in May we sold our overweight position in 15-20 year bonds.

The fund's performance is affected by its sensitivity to changes in interest rates, or duration, measured in years. In view of the challenging backdrop, we have positioned the portfolio to be [marginally] shorter duration relative to the benchmark (meaning a lower sensitivity to movements in interest rates).

Outlook

The Bank of England expects the UK economy to be broadly flat in the first half of 2023. Soaring inflation has led to a cost of living squeeze, with consumers further hurt by higher mortgage rates, which is likely to weigh on economic activity.

Authorised Corporate Director's Report

Following the challenges and turmoil in autumn last year, the government has sought to provide some stability. In particular, policymakers are hoping that some tax rises, through freezing tax thresholds, and smaller-than-planned rises in public services spending will feed through to lower inflation. At the time of writing, market observers are expecting prolonged higher-than-expected domestic inflation and at least three further hikes in interest rates.

Miles Tym

Fund manager

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

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

Portfolio statement

Investments

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income	316,688	98.81	99.58
Debt securities	316,688	98.81	99.58
'AAA' credit rated bonds	38,687	12.07	6.99
£16,419,000 KfW 1.375% 15/12/2025	15,013	4.69	
£4,786,000 Nordic Investment Bank 1.125% 15/12/2023	4,689	1.46	
£19,204,519 UK Treasury 0% 29/08/2023	18,985	5.92	
'AA' credit rated bonds	278,001	86.74	92.59
£3,564,598 PRS Finance 1.75% 24/11/2026	3,194	1.00	
£108,197,572 UK Treasury 0.5% 31/01/2029	88,271	27.54	
£61,728,927 UK Treasury 0.875% 31/01/2046	30,211	9.43	
£21,755,983 UK Treasury 1.125% 31/01/2039	13,707	4.28	
£3,427,070 UK Treasury 1.25% 31/07/2051	1,676	0.52	
£12,984,556 UK Treasury 1.5% 31/07/2053	6,660	2.08	
£16,372,107 UK Treasury 1.625% 22/10/2054	8,619	2.69	
£1,398,889 UK Treasury 1.75% 07/09/2037	1,013	0.32	
£2,993,451 UK Treasury 1.75% 22/01/2049	1,755	0.55	
£9,806,553 UK Treasury 2.5% 22/07/2065	6,332	1.97	
£4,874,042 UK Treasury 3.5% 22/07/2068	4,061	1.27	
£6,329,694 UK Treasury 3.75% 22/10/2053	5,553	1.73	
£22,217,687 UK Treasury 4% 22/01/2060	20,595	6.42	
£84,359,873 UK Treasury 4.125% 29/01/2027	83,292	25.99	
£3,181,877 UK Treasury 4.25% 07/12/2046	3,062	0.95	
Total portfolio	316,688	98.81	99.58
Net other assets/(liabilities)	3,826	1.19	0.42
Net assets attributable to shareholders	320,514	100.00	100.00

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

Portfolio statement

Top ten portfolio transactions for the year to 31 May 2023

Largest purchases	£'000
UK Treasury 0.5% 31/01/2029	129,480
UK Treasury 1.125% 31/01/2039	128,075
UK Treasury 4.125% 29/01/2027	90,462
UK Treasury 1.75% 07/09/2037	79,423
UK Treasury 0.125% 31/01/2023	76,824
UK Treasury 0% 08/05/2023	60,892
UK Treasury 0% 29/08/2023	54,856
UK Treasury 0.625% 31/07/2035	51,829
UK Treasury 0.375% 22/10/2026	50,486
UK Treasury 0.875% 31/01/2046	46,359
Other purchases	444,306
Total purchases	1,212,992

Largest sales	£'000
UK Treasury 1.75% 07/09/2037	127,475
UK Treasury 0.625% 31/07/2035	111,832
UK Treasury 1.125% 31/01/2039	106,935
UK Treasury 0.125% 31/01/2024	83,828
UK Treasury 0.125% 31/01/2023	76,782
UK Treasury 0% 08/05/2023	61,454
UK Treasury 0.375% 22/10/2026	55,380
UK Treasury 0.25% 31/01/2025	45,241
UK Treasury 0.50% 31/01/2029	40,070
UK Treasury 4.25% 07/12/2049	36,929
Other sales	532,682
Total sales	1,278,608

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	-15.9	-11.3	-4.5	-0.5
Class 'A' Accumulation	-15.9	-11.3	-4.5	-0.5
Class 'I' Income	-15.7	-11.0	-4.2	-0.2
Class 'I' Accumulation	-15.7	-11.0	-4.2	-0.2
Class 'PP' Income	-15.6	n/a	n/a	n/a
Class 'PP' Accumulation	-15.6	n/a	n/a	n/a
Benchmark	-15.7	-11.5	-4.2	+0.1

^a Not annualised.

Specific share class performance

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

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

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

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 9 December 1980.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	89.03	99.76	108.96
Return before operating charges	(13.73)	(9.25)	(7.82)
Operating charges	(0.44)	(0.55)	(0.58)
Return after operating charges	(14.17)	(9.80)	(8.40)
Distributions	(2.37)	(0.93)	(0.80)
Closing NAV	72.49	89.03	99.76
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.55	0.55	0.55
Return after charges	-15.92	-9.82	-7.71
Other information			
Closing NAV (£'000)	15,790	20,840	26,215
Number of shares	21,783,180	23,407,849	26,277,140
Highest share price (UK p)	90.31	104.71	109.36
Lowest share price (UK p)	69.54	89.06	98.37

Sterling Class 'A' Accumulation share performance

The share class was launched on 9 December 1980.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	526.84	584.70	633.67
Return before operating charges	(81.80)	(54.65)	(45.62)
Operating charges	(2.60)	(3.21)	(3.35)
Return after operating charges	(84.40)	(57.86)	(48.97)
Distributions	(11.58)	(2.24)	(1.31)
Retained distributions	11.58	2.24	1.31
Closing NAV	442.44	526.84	584.70
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.55	0.55	0.55
Return after charges	-16.02	-9.90	-7.73
Other information			
Closing NAV (£'000)	193,217	330,110	371,348
Number of shares	43,670,942	62,658,781	63,510,666
Highest share price (UK p)	534.44	616.09	635.98
Lowest share price (UK p)	413.58	525.19	575.51

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,024.83	1,144.88	1,247.12
Return before operating charges	(158.32)	(106.53)	(89.63)
Operating charges	(2.28)	(2.86)	(3.45)
Return after operating charges	(160.60)	(109.39)	(93.08)
Distributions	(27.34)	(10.66)	(9.16)
Closing NAV	836.89	1,024.83	1,144.88
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.25	0.25	0.29
Return after charges	-15.67	-9.55	-7.46
Other information			
Closing NAV (£'000)	17,700	21,226	27,307
Number of shares	2,114,998	2,071,200	2,385,107
Highest share price (UK p)	1,040.11	1,203.56	1,251.90
Lowest share price (UK p)	801.31	1,024.92	1,128.71

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,137.32	1,258.42	1,360.23
Return before operating charges	(176.76)	(117.95)	(98.04)
Operating charges	(2.56)	(3.15)	(3.77)
Return after operating charges	(179.32)	(121.10)	(101.81)
Distributions	(28.12)	(8.60)	(6.26)
Retained distributions	28.12	8.60	6.26
Closing NAV	958.00	1,137.32	1,258.42
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.25	0.25	0.29
Return after charges	-15.77	-9.62	-7.48
Other information			
Closing NAV (£'000)	85,671	88,763	107,178
Number of shares	8,942,729	7,804,549	8,516,848
Highest share price (UK p)	1,154.32	1,328.09	1,365.44
Lowest share price (UK p)	893.80	1,133.56	1,237.69

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 21 April 2022.

for the year/period to 31 May	2023	2022
Change in NAV per share	UK p	UK p
Opening NAV	98.45	100.00
Return before operating charges	(15.21)	(1.37)
Operating charges	(0.13)	(0.02)
Return after operating charges	(15.34)	(1.39)
Distributions	(2.63)	(0.16)
Closing NAV	80.48	98.45
Direct transaction costs	UK p	UK p
Costs before dilution adjustments	0.00	0.00
Dilution adjustments	0.00	0.00
Total direct transaction costs	0.00	0.00
Performance and charges	%	%
Direct portfolio transaction costs	0.00	0.00
Operating charges	0.15	0.15
Return after charges	-15.58	-1.39
Other information		
Closing NAV (£'000)	16	20
Number of shares	20,010	20,010
Highest share price (UK p)	99.94	101.83
Lowest share price (UK p)	77.01	98.27

Sterling Class 'PP' Accumulation share performance

The share class was launched on 21 April 2022.

for the year/period to 31 May	2023	2022
Change in NAV per share	UK p	UK p
Opening NAV	98.61	100.00
Return before operating charges	(15.34)	(1.37)
Operating charges	(0.13)	(0.02)
Return after operating charges	(15.47)	(1.39)
Distributions	(2.53)	(0.14)
Retained distributions	2.53	0.14
Closing NAV	83.14	98.61
Direct transaction costs	UK p	UK p
Costs before dilution adjustments	0.00	0.00
Dilution adjustments	0.00	0.00
Total direct transaction costs	0.00	0.00
Performance and charges	%	%
Direct portfolio transaction costs	0.00	0.00
Operating charges	0.15	0.15
Return after charges	-15.69	-1.39
Other information		
Closing NAV (£'000)	8,120	20
Number of shares	9,766,492	20,000
Highest share price (UK p)	100.10	101.83
Lowest share price (UK p)	77.52	98.27

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 May	Note	2023		2022	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	3		(81,340)		(52,291)
Revenue	5	11,924		5,017	
Expenses	6	(1,896)		(2,495)	
Interest payable and similar charges		(1)		(1)	
Net revenue/(expense) before taxation		10,027		2,521	
Taxation	7	0		0	
Net revenue/(expense) after taxation			10,027		2,521
Total return before distributions			(71,313)		(49,770)
Distributions	8		(10,174)		(2,567)
Change in net assets attributable to shareholders from investment activities			(81,487)		(52,337)

Statement of change in net assets attributable to shareholders

for the year to 31 May	2023		2022	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		460,979		532,048
Amounts received on issue of shares	58,313		41,981	
Amounts paid on cancellation of shares	(126,531)		(62,843)	
		(68,218)		(20,862)
Dilution adjustments		86		26
Change in net assets attributable to shareholders from investment activities (see above)		(81,487)		(52,337)
Retained distributions on Accumulation shares		9,153		2,102
Unclaimed distributions		1		2
Closing net assets attributable to shareholders		320,514		460,979

Financial statements and notes

Financial statements

Balance sheet

as at 31 May	Note	2023 £'000	2022 £'000
Assets			
Fixed assets			
Investments		316,688	459,064
Current assets			
Debtors	9	2,435	2,219
Cash and bank balances	10	4	37
Cash equivalents		6,490	48
Total assets		325,617	461,368
Liabilities			
Creditors			
Bank overdrafts		(3,991)	0
Distribution payable		(333)	(143)
Other creditors	11	(779)	(246)
Total liabilities		(5,103)	(389)
Net assets attributable to shareholders		320,514	460,979

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 31 May	2023 £'000	2022 £'000
Non-derivative securities	(81,312)	(52,263)
Derivative contracts	(28)	(29)
Currency gains/(losses)	0	1
Net capital gains/(losses)	(81,340)	(52,291)

Financial statements and notes

4 Portfolio transactions and associated costs

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

for the year to 31 May	2023 £'000	2022 £'000
a) Purchases		
Debt securities	1,212,992	1,621,296
b) Sales		
Debt securities	1,278,608	1,628,760
	%	%
c) Indirect portfolio transaction costs		
Average portfolio dealing spread as at the balance sheet date	0.08	0.08

5 Revenue

for the year to 31 May	2023 £'000	2022 £'000
Bank interest	2	0
Interest distributions	115	9
Interest on debt securities	11,804	5,004
Rebate of ongoing charges from underlying funds	3	4
Total revenue	11,924	5,017

6 Expenses

for the year to 31 May	2023 £'000	2022 £'000
Payable to the ACD or associate		
Annual charge	1,896	2,495
Total expenses	1,896	2,495

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

Financial statements and notes

7 Taxation

for the year to 31 May	2023 £'000	2022 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	0	0
Deferred tax (note 7c)	0	0
Total taxation	0	0
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	10,027	2,521
Corporation tax at 20%	2,005	504
Effects of:		
Interest distributions	(1,972)	(474)
Relief for indexation on UK gilts	(33)	(30)
Total tax charge (note 7a)	0	0
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset 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 31 May	2023		2022	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Interest distributions				
First interim	191	1,427	101	343
Second interim	269	2,324	101	390
Third interim	307	2,917	108	492
Final	333	2,485	143	877
Total net distributions		10,253		2,555
Income deducted on cancellation of shares		171		35
Income received on issue of shares		(250)		(23)
Distributions		10,174		2,567
Net revenue/(expense) per statement of total return		10,027		2,521
Expenses offset against capital		147		199
Effective yield adjustment not distributed		0		(153)
Distributions		10,174		2,567

9 Debtors

as at 31 May	2023 £'000	2022 £'000
Debt security interest receivable	2,428	2,218
Distributions receivable	7	1
Total debtors	2,435	2,219

10 Cash and bank balances

as at 31 May	2023 £'000	2022 £'000
Cash held as bank balances	4	37
Total cash and bank balances	4	37

11 Other creditors

as at 31 May	2023 £'000	2022 £'000
Amounts payable on cancellation of shares	0	154
Annual charge payable	62	92
Purchases awaiting settlement	717	0
Total other creditors	779	246

Financial statements and notes

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 01.06.22	Issued	Movements Cancelled	Converted	Closing 31.05.23
Sterling					
Class 'A' Income	23,407,849	427,710	(2,052,379)	0	21,783,180
Class 'A' Accumulation	62,658,781	5,838,753	(24,826,592)	0	43,670,942
Class 'I' Income	2,071,200	186,156	(142,358)	0	2,114,998
Class 'I' Accumulation	7,804,549	2,054,299	(916,119)	0	8,942,729
Class 'PP' Income	20,010	0	0	0	20,010
Class 'PP' Accumulation	20,000	9,766,492	(20,000)	0	9,766,492

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

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'	0.55
Class 'I'	0.25
Class 'PP'	0.15

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.

Financial statements and notes

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 45.98% (2022: 60.64%) 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 31 May	Assets 2023 £'000	Liabilities 2023 £'000	Assets 2022 £'000	Liabilities 2022 £'000
Basis of valuation				
Level 1	293,792	0	422,778	0
Level 2	22,896	0	36,286	0
Level 3	0	0	0	0
	316,688	0	459,064	0

17 Risk management policies

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

18 Market risk sensitivity 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 period to 5 March 2023 was 18% (2022: 18%).

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

Financial statements and notes

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 31 May 2023 and 31 May 2022.

for the year ended 31 May	from 6 March 2023 to 31 May 2023 % of VaR	from 6 March 2023 to 31 May 2023 Utilisation of VaR %	from 1 June 2022 to 5 March 2023 % of VaR	from 1 June 2022 to 5 March 2023 Utilisation of VaR 18%	2022 % of VaR	2022 Utilisation of VaR 18%
Lowest	98.48	49.24	4.74	26.33	3.90	21.67
Highest	102.26	51.13	9.35	51.94	5.51	30.61
Average	100.44	50.22	7.00	38.89	4.85	26.95

19 Credit risk

The fund is exposed to credit risk through the credit quality of the investments it holds. The table below shows the credit quality of the investments held in the portfolio.

as at 31 May	2023 £'000	2022 £'000
Investment grade securities	316,688	459,064
Total	316,688	459,064

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 31 May 2023 and 31 May 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 31 May	2023 £'000	2023 %	2022 £'000	2022 %
Lowest	0	0.00	0	0.00
Highest	0	0.00	275,022	400.00
Average	0	0.00	5,556	6.01

Financial statements and notes

21 Interest distribution tables

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

Quarterly distribution periods

	Start	End	Xd	Payment
First interim	01.06.22	31.08.22	01.09.22	31.10.22
Second interim	01.09.22	30.11.22	01.12.22	31.01.23
Third interim	01.12.22	28.02.23	01.03.23	30.04.23
Final	01.03.23	31.05.23	01.06.23	31.07.23

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

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

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

Sterling Class 'A' Income shares

Interest distributions for the year to 31 May	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
First interim	0.1995	0.2092	0.4087	0.1962
Second interim	0.3650	0.2132	0.5782	0.2039
Third interim	0.2903	0.3735	0.6638	0.2235
Final	0.3282	0.3919	0.7201	0.3034

Sterling Class 'A' Accumulation shares

Interest distributions for the year to 31 May	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
First interim	0.9126	0.7963	1.7089	0.3184
Second interim	2.1769	0.6346	2.8115	0.3869
Third interim	1.2291	2.1167	3.3458	0.5205
Final	1.4323	2.2825	3.7148	1.0133

Financial statements and notes

Sterling Class 'I' Income shares

Interest distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	2.7875	1.9181	4.7056	2.2520
Second interim	2.5044	4.1586	6.6630	2.3435
Third interim	2.3742	5.2817	7.6559	2.5690
Final	3.6350	4.6758	8.3108	3.4910

Sterling Class 'I' Accumulation shares

Interest distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	2.5337	1.9922	4.5259	1.6608
Second interim	2.8241	3.9916	6.8157	1.7867
Third interim	3.0357	4.9448	7.9805	2.0562
Final	5.1683	3.6254	8.7937	3.0999

Sterling Class 'PP' Income shares

Interest distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.4525	0.0000	0.4525	n/a
Second interim	0.6392	0.0000	0.6392	n/a
Third interim	0.7358	0.0000	0.7358	n/a
Final	0.7987	0.0000	0.7987	0.1556

Sterling Class 'PP' Accumulation shares

Interest distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.4167	0.0000	0.4167	n/a
Second interim	0.6120	0.0000	0.6120	n/a
Third interim	0.7134	0.0000	0.7134	n/a
Final	0.1288	0.6563	0.7851	0.1396

Financial statements and notes

22 Events after the balance sheet date

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

Authorised Corporate Director's Report

For the purposes of these financial statements, the Prospectus dated 6 March 2023 has been used.

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the ICE BofAML Global High Yield Index (GBP Hedged) over any five-year period.

Investment policy

At least 80% of the fund is invested, directly or indirectly through derivatives, in below investment grade corporate debt securities. These securities can be issued by companies from anywhere in the world, including emerging markets.

Other investments may include:

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

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

The fund aims to hedge any non-sterling assets back to sterling.

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

Investment approach

The fund is globally diversified across a range of below investment grade (high yield) debt securities from a variety of sectors and geographies. The fund managers focus on the analysis of individual bond issues while remaining aware of macroeconomic developments. Emphasis is placed upon investigating the ability of a bond issuer to meet its interest payments, especially during unfavourable economic conditions.

The fund managers have the flexibility to adjust the fund's credit exposure, sector positioning and regional allocations depending on the assessment of current market valuations and the macroeconomic environment, including the likely path of economic growth, inflation and interest rates.

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

Benchmark

Benchmark: ICE BofAML Global High Yield Index (GBP Hedged).

The benchmark is a target which the fund seeks to outperform.

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

The fund is actively managed.

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

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

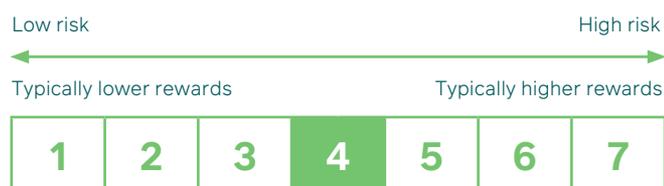
For currency hedged share classes, the benchmark is hedged to the share class currency.

Authorised Corporate Director's Report

Risk profile

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

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



The above number:

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

Investment review

For the year ended 31 May 2023

Performance against objective

The M&G Global High Yield Bond Fund delivered a negative total return (the combination of income and capital growth) across most of its sterling share classes. Fund performance was ahead of its benchmark, the ICE BofAML Global High Yield Index (GBP-hedged), which returned -1.1% over the same period.

Over five years, the fund delivered a positive return across its share classes. However, the fund lagged its benchmark index, which returned 1.3% pa over this period. It therefore did not meet its objective of providing a higher total return, net of the ongoing charge figure, than that of the ICE BofAML Global High Yield Index (GBP-hedged) over any five-year period.

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

Performance review

The period under review saw unprecedented volatility across global bond markets, with the majority of fixed income assets delivering negative returns.

The concerted action by major central banks to stem inflationary pressure pushed up rates in the UK and the US to around 5% from a low of around 1% at the start of the review period.

The effect of this rise in interest rates caused bond yields (which move inversely to bond prices) to soar, most notably at the front end of the yield curve, which plots the yield of government bonds with different maturities.

Among the asset classes, investment grade corporate bonds posted negative returns, with the UK underperforming the US and Europe. However, high yield bonds (debt securities that typically offer a higher coupon or interest rate than other corporate bonds because they are considered riskier) fared better. European high yield bonds registered positive returns while the US market was marginally negative.

The outperformance of high yield bonds versus their investment grade equivalents partly reflects the former's lower sensitivity to changes in interest rates due to its higher coupon rate. In other words, the price of high yield bonds tends to fall by a smaller amount than investment grade bonds with similar maturities should interest rates rise.

Although the higher rate environment has started to bring down inflation in some developed countries, it has set off a spiral in certain segments of the financial markets. This has resulted in tighter credit conditions and increased recessionary fears.

Credit spreads, the excess rate over risk-free core government bonds, increased dramatically for high yield bonds. In November, global high yield spreads exceeded six percentage points, indicating that markets had priced in an overly pessimistic implied default rate

Authorised Corporate Director's Report

for these bonds. However, global credit spreads recovered by the end of the review period, despite the banking crisis in March.

Against this challenging background, the fund delivered a negative return but finished ahead of its benchmark. On the whole, our credit positioning was the key driver of outperformance, with favourable security selection driving returns, notably among our US holdings. Credit selection in the media, telecommunications and consumer goods sectors added value. However, our security selection in real estate, energy and basic industry weighed on performance. The fund's currency exposure was also beneficial.

The fund's top contributors over the review period included US oil and gas firm Southwestern Energy and Ford Motor Company. French supermarket Casino Guichard Perrachon and European commercial real estate firm CPI Property Group were notable detractors.

At the regional level, our underweight positioning in US bonds contributed positively, as did our overweight exposure to European bonds. However, our underweight positioning in emerging markets detracted.

Investment activities

We maintained a slightly below-benchmark duration (sensitivity to interest rates) positioning during the period. The heightened volatility in credit spreads provided opportunities to make modest adjustments to our tactical positioning. Towards the beginning of the period we reduced our cyclical risk by selling outperforming issuers such as Dufry, Macy's, Sally Beauty and Olin. We favoured issuers in non-cyclical areas and purchased aerospace firm Spirit AeroSystems and added to our existing position in Thyssenkrupp. Other trades in the secondary market included purchasing Viking, Spirit Airlines and Calpine.

At the start of 2023, we increased our US exposure and bought new issues in the primary market. We also added US energy issuers in the secondary market. Our bottom-up analysis (analysing securities based on the attractiveness of fundamental characteristics of companies) enabled us to reduce Total Play, Belden and

iQera. We also reduced Société Générale's AT1s (additional tier 1 bonds – a form of convertible bond issued by banks comprising bank equity and debt) and sold positions in some US issuers.

The primary market remained relatively quiet for most of the review period as high interest rates discouraged issuers. Nevertheless, we participated in several new deals, mainly from the US. These included Ford Motor Credit, Royal Caribbean Cruises, DISH, Spirit AeroSystems, Spirit Airlines, Clean Harbors, Sealed Air, Mauser Packaging Solutions, Atlas Air and Frontier Communications. Elsewhere, we bought Verisure, Ecopetrol, Eurobank, ZF Friedrichshafen and Nexans in the primary market.

Towards the end of the period, there was a pickup in primary market activity. We added new issues that were attractively priced from businesses with strong balance sheets, such as EquipmentShare.com, Calderys, Iron Mountain, IQVIA, Eramet and Novo Banco. We also trimmed some of our lower-rated corporate bonds and outperforming issuers such as Superior Industries, Trivium Packaging and Telecom Italia.

Outlook

As Germany was in recession in the first quarter of 2023, a looming US recession will be the focus of interest for investors. We remain broadly neutral on valuations as they look less compelling but, equally, we do not want to be underweight in this environment. Technical elements, such as supply-demand imbalances and attractive all-in yields, remain supportive of the high yield asset class, and should help to contain credit spreads.

In our view, fundamentals are generally supportive for the moment, as corporate earnings have generally been exceeding expectations while profits margins remain robust. We expect a shallower default cycle than what is currently being priced in by financial markets.

Moving forward, we are generally concentrating on higher-quality issuers and non-cyclical sectors, such as healthcare, technology, media and telecommunications.

Authorised Corporate Director's Report

Stefan Isaacs & James Tomlins

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 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities	43	0.00	0.00
155,654 Adler	43	0.00	
377 Chaparral Energy Warrants 01/10/2024	0	0.00	
377 Chaparral Energy Warrants 01/10/2025	0	0.00	
680,748 Codere ^a	0	0.00	
8,212,459 K2016470219 South Africa ^a	0	0.00	
48,841,504 New World Resources ^a	0	0.00	
Fixed income	1,151,820	88.27	93.29
Debt securities	1,154,946	88.51	93.02
'AA' credit rated bonds	11,826	0.91	1.43
US\$15,002,700 US Treasury 3.25% 30/06/2027	11,826	0.91	
'A' credit rated bonds	2,982	0.23	0.00
€3,655,000 TotalEnergies Var. Rate 3.369% Perpetual	2,982	0.23	
'BBB' credit rated bonds	77,674	5.95	4.39
US\$11,000,000 Celanese 6.165% 15/07/2027	8,919	0.68	
US\$10,082,000 Continental Resources 5.75% 15/01/2031	7,744	0.59	
US\$1,146,000 Dell International 8.1% 15/07/2036	1,069	0.08	
€3,700,000 Deutsche Bank Var. Rate 1.375% 17/02/2032	2,374	0.18	
US\$5,900,000 HCA 4.5% 15/02/2027	4,646	0.36	
US\$6,940,000 HCA 5.375% 01/09/2026	5,581	0.43	
US\$5,500,000 LPL Holdings 4% 15/03/2029	3,900	0.30	
US\$6,400,000 NGPL PipeCo 4.875% 15/08/2027	4,945	0.38	
€1,200,000 Orano 4.875% 23/09/2024	1,045	0.08	
US\$5,650,000 Pacific Gas and Electric 4.55% 01/07/2030	4,151	0.32	
US\$14,190,000 Sprint 7.875% 15/09/2023	11,537	0.88	
US\$5,645,000 Stora Enso 7.25% 15/04/2036	4,776	0.37	
US\$11,000,000 Targa Resources Partners 4% 15/01/2032	7,639	0.58	
US\$6,800,000 Targa Resources Partners 4.875% 01/02/2031	5,064	0.39	
US\$1,035,720 United Airlines 2020-1 Class B Pass Through Trust 4.875% 15/01/2026	786	0.06	
US\$4,600,000 Western Midstream 4.5% 01/03/2028	3,498	0.27	
'BB' credit rated bonds	543,748	41.67	46.83
€5,600,000 ABN AMRO Bank Var. Rate 4.75% Perpetual	4,041	0.31	
US\$5,000,000 ADT Security 4.125% 01/08/2029	3,472	0.27	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income (continued)			
Debt securities (continued)			
'BB' credit rated bonds (continued)			
US\$3,552,000 Albertsons 3.5% 15/03/2029	2,500	0.19	
US\$6,300,000 Albertsons 5.875% 15/02/2028	4,964	0.38	
US\$4,550,000 Allwyn Entertainment Financing 7.875% 30/04/2029	3,694	0.28	
US\$6,874,936 American Airlines 5.5% 20/04/2026	5,446	0.42	
US\$7,524,000 Antero Midstream Partners/Antero Midstream Finance 5.75% 15/01/2028	5,799	0.44	
€2,000,000 Avantor Funding 2.625% 01/11/2025	1,653	0.13	
£3,200,000 B&M European Value Retail 3.625% 15/07/2025	3,040	0.23	
£2,052,000 B&M European Value Retail 4% 15/11/2028	1,735	0.13	
€3,800,000 Banco Bilbao Vizcaya Argentaria Var. Rate 6% Perpetual	3,153	0.24	
£3,700,000 Barclays Var. Rate 8.875% Perpetual	3,402	0.26	
US\$1,000,000 Bath & Body Works 5.25% 01/02/2028	767	0.06	
US\$4,400,000 Bath & Body Works 6.625% 01/10/2030	3,404	0.26	
US\$2,450,000 Bath & Body Works 6.75% 01/07/2036	1,770	0.14	
€3,748,000 Belden 3.375% 15/07/2027	3,026	0.23	
€1,300,000 Belden 3.875% 15/03/2028	1,048	0.08	
€2,238,000 Benteler International 9.375% 15/05/2028	1,953	0.15	
US\$800,000 Benteler International 10.5% 15/05/2028	655	0.05	
US\$5,500,000 Berry Global 4.875% 15/07/2026	4,293	0.33	
US\$5,300,000 Calpine 4.5% 15/02/2028	3,895	0.30	
€2,397,000 Canpack 2.375% 01/11/2027	1,658	0.13	
US\$5,000,000 Canpack 3.875% 15/11/2029	3,185	0.24	
US\$8,300,000 Carnival 4% 01/08/2028	5,827	0.45	
US\$2,242,000 Cheniere Energy Partners 3.25% 31/01/2032	1,485	0.11	
US\$4,800,000 Cheniere Energy Partners 4.5% 01/10/2029	3,565	0.27	
€4,032,000 Citycon Var. Rate 3.625% Perpetual	1,747	0.13	
US\$3,088,000 Clean Harbors 6.375% 01/02/2031	2,495	0.19	
€6,000,000 Commerzbank Var. Rate 6.125% Perpetual	4,583	0.35	
US\$4,200,000 Country Garden 3.125% 22/10/2025	1,155	0.09	
€6,965,000 CPI Property Var. Rate 4.875% Perpetual	2,404	0.18	
US\$4,500,000 Crowdstrike Holdings 3% 15/02/2029	3,152	0.24	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income (continued)			
Debt securities (continued)			
'BB' credit rated bonds (continued)			
US\$4,065,000 Crown Americas Capital 4.25% 30/09/2026	3,122	0.24	
€2,970,000 Crown European 3.375% 15/05/2025	2,506	0.19	
US\$400,000 Deutsche Bank 4.5% 01/04/2025	302	0.02	
€1,600,000 Deutsche Bank Var. Rate 4% 24/06/2032	1,226	0.09	
€3,836,000 Dometic 2% 29/09/2028	2,631	0.20	
US\$3,729,000 Domtar 6.75% 01/10/2028	2,627	0.20	
€1,489,000 Drax Finco 2.625% 01/11/2025	1,218	0.09	
US\$2,750,000 Drax Finco 6.625% 01/11/2025	2,178	0.17	
US\$3,700,000 DT Midstream 4.125% 15/06/2029	2,599	0.20	
US\$9,189,000 DT Midstream 4.375% 15/06/2031	6,235	0.48	
€3,200,000 Dufry One 3.375% 15/04/2028	2,433	0.19	
US\$5,500,000 Ecopetrol 6.875% 29/04/2030	3,953	0.30	
US\$1,898,000 Ecopetrol 8.875% 13/01/2033	1,490	0.11	
US\$4,000,000 Energean Israel Finance 5.875% 30/03/2031	2,811	0.22	
US\$6,372,000 EQM Midstream Partners 4.5% 15/01/2029	4,510	0.35	
US\$3,500,000 EQM Midstream Partners 5.5% 15/07/2028	2,661	0.20	
US\$4,800,000 EQM Midstream Partners 6.5% 01/07/2027	3,808	0.29	
€2,000,000 Eramet 7% 22/05/2028	1,747	0.13	
€5,592,000 Eurobank Var. Rate 7% 26/01/2029	4,900	0.38	
€1,638,000 Eurofins Scientific Var. Rate 3.25% Perpetual	1,298	0.10	
US\$10,656,000 Ford Motor 6.1% 19/08/2032	8,057	0.62	
US\$4,000,000 Ford Motor Credit 4% 13/11/2030	2,694	0.21	
US\$18,107,000 Ford Motor Credit 4.95% 28/05/2027	13,685	1.05	
US\$3,000,000 Ford Motor Credit 5.113% 03/05/2029	2,212	0.17	
€4,600,000 Gamma Bidco 5.125% 15/07/2025	4,015	0.31	
US\$6,450,000 Greenko Solar Mauritius 5.55% 29/01/2025	4,985	0.38	
€4,735,000 Grifols 2.25% 15/11/2027	3,626	0.28	
€5,700,000 Heimstaden Var. Rate 6.75% Perpetual	2,259	0.17	
US\$4,250,000 Hilcorp Energy 5.75% 01/02/2029	3,112	0.24	
€2,700,000 Huhtamaki 4.25% 09/06/2027	2,292	0.18	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income (continued)			
Debt securities (continued)			
'BB' credit rated bonds (continued)			
US\$6,000,000 Icahn Enterprises 5.25% 15/05/2027	3,958	0.30	
€3,042,000 INEOS Quattro Finance 2 2.5% 15/01/2026	2,371	0.18	
€4,300,000 Infineon Technologies Var. Rate 3.625% Perpetual	3,383	0.26	
€2,071,000 Infrastrutture Wireless Italiane 1.875% 08/07/2026	1,675	0.13	
US\$5,975,000 International Game Technology 4.125% 15/04/2026	4,584	0.35	
€4,258,000 Intesa Sanpaolo Var. Rate 6.25% Perpetual	3,577	0.27	
€6,500,000 Intrum 3.5% 15/07/2026	4,417	0.34	
US\$7,500,000 IQVIA 6.5% 15/05/2030	6,143	0.47	
US\$6,431,000 Iron Mountain 7% 15/02/2029	5,183	0.40	
US\$9,858,000 Jazz Securities 4.375% 15/01/2029	7,142	0.55	
US\$7,000,000 KB Home 4.8% 15/11/2029	5,134	0.39	
€8,400,000 KBC Var. Rate 4.25% Perpetual	6,179	0.47	
US\$6,227,000 KUO 5.75% 07/07/2027	4,470	0.34	
€7,200,000 Leonardo 2.375% 08/01/2026	5,970	0.46	
€10,748,000 Levi Strauss 3.375% 15/03/2027	8,875	0.68	
US\$2,655,000 Levi Strauss 3.5% 01/03/2031	1,778	0.14	
€4,700,000 Lloyds Banking Var. Rate 4.947% Perpetual	3,715	0.28	
€1,000,000 Lottomatica 6.25% 15/07/2025	875	0.07	
US\$7,730,000 Macquarie Airfinance Holdings 8.375% 01/05/2028	6,194	0.47	
US\$6,798,000 Macy's Retail 5.875% 01/04/2029	4,898	0.38	
US\$1,671,000 Macy's Retail 5.875% 15/03/2030	1,176	0.09	
€3,600,000 Mahle 2.375% 14/05/2028	2,375	0.18	
US\$3,521,000 Melco Resorts Finance 5.375% 04/12/2029	2,272	0.17	
US\$3,678,000 Meritage Homes 3.875% 15/04/2029	2,629	0.20	
US\$3,848,000 Millicom International Cellular (non-public offering) 4.5% 27/04/2031	2,324	0.18	
US\$5,100,000 Millicom International Cellular 4.5% 27/04/2031	3,078	0.24	
£4,400,000 Nationwide Building Society Var. Rate 5.875% Perpetual	4,125	0.32	
US\$6,362,000 Network i2i Var. Rate 3.975% Perpetual	4,555	0.35	
US\$5,171,000 New Red Finance 3.875% 15/01/2028	3,817	0.29	
US\$3,000,000 Norddeutsche Landesbank-Girozentrale 6.25% 10/04/2024	2,320	0.18	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income (continued)			
Debt securities (continued)			
'BB' credit rated bonds (continued)			
US\$6,500,000 Nordstrom 4.25% 01/08/2031	3,901	0.30	
US\$3,000,000 Occidental Petroleum 6.45% 15/09/2036	2,442	0.19	
US\$6,050,000 Occidental Petroleum 6.625% 01/09/2030	5,080	0.39	
€1,807,000 OI European 2.875% 15/02/2025	1,521	0.12	
US\$11,300,000 Olin 5% 01/02/2030	8,393	0.64	
US\$4,000,000 Petrobras Global Finance 5.6% 03/01/2031	3,085	0.24	
US\$6,378,000 Pilgrim's Pride 3.5% 01/03/2032	4,114	0.31	
US\$11,197,000 Pilgrim's Pride 4.25% 15/04/2031	7,786	0.60	
US\$4,100,000 Pilgrim's Pride 6.25% 01/07/2033	3,217	0.25	
£5,400,000 Pinewood Finance 3.625% 15/11/2027	4,791	0.37	
€6,192,000 Playtech 4.25% 07/03/2026	5,222	0.40	
US\$4,149,000 PRA Health Sciences 2.875% 15/07/2026	3,067	0.23	
£4,687,000 Premier Foods Finance 3.5% 15/10/2026	4,223	0.32	
US\$7,240,000 Rand Parent 8.5% 15/02/2030	5,028	0.38	
US\$3,250,000 Range Resources 8.25% 15/01/2029	2,735	0.21	
US\$5,158,000 Rede D'or Finance 4.95% 17/01/2028	3,784	0.29	
€8,000,000 Rexel 2.125% 15/12/2028	5,975	0.46	
US\$3,500,000 Rogers Communications Var. Rate 5.25% 15/03/2082	2,569	0.20	
€8,959,000 Rolls-Royce 1.625% 09/05/2028	6,479	0.50	
€8,675,000 Sappi Papier 3.625% 15/03/2028	6,610	0.51	
€5,400,000 Schaeffler 2.75% 12/10/2025	4,459	0.34	
US\$7,000,000 Seagate HDD Cayman 4.875% 01/03/2024	5,629	0.43	
US\$5,794,000 Sealed Air 6.125% 01/02/2028	4,652	0.36	
US\$12,340,000 Sirius XM Radio 5% 01/08/2027	9,055	0.69	
US\$5,000,000 Société Générale Var. Rate 7.875% Perpetual	3,933	0.30	
€6,000,000 SoftBank 3.875% 06/07/2032	3,878	0.30	
US\$1,655,000 Southwestern Energy 4.75% 01/02/2032	1,145	0.09	
US\$2,450,000 Spirit AeroSystems 9.375% 30/11/2029	2,113	0.16	
US\$11,089,546 Spirit Loyalty 8% 20/09/2025	9,048	0.69	
US\$3,629,000 Talen Energy Supply 8.625% 01/06/2030	3,002	0.23	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income (continued)			
Debt securities (continued)			
'BB' credit rated bonds (continued)			
US\$8,944,000	TEGNA 4.625% 15/03/2028	6,212	0.48
€3,982,000	Tereos Finance I 4.75% 30/04/2027	3,215	0.25
€3,911,000	Tereos Finance I 7.5% 30/10/2025	3,448	0.26
€1,740,000	Teva Pharmaceutical Finance Netherlands II 1.625% 15/10/2028	1,154	0.09
€5,000,000	Teva Pharmaceutical Finance Netherlands II 1.875% 31/03/2027	3,653	0.28
€1,251,000	Teva Pharmaceutical Finance Netherlands II 4.5% 01/03/2025	1,070	0.08
US\$5,000,000	Teva Pharmaceutical Finance Netherlands III 3.15% 01/10/2026	3,596	0.28
US\$2,300,000	Teva Pharmaceutical Finance Netherlands III 6.75% 01/03/2028	1,818	0.14
US\$4,061,000	Teva Pharmaceutical Finance Netherlands III 7.875% 15/09/2029	3,355	0.26
US\$5,610,000	UBS Var. Rate 7% Perpetual	4,303	0.33
€6,500,000	UniCredit Var. Rate 7.5% Perpetual	5,487	0.42
US\$1,754,000	United Airlines 4.375% 15/04/2026	1,340	0.10
US\$2,311,000	United Airlines 4.625% 15/04/2029	1,683	0.13
£5,000,000	Virgin Media Secured Finance 4.125% 15/08/2030	3,788	0.29
£2,000,000	Virgin Media Secured Finance 5% 15/04/2027	1,814	0.14
£9,500,000	Virgin Media Secured Finance 5.25% 15/05/2029	7,829	0.60
US\$2,000,000	Virgin Media Secured Finance 5.5% 15/05/2029	1,460	0.11
US\$3,650,000	Vivo Energy Investments 5.125% 24/09/2027	2,661	0.20
€5,000,000	Vmed O2 UK Financing I 3.25% 31/01/2031	3,416	0.26
€5,000,000	Vodafone Var. Rate 2.625% 27/08/2080	3,842	0.29
US\$4,150,000	Vodafone Var. Rate 7% 04/04/2079	3,390	0.26
€7,238,000	WMG Acquisition 2.25% 15/08/2031	4,790	0.37
€3,660,000	WMG Acquisition 2.75% 15/07/2028	2,842	0.22
US\$3,400,000	Yum! Brands 4.625% 31/01/2032	2,477	0.19
US\$5,742,000	Yum! Brands 5.375% 01/04/2032	4,378	0.34
€900,000	ZF Europe Finance 3% 23/10/2029	648	0.05
€3,000,000	ZF Finance 2.75% 25/05/2027	2,302	0.18

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income (continued)			
Debt securities (continued)			
'BB' credit rated bonds (continued)			
€4,500,000 ZF Finance 3.75% 21/09/2028	3,464	0.27	
€1,400,000 ZF Finance 5.75% 03/08/2026	1,214	0.09	
US\$1,000,000 ZF North America Capital 6.875% 14/04/2028	813	0.06	
'B' credit rated bonds	432,939	33.18	30.19
€7,500,000 888 Acquisitions 7.558% 15/07/2027	5,958	0.46	
US\$8,616,000 AdaptHealth 5.125% 01/03/2030	5,381	0.41	
€4,155,000 Adler 12.5% 30/06/2025	3,713	0.28	
€3,200,000 Altice France 3.375% 15/01/2028	2,029	0.16	
€2,432,000 Altice France 4% 15/07/2029	1,507	0.12	
€2,603,000 Altice France 4.125% 15/01/2029	1,639	0.13	
US\$6,000,000 American Airlines 7.25% 15/02/2028	4,717	0.36	
€5,250,000 Ardagh Packaging Finance 2.125% 15/08/2026	4,019	0.31	
US\$2,800,000 Ardagh Packaging Finance 4.125% 15/08/2026	2,123	0.16	
US\$1,000,000 Ardagh Packaging Finance 5.25% 30/04/2025	790	0.06	
US\$3,000,000 Ascent Resources Utica 5.875% 30/06/2029	2,143	0.16	
US\$5,000,000 Ascent Resources Utica 8.25% 31/12/2028	3,912	0.30	
US\$10,865,000 Ashton Woods 4.625% 01/08/2029	7,370	0.56	
US\$4,189,000 ASP Unifrax 5.25% 30/09/2028	2,655	0.20	
€8,000,000 Avantor Funding 3.875% 15/07/2028	6,349	0.49	
US\$313,000 Baytex Energy 8.5% 30/04/2030	246	0.02	
£9,315,000 Bellis Acquisition 3.25% 16/02/2026	7,901	0.61	
£3,878,000 Bellis Acquisition 4.5% 16/02/2026	3,372	0.26	
€5,000,000 Boxer Parent 6.5% 02/10/2025	4,224	0.32	
€4,256,000 Burger King FRN 8% 01/11/2026	3,642	0.28	
US\$2,037,000 Caesars Entertainment 4.625% 15/10/2029	1,417	0.11	
US\$10,600,000 Caesars Entertainment 6.25% 01/07/2025	8,546	0.65	
US\$3,668,000 Calderys Financing 11.25% 01/06/2028	3,015	0.23	
US\$4,582,000 Carnival 10.375% 01/05/2028	3,998	0.31	
£3,363,000 Castle 7% 15/05/2029	2,678	0.20	
€4,000,000 Castle FRN 8.573% 15/05/2028	3,022	0.23	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income (continued)			
Debt securities (continued)			
'B' credit rated bonds (continued)			
US\$10,500,000 CCO 4.25% 01/02/2031	6,769	0.52	
US\$2,296,000 CCO 4.5% 01/05/2032	1,461	0.11	
US\$4,100,000 CCO 4.5% 15/08/2030	2,701	0.21	
US\$8,906,000 CCO 5.125% 01/05/2027	6,683	0.51	
€4,500,000 Cheplapharm Arzneimittel 4.375% 15/01/2028	3,537	0.27	
€3,800,000 Cheplapharm Arzneimittel 7.5% 15/05/2030	3,266	0.25	
US\$10,000,000 CHS 4.75% 15/02/2031	5,790	0.44	
US\$1,000,000 CHS 5.25% 15/05/2030	610	0.05	
US\$6,131,000 CNX Resources 7.375% 15/01/2031	4,786	0.37	
US\$9,200,000 Colgate Energy 5.875% 01/07/2029	6,950	0.53	
US\$7,700,000 Comstock Resources 6.75% 01/03/2029	5,496	0.42	
£3,590,000 Constellation Automotive Financing 4.875% 15/07/2027	2,718	0.21	
£2,198,000 CPUK Finance 4.5% 28/08/2027	1,855	0.14	
£3,734,000 CPUK Finance 6.5% 28/08/2026	3,532	0.27	
US\$8,500,000 CSC 4.125% 01/12/2030	4,737	0.36	
US\$2,000,000 CSC 5.5% 15/04/2027	1,331	0.10	
€2,695,000 Cullinan 4.625% 15/10/2026	1,955	0.15	
US\$1,542,000 DaVita 3.75% 15/02/2031	988	0.08	
£4,779,000 Deuce Finco 5.5% 15/06/2027	3,990	0.31	
€3,690,000 Diamond Escrow 9.625% 15/11/2028	3,200	0.25	
US\$3,218,000 DISH DBS 5.25% 01/12/2026	2,055	0.16	
US\$2,718,000 DISH DBS 5.75% 01/12/2028	1,591	0.12	
US\$6,868,000 Dish Network 11.75% 15/11/2027	5,351	0.41	
US\$4,400,000 EDF Var. Rate 5.625% Perpetual	3,451	0.26	
US\$3,211,000 EquipmentShare.com 9% 15/05/2028	2,392	0.18	
US\$5,500,000 Frontier Communications 8.625% 15/03/2031	4,134	0.32	
US\$4,470,000 Genesis Energy 8% 15/01/2027	3,497	0.27	
€7,500,000 Gruenenthal 6.75% 15/05/2030	6,537	0.50	
£6,500,000 Heathrow Finance 3.875% 01/03/2027	5,641	0.43	
€3,761,784 Hellas Telecom III 0% 01/01/2049 ^b	0	0.00	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income (continued)			
Debt securities (continued)			
'B' credit rated bonds (continued)			
£500,000 Iceland Bondco 4.375% 15/05/2028	367	0.03	
US\$3,038,000 iHeartCommunications 4.75% 15/01/2028	1,686	0.13	
€3,500,000 Iliad 5.125% 15/10/2026	2,877	0.22	
€4,200,000 INEOS Quattro Finance 1 3.75% 15/07/2026	3,192	0.24	
€4,300,000 iQera FRN 9.823% 15/02/2027	3,331	0.26	
US\$7,250,000 Jaguar Land Rover Automotive 7.75% 15/10/2025	5,864	0.45	
US\$5,137,000 Kenbourne Invest 4.7% 22/01/2028	2,898	0.22	
US\$5,500,000 LCPR Senior Secured Financing 6.75% 15/10/2027	4,149	0.32	
US\$1,881,000 Liquid Telecommunications Financing 5.5% 04/09/2026	912	0.07	
US\$910,000 Matador Resources 6.875% 15/04/2028	727	0.06	
US\$2,105,000 Mauser Packaging Solutions 7.875% 15/08/2026	1,683	0.13	
US\$3,814,000 McGraw-Hill Education 5.75% 01/08/2028	2,662	0.20	
US\$5,757,000 Medline Borrower 3.875% 01/04/2029	3,994	0.31	
US\$3,590,000 MGM China 4.75% 01/02/2027	2,577	0.20	
€4,500,000 Monitchem 3 8.75% 01/05/2028	3,887	0.30	
US\$7,500,000 NCR 5% 01/10/2028	5,391	0.41	
€2,000,000 Novo Banco Var. Rate 8.5% 06/07/2028	1,722	0.13	
€3,300,000 Novo Banco Var. Rate 9.875% 01/12/2033	2,851	0.22	
£7,505,000 Ocado 3.875% 08/10/2026	5,512	0.42	
US\$4,500,000 Owens & Minor 4.5% 31/03/2029	3,012	0.23	
US\$1,880,000 Owens & Minor 6.625% 01/04/2030	1,373	0.10	
US\$3,200,000 Owens-Brockway Glass Container 6.375% 15/08/2025	2,608	0.20	
US\$569,000 Owens-Brockway Glass Container 6.625% 13/05/2027	458	0.03	
US\$1,597,000 Performance Food 5.5% 15/10/2027	1,243	0.10	
€3,600,000 Petroleos Mexicanos 2.75% 21/04/2027	2,336	0.18	
€5,500,000 Petroleos Mexicanos 4.75% 26/02/2029	3,504	0.27	
US\$22,290,000 Petroleos Mexicanos 6.5% 13/03/2027	15,618	1.20	
US\$12,000,000 Petroleos Mexicanos 6.625% 15/06/2035	6,563	0.50	
US\$10,932,000 Petroleos Mexicanos 6.7% 16/02/2032	6,592	0.50	
US\$10,000,000 PetSmart /PetSmart Finance 4.75% 15/02/2028	7,471	0.57	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income (continued)			
Debt securities (continued)			
'B' credit rated bonds (continued)			
€2,700,000 Pfleiderer 4.75% 15/04/2026	1,921	0.15	
€1,200,000 Picard Groupe 3.875% 01/07/2026	938	0.07	
US\$6,492,000 Prestige Brands 3.75% 01/04/2031	4,328	0.33	
€9,306,000 Q-Park I 2% 01/03/2027	6,769	0.52	
US\$4,596,000 Royal Caribbean Cruises 5.375% 15/07/2027	3,430	0.26	
US\$1,804,000 Royal Caribbean Cruises 7.25% 15/01/2030	1,470	0.11	
US\$8,300,000 Royal Caribbean Cruises 9.25% 15/01/2029	7,127	0.55	
US\$4,764,000 SCIH Salt 4.875% 01/05/2028	3,414	0.26	
US\$9,100,000 Spirit AeroSystems 7.5% 15/04/2025	7,245	0.55	
US\$11,000,000 Stagwell Global 5.625% 15/08/2029	7,680	0.59	
US\$888,000 Standard Industries 4.375% 15/07/2030	609	0.05	
US\$6,850,000 Staples 7.5% 15/04/2026	4,552	0.35	
US\$1,500,000 Studio City Finance (non-public offering) 6.5% 15/01/2028	994	0.08	
US\$8,000,000 Studio City Finance 6.5% 15/01/2028	5,287	0.40	
€4,838,914 Summer BidCo 9% 15/11/2025	3,612	0.28	
€2,348,000 Telecom Italia 3.625% 25/05/2026	1,917	0.15	
US\$5,000,000 Tenet Healthcare 4.625% 15/06/2028	3,745	0.29	
US\$5,500,000 Tenet Healthcare 4.875% 01/01/2026	4,300	0.33	
US\$8,100,000 Tenet Healthcare 5.125% 01/11/2027	6,237	0.48	
€3,500,000 TI Automotive Finance 3.75% 15/04/2029	2,392	0.18	
€8,100,000 TK Elevator Midco 4.375% 15/07/2027	6,197	0.47	
€6,900,000 TMNL Holding 3.75% 15/01/2029	5,064	0.39	
€4,602,000 Trivium Packaging Finance 3.75% 15/08/2026	3,613	0.28	
£3,340,000 TVL Finance 10.25% 28/04/2028	3,232	0.25	
€7,500,000 Verisure 5.25% 15/02/2029	5,499	0.42	
€3,171,000 Verisure 9.25% 15/10/2027	2,914	0.22	
US\$5,442,000 Vertiv 4.125% 15/11/2028	3,925	0.30	
US\$4,400,000 Viking Ocean Cruises Ship VII 5.625% 15/02/2029	3,086	0.24	
£3,800,000 Virgin Media Vendor Financing Notes III 4.875% 15/07/2028	2,974	0.23	
£4,909,000 Voyage Care 5.875% 15/02/2027	3,995	0.31	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income (continued)			
Debt securities (continued)			
'B' credit rated bonds (continued)			
US\$2,550,000 Wynn Las Vegas 5.5% 01/03/2025	2,017	0.15	
US\$2,973,000 Wynn Macau 5.625% 26/08/2028	2,026	0.16	
	81,567	6.25	10.05
'CCC' credit rated bonds			
€2,000,000 Agps Bondco 1.875% 14/01/2026	684	0.05	
€3,000,000 Agps Bondco 2.25% 14/01/2029	822	0.06	
€4,100,000 Altice France 4% 15/02/2028	1,750	0.13	
US\$5,500,000 Ardagh Metal Packaging Finance 4% 01/09/2029	3,493	0.27	
£1,096,000 Ardagh Packaging Finance 4.75% 15/07/2027	883	0.07	
US\$888,000 ASP Unifrax 7.5% 30/09/2029	507	0.04	
US\$1,230,000 Bausch Health 11% 30/09/2028	746	0.06	
US\$245,000 Bausch Health 14% 15/10/2030	124	0.01	
US\$3,500,000 Bausch Health 4.875% 01/06/2028	1,704	0.13	
US\$3,200,000 CHS 6.875% 15/04/2029	1,462	0.11	
US\$4,100,000 CommScope 8.25% 01/03/2027	2,595	0.20	
US\$5,973,000 Glatfelter 4.75% 15/11/2029	3,090	0.24	
€5,160,000 Grifols Escrow Issuer 3.875% 15/10/2028	3,711	0.28	
€4,000,000 Herens Midco 5.25% 15/05/2029	2,145	0.16	
£2,152,000 House of Fraser Funding 0% 30/12/2050 ^a	3	0.00	
€4,000,000 Kaixo Bondco Telecom 5.125% 30/09/2029	3,000	0.23	
US\$8,182,000 McGraw-Hill Education 8% 01/08/2029	5,558	0.42	
US\$5,000,000 McLaren Finance 7.5% 01/08/2026	3,369	0.26	
US\$3,787,000 Mozart Debt Merger Sub 5.25% 01/10/2029	2,619	0.20	
€3,285,000 Picard Bondco 5.375% 01/07/2027	2,345	0.18	
€4,900,000 Sani 5.625% 15/12/2026	3,920	0.30	
US\$9,942,000 Scientific Games 6.625% 01/03/2030	6,875	0.53	
€1,085,023 Selecta 10% 01/07/2026	606	0.05	
€2,362,064 Selecta 8% 01/04/2026	1,779	0.14	
€8,200,000 Sigma Holdco 5.75% 15/05/2026	5,895	0.45	
US\$3,894,000 Staples 10.75% 15/04/2027	1,937	0.15	
€4,000,000 Superior Industries International 6% 15/06/2025	3,026	0.23	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income (continued)			
Debt securities (continued)			
'CCC' credit rated bonds (continued)			
€2,618,251 Techem Verwaltungsgesellschaft 674 6% 30/07/2026	2,197	0.17	
US\$2,958,000 Transocean (non-public offering) 11.5% 30/01/2027	2,449	0.19	
US\$3,687,000 Transocean 11.5% 30/01/2027	3,059	0.23	
US\$10,970,000 Triton Water 6.25% 01/04/2029	7,397	0.57	
US\$5,000,000 VTR Comunicaciones 4.375% 15/04/2029	1,817	0.14	
'C' credit rated bonds	1,933	0.15	0.00
US\$1,543,000 Bausch Health 5% 15/02/2029	555	0.04	
€2,000,000 Casino Guichard Perrachon 5.25% 15/04/2027	360	0.03	
€5,600,000 Casino Guichard Perrachon 6.625% 15/01/2026	1,018	0.08	
'D' credit rated bonds	1,716	0.13	0.13
US\$5,400,000 Kaisa 11.25% 16/04/2025	301	0.02	
€50,000 Lehman Brothers 0% 26/09/2040 ^b	0	0.00	
US\$5,650,000 Sunac China 6.5% 10/01/2025	752	0.06	
US\$3,600,000 Yuzhou 6.35% 13/01/2027	182	0.02	
US\$5,580,000 Yuzhou 7.85% 12/08/2026	300	0.02	
US\$3,500,000 Yuzhou 8.3% 27/05/2025	181	0.01	
Bonds with no credit rating	561	0.04	0.00
US\$694,000 1375209 BC 9% 30/01/2028	561	0.04	
US\$1,191,000 JCPenney 6.375% 15/10/2036 ^b	0	0.00	
US\$711,674 K2016470219 South Africa 1% 31/12/2049	0	0.00	
Debt derivatives	(3,126)	(0.24)	0.27
Credit default swaps	(2,094)	(0.16)	0.00
€2,750,000 Boparan Finance Dec 2025	(747)	(0.06)	
€2,000,000 Casino Guichard-Perrachon Jun 2025	(1,263)	(0.10)	
€4,000,000 Iceland Bondco Dec 2026	(404)	(0.03)	
US\$13,720,000 Markit CDX North American High Yield Series 38 5 Year Jun 2027	320	0.03	
Interest rate futures	(1,032)	(0.08)	0.27
256 10 Year US Treasury Note Sep 2023	157	0.01	
1,696 5 Year US Treasury Note Sep 2023	340	0.03	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income (continued)			
Debt derivatives (continued)			
Interest rate futures (continued)			
(513) Euro-Bobl Jun 2023	(1,365)	(0.11)	
(108) Long Gilt Sep 2023	(164)	(0.01)	
Currency	9,384	0.72	(0.05)
Forward currency contracts	9,384	0.72	(0.05)
€13,746,327 Bought for £12,014,098 (expires 01.06.23)	(144)	(0.01)	
€(401,649,149) Sold for £355,508,365 (expires 01.06.23)	8,694	0.67	
€(387,902,822) Sold for £335,814,455 (expires 21.06.23)	636	0.05	
US\$(457,679,153) Sold for £371,852,325 (expires 01.06.23)	1,681	0.13	
US\$(467,995,190) Sold for £377,767,070 (expires 19.07.23)	(365)	(0.03)	
US\$(466,624,179) Sold for £376,126,961 (expires 21.06.23)	(1,118)	(0.09)	
Total portfolio	1,161,247	88.99	93.24
Net other assets/(liabilities)	143,690	11.01	6.76
Net assets attributable to shareholders	1,304,937	100.00	100.00

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

^a Suspended.

^b Defaulted bond.

Portfolio statement

Top ten portfolio transactions for the year to 31 May 2023

Largest purchases	£'000
US Treasury 3.25% 30/06/2027	25,982
Sprint 7.875% 15/09/2023	13,821
Pilgrims Pride 4.25% 15/04/2031	9,551
Spirit Loyalty 8% 20/09/2025	9,419
Celanese 6.165% 15/07/2027	9,154
Ford Motor 6.1% 19/08/2032	8,864
Spirit AeroSystems 7.5% 15/04/2025	7,642
Royal Caribbean Cruises 9.25% 15/01/2029	7,301
Colgate Energy 5.875% 01/07/2029	6,939
Gruenthal 6.75% 15/05/2030	6,646
Other purchases	452,553
Total purchases	557,872

Largest sales	£'000
Ford Motor 9% 22/04/2025	14,121
US Treasury 3.25% 30/06/2027	14,027
Southwestern Energy 7.75% 01/10/2027	12,632
UK Treasury 0.125% 31/01/2023	12,409
Endeavor Energy Resources 6.625% 15/07/2025	11,780
Sprint 7.875% 15/09/2023	10,520
Pilgrims Pride 4.25% 15/04/2031	8,843
Nielsen Finance 5.625% 01/10/2028	8,540
US Treasury 1.125% 28/02/2025	8,359
Altice France 5.875% 01/02/2027	7,740
Other sales	287,228
Total sales	396,199

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.

On 24 June 2022, 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.

Share class	One year % ^a	Three years % pa	Five years % pa	Ten years % pa
Sterling				
Class 'A' Income	-0.4	+0.6	+0.3	+2.0
Class 'A' Accumulation	-0.5	+0.5	+0.3	+2.0
Class 'I' Income	0.0	+1.0	+0.8	+2.5
Class 'I' Accumulation	-0.1	+1.0	+0.8	+2.5
Class 'PP' Income	+0.1	+1.1	n/a	n/a
Class 'PP' Accumulation	0.0	+1.1	n/a	n/a
Class 'R' Income	-0.3	+0.7	+0.5	+2.2
Class 'R' Accumulation	-0.3	+0.7	+0.5	+2.2
Class 'X' Income	-5.2	-3.3	-0.8	+1.7
Class 'X' Accumulation	-5.2	-3.3	-0.8	+1.7
Benchmark	-1.1	+1.2	+1.3	+3.0

^a Not annualised.

Financial highlights

Specific share class performance

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

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

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

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	41.71	47.55	44.34
Return before operating charges	(0.23)	(3.21)	5.84
Operating charges	(0.39)	(0.46)	(0.53)
Return after operating charges	(0.62)	(3.67)	5.31
Distributions	(2.29)	(2.17)	(2.10)
Closing NAV	38.80	41.71	47.55
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.98	0.98	1.12
Return after charges	-1.49	-7.72	+11.98
Other information			
Closing NAV (£'000)	274,892	52,702	63,048
Number of shares	708,560,120	126,366,616	132,599,814
Highest share price (UK p)	41.71	48.23	48.44
Lowest share price (UK p)	37.32	41.02	44.79

Sterling Class 'A' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	133.84	145.52	129.77
Return before operating charges	(0.60)	(10.26)	17.32
Operating charges	(1.27)	(1.42)	(1.57)
Return after operating charges	(1.87)	(11.68)	15.75
Distributions	(6.27)	(5.35)	(4.71)
Retained distributions	6.27	5.35	4.71
Closing NAV	131.97	133.84	145.52
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.98	0.98	1.13
Return after charges	-1.40	-8.03	+12.14
Other information			
Closing NAV (£'000)	310,587	247,184	271,957
Number of shares	235,351,317	184,689,814	186,892,045
Highest share price (UK p)	135.07	148.97	146.43
Lowest share price (UK p)	122.16	131.07	131.06

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	907.71	1,030.66	956.67
Return before operating charges	(5.00)	(70.02)	126.11
Operating charges	(5.00)	(5.86)	(6.61)
Return after operating charges	(10.00)	(75.88)	119.50
Distributions	(49.96)	(47.07)	(45.51)
Closing NAV	847.75	907.71	1,030.66
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.01	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.02	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.58	0.58	0.65
Return after charges	-1.10	-7.36	+12.49
Other information			
Closing NAV (£'000)	74,077	74,136	88,537
Number of shares	8,737,982	8,167,434	8,590,299
Highest share price (UK p)	907.76	1,046.49	1,048.77
Lowest share price (UK p)	813.44	892.69	966.27

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,433.66	1,552.46	1,378.00
Return before operating charges	(6.32)	(109.79)	184.18
Operating charges	(8.12)	(9.01)	(9.72)
Return after operating charges	(14.44)	(118.80)	174.46
Distributions	(72.92)	(63.40)	(57.18)
Retained distributions	72.92	63.40	57.18
Closing NAV	1,419.22	1,433.66	1,552.46
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.02	0.01
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.03	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.58	0.58	0.65
Return after charges	-1.01	-7.65	+12.66
Other information			
Closing NAV (£'000)	82,262	65,976	86,544
Number of shares	5,796,292	4,601,916	5,574,636
Highest share price (UK p)	1,450.77	1,591.28	1,562.29
Lowest share price (UK p)	1,310.59	1,403.90	1,391.79

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	86.89	98.56	91.37
Return before operating charges	(0.48)	(6.71)	12.04
Operating charges	(0.40)	(0.46)	(0.50)
Return after operating charges	(0.88)	(7.17)	11.54
Distributions	(4.78)	(4.50)	(4.35)
Closing NAV	81.23	86.89	98.56
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.48	0.48	0.52
Return after charges	-1.01	-7.27	+12.63
Other information			
Closing NAV (£'000)	987	1,084	45
Number of shares	1,215,296	1,247,390	45,390
Highest share price (UK p)	86.89	100.10	100.27
Lowest share price (UK p)	77.89	85.45	92.28

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	101.78	110.10	97.60
Return before operating charges	(0.44)	(7.79)	13.05
Operating charges	(0.48)	(0.53)	(0.55)
Return after operating charges	(0.92)	(8.32)	12.50
Distributions	(5.28)	(4.61)	(4.20)
Retained distributions	5.28	4.61	4.20
Closing NAV	100.86	101.78	110.10
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.48	0.48	0.51
Return after charges	-0.90	-7.56	+12.81
Other information			
Closing NAV (£'000)	530,813	270,915	431,906
Number of shares	526,310,898	266,183,088	392,275,840
Highest share price (UK p)	103.06	112.89	110.80
Lowest share price (UK p)	93.07	99.66	98.58

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	89.25	101.60	94.55
Return before operating charges	(0.49)	(6.89)	12.44
Operating charges	(0.70)	(0.83)	(0.90)
Return after operating charges	(1.19)	(7.72)	11.54
Distributions	(4.91)	(4.63)	(4.49)
Closing NAV	83.15	89.25	101.60
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.83	0.83	0.90
Return after charges	-1.33	-7.60	+12.21
Other information			
Closing NAV (£'000)	16,109	16,194	18,575
Number of shares	19,372,628	18,142,964	18,281,793
Highest share price (UK p)	89.26	103.09	103.46
Lowest share price (UK p)	79.91	87.79	95.49

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	139.30	151.23	134.56
Return before operating charges	(0.62)	(10.68)	17.98
Operating charges	(1.13)	(1.25)	(1.31)
Return after operating charges	(1.75)	(11.93)	16.67
Distributions	(6.74)	(5.79)	(5.21)
Retained distributions	6.74	5.79	5.21
Closing NAV	137.55	139.30	151.23
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.83	0.83	0.90
Return after charges	-1.26	-7.89	+12.39
Other information			
Closing NAV (£'000)	15,210	16,387	18,445
Number of shares	11,057,279	11,763,586	12,196,380
Highest share price (UK p)	140.73	154.89	152.19
Lowest share price (UK p)	127.23	136.42	135.91

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 16 October 1998, and subsequently merged into Sterling Class 'A' Income on 24 June 2022.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	41.72	47.56	44.36
Return before operating charges	(2.15)	(3.21)	5.83
Operating charges	(0.03)	(0.46)	(0.53)
Return after operating charges	(2.18)	(3.67)	5.30
Distributions	n/a	(2.17)	(2.10)
NAV of in specie transfer	(39.54)	n/a	n/a
Closing NAV	0.00	41.72	47.56
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.98	0.98	1.12
Return after charges	-5.23	-7.72	+11.95
Other information			
Closing NAV (£'000)	0	262,578	320,017
Number of shares	0	629,368,857	672,822,850
Highest share price (UK p)	41.72	48.24	48.45
Lowest share price (UK p)	39.54	41.04	44.80

Sterling Class 'X' Accumulation share performance

The share class was launched on 16 October 1998, and subsequently merged into Sterling Class 'A' Accumulation on 24 June 2022.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	133.94	145.64	129.87
Return before operating charges	(6.92)	(10.27)	17.34
Operating charges	(0.08)	(1.43)	(1.57)
Return after operating charges	(7.00)	(11.70)	15.77
Distributions	n/a	(5.35)	(4.72)
Retained distributions	n/a	5.35	4.72
NAV of in specie transfer	(126.94)	n/a	n/a
Closing NAV	0.00	133.94	145.64
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.98	0.98	1.12
Return after charges	-5.23	-8.03	+12.14
Other information			
Closing NAV (£'000)	0	103,917	146,103
Number of shares	0	77,586,002	100,321,528
Highest share price (UK p)	133.94	149.09	146.54
Lowest share price (UK p)	126.94	131.17	131.16

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 May	Note	2023		2022	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	3		(68,290)		(143,338)
Revenue	5	68,913		58,645	
Expenses	6	(8,977)		(10,133)	
Interest payable and similar charges		(15)		(30)	
Net revenue/(expense) before taxation		59,921		48,482	
Taxation	7	(17)		(27)	
Net revenue/(expense) after taxation			59,904		48,455
Total return before distributions			(8,386)		(94,883)
Distributions	8		(63,272)		(52,669)
Change in net assets attributable to shareholders from investment activities			(71,658)		(147,552)

Statement of change in net assets attributable to shareholders

for the year to 31 May	2023		2022	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		1,111,073		1,445,177
Amounts received on issue of shares	314,129		40,926	
Amounts paid on cancellation of shares	(92,184)		(258,937)	
		221,945		(218,011)
Dilution adjustments		1,642		783
Change in net assets attributable to shareholders from investment activities (see above)		(71,658)		(147,552)
Retained distributions on Accumulation shares		41,917		30,661
Unclaimed distributions		18		15
Closing net assets attributable to shareholders		1,304,937		1,111,073

Financial statements and notes

Financial statements

Balance sheet

as at 31 May	Note	2023 £'000	2022 £'000
Assets			
Fixed assets			
Investments		1,166,817	1,041,993
Current assets			
Debtors	9	725,201	21,686
Cash and bank balances	10	17,329	15,999
Cash equivalents		116,125	45,512
Total assets		2,025,472	1,125,190
Liabilities			
Investment liabilities		(5,570)	(5,997)
Creditors			
Overdrawn positions at futures clearing houses and collateral manager		0	(2,305)
Distribution payable		(2,128)	(1,756)
Other creditors	11	(712,837)	(4,059)
Total liabilities		(720,535)	(14,117)
Net assets attributable to shareholders		1,304,937	1,111,073

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 31 May	2023 £'000	2022 £'000
Non-derivative securities	(41,186)	(66,216)
Derivative contracts	(18,347)	(78,930)
Currency gains/(losses)	(8,757)	1,808
Net capital gains/(losses)	(68,290)	(143,338)

Financial statements and notes

4 Portfolio transactions and associated costs

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

for the year to 31 May	2023 £'000	% of transaction	2022 £'000	% of transaction
a) Purchases				
Debt securities	557,872		434,852	
b) Sales				
Debt securities	396,199		740,257	
	2023 £'000	% of average NAV	2022 £'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Derivatives	13	0.00	8	0.00
Taxes paid				
Derivatives	14	0.00	9	0.00
Total direct portfolio transaction costs	27	0.00	17	0.00
		%		%
d) Indirect portfolio transaction costs				
Average portfolio dealing spread as at the balance sheet date		0.97		1.03

5 Revenue

for the year to 31 May	2023 £'000	2022 £'000
Bank interest	225	23
Derivative revenue	1,464	936
Dividends from equity investments: taxable	557	53
Interest distributions	2,121	47
Interest on debt securities	64,507	57,575
Rebate of ongoing charges from underlying funds	39	11
Total revenue	68,913	58,645

Financial statements and notes

6 Expenses

for the year to 31 May	2023 £'000	2022 £'000
Payable to the ACD or associate		
Annual charge	8,977	10,133
Total expenses	8,977	10,133

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

7 Taxation

for the year to 31 May	2023 £'000	2022 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	17	27
Deferred tax (note 7c)	0	0
Total taxation	17	27
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	59,921	48,482
Corporation tax at 20%	11,984	9,696
Effects of:		
Interest distributions	(11,984)	(9,696)
Withholding tax	17	27
Total tax charge (note 7a)	17	27
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 31 May	2023		2022	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Interest distributions				
First interim	1,803	2,725	1,955	2,725
Second interim	1,756	3,160	1,594	2,155
Third interim	2,087	3,796	1,797	2,482
Fourth interim	1,888	3,462	1,767	2,482
Fifth interim	1,666	3,044	1,571	2,172
Sixth interim	1,551	2,827	1,906	2,665
Seventh interim	1,807	3,381	1,730	2,403
Eighth interim	1,789	3,328	2,107	3,042
Ninth interim	1,775	3,389	1,751	2,518
Tenth interim	1,859	4,166	1,966	2,853
Eleventh interim	1,684	3,780	1,788	2,610
Final	2,128	4,859	1,756	2,554
Total net distributions		63,710		52,349
Income deducted on cancellation of shares		1,432		394
Income received on issue of shares		(1,870)		(74)
Distributions		63,272		52,669
Net revenue/(expense) per statement of total return		59,904		48,455
Expenses offset against capital		3,368		4,214
Distributions		63,272		52,669

9 Debtors

as at 31 May	2023 £'000	2022 £'000
Amounts receivable on issues of shares	1,618	36
Currency deals outstanding	705,354	3,015
Debt security interest receivable	17,605	14,836
Derivative revenue receivable	185	0
Distributions receivable	404	20
Rebate of ongoing charges from underlying funds	2	1
Sales awaiting settlement	0	3,745
Withholding tax recoverable	33	33
Total debtors	725,201	21,686

Financial statements and notes

10 Cash and bank balances

as at 31 May	2023 £'000	2022 £'000
Amounts held at futures clearing houses and collateral manager	6,238	1,458
Cash held as bank balances	11,091	14,541
Total cash and bank balances	17,329	15,999

11 Other creditors

as at 31 May	2023 £'000	2022 £'000
Amounts payable on cancellation of shares	781	245
Annual charge payable	417	364
Currency deals outstanding	705,592	3,009
Derivative expense payable	0	101
Purchases awaiting settlement	6,047	340
Total other creditors	712,837	4,059

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 01.06.22	Issued	Movements Cancelled	Converted	Closing 31.05.23
Sterling					
Class 'A' Income	126,366,616	26,656,305	(69,648,169)	625,185,368	708,560,120
Class 'A' Accumulation	184,689,814	5,455,937	(32,214,683)	77,420,249	235,351,317
Class 'I' Income	8,167,434	1,268,000	(697,452)	0	8,737,982
Class 'I' Accumulation	4,601,916	2,170,500	(976,124)	0	5,796,292
Class 'PP' Income	1,247,390	110,000	(142,094)	0	1,215,296
Class 'PP' Accumulation	266,183,088	260,202,810	(75,000)	0	526,310,898
Class 'R' Income	18,142,964	1,394,664	(165,000)	0	19,372,628
Class 'R' Accumulation	11,763,586	255,696	(962,003)	0	11,057,279
Class 'X' Income	629,368,857	0	(4,341,894)	(625,026,963)	0
Class 'X' Accumulation	77,586,002	0	(220,646)	(77,365,356)	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.

Financial statements and notes

14 Charging structure

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

Share class	Annual charge %
Sterling	
Class 'A'	1.00
Class 'I'	0.60
Class 'PP'	0.50
Class 'R'	0.85
Class 'X'	1.00

15 Related parties

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

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

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

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 48.58% (2022: 36.00%) 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.

Financial statements and notes

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 31 May	Assets 2023 £'000	Liabilities 2023 £'000	Assets 2022 £'000	Liabilities 2022 £'000
Level 1	12,366	(1,529)	19,418	(499)
Level 2	1,154,451	(4,041)	1,022,543	(5,498)
Level 3	0	0	32	0
	1,166,817	(5,570)	1,041,993	(5,997)

17 Risk management policies

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

18 Market risk sensitivity and exposure

VaR is the risk measurement methodology used to assess the fund's leverage and market risk volatility. 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 period to 5 March 2023 was 20% (2022: 18%).

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

The lowest, highest and average VaR, as well as utilisation of VaR with reference to the limit above, are calculated during the financial years ended 31 May 2023 and 31 May 2022.

for the year ended 31 May	from 6 March 2023 to 31 May 2023 % of VaR	from 6 March 2023 to 31 May 2023 Utilisation of VaR %	1 June 2022 to 5 March 2023 % of VaR	1 June 2022 to 5 March 2023 Utilisation of VaR 20%	2022 % of VaR	2022 Utilisation of VaR 18%
Lowest	87.39	43.69	3.12	15.60	2.22	11.10
Highest	98.08	49.04	5.83	29.15	3.73	18.65
Average	93.05	46.52	4.56	22.79	2.65	13.27

Financial statements and notes

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 31 May	2023 £'000	2022 £'000
Investment grade securities	92,482	64,616
Below investment grade securities	1,061,903	968,881
Unrated securities	561	0
Other investments	6,301	2,499
Total	1,161,247	1,035,996

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 31 May 2023	Swaps £'000	Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch	0	584	(1,032)
Barclays Bank	(2,094)	146	0
BNP Paribas	0	(68)	0
Citigroup	0	(1,510)	0
JPMorgan	0	1,902	0
Royal Bank of Canada	0	114	0
National Australia Bank	0	8,581	0
Standard Chartered Bank	0	(372)	0
State Street Bank	0	7	0
Total	(2,094)	9,384	(1,032)

as at 31 May 2022	Forward £	Futures £
Barclays Bank	(216)	0
Citigroup	(261)	0
HSBC	(6)	0
JPMorgan	(161)	0
Merrill Lynch	123	3,057
Royal Bank of Canada	(18)	0
Standard Chartered Bank	2	0
UBS	(22)	0
Total	(559)	3,057

Financial statements and notes

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 31 May 2023 and 31 May 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 31 May	2023 £'000	2023 %	2022 £'000	2022 %
Lowest	1,110,675	94.24	1,048,098	89.67
Highest	3,425,822	301.59	3,846,364	341.00
Average	1,406,228	119.15	1,487,901	122.88

21 Interest distribution tables

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

Monthly distribution periods

	Start	End	Xd	Payment
First interim	01.06.22	30.06.22	01.07.22	31.07.22
Second interim	01.07.22	31.07.22	01.08.22	31.08.22
Third interim	01.08.22	31.08.22	01.09.22	30.09.22
Fourth interim	01.09.22	30.09.22	03.10.22	31.10.22
Fifth interim	01.10.22	31.10.22	01.11.22	30.11.22
Sixth interim	01.11.22	30.11.22	01.12.22	31.12.22
Seventh interim	01.12.22	31.12.22	03.01.23	31.01.23
Eighth interim	01.01.23	31.01.23	01.02.23	28.02.23
Ninth interim	01.02.23	28.02.23	01.03.23	31.03.23
Tenth interim	01.03.23	31.03.23	03.04.23	30.04.23
Eleventh interim	01.04.23	30.04.23	02.05.23	31.05.23
Final	01.05.23	31.05.23	01.06.23	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

Financial statements and notes

shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the income and equalisation components.

Sterling Class 'A' Income shares

Interest distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.0186	0.1675	0.1861	0.1904
Second interim	0.0169	0.1651	0.1820	0.1555
Third interim	0.0536	0.1636	0.2172	0.1761
Fourth interim	0.0785	0.1182	0.1967	0.1742
Fifth interim	0.0278	0.1470	0.1748	0.1557
Sixth interim	0.0151	0.1484	0.1635	0.1906
Seventh interim	0.0597	0.1314	0.1911	0.1731
Eighth interim	0.0428	0.1470	0.1898	0.2121
Ninth interim	0.0242	0.1649	0.1891	0.1771
Tenth interim	0.0671	0.1298	0.1969	0.2001
Eleventh interim	0.0991	0.0789	0.1780	0.1819
Final	0.1034	0.1222	0.2256	0.1803

Sterling Class 'A' Accumulation shares

Interest distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.2721	0.2227	0.4948	0.4556
Second interim	0.1840	0.3010	0.4850	0.3589
Third interim	0.2898	0.2962	0.5860	0.4163
Fourth interim	0.4009	0.1364	0.5373	0.4194
Fifth interim	0.0848	0.3841	0.4689	0.3694
Sixth interim	0.2139	0.2209	0.4348	0.4685
Seventh interim	0.4688	0.0571	0.5259	0.4195
Eighth interim	0.0977	0.4178	0.5155	0.5442
Ninth interim	0.1665	0.3633	0.5298	0.4518
Tenth interim	0.3002	0.2501	0.5503	0.5181
Eleventh interim	0.1569	0.3422	0.4991	0.4708
Final	0.0182	0.6264	0.6446	0.4573

Financial statements and notes

Sterling Class 'I' Income shares

Interest distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	2.4072	1.6447	4.0519	4.1274
Second interim	1.8261	2.1372	3.9633	3.3739
Third interim	2.9827	1.7478	4.7305	3.8214
Fourth interim	2.1267	2.1596	4.2863	3.7816
Fifth interim	1.9963	1.8137	3.8100	3.3812
Sixth interim	1.0486	2.5154	3.5640	4.1409
Seventh interim	2.6181	1.5506	4.1687	3.7604
Eighth interim	2.1332	2.0087	4.1419	4.6098
Ninth interim	2.3813	1.7457	4.1270	3.8518
Tenth interim	1.8770	2.4239	4.3009	4.3521
Eleventh interim	1.7365	2.1506	3.8871	3.9573
Final	2.2877	2.6397	4.9274	3.9132

Sterling Class 'I' Accumulation shares

Interest distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	2.8217	2.9276	5.7493	5.4136
Second interim	2.7035	2.9392	5.6427	4.3487
Third interim	4.1092	2.6862	6.7954	4.9966
Fourth interim	2.9403	3.2737	6.2140	5.0017
Fifth interim	2.9839	2.4981	5.4820	4.4449
Sixth interim	2.4767	2.6390	5.1157	5.5550
Seventh interim	3.4575	2.6490	6.1065	5.0173
Eighth interim	3.3203	2.7150	6.0353	6.3505
Ninth interim	3.7196	2.4127	6.1323	5.3016
Tenth interim	2.7625	3.6307	6.3932	6.0504
Eleventh interim	3.7544	2.0487	5.8031	5.5126
Final	3.6907	3.7577	7.4484	5.4071

Financial statements and notes

Sterling Class 'PP' Income shares

Interest distributions for the year to 31 May	Income 2023 UK p	Group 2 Equalisation 2023 UK p	Group 1 & 2 Distribution 2023 UK p	2022 UK p
First interim	0.3878	0.0000	0.3878	0.3946
Second interim	0.1627	0.2167	0.3794	0.3226
Third interim	0.4530	0.0000	0.4530	0.3653
Fourth interim	0.3981	0.0122	0.4103	0.3616
Fifth interim	0.3648	0.0000	0.3648	0.3232
Sixth interim	0.3413	0.0000	0.3413	0.3962
Seventh interim	0.3993	0.0000	0.3993	0.3597
Eighth interim	0.3087	0.0881	0.3968	0.4409
Ninth interim	0.2605	0.1348	0.3953	0.3685
Tenth interim	0.4120	0.0000	0.4120	0.4164
Eleventh interim	0.0000	0.3724	0.3724	0.3786
Final	0.4721	0.0000	0.4721	0.3754

Sterling Class 'PP' Accumulation shares

Interest distributions for the year to 31 May	Income 2023 UK p	Group 2 Equalisation 2023 UK p	Group 1 & 2 Distribution 2023 UK p	2022 UK p
First interim	0.2888	0.1273	0.4161	0.3937
Second interim	0.2959	0.1126	0.4085	0.3176
Third interim	0.3625	0.1292	0.4917	0.3642
Fourth interim	0.3459	0.1033	0.4492	0.3640
Fifth interim	0.2474	0.1499	0.3973	0.3241
Sixth interim	0.2590	0.1124	0.3714	0.4038
Seventh interim	0.3414	0.1005	0.4419	0.3654
Eighth interim	0.2784	0.1591	0.4375	0.4600
Ninth interim	0.3175	0.1260	0.4435	0.3845
Tenth interim	0.1972	0.2656	0.4628	0.4383
Eleventh interim	0.3863	0.0338	0.4201	0.3996
Final	0.3583	0.1801	0.5384	0.3935

Financial statements and notes

Sterling Class 'R' Income shares

Interest distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.1787	0.2197	0.3984	0.4067
Second interim	0.1644	0.2252	0.3896	0.3325
Third interim	0.3189	0.1461	0.4650	0.3765
Fourth interim	0.1754	0.2457	0.4211	0.3725
Fifth interim	0.0846	0.2897	0.3743	0.3329
Sixth interim	0.1939	0.1561	0.3500	0.4077
Seventh interim	0.2154	0.1939	0.4093	0.3702
Eighth interim	0.1612	0.2455	0.4067	0.4537
Ninth interim	0.1933	0.2118	0.4051	0.3790
Tenth interim	0.1727	0.2493	0.4220	0.4281
Eleventh interim	0.1491	0.2323	0.3814	0.3892
Final	0.1794	0.3040	0.4834	0.3852

Sterling Class 'R' Accumulation shares

Interest distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.2349	0.2965	0.5314	0.4936
Second interim	0.1620	0.3591	0.5211	0.3919
Third interim	0.2289	0.4000	0.6289	0.4529
Fourth interim	0.1384	0.4375	0.5759	0.4551
Fifth interim	0.1936	0.3112	0.5048	0.4023
Sixth interim	0.1577	0.3115	0.4692	0.5072
Seventh interim	0.0667	0.4979	0.5646	0.4557
Eighth interim	0.1756	0.3796	0.5552	0.5854
Ninth interim	0.1949	0.3732	0.5681	0.4871
Tenth interim	0.3096	0.2813	0.5909	0.5575
Eleventh interim	0.3844	0.1516	0.5360	0.5071
Final	0.4684	0.2224	0.6908	0.4947

Financial statements and notes

Sterling Class 'X' Income shares

Interest distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	n/a	n/a	n/a	0.1904
Second interim	n/a	n/a	n/a	0.1556
Third interim	n/a	n/a	n/a	0.1762
Fourth interim	n/a	n/a	n/a	0.1743
Fifth interim	n/a	n/a	n/a	0.1558
Sixth interim	n/a	n/a	n/a	0.1907
Seventh interim	n/a	n/a	n/a	0.1732
Eighth interim	n/a	n/a	n/a	0.2122
Ninth interim	n/a	n/a	n/a	0.1772
Tenth interim	n/a	n/a	n/a	0.2002
Eleventh interim	n/a	n/a	n/a	0.1819
Final	n/a	n/a	n/a	0.1802

Sterling Class 'X' Accumulation shares

Interest distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	n/a	n/a	n/a	0.4560
Second interim	n/a	n/a	n/a	0.3591
Third interim	n/a	n/a	n/a	0.4165
Fourth interim	n/a	n/a	n/a	0.4197
Fifth interim	n/a	n/a	n/a	0.3696
Sixth interim	n/a	n/a	n/a	0.4688
Seventh interim	n/a	n/a	n/a	0.4199
Eighth interim	n/a	n/a	n/a	0.5447
Ninth interim	n/a	n/a	n/a	0.4521
Tenth interim	n/a	n/a	n/a	0.5185
Eleventh interim	n/a	n/a	n/a	0.4712
Final	n/a	n/a	n/a	0.4578

22 Events after the balance sheet date

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

Authorised Corporate Director's Report

For the purposes of these financial statements, the Prospectus dated 6 March 2023 has been used.

Investment objective

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

Investment policy

At least 70% of the fund is invested, directly or indirectly, in inflation-linked debt securities issued or guaranteed by the UK government, and denominated in sterling.

The fund's indirect exposure to inflation-linked debt securities is achieved by investing through a combination of instruments. These include the combination of government bonds or corporate bonds with credit derivatives, such as credit default swaps.

Other investment may include:

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

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

Investment approach

The fund is diversified across a range of inflation-linked debt securities from a variety of sectors. The fund's investment approach is based on the principle that returns from bond markets are driven by a combination of macroeconomic factors such as expectations on interest rates, inflation and economic growth. As different factors dominate returns at different stages of the economic cycle, the manager applies a flexible investment approach, adjusting the portfolio's duration as deemed appropriate.

The fund manager seeks to take advantage of 'relative value' opportunities within the inflation-linked bond market, which involves buying the inflation-linked bonds that offer the best value.

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

Benchmark

Benchmark: FTSE Actuaries UK Index-Linked Gilts All Stocks Index.

The benchmark is a target which the fund seeks to outperform.

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

The fund is actively managed.

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

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

Authorised Corporate Director's Report

Risk profile

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

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



The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has changed during this period. From 1 June 2022 to 26 February 2023 the risk number was 5.

Investment review

For the year ended 31 May 2023

Performance against objective

Between 1 June 2022 (the start of the review period) and 31 May 2023, the M&G Index-Linked Bond Fund's Sterling Class 'A' and 'I' shares delivered a total return (the combination of income and growth of capital) of -26.2% and -26.0%, respectively. This compares with the return of -23.2% from the fund's benchmark, the FTSE Actuaries UK Index-Linked Gilts All Stocks Index, over the same period.

Over five years, the fund was slightly behind or slightly ahead of the benchmark. The fund's Sterling Class 'A' shares returned -5.2% pa and the Class 'I' shares returned -5.0% pa, while the benchmark returned -5.1% pa over this period. The fund has not achieved its objective across all its share classes.

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

Both UK government bonds (also known as gilts) and index-linked government bonds delivered negative returns in the 12 months to the end of May 2023. Index-linked bonds refer to bonds where the value of the loan and the interest payments are adjusted in line with inflation over the life of the security.

Actual or expected declines in interest rates typically support sentiment towards government bonds. The period under review was a volatile one; market observers were frequently concerned about soaring inflation rates and the prospect of higher interest rates, and this weighed on prices for conventional gilts and index-linked gilts. However, prices for such assets tended to rise at times when interest rate hikes appeared less likely.

The UK saw much political activity over the period with the departure of two prime ministers in the first six months and considerable disquiet over the direction of government policy at times. In the spring of 2023, worries over the health of the banking sector briefly caused deep unease.

Prices have risen sharply as the world economies reopen post the COVID-related shutdowns. In addition, constraints on gas supplies due to economic sanctions and other measures against Russia after it invaded Ukraine have sent energy prices soaring, while global food costs have also increased sharply. Worries about rocketing inflation have led many central banks to raise interest rates, despite a generally weaker economic backdrop. In the UK, interest rates stood at 4.5% at the end of May 2023, compared with 1.0% at the start of the period under review.

In August 2022, the expectation of continued interest rate rises in the US following indications of a tough approach to inflation from the US Federal Reserve led to sharp declines in prices of gilts and index-linked gilts.

Authorised Corporate Director's Report

In terms of domestic politics, following the departure of Prime Minister Boris Johnson in summer 2022, Liz Truss briefly held the position and sought to implement a low-tax, pro-economic growth approach. Financial markets responded negatively to her unfunded plan. Sterling plummeted and the Bank of England (BoE) was forced to intervene by buying long-dated gilts in a brief, temporary measure to stabilise the gilt market and to protect certain pension funds, which came under pressure too. The BoE also noted its concerns over future growth, inflation and the housing market, all of which suggested the possibility of higher-than-previously-expected future inflation. Yields, which move inversely to prices, in UK government bonds and index-linked government bonds rose sharply at this time.

Most of the proposed measures of the Truss government were quickly reversed and Liz Truss resigned. Rishi Sunak subsequently became prime minister and the new chancellor, Jeremy Hunt, announced tax rises and initial spending cuts aimed at supporting the UK's finances. The market turmoil subsided and government bonds made healthy gains at this time, although index-linked gilts declined as expectations for UK inflation eased.

Markets reacted calmly to the government's Autumn Statement in November, with tax rises and initial spending cuts as the government sought to reassure investors about its fiscal credibility.

As 2022 came to an end, concern rose that stubbornly high inflation would mean further hikes to interest rates in 2023, leading government bond and index-linked gilt yields higher. The new year brought more encouraging news regarding inflation, partially reversing December's declines in gilt and index-linked gilt prices. This optimism was short-lived, however, as worries re-emerged that inflation would prove more stubborn than previously anticipated, in turn fuelling fears that interest rates would be higher for longer. Gilt and index-linked gilt prices fell at this time.

Despite interest rate hikes from the major central banks, conventional gilt and especially index-linked gilt performance was positive in March. At this time, the

banking sector took centre stage in the US and Europe due to the collapse of US bank Silicon Valley and the purchase of its UK arm by HSBC, together with the rescue purchase of Switzerland's Credit Suisse by rival UBS. These difficulties in the US and European banking sectors clouded the growth outlook as consumer lending is expected to contract. As a result, index-linked yields fell (and prices rose) and volatility increased markedly.

Government bonds, especially index-linked gilts, were weak in April as UK inflation rose higher than had been expected. May also saw disappointing inflation figures, as the rate in April only declined to 8.7%, rather than 8.2% as had been expected.

Investment activities

The heightened volatility in September mentioned earlier led to a considerable relative value dislocation in the market (meaning a wide range between assets that we considered to be overvalued and ones we considered undervalued). This presented the opportunity to add to the fund's above-benchmark position in 30-year index-linked gilts.

As a result of the above-mentioned BoE actions, long-dated government bonds looked extremely expensive to us and we reduced the allocation to ultra-long-dated assets and increased the shorter-dated (25-30-year) exposure. The extreme dislocation in the market partly corrected and we bought back some longer-dated bonds, locking in profits.

At the end of 2022, we reduced the overweight (above-benchmark allocation) to 15-20 year bonds and bought bonds in both the short and long end of the curve. We still believe that this sector offers value and we retain an overweight position, albeit smaller.

In January, we added to the overweight position in the 15-20 year part of the curve, relative to longer-dated bonds.

At the end of April, we sold longer-dated and shorter-dated bonds and went overweight in the 20-year sector of the curve. This area had become cheaper because of expected supply and, in our opinion, represented value.

Authorised Corporate Director's Report

However, the following month saw 20-year index-linked gilts become cheaper still, hurting the fund's relative performance. In our opinion, in the event of further supply, this sector could remain cheap in the short term.

The fund's performance is affected by its sensitivity to changes in interest rates, or duration, measured in years. In view of the challenging backdrop, we positioned the portfolio to be shorter duration relative to the benchmark (meaning a lower sensitivity to movements in interest rates).

Outlook

The Bank of England expects the UK economy to be broadly flat in the first half of 2023. Soaring inflation has led to a cost of living squeeze, with consumers further hurt by higher mortgage rates, which is likely to weigh on economic activity.

Following the challenges and turmoil in autumn last year, the government has sought to provide some stability. In particular, policymakers are hoping that some tax rises through freezing tax thresholds, and smaller-than-planned rises in public services spending will feed through to lower inflation. At the time of writing (June 2023), market observers are expecting prolonged higher-than-expected domestic inflation and at least three further hikes in interest rates.

Miles Tym

Fund manager

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

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

Portfolio statement

Investments

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income	105,583	99.68	99.33
Debt securities	105,583	99.68	99.33
'AA' credit rated bonds	105,583	99.68	99.33
£820,000 Network Rail Infrastructure Finance IL 1.9618% 01/12/2025	1,583	1.50	
£871,052 UK Treasury IL 0.125% 10/08/2041	979	0.92	
£9,407,771 UK Treasury IL 0.125% 10/08/2048	9,827	9.28	
£6,011,531 UK Treasury IL 0.125% 22/03/2024	9,029	8.52	
£10,703,079 UK Treasury IL 0.125% 22/03/2039	11,575	10.93	
£7,346,563 UK Treasury IL 0.125% 22/03/2046	8,360	7.89	
£1,037,792 UK Treasury IL 0.125% 22/03/2058	1,107	1.05	
£2,029,298 UK Treasury IL 0.125% 22/03/2068	2,171	2.05	
£952,244 UK Treasury IL 0.125% 22/03/2073	864	0.82	
£2,105,063 UK Treasury IL 0.5% 22/03/2050	3,107	2.93	
£13,281,121 UK Treasury IL 0.625% 22/03/2045	12,003	11.33	
£10,076,408 UK Treasury IL 0.75% 22/11/2047	16,376	15.46	
£1,421,257 UK Treasury IL 1.125% 22/11/2037	2,687	2.54	
£12,516,089 UK Treasury IL 1.25% 22/11/2027	24,420	23.05	
£2,232,000 University of Cambridge IL 0.25% 27/06/2068	1,495	1.41	
Total portfolio	105,583	99.68	99.33
Net other assets/(liabilities)	342	0.32	0.67
Net assets attributable to shareholders	105,925	100.00	100.00

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

Portfolio statement

Top ten portfolio transactions for the year to 31 May 2023

Largest purchases	£'000
UK Treasury IL 1.125% 22/11/2037	28,418
UK Treasury IL 0.125% 10/08/2048	25,980
UK Treasury IL 0.625% 22/03/2040	24,474
UK Treasury IL 0.75% 22/11/2047	21,693
UK Treasury IL 0.125% 22/03/2039	20,312
UK Treasury IL 1.25% 22/11/2027	17,446
UK Treasury IL 0.125% 22/03/2024	15,808
UK Treasury IL 0.5% 22/03/2050	15,450
UK Treasury IL 0.125% 22/03/2029	13,409
UK Treasury IL 0.625% 22/03/2045	13,202
Other purchases	57,075
Total purchases	253,267

Largest sales	£'000
UK Treasury IL 1.125% 22/11/2037	29,559
UK Treasury IL 1.25% 22/11/2027	27,360
UK Treasury IL 0.625% 22/03/2040	20,381
UK Treasury IL 0.75% 22/03/2034	19,691
UK Treasury IL 0.125% 10/08/2048	18,594
UK Treasury IL 0.375% 22/03/2062	16,361
UK Treasury IL 0.75% 22/11/2047	14,435
UK Treasury IL 0.125% 22/11/2056	13,978
UK Treasury IL 0.125% 22/03/2029	13,901
UK Treasury IL 0.125% 22/03/2039	12,339
Other sales	76,154
Total sales	262,753

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	-26.2	-13.1	-5.2	+0.6
Class 'A' Accumulation	-26.2	-13.1	-5.2	+0.6
Class 'I' Income	-26.0	-12.8	-5.0	+0.8
Class 'I' Accumulation	-26.0	-12.8	-5.0	+0.8
Class 'PP' Income	-25.9	n/a	n/a	n/a
Class 'PP' Accumulation	-25.9	n/a	n/a	n/a
Benchmark	-23.2	-13.4	-5.1	+0.9

^a Not annualised.

Specific share class performance

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

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

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

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 4 October 1999.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	146.19	159.26	164.61
Return before operating charges	(37.60)	(12.15)	(4.47)
Operating charges	(0.67)	(0.92)	(0.88)
Return after operating charges	(38.27)	(13.07)	(5.35)
Distributions	0.00	0.00	0.00
Closing NAV	107.92	146.19	159.26
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.55	0.55	0.55
Return after charges	-26.18	-8.21	-3.25
Other information			
Closing NAV (£'000)	6,554	10,233	12,690
Number of shares	6,073,594	6,999,534	7,968,016
Highest share price (UK p)	146.01	183.49	167.50
Lowest share price (UK p)	92.63	144.83	148.00

Sterling Class 'A' Accumulation share performance

The share class was launched on 4 October 1999.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	167.95	182.94	189.11
Return before operating charges	(43.21)	(13.93)	(5.16)
Operating charges	(0.77)	(1.06)	(1.01)
Return after operating charges	(43.98)	(14.99)	(6.17)
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	123.97	167.95	182.94
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.55	0.55	0.55
Return after charges	-26.19	-8.19	-3.26
Other information			
Closing NAV (£'000)	15,451	25,961	32,421
Number of shares	12,462,953	15,458,069	17,722,283
Highest share price (UK p)	167.73	210.79	192.42
Lowest share price (UK p)	106.42	166.39	170.03

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,580.15	1,716.03	1,769.19
Return before operating charges	(406.91)	(131.35)	(48.17)
Operating charges	(3.29)	(4.53)	(4.99)
Return after operating charges	(410.20)	(135.88)	(53.16)
Distributions	0.00	0.00	0.00
Closing NAV	1,169.95	1,580.15	1,716.03
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.25	0.25	0.29
Return after charges	-25.96	-7.92	-3.00
Other information			
Closing NAV (£'000)	13,879	23,822	29,950
Number of shares	1,186,249	1,507,595	1,745,308
Highest share price (UK p)	1,578.96	1,980.44	1,800.47
Lowest share price (UK p)	1,002.34	1,565.20	1,593.68

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,582.22	1,718.27	1,771.50
Return before operating charges	(407.45)	(131.51)	(48.31)
Operating charges	(3.29)	(4.54)	(4.92)
Return after operating charges	(410.74)	(136.05)	(53.23)
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	1,171.48	1,582.22	1,718.27
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.25	0.25	0.29
Return after charges	-25.96	-7.92	-3.00
Other information			
Closing NAV (£'000)	66,591	94,746	106,170
Number of shares	5,684,299	5,988,162	6,178,922
Highest share price (UK p)	1,581.03	1,983.04	1,802.83
Lowest share price (UK p)	1,003.65	1,567.24	1,595.77

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 21 April 2022.

for the year/period to 31 May	2023	2022
Change in NAV per share	UK p	UK p
Opening NAV	95.20	100.00
Return before operating charges	(24.52)	(4.78)
Operating charges	(0.12)	(0.02)
Return after operating charges	(24.64)	(4.80)
Distributions	0.00	0.00
Closing NAV	70.56	95.20
Direct transaction costs	UK p	UK p
Costs before dilution adjustments	0.00	0.00
Dilution adjustments	0.00	0.00
Total direct transaction costs	0.00	0.00
Performance and charges	%	%
Direct portfolio transaction costs	0.00	0.00
Operating charges	0.15	0.15
Return after charges	-25.88	-4.80
Other information		
Closing NAV (£'000)	14	19
Number of shares	20,010	20,010
Highest share price (UK p)	95.14	102.17
Lowest share price (UK p)	60.41	94.29

Sterling Class 'PP' Accumulation share performance

The share class was launched on 21 April 2022.

for the year/period to 31 May	2023	2022
Change in NAV per share	UK p	UK p
Opening NAV	95.20	100.00
Return before operating charges	(24.53)	(4.78)
Operating charges	(0.11)	(0.02)
Return after operating charges	(24.64)	(4.80)
Distributions	0.00	0.00
Retained distributions	0.00	0.00
Closing NAV	70.56	95.20
Direct transaction costs	UK p	UK p
Costs before dilution adjustments	0.00	0.00
Dilution adjustments	0.00	0.00
Total direct transaction costs	0.00	0.00
Performance and charges	%	%
Direct portfolio transaction costs	0.00	0.00
Operating charges	0.15	0.15
Return after charges	-25.88	-4.80
Other information		
Closing NAV (£'000)	3,436	19
Number of shares	4,870,067	20,000
Highest share price (UK p)	95.14	102.17
Lowest share price (UK p)	60.41	94.29

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 May	Note	2023		2022	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	3		(50,129)		(25,793)
Revenue	5	12,134		13,661	
Expenses	6	(378)		(580)	
Interest payable and similar charges		0		0	
Net revenue/(expense) before taxation		11,756		13,081	
Taxation	7	0		0	
Net revenue/(expense) after taxation			11,756		13,081
Total return before equalisation			(38,373)		(12,712)
Equalisation	8		35		24
Change in net assets attributable to shareholders from investment activities			(38,338)		(12,688)

Statement of change in net assets attributable to shareholders

for the year to 31 May	2023		2022	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		154,800		181,231
Amounts received on issue of shares	18,036		13,692	
Amounts paid on cancellation of shares	(28,630)		(27,466)	
		(10,594)		(13,774)
Dilution adjustments		57		31
Change in net assets attributable to shareholders from investment activities (see above)		(38,338)		(12,688)
Closing net assets attributable to shareholders		105,925		154,800

Financial statements and notes

Financial statements

Balance sheet

as at 31 May	Note	2023 £'000	2022 £'000
Assets			
Fixed assets			
Investments		105,583	153,764
Current assets			
Debtors	9	66	111
Cash and bank balances	10	130	154
Cash equivalents		160	792
Total assets		105,939	154,821
Liabilities			
Creditors			
Other creditors	11	(14)	(21)
Total liabilities		(14)	(21)
Net assets attributable to shareholders		105,925	154,800

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

To contribute to the preservation of the share value in real terms, the amount available for distribution has been calculated to disregard the change in the Retail Prices Index during the accounting period in respect of interest from index-linked gilt-edged securities.

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 31 May	2023 £'000	2022 £'000
Non-derivative securities	(50,104)	(25,772)
Derivative contracts	(25)	(21)
Net capital gains/(losses)	(50,129)	(25,793)

Financial statements and notes

4 Portfolio transactions and associated costs

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

for the year to 31 May	2023 £'000	2022 £'000
a) Purchases		
Debt securities	253,267	423,308
b) Sales		
Debt securities	262,753	436,673
	%	%
c) Indirect portfolio transaction costs		
Average portfolio dealing spread as at the balance sheet date	0.24	0.28

5 Revenue

for the year to 31 May	2023 £'000	2022 £'000
Interest distributions	45	4
Interest on debt securities	12,088	13,656
Rebate of ongoing charges from underlying funds	1	1
Total revenue	12,134	13,661

6 Expenses

for the year to 31 May	2023 £'000	2022 £'000
Payable to the ACD or associate		
Annual charge	378	580
Total expenses	378	580

Audit fees for the financial year ending 2023 were £14,000 (2022: £13,000) (including VAT), which are covered by the annual charge.

Financial statements and notes

7 Taxation

for the year to 31 May	2023 £'000	2022 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	0	0
Deferred tax (note 7c)	0	0
Total taxation	0	0
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	11,756	13,081
Corporation tax at 20%	2,351	2,616
Effects of:		
Relief for indexation on UK gilts	(2,705)	(3,507)
Current year expenses not utilised	354	891
Total tax charge (note 7a)	0	0
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of £9,695,000 (2022: £9,341,000) arising as a result of having excess management expenses and interest distributions. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

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

for the year to 31 May	2023		2022	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Interest distributions				
Interim	0	0	0	0
Final	0	0	0	0
Total net distributions		0		0
Income deducted on cancellation of shares		(263)		(247)
Income received on issue of shares		228		223
Equalisation		(35)		(24)
Net revenue/(expense) per statement of total return		11,756		13,081
Expenses offset against capital		88		142
Effective yield adjustment not distributed		(13,527)		(17,536)
Income deficit transferred to capital		1,648		4,289
Equalisation		(35)		(24)

Financial statements and notes

9 Debtors

as at 31 May	2023 £'000	2022 £'000
Debt security interest receivable	59	109
Distributions receivable	7	2
Total debtors	66	111

10 Cash and bank balances

as at 31 May	2023 £'000	2022 £'000
Cash held as bank balances	130	154
Total cash and bank balances	130	154

11 Other creditors

as at 31 May	2023 £'000	2022 £'000
Annual charge payable	14	21
Total other creditors	14	21

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 01.06.22	Issued	Movements Cancelled	Converted	Closing 31.05.23
Sterling					
Class 'A' Income	6,999,534	70,945	(996,885)	0	6,073,594
Class 'A' Accumulation	15,458,069	158,065	(3,153,181)	0	12,462,953
Class 'I' Income	1,507,595	14,462	(335,808)	0	1,186,249
Class 'I' Accumulation	5,988,162	1,082,333	(1,386,196)	0	5,684,299
Class 'PP' Income	20,010	0	0	0	20,010
Class 'PP' Accumulation	20,000	4,850,067	0	0	4,870,067

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

Financial statements and notes

14 Charging structure

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

Share class	Annual charge %
Sterling	
Class 'A'	0.55
Class 'I'	0.25
Class 'PP'	0.15

15 Related parties

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

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

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

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 4.41% (2022: 4.84%) 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.

Financial statements and notes

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 31 May	Assets 2023 £'000	Liabilities 2023 £'000	Assets 2022 £'000	Liabilities 2022 £'000
Level 1	102,505	0	149,402	0
Level 2	3,078	0	4,362	0
Level 3	0	0	0	0
	105,583	0	153,764	0

17 Risk management policies

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

18 Market risk sensitivity 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 period to 5 March 2023 was 20% (2022: 20%).

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

The lowest, highest and average VaR, as well as utilisation of VaR with reference to the limit above, are calculated during the financial years ended 31 May 2023 and 31 May 2022.

	from 6 March 2023 to 31 May 2023 % of VaR	from 6 March 2023 to 31 May 2023 Utilisation of VaR %	from 1 June 2022 to 5 March 2023 % of VaR	from 1 June 2022 to 5 March 2023 Utilisation of VaR 20%	2022 % of VaR	2022 Utilisation of VaR 20%
Lowest	100.70	50.35	8.15	40.75	7.62	38.10
Highest	106.35	53.17	21.18 ^a	105.90	9.31	46.55
Average	103.80	51.90	14.48	72.40	8.48	42.40

^a Due to general market volatility there was a passive breach whereby the regulatory VaR limit was exceeded on 19 October 2022. As the breach was deemed passive, the Fund Manager did not add any risk to the portfolio until the VaR dropped below 20% limit.

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 31 May	2023 £'000	2022 £'000
Investment grade securities	105,583	153,764
Total	105,583	153,764

Financial statements and notes

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 31 May 2023 and 31 May 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 31 May	2023 £'000	2023 %	2022 £'000	2022 %
Lowest	0	0.00	0	0.00
Highest	0	0.00	275,022	400.00
Average	0	0.00	5,556	6.01

21 Interest distribution tables

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

Semi-annual distribution periods

	Start	End	Xd	Payment
Interim	01.06.22	30.11.22	01.12.22	31.01.23
Final	01.12.22	31.05.23	01.06.23	31.07.23

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

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

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

Sterling Class 'A' Income shares

Interest distributions for the year to 31 May	Group 2		Group 1 & 2 Distribution	
	Income 2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
Interim	0.0000	0.0000	0.0000	0.0000
Final	0.0000	0.0000	0.0000	0.0000

Financial statements and notes

Sterling Class 'A' Accumulation shares

Interest distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023	Equalisation	Distribution	
	UK p	2023	2023	2022
		UK p	UK p	UK p
Interim	0.0000	0.0000	0.0000	0.0000
Final	0.0000	0.0000	0.0000	0.0000

Sterling Class 'I' Income shares

Interest distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023	Equalisation	Distribution	
	UK p	2023	2023	2022
		UK p	UK p	UK p
Interim	0.0000	0.0000	0.0000	0.0000
Final	0.0000	0.0000	0.0000	0.0000

Sterling Class 'I' Accumulation shares

Interest distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023	Equalisation	Distribution	
	UK p	2023	2023	2022
		UK p	UK p	UK p
Interim	0.0000	0.0000	0.0000	0.0000
Final	0.0000	0.0000	0.0000	0.0000

Sterling Class 'PP' Income shares

Interest distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023	Equalisation	Distribution	
	UK p	2023	2023	2022
		UK p	UK p	UK p
Interim	0.0000	0.0000	0.0000	0.0000
Final	0.0000	0.0000	0.0000	0.0000

Sterling Class 'PP' Accumulation shares

Interest distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023	Equalisation	Distribution	
	UK p	2023	2023	2022
		UK p	UK p	UK p
Interim	0.0000	0.0000	0.0000	0.0000
Final	0.0000	0.0000	0.0000	0.0000

22 Events after the balance sheet date

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

Authorised Corporate Director's Report

For the purposes of these financial statements, the Prospectus dated 6 March 2023 has been used.

Investment objective

The fund aims to track the performance of the FTSE All-Share Index, gross of the ongoing charge figure (OCF). The return received by shareholders will be reduced by the effects of charges.

Investment policy

The fund aims to be invested in the constituents of the Index. The fund typically invests directly.

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

The fund may hold other transferable securities and other financial instruments where these are held as a consequence of having invested in an Index constituent. The fund can invest in securities joining or likely to join the index.

The fund may use derivatives for efficient portfolio management and hedging only.

Investment approach

The fund is designed to track the FTSE All-Share Index. The Index represents the performance of small, medium and large companies listed on the London Stock Exchange's main market.

The fund uses a stratified sampling method to track the Index and therefore may not hold all the Index constituents.

The fund will normally hold all of the largest securities in the Index, as well as a selection of the remaining smaller securities to ensure that the fund's capitalisation, sector and industry weights are in line with the Index weightings.

Using a stratified sampling method may affect the fund's ability to track the Index. There are many factors

which do not affect the Index, but do impact on the fund's performance, such as transaction costs, expenses and illiquidity of any security. Cash flows, including income and distributions, into and out of the fund may also have an impact on performance as the fund rebalances, due to the dealing spreads and broker commission incurred. In addition, the Index constituents are not fixed, it rebalances quarterly, and it may take time for the fund to reflect any changes.

The tracking method (combining the stratified sampling technique and the use of derivatives when required for short term efficient portfolio management purposes) does not introduce any counterparty risk.

The tracking error between the performance of the fund (gross of OCF) and that of the Index is anticipated to be up to 0.3% per annum under normal circumstances.

Benchmark

Benchmark: FTSE All-Share Index.

The fund is passively managed. The Index is used as a target benchmark as the fund aims to track the returns of the Index gross of the ongoing charge figure.

Although the fund's holdings will be predominantly or entirely comprised of benchmark constituents, the weights held in the fund may deviate from the weights of the benchmark's constituents.

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

Additional Information

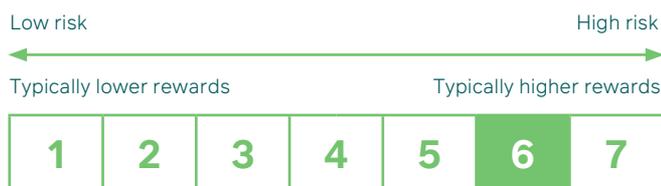
Index Information: The FTSE All-Share Index (the "Index") is a float-adjusted, market capitalisation weighted index comprising the performance of the FTSE 100, FTSE 250 and FTSE Small Cap Indices. The Index currently covers approximately 600 constituents.

Authorised Corporate Director's Report

Risk profile

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

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



The above number:

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

Investment review

For the year ended 31 May 2023

Performance against objective

The M&G Index Tracker Fund is designed to track the FTSE All-Share Index. Between 1 June 2022 (the start of the review period) and 31 May 2023, the fund's Sterling Class 'A' and Class 'C' shares produced a total return (the combination of income and growth of capital) of 0.7% and 1.1%, respectively in sterling terms. The fund's benchmark, the FTSE All-Share Index, produced a total return of 0.4% over the same period.

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

Performance review

There are several factors that can result in the fund underperforming or outperforming the benchmark index over specific periods.

Price swings – This is a dilution adjustment within the share price, which aims to protect existing shareholders from a dilution in performance resulting from deals placed to buy or sell shares. This pricing method has the effect of moving the single price up or down from the mid-price.

Timing – This reflects the fact that the fund is priced at midday while the index is priced at close of business day.

Fund charges – The fees we charge for managing the fund, as well as the costs incurred when we buy and sell underlying investments, will mean the fund's return after charges is below that of the index (which does not reflect the costs of investing).

Tracking difference – This refers to the difference in performance, positive or negative, due to the fund not fully replicating the composition of the index.

As the fund tracks the index, its overall performance can largely be explained by market developments during the period under review. It is worth noting that, in the global economy, the fates of individual markets are often closely connected to each other. As a result, the performance and prospects of the UK stockmarket tend to be affected by developments around the world.

Global stockmarkets were characterised by worries over continued high inflation and rising interest rates for much of the 12 months under review, while the war in Ukraine showed no sign of ending. The UK saw much political activity with the departure of two prime ministers during the first six months and considerable disquiet over government policy direction at times. Meanwhile, worries over the health of the banking sector briefly caused deep unease in the spring.

Prices have risen sharply as the world economies reopen post the COVID-related shutdowns. In addition, constraints on gas supplies due to economic sanctions and other measures against Russia have sent energy prices soaring, while global food costs have also increased sharply. Worries about rocketing inflation have led many central banks to raise interest rates, despite a generally weaker economic backdrop. In the

Authorised Corporate Director's Report

UK, interest rates stood at 4.5% at the end of May 2023, compared with 1.0% at the start of the period under review.

In terms of domestic politics, following the departure of Prime Minister Boris Johnson in summer 2022, Liz Truss briefly held the position and sought to implement a low-tax, pro-economic growth approach. Financial markets responded negatively to her unfunded plan, leading to the reversal of most of the proposed measures and Liz Truss's resignation. Rishi Sunak subsequently became prime minister and the new chancellor, Jeremy Hunt, announced tax rises and initial spending cuts aimed at supporting the UK's finances. The markets welcomed the changes and recovered the ground recently lost.

However, investor sentiment dipped at the end of 2022 as global central banks continued raising interest rates. Market observers were concerned that stubbornly high inflation would mean further hikes to interest rates in 2023. The new year brought more encouraging news regarding inflation, and hence the possibility of less aggressive interest rate policy from central banks. This optimism was short lived, however, as worries re-emerged that inflation would prove more stubborn than previously anticipated, in turn fuelling fears of higher interest rates for longer.

In March, the collapse of US bank Silicon Valley and the purchase of its UK arm by UK bank HSBC, together with the rescue purchase of Switzerland's Credit Suisse by rival UBS, fuelled anxiety about possible contagion in the broader banking sector, causing bank shares to fall sharply. However, markets subsequently stabilised amid the belief that the banking crisis had been contained.

Investor sentiment in UK equities dipped again at the end of the period under review as the domestic inflation rate fell by less than expected in April, increasing the likelihood of a further hike in interest rates.

Investment activities

A number of purchases related to merger and acquisition activity during the period. For example, the position in pest control company Rentokil Initial was increased to reflect its merger with US pest control

company Terminix Global Holdings. We also added to the holding in specialist real estate investment trust LXI REIT in connection with its merger with Secure Income REIT.

Elsewhere, London Stock Exchange raised money by issuing shares via placements in March and May 2023 and we bought shares in the stock.

We made some purchases to reflect changes made in the quarterly balancing reviews. This involved increasing the size of holdings to reflect a higher weighting in the index. For example, we added to positions in consumer goods firm Reckitt Benkiser and real estate investment trust Supermarket Income REIT. The latter's market capitalisation had increased due to a placing in 2022.

Turning to sales, private healthcare services group Mediclinic International received a cash takeover offer from Manta Bidco, which is not held in the index. Mediclinic was therefore deleted from the index and sold from the portfolio. Intellectual property commercialisation firm Allied Mind and cinema chain Cineworld also left the index and portfolio. We sold the position in the latter ahead of the company's bankruptcy and deletion from the index.

Other notable sales involved oil and gas company Shell and pharmaceutical company AstraZeneca, with the steps taken to reflect large changes in their weighting in the index in the quarterly reviews.

Outlook

While UK consumer price inflation is coming down, it remains high, standing at 8.7% in the 12 months to April 2023, down from a rate of 10.1% the previous month, but considerably higher than the Bank of England's 2.0% target. Meanwhile, the annual inflation rate of food and non-alcoholic beverages was 19.1% in April. Against this backdrop, further rises in interest rates are expected as the Bank of England seeks to slow rising prices.

The Bank of England expects the UK economy to be broadly flat in the first half of 2023. However, soaring inflation has led to a cost of living squeeze, with

Authorised Corporate Director's Report

consumers further hurt by higher mortgage rates, which may put pressure on economic activity.

Further afield, there have been concerns about the persistence of inflation and the impact on the global economy of the rapid rise in interest rates over the past 12 months, exacerbated by the recent difficulties of some US banks and Credit Suisse in Europe. Although UK bank stocks and the broader domestic market rallied from the sudden weakness in March, the market turbulence points to increased uncertainty about the global outlook. In addition, the banking-related turmoil in March serves as a reminder of how quickly markets can change when unexpected events happen.

Richard O'Connor

Fund manager

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

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

Portfolio statement

Investments

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities	522,613	98.61	99.42
Software & computer services	5,813	1.10	1.26
103,205 Ascential	236	0.04	
23,964 Auction Technology	175	0.03	
208,959 Auto Trader	1,297	0.25	
56,822 Bytes Technology	286	0.05	
19,346 Computacenter	451	0.09	
86,172 Darktrace	237	0.05	
21,131 Kainos	272	0.05	
120,822 Moneysupermarket.com	300	0.06	
82,474 NCC	75	0.01	
234,359 Sage	2,016	0.38	
29,900 Softcat	407	0.08	
75,704 Trustpilot	61	0.01	
Technology hardware & equipment	96	0.02	0.05
59,926 TT Electronics	96	0.02	
Telecommunications equipment	290	0.05	0.07
161,668 Spirent Communications	290	0.05	
Telecommunication service providers	7,084	1.34	2.11
238,142 Airtel Africa	284	0.05	
1,569,296 BT	2,313	0.44	
175,406 Helios Towers	158	0.03	
13,514 Telecom Plus	208	0.04	
5,333,529 Vodafone	4,121	0.78	
Health care providers	221	0.04	0.10
19,068 NMC Health ^a	0	0.00	
97,630 Spire Healthcare	221	0.04	
Medical equipment & services	3,092	0.58	0.62
372,902 ConvaTec	764	0.14	
193,287 Smith & Nephew	2,328	0.44	
Pharmaceuticals & biotechnology	57,846	10.91	10.53
334,663 AstraZeneca	39,343	7.42	
23,432 Dechra Pharmaceuticals	801	0.15	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities (continued)			
Pharmaceuticals & biotechnology (continued)			
14,628 Genus	369	0.07	
908,014 GSK	12,356	2.33	
1,165,461 Haleon	3,764	0.71	
37,707 Hikma Pharmaceuticals	680	0.13	
32,050 Indivior	466	0.09	
15,176 Oxford Biomedica	67	0.01	
Banks	48,330	9.12	8.31
9,819 Bank of Georgia	299	0.06	
3,560,649 Barclays	5,482	1.03	
35,355 Close Brothers	324	0.06	
4,555,817 HSBC	27,176	5.13	
153,351 Investec	630	0.12	
15,304,828 Lloyds Banking	6,903	1.30	
36,424 Metro Bank	36	0.01	
1,224,882 NatWest	3,242	0.61	
549,683 Standard Chartered	3,533	0.67	
11,512 TBC Bank	265	0.05	
294,577 Virgin Money	440	0.08	
Finance & credit services	9,122	1.72	1.31
62,630 International Personal Finance	69	0.01	
95,635 London Stock Exchange	8,131	1.53	
89,423 OSB	443	0.08	
71,804 Paragon Banking	349	0.07	
58,669 Provident Financial	130	0.03	
Investment banking & brokerage services	14,376	2.71	2.68
215,111 3i	4,218	0.80	
492,077 abrdn	997	0.19	
71,837 AJ Bell	232	0.04	
105,723 Ashmore	240	0.04	
10,204 Bioscience Investment Trust ^a	0	0.00	
57,956 Bridgepoint	126	0.02	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities (continued)			
Investment banking & brokerage services (continued)			
12,000 City of London Investment	51	0.01	
83,776 Hargreaves Lansdown	677	0.13	
89,407 IG	608	0.11	
60,745 IntegraFin	156	0.03	
62,152 Intermediate Capital	874	0.16	
260,384 IP	148	0.03	
28,659 JTC	203	0.04	
102,272 Jupiter Fund Management	110	0.02	
13,348 Liontrust Asset Management	100	0.02	
577,200 M&G ^b	1,154	0.22	
323,687 Man	717	0.14	
33,987 Molten Ventures	99	0.02	
97,763 Ninety One	158	0.03	
65,228 Petershill Partners	96	0.02	
21,624 Plus500	311	0.06	
35,000 PureTech Health	80	0.01	
338,239 Quilter	284	0.05	
12,757 Rathbone Brothers	251	0.05	
196,788 Schroders	899	0.17	
115,148 St. James's Place	1,294	0.24	
190,914 TP ICAP	293	0.06	
Closed-ended investments	32,572	6.15	6.20
141,524 3i Infrastructure	446	0.08	
23,080 Aberforth Smaller Companies Trust	287	0.05	
33,205 abrdn Asia Focus	81	0.02	
48,540 abrdn Asian Income Fund	100	0.02	
116,127 abrdn Diversified Income and Growth Trust	100	0.02	
13,252 abrdn Equity Income Trust	41	0.01	
87,996 abrdn European Logistics Income	65	0.01	
35,194 abrdn New Dawn Investment Trust	90	0.02	
11,695 abrdn New India Investment Trust	63	0.01	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities (continued)			
Closed-ended investments (continued)			
18,744 abrdn Private Equity Opportunities Trust	82	0.02	
22,055 abrdn UK Smaller Companies Growth Trust	93	0.02	
71,137 Alliance Trust	708	0.13	
96,037 Allianz Technology Trust	250	0.05	
96,096 Apax Global Alpha	159	0.03	
11,508 Artemis Alpha Trust	35	0.01	
28,347 Asia Dragon Trust	106	0.02	
135,918 Avi Global Trust	257	0.05	
16,577 Baillie Gifford China Growth Trust	35	0.01	
124,374 Baillie Gifford European Growth Trust	114	0.02	
20,292 Baillie Gifford Japan Trust	147	0.03	
82,802 Baillie Gifford Shin Nippon	116	0.02	
31,724 Baillie Gifford UK Growth Trust	52	0.01	
59,121 Baillie Gifford US Growth Trust	87	0.02	
301,716 Bankers Investment Trust	294	0.06	
158,125 BBGI Global Infrastructure	229	0.04	
130,695 Bellevue Healthcare Trust	194	0.04	
89,490 BH Macro	367	0.07	
17,657 Biotech Growth Trust	145	0.03	
58,217 BlackRock Frontiers Investment Trust	79	0.01	
15,258 BlackRock Greater Europe Investment Trust	82	0.02	
9,332 BlackRock Latin American Investment Trust	35	0.01	
10,694 BlackRock Smaller Companies Trust	138	0.03	
19,687 BlackRock Throgmorton Trust	115	0.02	
43,823 BlackRock World Mining Trust	258	0.05	
140,165 Bluefield Solar Income Fund	182	0.03	
4,455 Brown Advisory US Smaller Companies	52	0.01	
7,841 Brunner Investment Trust	82	0.02	
9,521 Caledonia Investments	320	0.06	
5,268 Capital Gearing Trust	248	0.05	
123,914 Chrysalis Investments	83	0.02	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities (continued)			
Closed-ended investments (continued)			
112,294 City of London Investment Trust	451	0.09	
26,813 CT Private Equity Trust	127	0.02	
21,721 CT UK Capital & Income Investment Trust	64	0.01	
200,000 Digital 9 Infrastructure	125	0.02	
71,205 Diverse Income Trust	60	0.01	
35,777 Dunedin Income Growth Investment Trust	104	0.02	
51,882 Ecofin Global Utilities and Infrastructure Trust	103	0.02	
44,678 Edinburgh Investment Trust	290	0.05	
89,587 Edinburgh Worldwide Investment Trust	131	0.02	
12,707 Electric & General Investment Trust ^a	0	0.00	
24,483 European Opportunities Trust	191	0.04	
99,552 European Smaller Companies	152	0.03	
122,109 F&C Investment Trust	1,092	0.21	
15,804 Fidelity Asian Values	80	0.01	
100,483 Fidelity China Special Situations	210	0.04	
20,516 Fidelity Emerging Markets	118	0.02	
105,326 Fidelity European Trust	368	0.07	
64,172 Fidelity Special Values	174	0.03	
46,909 Finsbury Growth & Income Trust	414	0.08	
169,345 Foresight Solar Fund	178	0.03	
5,916 Fundsmith Emerging Equities Trust	4	0.00	
208,676 GCP Infrastructure	173	0.03	
11,497 Global Opportunities Trust	37	0.01	
105,322 Gore Street Energy Storage Fund	108	0.02	
537,685 Greencoat UK Wind	796	0.15	
18,122 HarbourVest Global Private Equity	391	0.07	
12,144 Henderson Alternative Strategies ^a	0	0.00	
94,913 Henderson Diversified Income Trust	64	0.01	
70,840 Henderson European Focus Trust	109	0.02	
42,880 Henderson EuroTrust	58	0.01	
30,544 Henderson Far East Income	75	0.01	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities (continued)			
Closed-ended investments (continued)			
28,474 Henderson High Income Trust	48	0.01	
20,490 Henderson Smaller Companies Investment Trust	161	0.03	
14,434 Herald Investment Trust	258	0.05	
96,324 HgCapital Trust	381	0.07	
471,179 HICL Infrastructure	679	0.13	
272,507 Hipgnosis Songs Fund	219	0.04	
18,745 ICG Enterprise Trust	217	0.04	
63,670 Impax Environmental Markets	260	0.05	
13,369 International Biotechnology Trust	87	0.02	
438,470 International Public Partnerships	608	0.11	
14,914 Invesco Asia Trust	47	0.01	
48,073 Invesco Bond Income Plus	77	0.01	
15,845 Invesco Select Trust	25	0.00	
113,644 JLEN Environmental Assets	133	0.02	
48,558 JPMorgan American Investment Trust	357	0.07	
24,510 JPMorgan Asia Growth & Income	85	0.02	
19,027 JPMorgan China Growth & Income	48	0.01	
14,179 JPMorgan Claverhouse Investment Trust	92	0.02	
310,240 JPMorgan Emerging Markets Investment Trust	321	0.06	
41,379 JPMorgan European Discovery Trust	164	0.03	
120,003 JPMorgan European Growth & Income	114	0.02	
69,548 JPMorgan Global Emerging Markets Income Trust	88	0.02	
89,147 JPMorgan Global Growth & Income	411	0.08	
22,883 JPMorgan Indian Investment Trust	187	0.04	
9,427 JPMorgan Japan Small Cap Growth & Income	29	0.01	
37,141 JPMorgan Japanese Investment Trust	177	0.03	
5,848 JPMorgan Mid Cap Investment Trust	51	0.01	
26,388 JPMorgan UK Smaller Companies Investment Trust	70	0.01	
22,035 Keystone Positive Change Investment Trust	45	0.01	
28,288 Law Debenture	225	0.04	
95,065 Lowland Investment	113	0.02	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities (continued)			
Closed-ended investments (continued)			
6,893 Majedie Investments	13	0.00	
30,094 Martin Currie Global Portfolio Trust	104	0.02	
178,495 Mercantile Investment Trust	353	0.07	
29,905 Merchants Trust	164	0.03	
44,162 Middlefield Canadian Income Trust	47	0.01	
56,031 Monks Investment Trust	549	0.10	
45,360 Montanaro UK Smaller Companies Investment Trust	46	0.01	
32,346 Murray Income Trust	273	0.05	
146,880 Murray International Trust	385	0.07	
46,369 NB Global Monthly Income Fund	33	0.01	
10,112 NB Private Equity Partners	156	0.03	
155,857 NextEnergy Solar Fund	158	0.03	
42,512 North American Income Trust	114	0.02	
2,904 North Atlantic Smaller Companies Investment Trust	106	0.02	
103,690 Octopus Renewables Infrastructure Trust	101	0.02	
28,349 Pacific Assets Trust	103	0.02	
20,899 Pacific Horizon Investment Trust	110	0.02	
134,415 Pantheon International	363	0.07	
35,492 Pershing Square	985	0.19	
81,991 Personal Assets Trust	387	0.07	
76,047 Polar Capital Global Financials Trust	104	0.02	
23,952 Polar Capital Global Healthcare Trust	80	0.01	
32,171 Polar Capital Technology Trust	714	0.13	
560,671 Renewables Infrastructure	672	0.13	
29,347 RIT Capital Partners	540	0.10	
12,710 Riverstone Energy	72	0.01	
85,766 Ruffer Investment Company (Preference shares)	243	0.05	
36,275 Schroder Asia Pacific Fund	177	0.03	
18,027 Schroder Asian Total Return Investment	74	0.01	
18,236 Schroder Income Growth Fund	54	0.01	
19,162 Schroder Japan Growth Fund	42	0.01	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities (continued)			
Closed-ended investments (continued)			
58,086 Schroder Oriental Income Fund	146	0.03	
7,670 Schroder UK Mid Cap Fund	40	0.01	
193,141 Schroders Capital Global Innovation Trust	26	0.00	
40,327 Scottish American Investment	212	0.04	
319,718 Scottish Mortgage Investment Trust	2,191	0.41	
8,740 Scottish Oriental Smaller Companies Trust	105	0.02	
255,441 SDCL Energy Efficiency Income Trust	230	0.04	
20,541 Securities Trust of Scotland	44	0.01	
373,869 Sequoia Economic Infrastructure Income Fund	300	0.06	
38,006 Smithson Investment Trust	535	0.10	
106,976 Syncona	164	0.03	
50,000 Taylor Maritime Investments	42	0.01	
70,395 Temple Bar Investment Trust	156	0.03	
269,594 Templeton Emerging Markets Investment Trust	393	0.07	
176,833 The Global Smaller Companies Trust	252	0.05	
72,324 TR Property Investment Trust	202	0.04	
45,234 Troy Income & Growth Trust	32	0.01	
144,145 TwentyFour Income Fund	145	0.03	
5,282 Unbound ^c	0	0.00	
55,768 Utilico Emerging Markets Trust	123	0.02	
17,183 Value and Indexed Propertyome Trust	35	0.01	
51,602 Vietnam Enterprise Investments	284	0.05	
58,075 VinaCapital Vietnam Opportunity Fund	252	0.05	
194,911 Witan Investment Trust	445	0.08	
14,216 Worldwide Healthcare Trust	455	0.09	
Life insurance	13,529	2.55	2.56
642,935 Aviva	2,584	0.49	
37,868 Chesnara	106	0.02	
217,691 Just	190	0.03	
1,329,497 Legal & General	3,059	0.58	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities (continued)			
Life insurance (continued)			
157,882 Phoenix	885	0.17	
616,886 Prudential	6,705	1.26	
Non-life insurance	4,239	0.80	0.78
64,196 Admiral	1,499	0.28	
150,081 Beazley	910	0.17	
283,969 Direct Line Insurance	476	0.09	
75,958 Hiscox	890	0.17	
57,790 Lancashire	361	0.07	
70,926 Sabre Insurance	103	0.02	
Real estate investment & services	2,069	0.39	0.54
51,055 CLS	69	0.01	
93,425 Foxtons	35	0.01	
170,814 Grainger	417	0.08	
28,580 Henry Boot	66	0.01	
23,864 LSL Property Services	61	0.01	
25,308 Phoenix Spree Deutschland	50	0.01	
187,435 Rightmove	977	0.19	
31,562 Savills	286	0.05	
180,538 Tritax EuroBox	108	0.02	
Real estate investment trusts	11,210	2.12	2.56
93,866 abrdn Property Income Trust	47	0.01	
655,609 Assura	312	0.06	
123,136 Balanced Commercial Property Trust	100	0.02	
38,481 Big Yellow	442	0.08	
106,456 BMO Real Estate Investments	84	0.02	
208,776 British Land	715	0.14	
405,990 Capital & Counties Properties	481	0.09	
15,985 Capital & Regional	9	0.00	
218,677 Civitas Social Housing	174	0.03	
25,767 Derwent London	551	0.10	
96,635 Ediston Property Investment	59	0.01	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities (continued)			
Real estate investment trusts (continued)			
165,170 Empiric Student Property	150	0.03	
66,745 Great Portland Estates	326	0.06	
1,035,053 Hammerson	259	0.05	
29,206 Helical	75	0.01	
180,998 Home ^a	69	0.01	
168,328 Land Securities	1,014	0.19	
220,913 LondonMetric Property	389	0.07	
345,593 LXI	340	0.06	
83,812 NewRiver	70	0.01	
126,650 Picton Property Income	96	0.02	
335,275 Primary Health Properties	333	0.06	
117,699 PRS	100	0.02	
48,650 Safestore	455	0.09	
120,865 Schroder Real Estate Investment Trust	52	0.01	
273,985 Segro	2,173	0.41	
246,640 Sirius Real Estate	197	0.04	
308,161 Supermarket Income	245	0.05	
139,489 Target Healthcare	110	0.02	
441,308 Tritax Big Box	615	0.12	
146,732 UK Commercial Property	76	0.02	
76,416 UNITE	686	0.13	
119,711 Urban Logistics	160	0.03	
90,713 Warehouse	92	0.02	
30,299 Workspace	154	0.03	
Automobiles & parts	648	0.12	0.03
56,515 Aston Martin Lagonda	150	0.03	
321,015 Dowlais	420	0.08	
62,545 TI Fluid Systems	78	0.01	
Consumer services	8,812	1.66	1.32
397,814 Compass	8,812	1.66	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities (continued)			
Household goods & home construction			
224,164 Barratt Developments	1,047	0.20	
27,576 Bellway	623	0.12	
23,252 Berkeley	916	0.17	
75,076 Crest Nicholson	182	0.03	
10,012 MJ Gleeson	43	0.01	
70,886 Persimmon	854	0.16	
59,131 Redrow	286	0.05	
808,804 Taylor Wimpey	925	0.18	
78,974 Vistry	579	0.11	
Leisure goods			
7,436 Games Workshop	702	0.13	
73,700 ME Group International	101	0.02	
Personal goods			
91,971 Burberry	1,986	0.38	
111,573 Dr Martens	172	0.03	
19,443 Superdry	16	0.00	
52,061 Watches of Switzerland	340	0.06	
Media			
6,231 4imprint	279	0.05	
11,949 Bloomsbury Publishing	49	0.01	
25,419 Future	188	0.03	
326,526 Informa	2,294	0.43	
819,443 ITV	570	0.11	
172,410 Pearson	1,384	0.26	
60,376 Reach	43	0.01	
428,548 RELX	10,855	2.05	
244,532 WPP	2,118	0.40	
Retailers			
65,350 AO World	41	0.01	
4,000 ASOS	15	0.00	
206,042 B&M European Value Retail	1,056	0.20	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities (continued)			
Retailers (continued)			
81,886 Card Factory	73	0.01	
229,412 Currys	115	0.02	
51,420 DFS Furniture	61	0.01	
26,535 Dunelm	292	0.05	
29,427 Frasers	200	0.04	
53,451 Halfords	108	0.02	
133,734 Howden Joinery	880	0.17	
550,933 JD Sports Fashion	837	0.16	
476,979 Kingfisher	1,116	0.21	
457,082 Marks & Spencer	827	0.16	
30,516 Moonpig Group	41	0.01	
28,515 Next	1,830	0.35	
343,719 Pendragon	59	0.01	
109,479 Pets at Home	412	0.08	
34,479 Topps Tiles	18	0.00	
29,187 WH Smith	455	0.09	
57,207 Wickes	70	0.01	
Travel & leisure	17,682	3.34	2.84
61,470 888	43	0.01	
34,795 Carnival	278	0.05	
104,008 Domino's Pizza	293	0.06	
143,668 easyJet	685	0.13	
130,996 Entain	1,761	0.33	
167,442 FirstGroup	192	0.04	
39,944 Flutter Entertainment	6,371	1.20	
10,583 Fuller Smith & Turner	56	0.01	
24,879 Hostelworld	29	0.01	
40,732 InterContinental Hotels	2,177	0.41	
827,496 International Consolidated Airlines	1,290	0.24	
22,241 J D Wetherspoon	163	0.03	
145,563 Marston's	47	0.01	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities (continued)			
Travel & leisure (continued)			
91,343 Mitchells & Butlers	189	0.04	
118,671 National Express	126	0.02	
70,122 Playtech	423	0.08	
78,051 Rank	76	0.01	
152,873 Restaurant	70	0.01	
23,187 Saga	26	0.01	
184,082 SSP	492	0.09	
109,211 Trainline	274	0.05	
98,886 TUI	514	0.10	
45,619 Whitbread	1,520	0.29	
20,623 Wizz Air	587	0.11	
Beverages	18,829	3.55	3.73
20,570 A.G. Barr	104	0.02	
56,667 Britvic	500	0.09	
93,655 C&C	135	0.03	
43,317 Coca-Cola HBC	1,034	0.19	
505,210 Diageo	17,056	3.22	
Food producers	2,972	0.56	0.56
4,261 Anglo-Eastern Plantations	36	0.01	
77,185 Associated British Foods	1,427	0.27	
11,743 Cranswick	380	0.07	
105,636 Greencore	85	0.02	
15,812 Hilton Food	115	0.02	
159,934 Premier Foods	212	0.04	
90,858 Tate & Lyle	717	0.13	
Tobacco	16,627	3.14	3.96
504,144 British American Tobacco	13,055	2.46	
209,053 Imperial Brands	3,572	0.68	
Personal care, drug & grocery stores	40,042	7.56	6.68
20,523 Greggs	551	0.10	
135,692 Ocado	510	0.10	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities (continued)			
Personal care, drug & grocery stores (continued)			
53,216 PZ Cussons	99	0.02	
160,449 Reckitt Benckiser	10,156	1.92	
392,276 Sainsbury (J)	1,067	0.20	
1,689,831 Tesco	4,444	0.84	
570,325 Unilever	23,215	4.38	
Construction & materials	8,604	1.62	1.41
152,717 Balfour Beatty	561	0.11	
171,436 CRH	6,612	1.25	
28,136 Forterra	53	0.01	
24,525 Galliford Try	43	0.01	
55,883 Genuit	174	0.03	
88,261 Ibstock	143	0.03	
18,482 Keller	129	0.02	
94,780 Kier	74	0.01	
54,965 Marshalls	166	0.03	
9,308 Morgan Sindall	169	0.03	
25,649 Norcros	43	0.01	
13,784 Ricardo	77	0.01	
69,710 Severfield	44	0.01	
45,573 Tyman	123	0.02	
43,537 Volution	193	0.04	
Aerospace & defence	12,024	2.27	1.87
6,613 Avon Protection	59	0.01	
117,380 Babcock International	363	0.07	
695,898 BAE Systems	6,569	1.24	
69,138 Chemring	178	0.03	
321,015 Melrose Industries	1,534	0.29	
126,095 QinetiQ	455	0.09	
1,870,937 Rolls-Royce	2,695	0.51	
100,371 Senior	171	0.03	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities (continued)			
Electronic & electrical equipment	5,607	1.06	0.93
20,524 discoverIE	161	0.03	
84,713 Halma	2,033	0.38	
60,841 IMI	978	0.19	
68,993 Morgan Advanced Materials	200	0.04	
8,710 Oxford Instruments	236	0.05	
8,056 Renishaw	321	0.06	
202,349 Rotork	639	0.12	
26,141 Spectris	964	0.18	
3,590 XP Power	75	0.01	
General industrials	7,906	1.49	1.74
75,879 Bunzl	2,402	0.45	
371,907 Coats	256	0.05	
284,909 DS Smith	871	0.16	
108,636 Mondi	1,363	0.26	
83,915 Smiths	1,362	0.26	
57,321 Smurfit Kappa	1,652	0.31	
Industrial engineering	3,348	0.63	0.55
42,558 Bodycote	275	0.05	
16,347 Spirax-Sarco Engineering	1,789	0.34	
50,113 Vesuvius	206	0.04	
10,069 Videndum	66	0.01	
59,543 Weir	1,012	0.19	
Industrial support services	18,188	3.43	3.08
391,442 Capita	128	0.02	
85,469 Costain	44	0.01	
21,569 DCC	998	0.19	
33,902 De La Rue	13	0.00	
29,036 Diploma	874	0.17	
104,063 Electrocomponents	833	0.16	
59,184 Essentra	108	0.02	
207,517 Experian	5,941	1.12	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities (continued)			
Industrial support services (continued)			
22,202 FDM	151	0.03	
49,594 Grafton	410	0.08	
345,623 Hays	377	0.07	
85,446 Inchcape	655	0.12	
36,135 Intertek	1,516	0.29	
176,222 IWG	251	0.05	
25,681 Mears	61	0.01	
312,872 Mitie	282	0.05	
106,939 Network International	393	0.07	
70,595 PageGroup	308	0.06	
15,680 PayPoint	62	0.01	
563,184 Rentokil Initial	3,613	0.68	
16,244 Robert Walters	69	0.01	
285,564 Serco	410	0.08	
192,074 SIG	79	0.01	
134,162 Speedy Hire	44	0.01	
29,153 SThree	109	0.02	
51,506 Travis Perkins	459	0.09	
Industrial transportation	5,754	1.09	1.00
99,290 Ashtead	4,886	0.92	
5,592 Clarkson	160	0.03	
146,773 Esken	7	0.00	
199,354 International Distributions Services	395	0.08	
9,975 James Fisher & Sons	36	0.01	
56,784 Redde Northgate	211	0.04	
24,600 Wincanton	59	0.01	
Industrial metals & mining	31,465	5.94	7.72
272,525 Anglo American	6,126	1.16	
77,019 Antofagasta	1,039	0.20	
123,608 Evraz	99	0.02	
67,428 Ferrexpo	64	0.01	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities (continued)			
Industrial metals & mining (continued)			
2,899,779 Glencore	12,043	2.27	
18,705 Hill & Smith	272	0.05	
2,710 Kenmare Resources	12	0.00	
244,542 Rio Tinto	11,810	2.23	
Precious metals & mining	1,495	0.28	0.26
259,370 Centamin	259	0.05	
41,054 Endeavour Mining	873	0.16	
47,008 Fresnillo	302	0.06	
81,777 Hochschild Mining	61	0.01	
Chemicals	3,345	0.63	0.73
31,251 Croda International	1,909	0.36	
135,545 Elementis	148	0.03	
40,842 Johnson Matthey	702	0.13	
7,869 RHI Magnesita	198	0.04	
94,395 Synthomer	85	0.01	
19,605 Victrex	303	0.06	
Oil & gas	54,787	10.34	11.32
3,997,860 BP	18,072	3.41	
56,460 Capricorn Energy	110	0.02	
172,742 Diversified Energy	147	0.03	
30,248 Energean	325	0.06	
576,200 EnQuest	84	0.02	
169,178 Harbour Energy	377	0.07	
33,267 Hunting	75	0.01	
153,552 John Wood	216	0.04	
72,037 Petrofac	50	0.01	
57,952 Pharos Energy	13	0.00	
1,574,280 Shell	35,232	6.65	
338,065 Tullow Oil	86	0.02	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities (continued)			
Electricity	5,264	0.99	0.89
104,871 Drax	586	0.11	
249,450 SSE	4,678	0.88	
Gas, water & multi-utilities	14,188	2.68	2.62
1,348,784 Centrica	1,623	0.31	
823,313 National Grid	9,069	1.71	
62,938 Pennon	486	0.09	
53,063 Severn Trent	1,469	0.28	
151,119 United Utilities	1,541	0.29	
Waste & disposal services	79	0.02	0.05
14,548 Renewi	79	0.02	
Equity derivatives	(326)	(0.06)	0.05
Equity futures contracts	(326)	(0.06)	0.05
171 FTSE 100 Index Jun 2023	(326)	(0.06)	
Total portfolio	522,287	98.55	99.47
Net other assets/(liabilities)	7,686	1.45	0.53
Net assets attributable to shareholders	529,973	100.00	100.00

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

^a Suspended/delisted.

^b Related party.

^c AIM quoted.

Portfolio statement

Top ten portfolio transactions for the year to 31 May 2023

Largest purchases	£'000
Reckitt Benckiser	1,270
London Stock Exchange	1,209
TUI	815
Rentokil Initial	769
AstraZeneca	555
Gen Digital	427
HSBC	404
Admiral	400
Supermarket Income	394
Vistry	385
Other purchases	8,585
Total purchases	15,213

Largest sales	£'000
Shell	2,725
Meggitt	1,378
AstraZeneca	1,274
Avast	1,230
BP	1,200
Vodafone	957
AVEVA	867
Homeserve	759
Ultra Electronics	562
TUI	462
Other sales	5,662
Total sales	17,076

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

Index tracking

The tracking difference between the fund's investment return and that of the FTSE All-Share Index for the 12 month period ending 31 May 2023 was +0.15% (31 May 2022: +0.11%). The investment returns are calculated gross of fees using end of day pricing in order to be comparable with the index.

The historic tracking error of the investment return of the fund relative to the FTSE All-Share Index for the period ending 31 May 2023 was 0.12% (31 May 2022: 0.25%), which falls within the predicted tracking error range of 0.00% to 0.30%. Historic tracking error is a measure of the monthly volatility of the investment returns relative to the index over a 36 month period.

The differences are due to the fund not fully replicating the FTSE All-Share Index.

Long-term performance by share class

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

Share class	One year % ^a	Three years % pa	Five years % pa	Ten years % pa
Sterling				
Class 'A' Income	+0.6	+9.6	+2.7	+5.1
Class 'A' Accumulation	+0.7	+9.6	+2.7	+5.1
Class 'C' Income	+1.1	+10.1	+3.2	+5.5
Class 'I' Income	n/a	n/a	n/a	n/a
Class 'I' Accumulation	+1.0	+10.0	n/a	n/a
Class 'R' Income	+0.8	n/a	n/a	n/a
Class 'R' Accumulation	+0.7	n/a	n/a	n/a
Benchmark	+0.4	+10.2	+2.9	+5.3

^a Not annualised.

Financial highlights

Specific share class performance

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

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

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

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 27 February 1998.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	76.42	73.22	62.30
Return before operating charges	0.89	6.29	13.33
Operating charges	(0.40)	(0.34)	(0.31)
Return after operating charges	0.49	5.95	13.02
Distributions	(2.87)	(2.75)	(2.10)
Closing NAV	74.04	76.42	73.22
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.02
Dilution adjustments	(0.01)	(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	0.02
Operating charges	0.53	0.45	0.46
Return after charges	+0.64	+8.13	+20.90
Other information			
Closing NAV (£'000)	243,112	252,924	273,388
Number of shares	328,370,911	330,974,257	373,360,079
Highest share price (UK p)	79.67	78.66	75.23
Lowest share price (UK p)	68.28	69.95	58.03

Sterling Class 'A' Accumulation share performance

The share class was launched on 27 February 1998.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	158.82	146.81	121.24
Return before operating charges	1.87	12.70	26.17
Operating charges	(0.83)	(0.69)	(0.60)
Return after operating charges	1.04	12.01	25.57
Distributions	(5.31)	(4.87)	(3.52)
Retained distributions	5.31	4.87	3.52
Closing NAV	159.86	158.82	146.81
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.04	0.03
Dilution adjustments	(0.02)	(0.02)	(0.01)
Total direct transaction costs	0.00	0.02	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.01	0.02
Operating charges	0.53	0.45	0.46
Return after charges	+0.65	+8.18	+21.09
Other information			
Closing NAV (£'000)	109,691	112,967	172,876
Number of shares	68,617,622	71,129,696	117,754,852
Highest share price (UK p)	168.64	160.43	148.40
Lowest share price (UK p)	141.91	142.66	112.93

Financial highlights

Sterling Class 'C' Income share performance

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

The share class was launched on 16 February 2012.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	78.41	74.79	63.34
Return before operating charges	0.91	6.43	13.60
Operating charges	(0.06)	0.00	(0.01)
Return after operating charges	0.85	6.43	13.59
Distributions	(2.95)	(2.81)	(2.14)
Closing NAV	76.31	78.41	74.79
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.02
Dilution adjustments	(0.01)	(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	0.02
Operating charges	0.08	0.00	0.01
Return after charges	+1.08	+8.60	+21.46
Other information			
Closing NAV (£'000)	39,586	41,809	41,499
Number of shares	51,874,731	53,322,145	55,489,938
Highest share price (UK p)	82.03	80.66	76.81
Lowest share price (UK p)	70.17	71.69	59.11

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 4 May 2023.

for the period to 31 May Change in NAV per share	2023 UK p
Opening NAV	100.00
Return before operating charges	(2.78)
Operating charges	(0.12)
Return after operating charges	(2.90)
Distributions	(0.35)
Closing NAV	96.75
Direct transaction costs	UK p
Costs before dilution adjustments	0.00
Dilution adjustments	0.00
Total direct transaction costs	0.00
Performance and charges	%
Direct portfolio transaction costs	0.00
Operating charges	0.18
Return after charges	-2.90
Other information	
Closing NAV (£'000)	9,925
Number of shares	10,258,197
Highest share price (UK p)	100.97
Lowest share price (UK p)	97.72

Sterling Class 'I' Accumulation share performance

The share class was launched on 6 December 2019.

for the year to 31 May Change in NAV per share	2023 UK p	2022 UK p	2021 UK p
Opening NAV	113.66	104.77	86.31
Return before operating charges	1.34	9.08	18.66
Operating charges	(0.20)	(0.19)	(0.20)
Return after operating charges	1.14	8.89	18.46
Distributions	(4.20)	(3.78)	(2.74)
Retained distributions	4.20	3.78	2.74
Closing NAV	114.80	113.66	104.77
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.03
Dilution adjustments	(0.01)	(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	0.02
Operating charges	0.18	0.17	0.21
Return after charges	+1.00	+8.49	+21.39
Other information			
Closing NAV (£'000)	51,694	47,119	32,674
Number of shares	45,030,254	41,457,374	31,185,324
Highest share price (UK p)	121.00	114.75	105.89
Lowest share price (UK p)	101.69	102.01	80.48

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 21 April 2022.

for the year to 31 May	2023	2022
Change in NAV per share	UK p	UK p
Opening NAV	99.13	100.00
Return before operating charges	1.15	(0.44)
Operating charges	(0.42)	(0.04)
Return after operating charges	0.73	(0.48)
Distributions	(3.72)	(0.39)
Closing NAV	96.14	99.13
Direct transaction costs	UK p	UK p
Costs before dilution adjustments	0.01	0.00
Dilution adjustments	(0.01)	0.00
Total direct transaction costs	0.00	0.00
Performance and charges	%	%
Direct portfolio transaction costs	0.00	0.01
Operating charges	0.43	0.35
Return after charges	+0.74	-0.48
Other information		
Closing NAV (£'000)	8,281	16,782
Number of shares	8,612,887	16,930,210
Highest share price (UK p)	103.44	100.15
Lowest share price (UK p)	88.61	93.68

Sterling Class 'R' Accumulation share performance

The share class was launched on 21 April 2022.

for the year to 31 May	2023	2022
Change in NAV per share	UK p	UK p
Opening NAV	99.52	100.00
Return before operating charges	1.17	(0.44)
Operating charges	(0.42)	(0.04)
Return after operating charges	0.75	(0.48)
Distributions	(3.43)	(0.35)
Retained distributions	3.43	0.35
Closing NAV	100.27	99.52
Direct transaction costs	UK p	UK p
Costs before dilution adjustments	0.01	0.00
Dilution adjustments	(0.01)	0.00
Total direct transaction costs	0.00	0.00
Performance and charges	%	%
Direct portfolio transaction costs	0.00	0.01
Operating charges	0.43	0.35
Return after charges	+0.75	-0.48
Other information		
Closing NAV (£'000)	67,684	70,538
Number of shares	67,503,111	70,880,400
Highest share price (UK p)	105.75	100.15
Lowest share price (UK p)	88.96	93.68

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 May	Note	2023		2022	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	3		(14,684)		24,932
Revenue	5	20,335		19,469	
Expenses	6	(1,948)		(2,116)	
Interest payable and similar charges		0		(2)	
Net revenue/(expense) before taxation		18,387		17,351	
Taxation	7	(34)		(36)	
Net revenue/(expense) after taxation			18,353		17,315
Total return before distributions			3,669		42,247
Distributions	8		(19,522)		(18,561)
Change in net assets attributable to shareholders from investment activities			(15,853)		23,686

Statement of change in net assets attributable to shareholders

for the year to 31 May	2023		2022	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		542,139		520,437
Amounts received on issue of shares	39,017		115,852	
Amounts paid on cancellation of shares	(43,288)		(124,153)	
		(4,271)		(8,301)
Dilution adjustments		93		75
Change in net assets attributable to shareholders from investment activities (see above)		(15,853)		23,686
Retained distributions on Accumulation shares		7,863		6,241
Unclaimed distributions		2		1
Closing net assets attributable to shareholders		529,973		542,139

Financial statements and notes

Financial statements

Balance sheet

as at 31 May	Note	2023 £'000	2022 £'000
Assets			
Fixed assets			
Investments		522,613	539,252
Current assets			
Debtors	9	3,471	3,607
Cash and bank balances	10	1,919	934
Cash equivalents		8,425	4,462
Total assets		536,428	548,255
Liabilities			
Investment liabilities		(326)	0
Creditors			
Distribution payable		(5,888)	(5,671)
Other creditors	11	(241)	(445)
Total liabilities		(6,455)	(6,116)
Net assets attributable to shareholders		529,973	542,139

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 31 May	2023 £'000	2022 £'000
Non-derivative securities	(14,506)	24,299
Derivative contracts	(167)	633
Currency gains/(losses)	(11)	0
Net capital gains/(losses)	(14,684)	24,932

Financial statements and notes

4 Portfolio transactions and associated costs

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

for the year to 31 May	2023 £'000	% of transaction	2022 £'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	14,024		11,858	
Commissions	3	0.02	5	0.04
Taxes	57	0.41	118	1.00
Equities after transaction costs	14,084		11,981	
Collective investment schemes				
Collective investment schemes before transaction costs	1,126		17,027	
Commissions	0	0.02	1	0.00
Taxes	3	0.27	8	0.05
Collective investment schemes after transaction costs	1,129		17,036	
Other transaction types				
Corporate actions	0		398	
Total purchases after transaction costs	15,213		29,415	
b) Sales				
Equities				
Equities before transaction costs	16,769		21,266	
Commissions	(2)	0.01	(6)	0.03
Equities after transaction costs	16,767		21,260	
Collective investment schemes	123		13,555	
Other transaction types				
Corporate actions	186		377	
Total sales after transaction costs	17,076		35,192	

Financial statements and notes

	2023 £'000	% of average NAV	2022 £'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	5	0.00	11	0.00
Collective investment schemes	0	0.00	1	0.00
Total commissions paid	5	0.00	12	0.00
Taxes paid				
Equities	57	0.01	118	0.02
Collective investment schemes	3	0.00	8	0.00
Derivatives	1	0.00	1	0.00
Total taxes paid	61	0.01	127	0.02
Total direct portfolio transaction costs	66	0.01	139	0.02
		%		%
d) Indirect portfolio transaction costs				
Average portfolio dealing spread as at the balance sheet date		0.10		0.09

5 Revenue

for the year to 31 May	2023 £'000	2022 £'000
Bank interest	2	1
Derivative revenue	9	0
Distributions from collective investment schemes: non-taxable	27	0
Distributions from collective investment schemes: taxable	31	12
Dividends from equity investments: non-taxable	19,538	19,030
Dividends from equity investments: taxable	72	4
Interest distributions	148	4
Property distribution: non-taxable	123	54
Property distribution: taxable	382	360
Rebate of ongoing charges from underlying funds	3	1
Underwriting commission	0	3
Total revenue	20,335	19,469

Financial statements and notes

6 Expenses

for the year to 31 May	2023 £'000	2022 £'000
Payable to the ACD or associate		
Annual charge	1,948	2,116
Total expenses	1,948	2,116

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

7 Taxation

for the year to 31 May	2023 £'000	2022 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	34	36
Deferred tax (note 7c)	0	0
Total taxation	34	36
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	18,387	17,351
Corporation tax at 20%	3,677	3,470
Effects of:		
Dividends from equity investments: non-taxable	(3,913)	(3,806)
Property distribution: non-taxable	(24)	(11)
Current year expenses not utilised	246	347
Withholding tax	34	36
Prior year adjustment to expenses not utilised	14	0
Total tax charge (note 7a)	34	36
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of £6,351,000 (2021: £6,105,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

Financial statements and notes

8 Distributions

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

for the year to 31 May	2023		2022	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Ordinary distributions				
Interim	5,600	3,745	5,380	3,295
Final	5,888	4,118	5,671	2,946
Total net distributions		19,351		17,292
Income deducted on cancellation of shares		452		1,528
Income received on issue of shares		(281)		(259)
Distributions		19,522		18,561
Net revenue/(expense) per statement of total return		18,353		17,315
Expenses offset against capital		1,169		1,246
Distributions		19,522		18,561

9 Debtors

as at 31 May	2023 £'000	2022 £'000
Amounts receivable on issues of shares	322	1,171
Distributions receivable	29	3
Dividends receivable	2,965	2,100
Sales awaiting settlement	71	188
Withholding tax recoverable	84	145
Total debtors	3,471	3,607

10 Cash and bank balances

as at 31 May	2023 £'000	2022 £'000
Amounts held at futures clearing houses and collateral manager	1,003	200
Cash held as bank balances	916	734
Total cash and bank balances	1,919	934

Financial statements and notes

11 Other creditors

as at 31 May	2023 £'000	2022 £'000
Amounts payable on cancellation of shares	153	329
Annual charge payable	88	82
Purchases awaiting settlement	0	34
Total other creditors	241	445

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 01.06.22	Issued	Movements Cancelled	Converted	Closing 31.05.23
Sterling					
Class 'A' Income	330,974,257	13,934,154	(16,537,500)	0	328,370,911
Class 'A' Accumulation	71,129,696	1,782,729	(4,294,803)	0	68,617,622
Class 'C' Income	53,322,145	1,954,308	(3,401,722)	0	51,874,731
Class 'I' Income	0	10,261,190	(2,993)	0	10,258,197
Class 'I' Accumulation	41,457,374	5,949,786	(2,376,906)	0	45,030,254
Class 'R' Income	16,930,210	4,283,051	(12,600,374)	0	8,612,887
Class 'R' Accumulation	70,880,400	3,290,569	(6,667,858)	0	67,503,111

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'	0.45
Class 'C'	0.00
Class 'I'	0.10
Class 'R'	0.35

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 £nil (2022: £1,258,000).

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 9.66% (2022: 9.80%) 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 31 May	Assets 2023	Liabilities 2023	Assets 2022	Liabilities 2022
Basis of valuation	£'000	£'000	£'000	£'000
Level 1	522,441	(326)	539,252	0
Level 2	0	0	0	0
Level 3	172	0	0	0
	522,613	(326)	539,252	0

Level 3 assets include Home REIT, which was suspended in the period; Evraz, which was suspended due to links with Russia and Fundsmith Emerging Equities Trust which is undergoing final liquidation.

17 Risk management policies

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

Financial statements and notes

18 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by £26,114,000 (2022: £26,963,000). A five per cent decrease would have an equal and opposite effect.

19 Currency risk sensitivity and exposure

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

20 Interest rate risk sensitivity and exposure

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

21 Credit risk

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 31 May 2023	Futures £'000
Merrill Lynch	(326)
Total	(326)

as at 31 May 2022	Futures £'000
Merrill Lynch	269
Total	269

22 Dividend distribution tables

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

Semi-annual distribution periods

	Start	End	Xd	Payment
Interim	01.06.22	30.11.22	01.12.22	31.01.22
Final	01.12.22	31.05.23	01.06.23	31.07.23

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.

Financial statements and notes

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	Distribution 2023 UK p	2022 UK p
Interim	0.9135	0.4664	1.3799	1.2949
Final	0.7474	0.7416	1.4890	1.4533

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	Distribution 2023 UK p	2022 UK p
Interim	1.1162	1.4065	2.5227	2.2596
Final	1.1168	1.6697	2.7865	2.6057

Sterling Class 'C' Income shares

Ordinary distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	Distribution 2023 UK p	2022 UK p
Interim	0.6924	0.7250	1.4174	1.3240
Final	1.1319	0.4014	1.5333	1.4897

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	Distribution 2023 UK p	2022 UK p
Interim	n/a	n/a	n/a	n/a
Final	0.0518	0.3022	0.3540	n/a

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	Distribution 2023 UK p	2022 UK p
Interim	0.9774	1.0201	1.9975	1.7468
Final	0.8544	1.3486	2.2030	2.0306

Financial statements and notes

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 May	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Interim	0.8641	0.9248	1.7889	n/a
Final	1.0677	0.8656	1.9333	0.3906

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 May	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Interim	0.7626	0.8662	1.6288	n/a
Final	0.9361	0.8621	1.7982	0.3533

23 Events after the balance sheet date

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

Authorised Corporate Director's Report

For the purposes of these financial statements, the Prospectus dated 6 March 2023 has been used.

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the Markit iBoxx EUR Corporates 1-3 year Index (GBP Hedged) over any five-year period.

Investment policy

At least 80% of the fund is invested, directly or indirectly through derivatives, in short-dated investment grade fixed and floating rate corporate debt securities and in asset-backed securities. These securities can be issued by companies from anywhere in the world, including emerging markets. These securities can be denominated in any currency.

Other investments may include:

- below investment grade and unrated corporate debt securities; and
- other transferable securities, cash, and near cash, directly or via collective investment schemes (including funds managed by M&G).

The fund aims to hedge any non-sterling assets back to sterling.

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

Investment approach

The fund is diversified across a range of investment grade debt securities from a variety of sectors and geographies. The fund's investment approach is based on the principle that returns from corporate bond markets are driven by a combination of macroeconomic, asset class, sector, geographic and stock-level factors. As different factors dominate returns at different stages of the economic cycle, the fund manager applies a flexible investment approach, changing the blend of

duration and credit exposure in the portfolio to weight them appropriately. The fund manager also maintains a low duration profile through the fund's bias towards short-dated corporate bonds, in order to limit the effect of interest rate movements on the fund's capital value.

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

Benchmark

Benchmark: Markit iBoxx EUR Corporates 1-3 year Index (GBP Hedged).

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

The fund is actively managed.

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

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

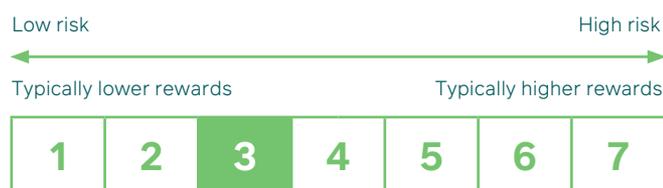
For currency hedged share classes, the benchmark is hedged to the share class currency.

Authorised Corporate Director's Report

Risk profile

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

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



The above number:

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

Investment review

For the year ended 31 May 2023

Performance against objective

The M&G Short Dated Corporate Bond Fund delivered a positive total return (the combination of income and growth of capital) across all share classes. The fund was ahead of its benchmark, the Markit iBoxx EUR Corporates 1-3 year Index (GBP-hedged), which increased by 0.5% over the same period.

Annualised performance over five years has been positive across the fund's share classes and was ahead of the benchmark Markit iBoxx EUR Corporates 1-3 year Index (GBP Hedged), which returned 0.6% pa over the period. The fund has therefore met its objective.

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

Performance review

The period under review saw unprecedented volatility across global bond markets, with the majority of fixed income assets delivering negative returns.

The concerted action by major central banks to stem inflationary pressure pushed benchmark rates (the rate central banks lend to other commercial banks) in the UK and the US up to around 5% from a low of around 1% at the start of the review period.

The effect of this large rise in interest rates caused bond yields (which move inversely to bond prices) to soar, most notably at the front end of the yield curve, which plots the yield of government bonds with different maturities.

Among the asset classes, developed market government bonds fared poorly, as rising inflation led to expectations of more interest rate hikes. The UK underperformed the US and Europe. Meanwhile, investment grade corporate bonds were also weak during the period, with all the major regions posting negative returns and with the UK market lagging its peers.

By comparison, short-dated investment grade bonds, with 1-3 years until maturity, delivered a positive return. These bonds have a smaller interest rate risk (also known as duration and expressed in years), which is less sensitive to changes in rates.

Other asset classes that proved more resilient in the rising interest rate environment were floating rate notes (FRNs) and asset-backed securities (ABS). FRNs are debt instruments providing coupons (periodic interest payments) that fluctuate with interest rates and thus protecting investors from rising rates. Similarly, most ABS are floating rate in nature and may benefit when interest rates rise. ABS are bonds backed by assets that produce regular cashflows, such as credit card receivables, car and mortgage loans.

Against this backdrop, the fund delivered a positive return over the review period and outperformed its benchmark. The biggest driver of outperformance was the fund's yield curve positioning (the yield curve is a

Authorised Corporate Director's Report

graphical representation of the interest rates on debt for a range of maturities, in particular our large underweight (below benchmark) duration positioning in euro-denominated corporate bonds.

At the sector level, our off-benchmark allocations to securitised debt, such as ABS, contributed positively to performance, as did our credit default swap (CDS) positions. One of the fund's key convictions is within high-quality, floating rate ABS. We favour 'national champions' like blue-chip banks and finance companies with robust balance sheets. Elsewhere, our underweight exposure to the industrial sector and security selection in financials weighed on performance.

Our foreign currency exposure was the biggest drag on performance. As the dollar and euro strengthened against sterling, the fund was unable to benefit as it hedges all its currency exposure.

Investment activities

As bond prices fell in a weak credit market early in the period, we added lower-rated banks, corporate hybrid bonds and a small position in high yield bonds using credit default swaps (CDS), financial instruments that allow an investor to transfer any default risk of a bond to another investor.

Following an improvement in investor sentiment in the summer, we added credit risk to the portfolio, opting for defensive sectors in the secondary market, including insurance, materials and chemicals.

Later, as the summer rally in bond markets tapered off, we used the weakness in credit spreads to add some new issues in the primary market such as German utility E.ON, US life insurer MetLife, Dutch insurer ING and UK bank Barclays.

In late September, there was significant volatility in the gilts (UK government bonds) market following the government's mini-budget announcement. We selectively added issues that looked attractive after the subsequent rout in gilt markets. These included Coventry Building Society and airport operators Heathrow and Gatwick in the secondary market.

Moreover, we added several banking and insurance names in the primary market.

Towards the end of 2022, we increased our banking and financial positions and identified opportunities in other UK credit names such as holiday resort provider Center Parcs and automotive services companies RAC and The AA. We also increased our UK residential mortgage-backed securities holdings as we felt the sector had lagged other asset classes.

In 2023, we continued to add new issues within financials as the sector forms the core part of our sector positioning. Nevertheless, in response to the banking turmoil in mid-March, we reduced the fund's credit risk by opting to use CDS indices.

Towards the end of the period, we purchased new issues that we believe look attractive.

Outlook

The macroeconomic picture remains very bifurcated. From one side, growth remains low or even negative; Germany has now posted two consecutive quarters of negative real gross domestic product (GDP), an inflation-adjusted measure of the value of goods and services produced in a country. On the other hand, labour markets remain historically tight and this in turn continues to support consumption.

The risk, however, is that central banks overtighten without realising that inflation is falling more than anticipated. Higher real rates together with tighter fiscal policy could finally impact labour markets and push economies into recession.

Authorised Corporate Director's Report

Investment grade bond investors should benefit from the duration component of their investments (ie sensitivity to interest rates) as rates will most likely start to fall should we enter into a recession. Finally, current yields should provide a good cushion against future uncertainty while the likely reduction in new issues (from lower supply) will create a positive technical factor for the corporate bond market.

Matthew Russell

Fund manager

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

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

Portfolio statement

Investments

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income	401,993	97.91	96.23
Debt securities	401,256	97.73	96.04
'AAA' credit rated bonds	100,311	24.43	29.21
€1,151,000 Avoca XXV FRN 4.137% 15/10/2034	962	0.23	
£4,000,000 Bank of Nova Scotia FRN 5.0727% 09/03/2027	4,000	0.97	
£1,100,000 Barclays Bank FRN 5.0966% 16/11/2027	1,105	0.27	
€1,350,000 Cairn XIV FRN 4.242% 29/10/2034	1,128	0.27	
£1,343,364 Canada Square Funding 2021-1 FRN 5.2005% 17/06/2058	1,335	0.32	
£661,145 Castell 2020-1 FRN 5.7059% 25/03/2053	661	0.16	
£1,726,065 Castell 2021-1 FRN 5.2859% 25/11/2053	1,717	0.42	
£4,014,000 Clydesdale Bank FRN 4.8931% 22/03/2026	4,022	0.98	
£2,500,000 Commonwealth Bank of Australia FRN 5.4075% 01/11/2028	2,535	0.62	
£1,895,000 Coventry Building Society FRN 4.7292% 14/03/2028	1,892	0.46	
£1,188,773 Elstree Funding No. 1 FRN 5.835% 20/12/2053	1,189	0.29	
€1,998,571 Glenbeigh 2 Issuer FRN 3.752% 24/03/2046	1,718	0.42	
£329,004 Holmes Master Issuer FRN 4.9357% 15/10/2054	329	0.08	
£1,600,000 Holmes Master Issuer FRN 4.9457% 15/10/2072	1,604	0.39	
£1,046,960 Hops Hill No. 1 FRN 5.385% 27/05/2054	1,045	0.25	
£4,156,000 Hops Hill No. 3C FRN 5.4314% 21/12/2055	4,135	1.01	
US\$3,800,000 International Bank for Reconstruction & Development FRN 5.3742% 22/11/2028	3,047	0.74	
€947,375 Jubilee Place 2021-1 FRN 4.007% 17/07/2058	818	0.20	
£1,993,144 Jupiter Mortgage No. 1 FRN 5.174% 20/07/2060	1,989	0.48	
£824,131 Lanebrook Mortgage Transaction 2021-1 FRN 5.024% 20/07/2058	815	0.20	
£3,400,000 Lloyds Bank 6% 08/02/2029	3,559	0.87	
£1,410,218 Mortimer BTL 2021-1 FRN 4.9676% 23/06/2053	1,391	0.34	
£1,187,771 Mortimer BTL 2022-1 FRN 5.3286% 23/03/2054	1,183	0.29	
£4,037,000 National Australia Bank FRN 5.029% 17/06/2026	4,037	0.98	
£2,800,000 Nationwide Building Society FRN 4.8522% 24/02/2031	2,740	0.67	
£2,428,000 Pierpont BTL 2023-1 FRN 5.5312% 21/09/2054	2,428	0.59	
£337,009 Precise Mortgage Funding 2020-1B FRN 5.3494% 16/10/2056	336	0.08	
US\$4,700,000 RIN II FRN 6.7747% 10/09/2030	3,752	0.91	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income (continued)			
Debt securities (continued)			
'AAA' credit rated bonds (continued)			
£4,500,000 Royal Bank of Canada FRN 5.1185% 18/01/2028	4,515	1.10	
£4,000,000 Royal Bank of Canada FRN 5.3852% 22/10/2026	4,051	0.99	
£2,200,000 Santander FRN 4.9865% 12/02/2027	2,199	0.54	
£254,975 Satus 2021-1 FRN 5.1285% 17/08/2028	255	0.06	
£1,269,603 Stratton Mortgage Funding 2021-1 FRN 5.1487% 25/09/2051	1,266	0.31	
£2,706,476 Stratton Mortgage Funding 2021-3 FRN 4.9209% 12/12/2043	2,686	0.65	
£2,408,513 Taurus 2021-4 FRN 5.3994% 17/08/2031	2,334	0.57	
£554,980 Together Asset Backed Securitisation 2019-1 FRN 5.6813% 15/07/2061	555	0.14	
£1,355,078 Together Asset Backed Securitisation 2020-1 FRN 5.8613% 15/12/2061	1,357	0.33	
£3,029,974 Together Asset Backed Securitisation 2021-1st1 FRN 5.0517% 12/07/2063	3,003	0.73	
£1,762,980 Towd Point Mortgage Funding 2019-Auburn 13 FRN 5.724% 20/07/2045	1,761	0.43	
£969,203 Towd Point Mortgage Funding 2019-Vantage 2 FRN 6.2519% 20/02/2054	969	0.24	
£1,141,858 Tower Bridge Funding 2021-1 FRN 5.2768% 21/07/2064	1,140	0.28	
£1,094,224 Tower Bridge Funding 2021-2 FRN 5.2319% 20/11/2063	1,089	0.27	
£3,637,856 Tower Bridge Funding 2022-1 FRN 4.9821% 20/12/2063	3,613	0.88	
£1,526,000 Tower Bridge Funding 2023-1 FRN 5.874% 20/10/2064	1,534	0.37	
£5,568,000 TSB Bank FRN 5.0411% 14/02/2027	5,574	1.36	
£2,810,778 Tudor Rose Mortgages FRN 4.8621% 20/06/2048	2,793	0.68	
£2,265,442 Twin Bridges 2021-1 FRN 5.0709% 12/03/2055	2,251	0.55	
€2,255,000 Voya Euro III FRN 4.097% 15/04/2033	1,894	0.46	
'AA' credit rated bonds	72,580	17.68	16.20
£746,000 Jupiter Mortgage No. 1 FRN 5.774% 20/07/2060	743	0.18	
£2,672,000 Metropolitan Life Global Funding I 1.625% 12/10/2028	2,187	0.53	
£1,643,000 Metropolitan Life Global Funding I 4.125% 02/09/2025	1,583	0.39	
£3,629,000 New York Life Global Funding 1.25% 17/12/2026	3,115	0.76	
£1,791,000 New York Life Global Funding 1.625% 15/12/2023	1,753	0.43	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income (continued)			
Debt securities (continued)			
'AA' credit rated bonds (continued)			
£341,141 Telereal Securitisation 1.3657% 10/12/2031	289	0.07	
£65,000,000 UK Treasury 1% 22/04/2024	62,910	15.32	
'A' credit rated bonds			
	56,874	13.85	14.65
€2,800,000 Bank of America FRN 3.892% 22/09/2026	2,406	0.59	
US\$1,628,000 Bank of America FRN 6.1492% 25/04/2025	1,337	0.33	
US\$100,000 Bank of America Var. Rate 3.841% 25/04/2025	79	0.02	
£4,500,000 Banque Fédérative du Crédit Mutuel 4.875% 25/09/2025	4,388	1.07	
£2,942,000 BMW International Investment 0.75% 08/03/2024	2,846	0.69	
€1,601,000 Booking 4% 15/11/2026	1,402	0.34	
US\$2,167,000 Cargill 3.5% 22/04/2025	1,706	0.41	
€2,788,000 Comcast 0% 14/09/2026	2,146	0.52	
€3,500,000 Crédit Agricole 3.375% 28/07/2027	2,977	0.72	
€4,600,000 EssilorLuxottica 0.125% 27/05/2025	3,724	0.91	
US\$2,200,000 Henkel & Co 1.75% 17/11/2026	1,599	0.39	
£3,400,000 ING Var. Rate 5% 30/08/2026	3,310	0.81	
US\$6,100,000 JPMorgan Chase Var. Rate 2.301% 15/10/2025	4,708	1.15	
€1,924,000 Medtronic Global 0% 15/10/2025	1,529	0.37	
US\$4,000,000 Mercedes-Benz Finance North America FRN 5.905% 30/03/2025	3,240	0.79	
US\$2,700,000 Morgan Stanley FRN 5.6826% 24/01/2025	2,172	0.53	
£1,661,000 NatWest Markets 6.375% 08/11/2027	1,681	0.41	
US\$1,376,000 NatWest Markets FRN 6.4085% 22/03/2025	1,107	0.27	
£3,282,000 Nestlé 2.125% 04/04/2027	2,943	0.72	
€1,903,000 PepsiCo 0.25% 06/05/2024	1,593	0.39	
US\$4,000,000 Pfizer Investment Enterprises 4.45% 19/05/2026	3,217	0.78	
US\$2,318,447 Slam 2021-1 2.434% 15/06/2046	1,633	0.40	
£1,928,000 Toyota Motor Credit 0.75% 19/11/2026	1,644	0.40	
£2,251,000 Toyota Motor Finance 4.625% 08/06/2026	2,194	0.53	
US\$1,615,000 UBS FRN 5.5355% 09/08/2024	1,293	0.31	
'BBB' credit rated bonds			
	153,132	37.30	30.87
£3,800,000 AA Bond 6.269% 31/07/2025	3,663	0.89	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
£500,000 AA Bond 8.45% 31/01/2028	492	0.12	
US\$205,249 AASET 2017-1 Trust 3.967% 16/05/2042	134	0.03	
US\$1,764,000 AerCap Ireland Capital 2.45% 29/10/2026	1,268	0.31	
€2,920,000 AIB Var. Rate 5.75% 16/02/2029	2,612	0.64	
US\$2,500,000 American Express FRN 5.8439% 13/02/2026	2,011	0.49	
US\$615,000 Amphenol 4.75% 30/03/2026	495	0.12	
US\$2,222,000 AT&T 5.539% 20/02/2026	1,796	0.44	
US\$3,800,000 Banco Bilbao Vizcaya Argentaria Var. Rate 5.862% 14/09/2026	3,048	0.74	
£2,800,000 Banco Santander Var. Rate 2.25% 04/10/2032	2,257	0.55	
€997,000 Bank of Ireland Var. Rate 4.875% 16/07/2028	870	0.21	
US\$940,000 Barclays Var. Rate 5.501% 09/08/2028	747	0.18	
£883,000 Barclays Var. Rate 6.369% 31/01/2031	868	0.21	
US\$4,500,000 Barclays Var. Rate 7.325% 02/11/2026	3,763	0.92	
£3,700,000 BPCE 6.125% 24/05/2029	3,621	0.88	
£1,300,000 CaixaBank Var. Rate 3.5% 06/04/2028	1,150	0.28	
US\$1,710,000 CaixaBank Var. Rate 6.208% 18/01/2029	1,376	0.34	
US\$5,000,000 Celanese 6.165% 15/07/2027	4,054	0.99	
£1,902,000 Citigroup 2.75% 24/01/2024	1,867	0.45	
US\$2,700,000 Citigroup FRN 6.4754% 17/03/2026	2,200	0.54	
US\$1,159,000 CNH Industrial Capital 3.95% 23/05/2025	911	0.22	
€1,900,000 Coca-Cola HBC Finance 1% 14/05/2027	1,484	0.36	
€2,880,000 Corning 3.875% 15/05/2026	2,485	0.61	
£3,700,000 CPUK Finance 3.588% 28/08/2025	3,464	0.84	
US\$2,800,000 Daimler Trucks Finance FRN 5.9969% 05/04/2024	2,267	0.55	
£4,000,000 Deutsche Pfandbriefbank 7.625% 08/12/2025	3,857	0.94	
€1,942,000 E.ON 2.875% 26/08/2028	1,631	0.40	
€3,400,000 EnBW International Finance 3.5% 24/07/2028	2,913	0.71	
€2,422,000 Enel Var. Rate 1.375% Perpetual	1,696	0.41	
US\$1,289,000 Enel Finance International 6.8% 14/10/2025	1,071	0.26	
£3,800,000 FirstGroup 6.875% 18/09/2024	3,787	0.92	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
£1,750,000	Fiserv 2.25% 01/07/2025	1,629	0.40
€2,915,000	Fraport Frankfurt Airport Services Worldwide 1.625% 09/07/2024	2,454	0.60
£842,000	Gatwick Funding 5.25% 23/01/2024	838	0.20
US\$4,100,000	General Motors Financial FRN 6.2842% 17/11/2023	3,309	0.81
US\$3,762,000	Goldman Sachs FRN 6.2041% 24/02/2028	2,998	0.73
US\$2,085,000	Goldman Sachs FRN 6.7706% 15/03/2028	1,708	0.42
£1,181,000	Hiscox 6% 22/09/2027	1,174	0.29
€1,900,000	Infineon Technologies 0.75% 24/06/2023	1,637	0.40
£4,600,000	Informa 3.125% 05/07/2026	4,203	1.02
€2,234,000	InterContinental Hotels 1.625% 08/10/2024	1,865	0.45
€2,700,000	Intesa Sanpaolo 4.75% 06/09/2027	2,340	0.57
£2,800,000	KBC Var. Rate 1.25% 21/09/2027	2,392	0.58
€2,308,000	Kraft Heinz Foods FRN 3.812% 09/05/2025	1,995	0.49
£2,829,000	Leeds Building Society Var. Rate 1.5% 16/03/2027	2,461	0.60
£3,971,000	Lloyds Banking Var. Rate 1.875% 15/01/2026	3,698	0.90
£1,444,000	Lloyds Banking Var. Rate 1.985% 15/12/2031	1,217	0.30
US\$1,800,000	Lloyds Banking Var. Rate 3.511% 18/03/2026	1,391	0.34
€1,100,000	Mercialis 4.625% 07/07/2027	901	0.22
US\$4,600,000	Nationwide Building Society FRN 6.3749% 16/02/2028	3,576	0.87
£1,624,000	Nationwide Building Society Var. Rate 6.178% 07/12/2027	1,609	0.39
US\$1,429,000	NextEra Energy Capital 6.051% 01/03/2025	1,168	0.28
US\$1,658,000	Pacific Gas and Electric 4.95% 08/06/2025	1,317	0.32
US\$582,000	Pennsylvania Electric 5.15% 30/03/2026	467	0.11
£4,500,000	RAC Bond 4.87% 06/05/2026	4,098	1.00
€4,500,000	RWE 2.75% 24/05/2030	3,603	0.88
£3,800,000	Scottish Widows 5.5% 16/06/2023	3,797	0.92
€3,000,000	Signify 2% 11/05/2024	2,532	0.62
£2,007,000	Southern Water Services Finance 1.625% 30/03/2027	1,705	0.42
US\$1,228,000	Standard Chartered Var. Rate 6.301% 09/01/2029	1,005	0.24
£1,100,000	Tesco 3.5419% 05/11/2025	2,242	0.55

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
US\$2,500,000 T-Mobile USA 4.95% 15/03/2028	2,013	0.49	
€2,500,000 UniCredit Var. Rate 4.8% 17/01/2029	2,171	0.53	
€2,570,000 UniCredit Var. Rate 5.85% 15/11/2027	2,272	0.55	
€1,100,000 Vier Gas Transport 4% 26/09/2027	960	0.23	
£2,200,000 Volkswagen Financial Services 5.5% 07/12/2026	2,145	0.52	
€3,900,000 Volkswagen International Finance Var. Rate 3.748% Perpetual	2,945	0.72	
€1,200,000 Vonovia 0.375% 16/06/2027	859	0.21	
US\$1,750,000 Warnermedia FRN 6.7006% 15/03/2024	1,419	0.35	
US\$4,600,000 Wells Fargo Var. Rate 2.188% 30/04/2026	3,495	0.85	
£1,900,000 Wells Fargo Var. Rate 3.473% 26/04/2028	1,708	0.42	
£4,250,000 Whitbread 3.375% 16/10/2025	3,958	0.96	
'BB' credit rated bonds	14,860	3.62	3.07
£2,000,000 Coventry Building Society Var. Rate 6.875% Perpetual	1,801	0.44	
€2,378,000 Ford Motor Credit 4.867% 03/08/2027	1,999	0.48	
US\$1,884,000 General Electric Var. Rate 8.1963% Perpetual	1,519	0.37	
£4,500,000 Marks & Spencer 3.75% 19/05/2026	4,094	1.00	
£2,000,000 Santander Var. Rate 6.75% Perpetual	1,856	0.45	
€2,157,000 Teva Pharmaceutical Finance Netherlands II 7.375% 15/09/2029	1,878	0.46	
€2,000,000 Vodafone Var. Rate 3.1% 03/01/2079	1,713	0.42	
'B' credit rated bonds	3,499	0.85	1.21
US\$4,600,000 Iliad 6.5% 15/10/2026	3,499	0.85	
Bonds with no credit rating	0	0.00	0.83
Debt derivatives	737	0.18	0.19
Credit default swaps	737	0.18	0.19
€4,400,000 Markit iTraxx Europe Crossover Series 38 V1 5 Year Dec 2027	146	0.04	
€63,000,000 Markit iTraxx Europe Series 38 V1 5 Year Dec 2027	554	0.13	
€5,400,000 Marks & Spencer Jun 2026	37	0.01	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Currency	1,226	0.30	(0.03)
Forward currency contracts	1,226	0.30	(0.03)
€1,412,126 Bought for £1,235,869 (expires 01.06.23)	(16)	0.00	
€(81,569,957) Sold for £72,055,292 (expires 01.06.23)	1,622	0.39	
€(80,157,831) Sold for £69,394,077 (expires 21.06.23)	131	0.03	
US\$565,227 Bought for £447,719 (expires 01.06.23)	9	0.00	
US\$(103,552,978) Sold for £83,705,892 (expires 21.06.23)	(12)	0.00	
US\$(104,118,204) Sold for £83,703,221 (expires 01.06.23)	(508)	(0.12)	
Total portfolio	403,219	98.21	96.20
Net other assets/(liabilities)	7,351	1.79	3.80
Net assets attributable to shareholders	410,570	100.00	100.00

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

Portfolio statement

Top ten portfolio transactions for the year to 31 May 2023

Largest purchases	£'000
UK Treasury 1% 22/04/2024	63,136
UK Treasury 0.75% 23/07/2022	34,513
TSB Bank FRN 5.0411% 14/02/2027	5,568
Royal Bank of Canada FRN 5.1185% 18/01/2028	4,513
Banque Fédérative du Crédit Mutuel 4.875% 25/09/2025	4,487
Marks & Spencer 6% 12/06/2025	4,482
Celanese 6.165% 15/07/2027	4,167
Hops Hill No. 3C FRN 5.4314% 21/12/2055	4,135
Marks & Spencer 3.75% 19/05/2026	4,102
RAC Bond 4.87% 06/05/2026	4,080
Other purchases	209,628
Total purchases	342,811

Largest sales	£'000
UK Treasury 0.75% 23/07/2022	34,532
UK Treasury 0.125% 31/01/2023	19,856
UK Treasury 0.5% 22/07/2022	8,997
Marks & Spencer 6% 12/06/2025	4,451
UK Treasury 1.75% 07/09/2022	4,000
RL Finance Bonds No. 2 Var. Rate 6.125% 30/11/2043	3,800
Heathrow Funding 7.125% 14/02/2024	3,460
BNP Paribas 3.5% 01/03/2023	3,393
Germany (Federal Republic of) IL 0.1% 15/04/2023	3,299
Hiscox 2% 14/12/2022	3,237
Other sales	72,352
Total sales	161,377

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	+1.7	+1.1	+1.2	+1.6
Class 'A' Accumulation	n/a	n/a	n/a	n/a
Class 'I' Income	+2.0	+1.3	+1.4	+1.7
Class 'I' Accumulation	+2.0	+1.3	n/a	n/a
Class 'PP' Income	+2.1	+1.4	n/a	n/a
Class 'PP' Accumulation	+2.1	+1.4	n/a	n/a
Benchmark	+0.5	+0.4	+0.6	n/a^b

^a Not annualised.

^b The comparator benchmark was introduced on 13 March 2018. Before this date, the fund was not managed with reference to the Markit iBoxx EUR Corporates 1-3 year Index (GBP Hedged).

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 29 January 1993.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	25.12	25.96	25.39
Return before operating charges	0.46	(0.38)	1.04
Operating charges	(0.12)	(0.13)	(0.13)
Return after operating charges	0.34	(0.51)	0.91
Distributions	(0.87)	(0.33)	(0.34)
Closing NAV	24.59	25.12	25.96
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.50	0.50	0.50
Return after charges	+1.35	-1.96	+3.58
Other information			
Closing NAV (£'000)	36,358	43,466	51,553
Number of shares	147,861,659	173,023,568	198,558,032
Highest share price (UK p)	25.23	26.10	26.12
Lowest share price (UK p)	24.24	25.16	25.41

Sterling Class 'A' Accumulation share performance

The share class was launched on 27 April 2023.

for the period to 31 May	2023
Change in NAV per share	UK p
Opening NAV	100.00
Return before operating charges	(0.23)
Operating charges	(0.06)
Return after operating charges	(0.29)
Distributions	(0.37)
Retained distributions	0.37
Closing NAV	99.71
Direct transaction costs	UK p
Costs before dilution adjustments	0.00
Dilution adjustments	0.00
Total direct transaction costs	0.00
Performance and charges	%
Direct portfolio transaction costs	0.00
Operating charges	0.50
Return after charges	-0.29
Other information	
Closing NAV (£'000)	186
Number of shares	186,523
Highest share price (UK p)	100.27
Lowest share price (UK p)	99.71

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 9 November 2012.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,014.89	1,046.28	1,021.76
Return before operating charges	18.69	(15.49)	42.07
Operating charges	(2.51)	(2.62)	(3.76)
Return after operating charges	16.18	(18.11)	38.31
Distributions	(35.14)	(13.28)	(13.79)
Closing NAV	995.93	1,014.89	1,046.28
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.25	0.25	0.36
Return after charges	+1.59	-1.73	+3.75
Other information			
Closing NAV (£'000)	301,298	176,166	178,309
Number of shares	30,253,066	17,358,096	17,042,166
Highest share price (UK p)	1,020.84	1,052.50	1,051.59
Lowest share price (UK p)	980.18	1,016.22	1,022.59

Sterling Class 'I' Accumulation share performance

The share class was launched on 15 May 2020.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	102.30	104.12	100.35
Return before operating charges	1.93	(1.56)	4.04
Operating charges	(0.26)	(0.26)	(0.27)
Return after operating charges	1.67	(1.82)	3.77
Distributions	(3.33)	(1.07)	(0.99)
Retained distributions	3.33	1.07	0.99
Closing NAV	103.97	102.30	104.12
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.25	0.25	0.26
Return after charges	+1.63	-1.75	+3.76
Other information			
Closing NAV (£'000)	22,356	2,727	2,222
Number of shares	21,502,385	2,665,244	2,134,206
Highest share price (UK p)	104.53	104.74	104.26
Lowest share price (UK p)	99.37	102.00	100.43

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	98.25	101.18	98.71
Return before operating charges	1.81	(1.49)	4.06
Operating charges	(0.15)	(0.15)	(0.26)
Return after operating charges	1.66	(1.64)	3.80
Distributions	(3.40)	(1.29)	(1.33)
Closing NAV	96.51	98.25	101.18
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.15	0.15	0.25
Return after charges	+1.69	-1.62	+3.85
Other information			
Closing NAV (£'000)	14,725	9,102	194
Number of shares	15,256,798	9,264,779	192,148
Highest share price (UK p)	98.89	101.81	101.66
Lowest share price (UK p)	94.92	98.37	98.79

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	104.15	105.89	101.96
Return before operating charges	1.96	(1.58)	4.17
Operating charges	(0.16)	(0.16)	(0.24)
Return after operating charges	1.80	(1.74)	3.93
Distributions	(3.50)	(1.19)	(1.11)
Retained distributions	3.50	1.19	1.11
Closing NAV	105.95	104.15	105.89
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.15	0.15	0.25
Return after charges	+1.73	-1.64	+3.85
Other information			
Closing NAV (£'000)	35,647	784	138
Number of shares	33,645,998	753,136	130,359
Highest share price (UK p)	106.51	106.54	106.03
Lowest share price (UK p)	101.20	103.83	102.04

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 May	Note	2023		2022	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	3		(3,764)		(6,160)
Revenue	5	12,248		2,857	
Expenses	6	(913)		(680)	
Interest payable and similar charges		(2)		(3)	
Net revenue/(expense) before taxation		11,333		2,174	
Taxation	7	(35)		(9)	
Net revenue/(expense) after taxation			11,298		2,165
Total return before distributions			7,534		(3,995)
Distributions	8		(12,165)		(2,841)
Change in net assets attributable to shareholders from investment activities			(4,631)		(6,836)

Statement of change in net assets attributable to shareholders

for the year to 31 May	2023		2022	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		232,245		232,416
Amounts received on issue of shares	277,913		48,673	
Amounts paid on cancellation of shares	(96,695)		(42,131)	
		181,218		6,542
Dilution adjustments		501		95
Change in net assets attributable to shareholders from investment activities (see above)		(4,631)		(6,836)
Retained distributions on Accumulation shares		1,233		27
Unclaimed distributions		4		1
Closing net assets attributable to shareholders		410,570		232,245

Financial statements and notes

Financial statements

Balance sheet

as at 31 May	Note	2023 £'000	2022 £'000
Assets			
Fixed assets			
Investments		403,755	224,117
Current assets			
Debtors	9	158,655	1,430
Cash and bank balances	10	3,591	2,716
Cash equivalents		3,442	6,166
Total assets		569,443	234,429
Liabilities			
Investment liabilities		(536)	(692)
Creditors			
Overdrawn positions at futures clearing houses and collateral manager		(872)	0
Distribution payable		(3,975)	(981)
Other creditors	11	(153,490)	(511)
Total liabilities		(158,873)	(2,184)
Net assets attributable to shareholders		410,570	232,245

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 31 May	2023 £'000	2022 £'000
Non-derivative securities	(4,266)	(2,652)
Derivative contracts	2,593	(3,300)
Currency gains/(losses)	(2,091)	(208)
Net capital gains/(losses)	(3,764)	(6,160)

Financial statements and notes

4 Portfolio transactions and associated costs

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

for the year to 31 May	2023 £'000	2022 £'000
a) Purchases		
Debt securities	342,811	133,639
b) Sales		
Debt securities	154,906	132,040
Other transaction types		
Corporate actions	6,471	1,438
Total sales	161,377	133,478
		%
c) Indirect portfolio transaction costs		
Average portfolio dealing spread as at the balance sheet date	0.33	0.29

5 Revenue

for the year to 31 May	2023 £'000	2022 £'000
Bank interest	5	1
Derivative revenue	674	246
Interest distributions	263	14
Interest on debt securities	11,300	2,593
Rebate of ongoing charges from underlying funds	6	3
Total revenue	12,248	2,857

6 Expenses

for the year to 31 May	2023 £'000	2022 £'000
Payable to the ACD or associate		
Annual charge	913	680
Total expenses	913	680

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

Financial statements and notes

7 Taxation

for the year to 31 May	2023 £'000	2022 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	35	9
Deferred tax (note 7c)	0	0
Total taxation	35	9
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	11,333	2,174
Corporation tax at 20%	2,267	435
Effects of:		
Interest distributions	(2,267)	(435)
Withholding tax	35	9
Total tax charge (note 7a)	35	9
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).

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 31 May	2023		2022	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Interest distributions				
First interim	1,519	24	650	6
Second interim	2,701	167	614	4
Third interim	3,572	422	622	4
Final	3,975	620	982	13
Total net distributions	13,000		2,895	
Income deducted on cancellation of shares	541		49	
Income received on issue of shares	(1,376)		(103)	
Distributions	12,165		2,841	
Net revenue/(expense) per statement of total return	11,298		2,165	
Expenses offset against capital	867		676	
Distributions	12,165		2,841	

Financial statements and notes

9 Debtors

as at 31 May	2023 £'000	2022 £'000
Amounts receivable on issues of shares	1,594	0
Currency deals outstanding	153,087	249
Debt security interest receivable	3,802	1,085
Derivative revenue receivable	144	93
Distributions receivable	28	3
Total debtors	158,655	1,430

10 Cash and bank balances

as at 31 May	2023 £'000	2022 £'000
Amounts held at futures clearing houses and collateral manager	1,965	2,100
Cash held as bank balances	1,626	616
Total cash and bank balances	3,591	2,716

11 Other creditors

as at 31 May	2023 £'000	2022 £'000
Amounts payable on cancellation of shares	237	235
Annual charge payable	47	28
Currency deals outstanding	153,206	248
Total other creditors	153,490	511

12 Contingent assets, liabilities and outstanding commitments

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

Financial statements and notes

13 Shares in issue

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

Share class	Opening 01.06.22	Issued	Movements Cancelled	Converted	Closing 31.05.23
Sterling					
Class 'A' Income	173,023,568	43,670,902	(68,832,811)	0	147,861,659
Class 'A' Accumulation	0	192,523	(6,000)	0	186,523
Class 'I' Income	17,358,096	19,890,445	(6,995,475)	0	30,253,066
Class 'I' Accumulation	2,665,244	22,787,930	(3,950,789)	0	21,502,385
Class 'PP' Income	9,264,779	8,698,283	(2,706,264)	0	15,256,798
Class 'PP' Accumulation	753,136	35,832,741	(2,939,879)	0	33,645,998

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'	0.50
Class 'I'	0.25
Class 'PP'	0.15

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 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.

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 1.89% (2022: 17.42%) of the fund's shares.

Financial statements and notes

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 31 May	Assets 2023 £'000	Liabilities 2023 £'000	Assets 2022 £'000	Liabilities 2022 £'000
Level 1	62,910	0	33,705	0
Level 2	340,845	(536)	188,198	(692)
Level 3	0	0	2,214	0
	403,755	(536)	224,117	(692)

17 Risk management policies

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

18 Market risk sensitivity and exposure

VaR is the risk measurement methodology used to assess the fund's leverage and market risk volatility. 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 31 May 2023 was 11% (2022: 11%).

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 31 May 2023 and 31 May 2022.

for the year to 31 May	2023 % of VaR	2023 Utilisation of VaR 11%	2022 % of VaR	2022 Utilisation of VaR 11%
Lowest	0.82	7.45	0.40	3.64
Highest	1.97	17.91	0.94	8.55
Average	1.52	13.79	0.56	5.13

Financial statements and notes

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 31 May	2023 £'000	2022 £'000
Investment grade securities	382,897	211,186
Below investment grade securities	18,359	9,934
Unrated securities	0	1,936
Other investments	1,963	369
Total	403,219	223,425

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 31 May 2023	Swaps £'000	Forward currency contracts £'000
Barclays Bank	700	1,622
Citigroup	0	(16)
JPMorgan	37	0
Merrill Lynch	0	131
Royal Bank of Canada	0	(12)
Standard Chartered Bank	0	9
State Street Bank	0	(508)
Total	737	1,226

as at 31 May 2022	Swaps £'000	Forward currency contracts £'000
Barclays Bank	428	332
HSBC	0	2
JPMorgan	0	(6)
Merrill Lynch	0	5
Standard Chartered Bank	0	30
State Street Bank	0	(418)
UBS	0	(4)
Total	428	(59)

Financial statements and notes

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 31 May 2023 and 31 May 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 31 May	2023 £'000	2023 %	2022 £'000	2022 %
Lowest	131,215	48.99	90,608	40.79
Highest	524,817	141.13	323,667	400.00
Average	202,594	61.33	127,673	61.61

21 Interest distribution tables

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

Quarterly distribution periods

	Start	End	Xd	Payment
First interim	01.06.22	31.08.22	01.09.22	31.10.22
Second interim	01.09.22	30.11.22	01.12.22	31.01.23
Third interim	01.12.22	28.02.23	01.03.23	30.04.23
Final	01.03.23	31.05.23	01.06.23	31.07.23

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.

Financial statements and notes

Sterling Class 'A' Income shares

Interest distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.0870	0.0550	0.1420	0.0758
Second interim	0.0925	0.1048	0.1973	0.0696
Third interim	0.1203	0.1315	0.2518	0.0759
Final	0.1264	0.1511	0.2775	0.1079

Sterling Class 'A' Accumulation shares

Interest distributions for the period to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	n/a	n/a	n/a	n/a
Second interim	n/a	n/a	n/a	n/a
Third interim	n/a	n/a	n/a	n/a
Final	0.0737	0.2929	0.3666	n/a

Sterling Class 'I' Income shares

Interest distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	2.7490	2.9893	5.7383	3.0553
Second interim	3.7933	4.1876	7.9809	2.8104
Third interim	3.5617	6.6264	10.1881	3.0603
Final	5.6324	5.6028	11.2352	4.3586

Sterling Class 'I' Accumulation shares

Interest distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.2322	0.2816	0.5138	0.2377
Second interim	0.1444	0.6022	0.7466	0.2153
Third interim	0.5050	0.4727	0.9777	0.2421
Final	0.6006	0.4936	1.0942	0.3711

Financial statements and notes

Sterling Class 'PP' Income shares

Interest distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.1670	0.3890	0.5560	0.2957
Second interim	0.0479	0.7247	0.7726	0.2720
Third interim	0.4952	0.4917	0.9869	0.2964
Final	0.5853	0.5033	1.0886	0.4219

Sterling Class 'PP' Accumulation shares

Interest distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.2462	0.3036	0.5498	0.2689
Second interim	0.2298	0.5557	0.7855	0.2455
Third interim	0.2880	0.7338	1.0218	0.2724
Final	0.5859	0.5556	1.1415	0.4047

22 Events after the balance sheet date

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

Authorised Corporate Director's Report

For the purposes of these financial statements, the Prospectus dated 6 March 2023 has been used.

Investment objective

The fund aims to provide:

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

* 70% FTSE All-Share Index and 30% FTSE Actuaries UK Conventional Gilts All Stocks Index.

Investment policy

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

The fund may invest in other transferable securities, including equities and equity-related instruments of non-UK companies, investment grade debt securities, and cash and near cash, directly or via funds (including funds managed by M&G). Debt securities are issued by companies, or issued or guaranteed by government or public issuers, located anywhere in the world, and will be denominated in GBP.

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

The fund employs a disciplined approach to investment, concentrating on analysis and selection of individual companies.

The fund typically invests in a diversified portfolio of high-yielding UK stocks. This means that there is generally a bias towards out-of-favour, undervalued stocks. From the universe of high-yielding stocks, the

fund manager identifies good-quality companies that are competitive, with a strong business franchise, healthy cashflows and that have attractive dividend growth prospects.

The fund manager also allocates part of the portfolio to debt securities. Investments in debt securities primarily aim to reduce the volatility of the fund, whilst providing an alternative stable source of income.

Benchmark

Yield – FTSE All-Share Index.

Total return – a composite index comprising:

- 70% FTSE All-Share Index
- 30% FTSE Actuaries UK Conventional Gilts All Stocks Index

The benchmarks are targets which the fund seeks to outperform, and have been chosen as they best reflect the scope of the fund's investment policy. The benchmarks are used solely to measure the fund's performance and do not constrain the fund's portfolio construction.

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

The total return benchmark is shown in the share class currency.

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

Authorised Corporate Director's Report

Risk profile

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

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



The above number:

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

Investment review

For the year ended 31 May 2023

Performance against objective

The fund achieved its objective of growing its income over the review period. As at 1 June 2023, the yield on the fund's Sterling Class 'A' and Sterling Class 'I' Income shares of around 5.9% was 58% above the FTSE All-Share Index yield of 3.7%, meeting the fund's target to exceed the index yield.

Three interim distributions of 6.6p per Sterling Class 'A' Income share were declared during the review period, followed by a final distribution of 18.83p. This resulted in a total distribution over the year of 38.63p, an increase of 9.0% on the previous year. For Sterling Class 'I' Income shares, the total distribution was 64.46p – a 9.4% increase on 2022.

Between 1 June 2022 (the start of the review period) and 31 May 2023, the fund registered a negative total

return (the combination of income and capital growth) of around -4.4% across all share classes. This was behind the benchmark composite index, which returned -4.3% over the period. The composite index comprises 70% of the FTSE All-Share Index and 30% of the FTSE Actuaries UK Conventional Gilts All Stocks Index.

Over five years, the fund delivered a positive total return across all share classes, ahead of the benchmark, which returned 1.2% pa over the period. Therefore, the fund achieved its objective of outperforming the benchmark over this period.

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

Performance review

The year under review was a turbulent one for global equity and fixed income markets, dominated by high inflation and rising interest rates. Internationally, the war in Ukraine brought continued uncertainty and exacerbated inflationary pressures while, at the UK level, September's mini-budget caused political and economic turmoil.

Markets rallied in late 2022 as inflation appeared to be easing and China announced plans to lift COVID restrictions: equities and corporate bonds gained as risk appetite began to return. However, volatility continued in 2023 as inflation fell more slowly than anticipated, bolstered by rising wages and core prices. While the UK struggled to control double-digit inflation throughout the period, the US looked more optimistic, raising hopes that the cycle of interest rate hikes may be nearing an end. However, markets were shaken in the spring by several US regional bank failures, sparking fears of a new banking crisis. Difficult negotiations over the US debt ceiling compounded the uncertainty.

Around 75% of the portfolio is made up of equities, which outperformed bonds over the review period. Despite challenging market conditions and a turbulent political backdrop domestically, the broad-market FTSE All-Share Index (accounting for 70% the fund's benchmark) rose slightly over the period. This was driven by the FTSE 100 (where the majority of the

Authorised Corporate Director's Report

fund's equity portion is invested), which reached an all-time high in February 2023 thanks to its constituent multinational blue-chips; these benefited from a weaker pound. The more domestically focused FTSE 250 and Smaller Companies indices were less resilient, and both suffered falls.

The equity segment of the portfolio lagged the FTSE All-Share Index in the period. Both sector allocation and stock selection contributed negatively overall. This was largely due to unfavourable security selection in the consumer discretionary and financials sectors, though choices in technology, basic materials and energy were beneficial for relative returns. Our underweight in industrials and overweight in telecommunications detracted.

The fund's largest holding, BP, was the top contributor over the period as high oil and gas prices boosted profits. Other notable contributors included technology firm Micro Focus International and comparison site MoneySupermarket – the latter performing well as consumers shopped around to reduce their bills.

Vodafone and insurer Direct Line were among the biggest detractors. GlaxoSmithKline also performed poorly following the spin-off of Haleon and the threat of legal claims over its banned Zantac drug.

Corporate bonds outperformed government bonds, but investors increasingly looked to equities to provide value and growth. UK government bonds (gilts) were among the weakest performers, given the uncertain economic outlook and persistent inflation, with longer-dated gilts faring the worst.

Against a very challenging backdrop for bond markets – in fact, 2022 was one of the worst years on record for the asset class – the bond segment of the portfolio held up very well. In the 12-month period to 31 May 2023, it was down by only 2.3%, compared to the FTSE Actuaries UK Conventional Gilts All Stocks Index, which fell sharply during the period and recorded a -15.7% return. The main reason for the stellar outperformance of the bond portion of the portfolio was the significantly lower interest duration position (ie sensitivity to movements in interest rates) compared to the index in a

year in which bond yields rose violently and longer-dated bonds were impacted more severely than their shorter-dated counterparts.

In addition, corporate bonds outperformed government bonds over the 12 months and those held by the fund boosted performance. The fund's defensive position in credit risk (ie, holding higher quality bonds) helped protect the portfolio from significant falls as credit spreads (the difference in yields between government bonds of similar maturities) widened.

Investment activities

Our equity purchases included Keller, the specialist ground engineering firm which we felt looked attractively valued. We also added small positions in NatWest Bank and telecoms giant BT: while the telecoms sector overall struggled, we felt BT offered decent dividends at a reasonable price. Three holdings exited the portfolio as a result of takeover activity – Go-Ahead, Micro Focus and Devro.

In bonds, we had deliberately built up a sizeable cash buffer of around 10% that allowed us to buy corporate bonds when markets weakened in 2022. In particular, we added bonds issued by major banks (eg Nationwide, ABN Amro, Santander) in the primary market, making use of the new issue premium. In addition, we added exposure to other sectors: utilities (eg Yorkshire Water), industrials (eg Toyota), real estate (eg Digital Stout) and insurance (eg Metropolitan Life).

Into the weakness of the gilt market in May 2023, we added 20-year gilts, bringing the fund's interest duration up to nearly three years. It should be noted, however, that the bond segment of the portfolio remains significantly less exposed to interest rate risk than the comparative FTSE Actuaries UK Conventional Gilts All Stocks Index whose duration is above eight years.

Outlook

Inflation remains a key driver of volatility as the return to target levels proves longer and bumpier than expected. Core prices remain inflated and labour markets strong, putting pressure on central banks to keep monetary policy tighter for longer. Meanwhile, the risk of

Authorised Corporate Director's Report

recession remains. The UK outlook is particularly rocky, while China's reopening has not proved quite the catalyst markets anticipated.

Despite heightened macro uncertainty, we believe company balance sheets generally look strong and there are opportunities in both equities and investment grade credit. We continue with our bottom-up approach, researching company fundamentals and waiting patiently for appealing valuations. We maintain our focus on strong returns and defensive names to deliver sustainable value for investors. The ambition continues to be to deliver distribution growth each year through the combination of underlying dividend growth from existing companies held and the management of holdings while maintaining the fund's premium yield.

Elina Symon

Fund manager

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

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

Portfolio statement

Investments

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities	334,485	75.77	78.66
Software & computer services	5,469	1.24	1.35
2,200,000 Moneysupermarket.com	5,469	1.24	
Telecommunication service providers	12,642	2.86	3.01
2,679,312 BT	3,949	0.89	
11,250,000 Vodafone	8,693	1.97	
Pharmaceuticals & biotechnology	34,473	7.81	8.88
154,144 AstraZeneca	18,121	4.11	
1,201,600 GSK	16,352	3.70	
Banks	35,027	7.94	4.86
400,000 Close Brothers	3,668	0.83	
3,125,000 HSBC	18,641	4.22	
12,750,000 Lloyds Banking	5,750	1.30	
6,250 Nationwide Building Society 10.25% CCD Non-cum. Irrd. Pref.	721	0.17	
2,006,303 NatWest	5,311	1.21	
900,000 Standard Chartered 8.25% Non-cum. Irrd. Pref.	936	0.21	
Investment banking & brokerage services	20,130	4.56	4.52
1,865,000 abrdrn	3,781	0.86	
1,279,362 Ashmore	2,902	0.66	
4,783,694 Duke Royalty ^a	1,435	0.32	
396,429 EF Realisation ^b	0	0.00	
74,089 Hargreaves Lansdown	598	0.14	
313,202 IG	2,128	0.48	
180,000 Intermediate Capital	2,531	0.57	
3,000,000 Lloyds Banking 9.25% Non-cum. Irrd. Pref.	3,855	0.87	
150,000 St. James's Place	1,685	0.38	
750,000 XPS Pensions	1,215	0.28	
Closed-ended investments	5,373	1.22	0.75
433,196 Atrato Onsite Energy	364	0.08	
1,161,928 Middlefield Canadian Income Trust	1,238	0.28	
170,000 Pollen Street	1,149	0.26	
3,132,267 Taylor Maritime Investments	2,622	0.60	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities (continued)			
Life insurance	29,150	6.60	6.21
1,900,000 Aviva	7,636	1.73	
1,500,000 Aviva 8.375% Cum. Irrd. Pref.	1,710	0.39	
1,700,000 Chesnara	4,760	1.08	
3,445,000 Legal & General	7,927	1.79	
1,270,000 Phoenix	7,117	1.61	
Non-life insurance	11,986	2.72	3.05
500,000 Conduit	2,455	0.56	
1,450,000 Direct Line Insurance	2,432	0.55	
3,800,000 General Accident 7.875% Cum. Irrd. Pref.	3,952	0.90	
1,400,000 General Accident 8.875% Cum. Irrd. Pref.	1,652	0.37	
1,035,334 Sabre Insurance	1,495	0.34	
Real estate investment & services	2,521	0.57	0.53
8,403,680 Grit Real Estate Income	2,521	0.57	
Real estate investment trusts	6,838	1.55	2.72
1,710,000 abrdn Property Income Trust	865	0.20	
2,200,000 Channel Islands Property Fund	2,156	0.49	
1,870,260 Home ^b	712	0.16	
2,400,000 NewRiver	1,994	0.45	
1,000,000 Regional	515	0.12	
749,479 Supermarket Income	596	0.13	
Household goods & home construction	5,355	1.21	1.75
2,567,164 Taylor Wimpey	2,934	0.66	
270,056 Vistry	1,981	0.45	
660,000 Watkin Jones ^a	440	0.10	
Media	10,417	2.36	2.28
5,556,505 ITV	3,864	0.87	
3,350,000 Reach	2,409	0.55	
340,000 STV	836	0.19	
381,872 WPP	3,308	0.75	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities (continued)			
Retailers	1,866	0.42	0.50
684,897 ScS	1,113	0.25	
48,303 WH Smith	753	0.17	
Travel & leisure	7,817	1.77	2.60
480,000 Entain	6,454	1.46	
1,280,000 National Express	1,363	0.31	
Food producers	0	0.00	0.37
Tobacco	24,253	5.49	6.43
470,000 British American Tobacco	12,171	2.76	
707,000 Imperial Brands	12,082	2.73	
Personal care, drug & grocery stores	6,404	1.45	2.28
157,323 Unilever	6,404	1.45	
Construction & materials	5,296	1.20	0.60
200,000 Keller	1,400	0.32	
1,490,000 Kier	1,158	0.26	
322,817 Marshalls	974	0.22	
2,800,000 Severfield	1,764	0.40	
General industrials	3,182	0.72	0.55
1,041,168 DS Smith	3,182	0.72	
Industrial engineering	2,058	0.47	0.32
500,000 Vesuvius	2,058	0.47	
Industrial support services	1,822	0.41	0.42
280,000 PayPoint	1,102	0.25	
1,385,000 Smiths News	720	0.16	
Industrial transportation	4,020	0.91	1.16
913,198 International Distributions Services	1,809	0.41	
2,700,000 Pacific Basin Shipping	635	0.14	
654,057 Wincanton	1,576	0.36	
Industrial metals & mining	21,622	4.90	6.01
82,500 Anglo American	1,855	0.42	
186,254 BHP	4,132	0.94	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities (continued)			
Industrial metals & mining (continued)			
114,000 Kenmare Resources	482	0.11	
313,766 Rio Tinto	15,153	3.43	
Chemicals	2,018	0.46	0.68
525,000 Synthomer	475	0.11	
100,000 Victrex	1,543	0.35	
Oil & gas	44,027	9.97	9.51
5,950,646 BP	26,900	6.09	
6,397,178 Diversified Energy	5,428	1.23	
459,417 Shell	10,282	2.33	
80,000 Woodside Energy	1,417	0.32	
Electricity	13,168	2.98	3.05
525,581 Drax	2,935	0.66	
545,617 SSE	10,233	2.32	
Gas, water & multi-utilities	17,551	3.98	4.27
1,186,141 National Grid	13,065	2.96	
440,000 United Utilities	4,486	1.02	
Fixed income	108,924	24.68	21.84
Debt securities	108,924	24.68	21.84
'AAA' credit rated bonds	8,360	1.90	2.57
£647,000 Commonwealth Bank of Australia FRN 4.9157% 16/01/2025	647	0.15	
£2,000,000 Inter-American Development Bank 4% 17/12/2029	1,941	0.44	
£1,000,000 Johnson & Johnson 5.5% 06/11/2024	1,003	0.23	
£1,500,000 KfW 0.75% 07/12/2027	1,262	0.29	
£295,000 Leeds Building Society FRN 4.9057% 15/01/2025	295	0.07	
£1,997,000 Nordea Eiendomskreditt FRN 4.7091% 19/06/2023	1,997	0.45	
£66,855 Precise Mortgage Funding 2020-1B FRN 5.3494% 16/10/2056	67	0.01	
£905,000 Royal Bank of Canada FRN 4.9098% 03/10/2024	906	0.21	
£242,160 Towd Point Mortgage Funding 2019-Vantage 2 FRN 6.2519% 20/02/2054	242	0.05	
'AA' credit rated bonds	17,347	3.93	2.96
£1,286,000 DNB Bank Var. Rate 2.625% 10/06/2026	1,204	0.27	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income (continued)			
Debt securities (continued)			
'AA' credit rated bonds (continued)			
£382,000 Euroclear Bank 1.25% 30/09/2024	360	0.08	
£1,306,000 Land Securities Capital Markets 1.974% 08/02/2024	1,271	0.29	
£933,000 MassMutual Global Funding II 1.375% 15/12/2026	804	0.18	
£971,000 Metropolitan Life Global Funding I 5% 10/01/2030	935	0.21	
£607,000 New York Life Global Funding 1.25% 17/12/2026	521	0.12	
£3,000,000 Procter & Gamble 1.375% 03/05/2025	2,801	0.63	
£1,221,000 Protective Life Global Funding 5.248% 13/01/2028	1,190	0.27	
£113,713 Telereal Securitisation 1.3657% 10/12/2031	96	0.02	
£1,500,000 UK Treasury 0.125% 31/01/2024	1,456	0.33	
£2,500,000 UK Treasury 0.375% 22/10/2026	2,186	0.50	
£2,000,000 UK Treasury 1.125% 31/01/2039	1,260	0.29	
£4,000,000 UK Treasury 0.5% 31/01/2029	3,263	0.74	
'A' credit rated bonds	25,949	5.88	6.37
£1,500,000 Banco Santander 1.375% 31/07/2024	1,423	0.32	
£1,000,000 Bank of America Var. Rate 1.667% 02/06/2029	815	0.18	
£999,000 Bank of America Var. Rate 3.584% 27/04/2031	863	0.20	
£1,500,000 Bank of Nova Scotia 1.25% 17/12/2025	1,340	0.30	
£1,500,000 Banque Fédérative du Crédit Mutuel 1.875% 26/10/2028	1,227	0.28	
£700,000 BPCE 1.375% 23/12/2026	601	0.14	
£874,000 Canadian Imperial Bank of Commerce 1.625% 25/09/2025	796	0.18	
£2,000,000 Coventry Building Society 1.875% 24/10/2023	1,970	0.45	
£1,116,000 Equitable Financial Life Global Funding 6.375% 02/06/2028	1,125	0.26	
£1,100,000 Henkel 1.25% 30/09/2026	977	0.22	
£2,000,000 HSBC Var. Rate 2.256% 13/11/2026	1,810	0.41	
£421,000 HSBC Var. Rate 3% 22/07/2028	369	0.08	
£500,000 HSBC Var. Rate 3% 29/05/2030	416	0.09	
£1,275,000 JPMorgan Chase & Co Var. Rate 0.991% 28/04/2026	1,163	0.26	
£500,000 Landesbank Baden-Wuerttemberg 1.5% 03/02/2025	462	0.10	
£1,525,000 London Merchant Securities 6.5% 16/03/2026	1,528	0.35	
£627,000 Nestlé 0.625% 18/12/2025	562	0.13	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income (continued)			
Debt securities (continued)			
'A' credit rated bonds (continued)			
£918,000 Notting Hill Genesis 3.25% 12/10/2048	606	0.14	
£1,242,000 Realty Income 1.125% 13/07/2027	1,017	0.23	
£1,503,000 TotalEnergies Capital International 1.75% 07/07/2025	1,407	0.32	
£1,343,000 Toyota Motor Credit 0.75% 19/11/2026	1,145	0.26	
£1,231,000 UBS Var. Rate 1.875% 03/11/2029	974	0.22	
£1,500,000 Yorkshire Building Society 3.5% 21/04/2026	1,408	0.32	
£2,000,000 Yorkshire Water Finance 5.25% 28/04/2030	1,945	0.44	
	55,322	12.53	9.55
'BBB' credit rated bonds			
£2,000,000 ABN AMRO Bank 5.125% 22/02/2028	1,918	0.43	
£794,000 Akelius Residential Property 2.375% 15/08/2025	723	0.16	
£1,750,000 Amgen 5.5% 07/12/2026	1,742	0.39	
£1,150,000 Anheuser-Busch InBev 9.75% 30/07/2024	1,202	0.27	
£793,000 Annington Funding 2.646% 12/07/2025	731	0.17	
£326,000 Annington Funding 4.75% 09/08/2033	277	0.06	
£1,214,000 Arountown 3% 16/10/2029	745	0.17	
£1,000,000 Barclays 3.125% 17/01/2024	982	0.22	
£1,300,000 BNP Paribas 1.875% 14/12/2027	1,084	0.25	
£700,000 BPCE 6.125% 24/05/2029	685	0.16	
£625,000 Cadent Finance 5.75% 14/03/2034	611	0.14	
£700,000 CaixaBank Var. Rate 3.5% 06/04/2028	619	0.14	
£846,000 Channel Link Enterprises Finance Var. Rate 3.043% 30/06/2050	709	0.16	
£976,000 Citigroup 2.75% 24/01/2024	958	0.22	
£430,000 CK Hutchison Telecom Finance 2% 17/10/2027	364	0.08	
£1,500,000 Commerzbank 1.5% 22/11/2024	1,392	0.32	
£1,171,000 Credit Suisse Var. Rate 2.125% 12/09/2025	1,088	0.25	
£1,500,000 Deutsche Bank Var. Rate 6.125% 12/12/2030	1,411	0.32	
£2,000,000 Deutsche Pfandbriefbank 7.625% 08/12/2025	1,928	0.44	
£208,000 Deutsche Telekom 3.125% 06/02/2034	170	0.04	
£178,000 Digital Stout 2.75% 19/07/2024	171	0.04	
£1,000,000 Digital Stout 3.75% 17/10/2030	835	0.19	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
£513,000 DP World 4.25% 25/09/2030	463	0.10	
£950,000 EDF 6.125% 02/06/2034	909	0.21	
£485,000 Experian Finance 2.125% 27/09/2024	464	0.11	
£459,000 Experian Finance 0.739% 29/10/2025	411	0.09	
£300,000 FirstGroup 6.875% 18/09/2024	299	0.07	
£1,500,000 Goldman Sachs 3.125% 25/07/2029	1,284	0.29	
£2,000,000 Hammerson 3.5% 27/10/2025	1,755	0.40	
£110,000 Heathrow Funding 2.75% 13/10/2029	92	0.02	
£926,000 Holcim Sterling Finance (Netherlands) 3% 12/05/2032	737	0.17	
£878,000 Imperial Brands Finance 8.125% 15/03/2024	890	0.20	
£1,007,000 Informa 3.125% 05/07/2026	920	0.21	
£1,300,000 ING 3% 18/02/2026	1,203	0.27	
£454,000 Liberty Living Finance 2.625% 28/11/2024	427	0.10	
£492,000 Lloyds Banking Var. Rate 2.707% 03/12/2035	367	0.08	
£658,000 Lloyds Banking Var. Rate 1.985% 15/12/2031	555	0.13	
£500,000 Lloyds Banking Var. Rate 2% 12/04/2028	425	0.10	
£1,034,000 Logicor Financing 2.75% 15/01/2030	773	0.17	
£369,000 McKesson 3.125% 17/02/2029	321	0.07	
£1,000,000 National Express 2.5% 11/11/2023	986	0.22	
£712,000 Nationwide Building Society Var. Rate 6.178% 07/12/2027	705	0.16	
£619,000 NatWest Var. Rate 3.125% 28/03/2027	565	0.13	
£406,000 NatWest Var. Rate 2.057% 09/11/2028	340	0.08	
£205,000 Next 3% 26/08/2025	194	0.04	
£874,000 Rentokil Initial 5% 27/06/2032	829	0.19	
£1,340,000 Santander Var. Rate 7.098% 16/11/2027	1,344	0.30	
£201,000 Severn Trent Utilities Finance 2.625% 22/02/2033	156	0.04	
£368,000 Severn Trent Utilities Finance 4.625% 30/11/2034	337	0.08	
£353,000 Severn Trent Utilities Finance 5.25% 04/04/2036	340	0.08	
£1,400,000 Société Générale 1.25% 07/12/2027	1,127	0.26	
£1,422,000 SP Transmission 2% 13/11/2031	1,112	0.25	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
£241,000 Student Finance 2.6663% 30/09/2024	239	0.05	
£1,384,000 Swedbank Var. Rate 7.272% 15/11/2032	1,377	0.31	
£1,000,000 Telefónica Emisiones 5.375% 02/02/2026	987	0.22	
£101,000 Tesco Corporate Treasury Services 2.5% 02/05/2025	95	0.02	
£1,500,000 Tesco Corporate Treasury Services 1.875% 02/11/2028	1,235	0.28	
£422,000 Thames Water Utilities Finance 1.875% 24/01/2024	411	0.09	
£466,000 Thames Water Utilities Finance 5.125% 28/09/2037	419	0.09	
£1,005,000 UNITE 3.5% 15/10/2028	866	0.20	
£1,320,000 United Utilities Water Finance 2% 14/02/2025	1,244	0.28	
£698,000 Virgin Money Var. Rate 3.375% 24/04/2026	640	0.14	
£2,700,000 Volkswagen Financial Services 1.125% 18/09/2023	2,666	0.60	
£1,950,000 Wells Fargo Bank 5.25% 01/08/2023	1,947	0.44	
£220,000 Wessex Water Services Finance 5.125% 31/10/2032	210	0.05	
£2,530,000 Westfield America Management 2.125% 30/03/2025	2,311	0.52	
'BB' credit rated bonds	1,946	0.44	0.39
£734,000 Ford Motor Credit 4.535% 06/03/2025	698	0.16	
£1,390,000 Rolls-Royce 3.375% 18/06/2026	1,248	0.28	
Total portfolio	443,409	100.45	100.50
Net other assets/(liabilities)	(1,972)	(0.45)	(0.50)
Net assets attributable to shareholders	441,437	100.00	100.00

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

^a AIM quoted.

^b Suspended/delisted.

Portfolio statement

Top ten portfolio transactions for the year to 31 May 2023

Largest purchases	£'000
HSBC	8,325
UK Treasury 0.5% 31/01/2029	3,372
BT	3,272
Taylor Wimpey	3,001
Intermediate Capital	2,912
Shell	2,418
UK Treasury 0.375% 22/10/2026	2,243
Deutsche Pfandbriefbank 7.625% 08/12/2025	1,999
ABN AMRO Bank 5.125% 22/02/2028	1,999
Yorkshire Water Finance 5.25% 28/04/2030	1,986
Other purchases	43,764
Total purchases	75,291

Largest sales	£'000
Tesco	6,667
BP	5,848
UK Treasury IL 1.875% 22/11/2022	5,667
Haleon	4,864
Micro Focus	4,120
AstraZeneca	3,074
British American Tobacco	3,065
Rio Tinto	3,021
BPCE 2.125% 16/12/2022	3,000
Devro	2,950
Other sales	54,095
Total sales	96,371

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.

On 24 June 2022, 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.

Share class	One year % ^a	Three years % pa	Five years % pa	Ten years % pa
Sterling				
Class 'A' Income	-4.6	+6.0	+1.3	+4.1
Class 'A' Accumulation	-4.6	+6.0	+1.3	+4.1
Class 'C' Income	-3.8	+6.9	+2.3	+6.1
Class 'I' Income	-4.3	+6.4	+1.8	+4.6
Class 'I' Accumulation	-4.3	+6.4	+1.8	+4.6
Class 'R' Income	-4.5	+6.2	+1.5	+4.3
Class 'R' Accumulation	-4.5	+6.1	+1.5	+4.3
Class 'X' Income	-5.2	+18.4	+1.5	+4.4
Class 'X' Accumulation	-5.2	+18.3	+1.5	+4.4
Benchmark	-4.3	+3.6	+1.2	+4.5

^a Not annualised.

Financial highlights

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 19 November 1973.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	727.33	722.55	639.38
Return before operating charges	(25.33)	48.34	121.52
Operating charges	(7.90)	(8.12)	(8.04)
Return after operating charges	(33.23)	40.22	113.48
Distributions	(38.63)	(35.44)	(30.31)
Closing NAV	655.47	727.33	722.55
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.33	0.29	0.34
Dilution adjustments	(0.08)	(0.08)	(0.10)
Total direct transaction costs	0.25	0.21	0.24
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.03	0.04
Operating charges	1.14	1.10	1.20
Return after charges	-4.57	+5.57	+17.75
Other information			
Closing NAV (£'000)	117,952	124,181	130,692
Number of shares	17,995,072	17,073,485	18,087,515
Highest share price (UK p)	729.20	755.86	746.84
Lowest share price (UK p)	638.18	683.12	599.54

Sterling Class 'A' Accumulation share performance

The share class was launched on 19 November 1973.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	8,165.32	7,728.60	6,541.56
Return before operating charges	(289.44)	524.72	1,270.62
Operating charges	(89.99)	(88.00)	(83.58)
Return after operating charges	(379.43)	436.72	1,187.04
Distributions	(355.13)	(298.66)	(236.62)
Retained distributions	355.13	298.66	236.62
Closing NAV	7,785.89	8,165.32	7,728.60
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.80	3.16	3.51
Dilution adjustments	(0.86)	(0.85)	(1.01)
Total direct transaction costs	2.94	2.31	2.50
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.03	0.04
Operating charges	1.14	1.10	1.20
Return after charges	-4.65	+5.65	+18.15
Other information			
Closing NAV (£'000)	22,346	21,241	19,884
Number of shares	287,008	260,142	257,274
Highest share price (UK p)	8,343.35	8,231.52	7,870.55
Lowest share price (UK p)	7,233.78	7,507.57	6,199.41

Financial highlights

Sterling Class 'C' Income share performance

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

The share class was launched on 1 December 2005.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	870.48	855.39	748.37
Return before operating charges	(32.17)	56.19	141.95
Operating charges	(0.31)	0.00	(0.29)
Return after operating charges	(32.48)	56.19	141.66
Distributions	(45.07)	(41.10)	(34.64)
Closing NAV	792.93	870.48	855.39
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.40	0.35	0.40
Dilution adjustments	(0.09)	(0.09)	(0.11)
Total direct transaction costs	0.31	0.26	0.29
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.03	0.04
Operating charges	0.04	0.00	0.03
Return after charges	-3.73	+6.57	+18.93
Other information			
Closing NAV (£'000)	50,418	57,344	61,386
Number of shares	6,358,396	6,587,660	7,176,387
Highest share price (UK p)	878.85	901.07	883.38
Lowest share price (UK p)	766.53	815.39	704.98

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,211.32	1,198.82	1,056.16
Return before operating charges	(42.71)	79.99	200.99
Operating charges	(8.55)	(8.58)	(8.13)
Return after operating charges	(51.26)	71.41	192.86
Distributions	(64.46)	(58.91)	(50.20)
Closing NAV	1,095.60	1,211.32	1,198.82
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.56	0.48	0.56
Dilution adjustments	(0.13)	(0.13)	(0.16)
Total direct transaction costs	0.43	0.35	0.40
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.03	0.04
Operating charges	0.74	0.70	0.73
Return after charges	-4.23	+5.96	+18.26
Other information			
Closing NAV (£'000)	62,990	71,415	72,371
Number of shares	5,749,297	5,895,624	6,036,903
Highest share price (UK p)	1,217.64	1,257.19	1,238.87
Lowest share price (UK p)	1,064.28	1,136.57	992.31

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,896.35	1,788.15	1,506.89
Return before operating charges	(67.96)	121.18	292.99
Operating charges	(13.56)	(12.98)	(11.73)
Return after operating charges	(81.52)	108.20	281.26
Distributions	(89.34)	(76.19)	(61.64)
Retained distributions	89.34	76.19	61.64
Closing NAV	1,814.83	1,896.35	1,788.15
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.88	0.73	0.81
Dilution adjustments	(0.20)	(0.20)	(0.23)
Total direct transaction costs	0.68	0.53	0.58
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.03	0.04
Operating charges	0.74	0.70	0.73
Return after charges	-4.30	+6.05	+18.66
Other information			
Closing NAV (£'000)	20,522	22,500	29,178
Number of shares	1,130,792	1,186,511	1,631,728
Highest share price (UK p)	1,942.87	1,909.57	1,820.64
Lowest share price (UK p)	1,682.30	1,742.05	1,430.88

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	118.24	117.31	103.60
Return before operating charges	(4.15)	7.83	19.70
Operating charges	(1.12)	(1.14)	(1.07)
Return after operating charges	(5.27)	6.69	18.63
Distributions	(6.28)	(5.76)	(4.92)
Closing NAV	106.69	118.24	117.31
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.05	0.05
Dilution adjustments	(0.01)	(0.01)	(0.02)
Total direct transaction costs	0.04	0.04	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.03	0.04
Operating charges	0.99	0.95	0.98
Return after charges	-4.46	+5.70	+17.98
Other information			
Closing NAV (£'000)	144,964	168,960	177,811
Number of shares	135,877,048	142,892,526	151,571,783
Highest share price (UK p)	118.65	122.83	121.25
Lowest share price (UK p)	103.80	111.02	97.24

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	185.25	175.12	147.94
Return before operating charges	(6.62)	11.85	28.73
Operating charges	(1.77)	(1.72)	(1.55)
Return after operating charges	(8.39)	10.13	27.18
Distributions	(8.28)	(7.00)	(5.66)
Retained distributions	8.28	7.00	5.66
Closing NAV	176.86	185.25	175.12
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.07	0.08
Dilution adjustments	(0.02)	(0.02)	(0.02)
Total direct transaction costs	0.07	0.05	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.03	0.04
Operating charges	0.99	0.95	0.98
Return after charges	-4.53	+5.78	+18.37
Other information			
Closing NAV (£'000)	22,245	22,022	20,627
Number of shares	12,578,303	11,887,286	11,778,722
Highest share price (UK p)	189.46	186.68	178.32
Lowest share price (UK p)	164.19	170.28	140.33

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002, and subsequently merged into Sterling Class 'A' Income on 24 June 2022.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	733.42	728.55	644.65
Return before operating charges	(37.73)	48.79	122.58
Operating charges	(0.78)	(8.18)	(8.11)
Return after operating charges	(38.51)	40.61	114.47
Distributions	n/a	(35.74)	(30.57)
NAV of in specie transfer	(694.91)	n/a	n/a
Closing NAV	0.00	733.42	728.55
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.29	0.34
Dilution adjustments	(0.01)	(0.08)	(0.10)
Total direct transaction costs	0.01	0.21	0.24
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.03	0.04
Operating charges	1.10	1.10	1.20
Return after charges	-5.25	+5.57	+17.76
Other information			
Closing NAV (£'000)	0	15,949	17,012
Number of shares	0	2,174,547	2,335,000
Highest share price (UK p)	735.23	762.16	753.04
Lowest share price (UK p)	693.14	688.83	604.50

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002, and subsequently merged into Sterling Class 'A' Accumulation on 24 June 2022.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	8,075.27	7,642.30	6,467.56
Return before operating charges	(415.27)	519.93	1,257.21
Operating charges	(8.70)	(86.96)	(82.47)
Return after operating charges	(423.97)	432.97	1,174.74
Distributions	n/a	(296.43)	(234.99)
Retained distributions	n/a	296.43	234.99
NAV of in specie transfer	(7,651.30)	n/a	n/a
Closing NAV	0.00	8,075.27	7,642.30
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.25	3.12	3.45
Dilution adjustments	(0.06)	(0.84)	(0.99)
Total direct transaction costs	0.19	2.28	2.46
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.03	0.04
Operating charges	1.10	1.10	1.20
Return after charges	-5.25	+5.67	+18.16
Other information			
Closing NAV (£'000)	0	2,788	2,746
Number of shares	0	34,529	35,939
Highest share price (UK p)	8,095.19	8,140.42	7,782.58
Lowest share price (UK p)	7,631.77	7,424.58	6,129.63

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 May	Note	2023		2022	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	3		(44,492)		8,252
Revenue	5	26,583		25,916	
Expenses	6	(4,017)		(4,424)	
Interest payable and similar charges		(13)		(15)	
Net revenue/(expense) before taxation		22,553		21,477	
Taxation	7	(102)		(140)	
Net revenue/(expense) after taxation			22,451		21,337
Total return before distributions			(22,041)		29,589
Distributions	8		(25,785)		(24,453)
Change in net assets attributable to shareholders from investment activities			(47,826)		5,136

Statement of change in net assets attributable to shareholders

for the year to 31 May	2023		2022	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		506,400		531,707
Amounts received on issue of shares	17,025		15,446	
Amounts paid on cancellation of shares	(37,392)		(48,701)	
		(20,367)		(33,255)
Dilution adjustments		129		135
Change in net assets attributable to shareholders from investment activities (see above)		(47,826)		5,136
Retained distributions on Accumulation shares		3,055		2,630
Unclaimed distributions		46		47
Closing net assets attributable to shareholders		441,437		506,400

Financial statements and notes

Financial statements

Balance sheet

as at 31 May	Note	2023 £'000	2022 £'000
Assets			
Fixed assets			
Investments		443,409	508,938
Current assets			
Debtors	9	3,742	3,102
Cash and bank balances	10	729	746
Cash equivalents		6,012	3,615
Total assets		453,892	516,401
Liabilities			
Creditors			
Distribution payable		(10,757)	(9,384)
Other creditors	11	(1,698)	(617)
Total liabilities		(12,455)	(10,001)
Net assets attributable to shareholders		441,437	506,400

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 31 May	2023 £'000	2022 £'000
Non-derivative securities	(44,357)	8,308
Currency gains/(losses)	(135)	(56)
Net capital gains/(losses)	(44,492)	8,252

Financial statements and notes

4 Portfolio transactions and associated costs

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

for the year to 31 May	2023 £'000	% of transaction	2022 £'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	40,106		36,997	
Commissions	16	0.04	13	0.04
Taxes	187	0.46	171	0.46
Equities after transaction costs	40,309		37,181	
Debt securities	34,559		19,330	
Collective investment schemes				
Collective investment schemes before transaction costs	421		0	
Taxes	2	0.50	0	0.00
Collective investment schemes after transaction costs	423		0	
Total purchases after transaction costs	75,291		56,511	
b) Sales				
Equities				
Equities before transaction costs	65,626		58,543	
Commissions	(25)	0.04	(21)	0.04
Equities after transaction costs	65,601		58,522	
Debt securities	28,665		20,952	
Collective investment schemes				
Collective investment schemes before transaction costs	837		2,363	
Commissions	0	0.01	(1)	0.05
Collective investment schemes after transaction costs	837		2,362	
Other transaction types				
Corporate actions	1,268		8,052	
Total sales after transaction costs	96,371		89,888	

Financial statements and notes

	2023 £'000	% of average NAV	2022 £'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	41	0.01	34	0.01
Collective investment schemes	0	0.00	1	0.00
Total commissions paid	41	0.01	35	0.01
Taxes paid				
Equities	187	0.04	171	0.03
Collective investment schemes	2	0.00	0	0.00
Total taxes paid	189	0.04	171	0.03
Total direct portfolio transaction costs	230	0.05	206	0.04
		%		%
d) Indirect portfolio transaction costs				
Average portfolio dealing spread as at the balance sheet date		0.44		0.43

5 Revenue

for the year to 31 May	2023 £'000	2022 £'000
Bank interest	3	0
Distributions from collective investment schemes: non-taxable	145	0
Distributions from collective investment schemes: taxable	150	123
Dividends from equity investments: non-taxable	22,461	21,875
Dividends from equity investments: taxable	107	27
Interest distributions	102	2
Interest on debt securities	3,144	3,156
Property distribution: non-taxable	20	24
Property distribution: taxable	449	699
Rebate of ongoing charges from underlying funds	2	1
Stock dividends	0	9
Total revenue	26,583	25,916

Financial statements and notes

6 Expenses

for the year to 31 May	2023 £'000	2022 £'000
Payable to the ACD or associate		
Annual charge	4,017	4,424
Total expenses	4,017	4,424

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

7 Taxation

for the year to 31 May	2023 £'000	2022 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	102	140
Deferred tax (note 7c)	0	0
Total taxation	102	140
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	22,553	21,477
Corporation tax at 20%	4,511	4,295
Effects of:		
Dividends from equity investments: non-taxable	(4,525)	(4,380)
Stock dividends: non-taxable	0	(2)
Relief for indexation on UK gilts	(71)	(123)
Current year expenses not utilised	85	210
Withholding tax	102	140
Total tax charge (note 7a)	102	140
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of £2,669,000 (2022: £2,584,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

Financial statements and notes

8 Distributions

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

for the year to 31 May	2023		2022	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Ordinary distributions				
First interim	3,944	536	4,143	500
Second interim	3,905	519	4,061	464
Third interim	3,833	481	3,990	442
Final	10,757	1,519	9,384	1,224
Total net distributions		25,494		24,208
Income deducted on cancellation of shares		580		416
Income received on issue of shares		(289)		(171)
Distributions		25,785		24,453
Net revenue/(expense) per statement of total return		22,451		21,337
Expenses offset against capital		3,413		3,801
Sharing of relief between classes		(79)		(68)
Effective yield adjustment not distributed		0		(617)
Distributions		25,785		24,453

9 Debtors

as at 31 May	2023 £'000	2022 £'000
Amounts receivable on issues of shares	125	33
Debt security interest receivable	1,601	1,237
Distributions receivable	21	1
Dividends receivable	1,995	1,826
Withholding tax recoverable	0	5
Total debtors	3,742	3,102

10 Cash and bank balances

as at 31 May	2023 £'000	2022 £'000
Cash held as bank balances	729	746
Total cash and bank balances	729	746

Financial statements and notes

11 Other creditors

as at 31 May	2023 £'000	2022 £'000
Amounts payable on cancellation of shares	412	439
Annual charge payable	171	178
Purchases awaiting settlement	1,115	0
Total other creditors	1,698	617

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 01.06.22	Issued	Movements Cancelled	Converted	Closing 31.05.23
Sterling					
Class 'A' Income	17,073,485	311,673	(1,534,718)	2,144,632	17,995,072
Class 'A' Accumulation	260,142	18,038	(17,421)	26,249	287,008
Class 'C' Income	6,587,660	291,323	(520,587)	0	6,358,396
Class 'I' Income	5,895,624	177,532	(323,859)	0	5,749,297
Class 'I' Accumulation	1,186,511	69,511	(125,230)	0	1,130,792
Class 'R' Income	142,892,526	4,692,056	(11,707,534)	0	135,877,048
Class 'R' Accumulation	11,887,286	1,364,081	(673,064)	0	12,578,303
Class 'X' Income	2,174,547	0	(47,754)	(2,126,793)	0
Class 'X' Accumulation	34,529	0	(7,988)	(26,541)	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.

Financial statements and notes

14 Charging structure

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

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

15 Related parties

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

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

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

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 3.57% (2022: 3.53%) 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.

Financial statements and notes

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 31 May	Assets 2023 £'000	Liabilities 2023 £'000	Assets 2022 £'000	Liabilities 2022 £'000
Level 1	331,700	0	390,298	0
Level 2	110,997	0	118,634	0
Level 3	712	0	0	0
	443,409	0	508,938	0

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

17 Risk management policies

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

18 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by £22,170,000 (2022: £25,447,000). A five per cent decrease would have an equal and opposite effect.

19 Currency risk sensitivity and exposure

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

20 Interest rate risk sensitivity and exposure

Changes in interest rates or changes in expectations of future interest rates may result in an increase or decrease in the market value of the investments held. A one per cent increase in interest rates (based on current parameters used by the Manager's Investment Risk department) would have the effect of decreasing the return and net assets by £1,489,000, (2022: £(1,684,000)). A one per cent decrease would have the effect of increasing the return and net assets by £1,892,000 (2022: £2,053,000). The table below sets out the fund's exposure to interest rate risk.

for the year to 31 May	2023 £'000	2022 £'000
Investments with fixed interest rates	88,604	86,222
Investments with variable interest rates	20,320	24,369
Non-interest bearing investments	334,485	398,347
Total	443,409	508,938

Financial statements and notes

21 Credit risk

The fund is exposed to credit risk through the credit quality of the investments it holds. The table below shows the credit quality of the investments held in the portfolio.

as at 31 May	2023 £'000	2022 £'000
Investment grade securities	106,978	108,621
Below investment grade securities	1,946	1,970
Other investments	334,485	398,347
Total	443,409	508,938

22 Dividend distribution tables

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

Quarterly distribution periods

	Start	End	Xd	Payment
First interim	01.06.22	31.08.22	01.09.22	31.10.22
Second interim	01.09.22	30.11.22	01.12.22	31.01.23
Third interim	01.12.22	28.02.23	01.03.23	30.04.23
Final	01.03.23	31.05.23	01.06.23	31.07.23

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

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

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

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 May	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
First interim	0.6264	5.9736	6.6000	6.6000
Second interim	0.0000	6.6000	6.6000	6.6000
Third interim	0.0000	6.6000	6.6000	6.6000
Final	3.8232	15.0091	18.8323	15.6405

Financial statements and notes

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	26.7572	36.0928	62.8500	57.0000
Second interim	0.0000	60.5000	60.5000	52.0000
Third interim	0.0000	55.8000	55.8000	48.5000
Final	40.0230	135.9551	175.9781	141.1558

Sterling Class 'C' Income shares

Ordinary distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.3492	7.4008	7.7500	7.6500
Second interim	0.0000	7.7500	7.7500	7.6000
Third interim	0.0000	7.6200	7.6200	7.5000
Final	2.9787	18.9714	21.9501	18.3535

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	3.9788	7.0212	11.0000	11.0000
Second interim	0.0000	11.0000	11.0000	11.0000
Third interim	0.0000	11.0000	11.0000	11.0000
Final	8.4903	22.9647	31.4550	25.9137

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	9.6241	5.8759	15.5000	14.3000
Second interim	0.0000	15.2500	15.2500	13.5000
Third interim	0.0000	14.4700	14.4700	13.2000
Final	16.2545	27.8684	44.1229	35.1903

Financial statements and notes

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.1321	0.9429	1.0750	1.0750
Second interim	0.0000	1.0750	1.0750	1.0700
Third interim	0.0000	1.0700	1.0700	1.0700
Final	0.5319	2.5323	3.0642	2.5429

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	0.6826	0.7674	1.4500	1.3300
Second interim	0.0000	1.4200	1.4200	1.2200
Third interim	0.0000	1.3100	1.3100	1.1700
Final	0.8042	3.2928	4.0970	3.2842

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	n/a	n/a	n/a	6.6700
Second interim	n/a	n/a	n/a	6.6500
Third interim	n/a	n/a	n/a	6.6500
Final	n/a	n/a	n/a	15.7660

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
First interim	n/a	n/a	n/a	56.6500
Second interim	n/a	n/a	n/a	51.5000
Third interim	n/a	n/a	n/a	48.0000
Final	n/a	n/a	n/a	140.2842

Financial statements and notes

23 Events after the balance sheet date

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

Authorised Corporate Director's Report

For the purposes of these financial statements, the Prospectus dated 6 March 2023 has been used.

The M&G UK Sustain Paris Aligned Fund was formerly the M&G UK Select Fund. The fund changed its name, objective, policy and benchmark on 13 July 2022.

Investment objective

The fund has two aims:

- To provide a higher total return (capital growth plus income), net of the ongoing charge figure, than the FTSE All-Share Index over any five-year period; and
- To invest in companies that contribute towards the Paris Agreement climate change goal.

Investment policy

At least 80% of the fund is invested directly in equities and equity related securities of companies, across any sector and of any size, that are incorporated, domiciled or do most of their business, in the United Kingdom. The fund is concentrated and usually holds shares in fewer than 50 companies.

The fund invests in securities that meet the ESG Criteria and Sustainability Criteria.

The following types of exclusions apply to the fund's direct investments:

- Norms-based exclusions: investments that are assessed to be in breach of commonly accepted standards of behaviour related to human rights, labour rights, environment and anti-corruption.
- Sector-based and/or values-based exclusions: investments and/or sectors exposed to business activities that are assessed to be damaging to human health, societal wellbeing, the environment, or otherwise assessed to be misaligned with the fund's sector-based and/or values-based criteria.

- Other exclusions: investments assessed to be otherwise in conflict with the ESG Criteria and Sustainability Criteria document.

References to "assessed" above mean assessment in accordance with the ESG Criteria and Sustainability Criteria document as referenced in the ESG information section below. Further information on the exclusions applicable to the fund can be found in the Prospectus for M&G Investment Funds (2).

The fund may also invest in other transferable securities, money market instruments, cash and near cash for liquidity purposes, directly and via collective investment schemes (including funds managed by M&G).

Derivatives may be used for efficient portfolio management and hedging.

As explained in the ESG Criteria and Sustainability Criteria document, it may not be practicable to perform ESG analysis on cash, near cash, some derivatives and some collective investment schemes, to the same standards as for the other investments. The fund manager will assess the suitability of such instruments relative to the fund's investment objective.

Investment approach

The fund employs a disciplined bottom up stock picking approach to analyse companies for their potential to deliver sustainable growth. Relevant factors include high returns, robust competitive advantages, balanced capital allocation and an ESG aligned culture. The fund also looks for favourable exposure to sustainable growth themes that are aligned to a lower carbon, healthier, more equal and connected future.

The fund invests in companies which contribute towards the long-term global warming objectives of the Paris Agreement by their low carbon intensity and/or a reducing carbon intensity or (typically up to a cumulative limit of 10% of NAV) delivering solutions to the challenge of climate change (as further described in the ESG Criteria and Sustainability Criteria). Low carbon intensity means a carbon intensity lower than 50% of

Authorised Corporate Director's Report

the FTSE All-Share Index. Reducing carbon intensity means having science based targets aligned with the Paris Agreement or a commitment to have them in place within a defined time period. The fund will typically have a weighted average carbon intensity of less than half that of the FTSE All-Share index.

Sustainability and ESG considerations are fully integrated into the investment process.

ESG Information

Additional information is available to investors on the fund page of our M&G website:

- ESG Criteria and Sustainability Criteria: in the document titled "M&G UK Sustain Paris Aligned Fund – ESG Criteria and Sustainability Criteria" which includes the fund's exclusions approach.
- An Annual ESG Review providing an assessment of the non-financial objective of the fund will also be published when available.

Benchmark

Benchmark: FTSE All-Share Index.

The benchmark is the target for the fund's financial objective and is used to measure the fund's financial performance. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy.

The benchmark is also used to define a low Carbon Intensity Company. The fund manager considers the fund's weighted average carbon intensity against the benchmark when constructing the portfolio, but the benchmark does not otherwise constrain portfolio construction.

The fund is actively managed and within given constraints, the fund manager has freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the

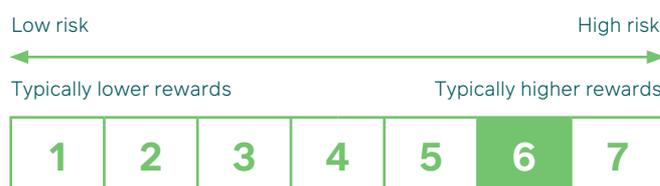
benchmark's constituents and as a result the fund's performance may deviate materially from the benchmark.

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

Risk profile

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

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



The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has changed during this period. From 1 June 2022 to 12 July 2022 the risk number was 5.

Investment review

For the year ended 31 May 2023

Performance against objective

Between 1 June 2022 (the start of the review period) and 31 May 2023, the M&G UK Sustain Paris Aligned Fund delivered negative returns across all share classes, trailing its benchmark, the FTSE All-Share Index, which returned 0.4%.

Over five years, the fund has delivered positive returns but has not achieved its objective to provide higher returns (the combination of capital growth plus income,

Authorised Corporate Director's Report

net of the ongoing charge figure) than the FTSE All-Share Index, which returned 2.9% pa over the same period.

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

Performance review

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

The benchmark FTSE All-Share Index rose slightly over the period, driven by FTSE 100 stocks, which reached an all-time high in February 2023. However, there were headwinds for sustainable investments, as this outperformance was driven by energy and defence companies in the aftermath of the Russian invasion – both sectors are excluded from the fund. The FTSE 250 and Smaller Companies indices were less resilient, due to their greater exposure to the UK's domestic economic weakness.

The largest stock contribution over the period was from Burford Capital, as shares in the legal finance provider rose following a US court decision awarding a multi-billion-dollar sum to its clients Petersen and Eton Park, concluding a long-running legal dispute with the Argentinian government over the renationalisation of YPF. The fund's lack of exposure to mining firm Anglo American and British American Tobacco also boosted relative returns. Other notable positive contributors included Games Workshop and medical technology firm Stryker.

In banking, our exposure to SVB Financial detracted. We held this position with a view to diversifying the portfolio's bank holdings and to gain exposure to the

company's technology-related growth themes, which are difficult to find among UK-listed peers. However, the institution became exposed to an unprecedented bank run, seemingly driven by panic on social media among its depositor base, which in turn sparked broader global banking sector instability.

Our energy exposure also underperformed: sustainability considerations mean we look to invest in alternative energy providers, but they were unable to match the returns of the fossil-fuel giants against a backdrop of soaring oil and gas prices; holdings Ceres and ITM Power were among the weaker performers. They were joined by housebuilder Watkin Jones and fashion retailer ASOS, as the cost-of-living crisis impacted housing and consumer discretionary spending.

Investment activities

Early in the period, we added Spirax-Sarco Engineering, a high-quality business with a role to play within sustainability, offering strong growth potential at a good price: we believe the firm can play a key role in the transition to carbon-neutral energy. Later in the year, as technology stocks fell out of favour, we found value in software retailer Bytes Technology. Bytes is a leading UK software 'value-added reseller' (VAR). VARs are the unsung heroes of the IT world, essentially forming the outsourced salesforce for large multi-national software companies, such as Microsoft, Amazon Web Services, Cisco and Darktrace, which are disinclined to rely on direct sales. Bytes is Microsoft's primary VAR within the UK.

Another addition was Segro, a UK real estate investment trust focused on warehouses and industrial properties. The stock was attractively valued following the banking turmoil in March, and we feel this business is well positioned compared with its US counterparts.

Concerns about the banking sector prompted us to significantly reduce our holding in Charles Schwab and switch some of our Standard Chartered exposure to HSBC, which we viewed as more resilient to potential market shocks.

Authorised Corporate Director's Report

We also sold holiday company On the Beach, as cost-of-living pressures continued to squeeze the travel sector. We closed our holding in industrial equipment rental group Ashtead due to our sustainability criteria, introduced in July 2022, when the fund transitioned to become Paris-aligned. After engaging extensively with Ashtead's management to work towards science-based targets, we ultimately concluded that this ambition was unrealistic. We subsequently divested, demonstrating our commitment to the fund's sustainability objectives.

Outlook

Inflation and interest rates remain the key driver of volatility, as the return to target levels proves longer and bumpier than expected. Market consensus suggests both are peaking, but we are yet to understand how far and fast they will fall. US inflation data reads more favourably versus the UK, which continues to be blighted by persistent wage inflation due to historically low unemployment. There are signs that deflationary tailwinds are on their way, with declining demand for goods combined with falls in most commodity prices, easing supply chains, the collapse in shipping costs and the export of deflation from China. If a weakening macro environment creates an easing in labour tightness then the stars will be aligned to hit inflationary targets. However, central banks' 'Goldilocks' level of interest rates necessary to create just enough excess labour whilst not crashing the economy is the art that sits between a soft and hard landing. As inflation falls, we expect a more sustained and broader rotation back to quality that extends beyond the US tech mega-caps. That should enable the long-term fundamentals underpinning our portfolio holdings to re-establish themselves.

Looking to the longer term, we think the foundation has been set for an accelerated energy transition. Sustainable investments have taken a back seat over the last two years as commodity prices have been through somewhat of a boom, in part due to the war in Ukraine. However, the global energy system seems to have adapted and reorganised itself to create a more normalised commodity market. Whilst that has happened, regulators have been busy paving the way

for a multi-decade phase of technological enhancement and decarbonisation through packages such as the US IRA, US Chips Act, RePowerEU, IPCEI, UK Semi-Conductor Strategy etc. We think these generationally significant packages will empower companies that understand and are positively exposed to decarbonisation. Likewise, those that fail to rapidly transition will face severe economic hardship. The UK Sustain Paris Aligned Fund philosophy is to own high quality businesses that will benefit from society's enduring journey to net zero.

Rory Alexander

Fund manager

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

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

Portfolio statement

Investments

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities	410,062	95.61	96.75
Software & computer services	17,444	4.07	2.76
3,763,546 Ascential	8,603	2.01	
1,759,347 Bytes Technology	8,841	2.06	
Technology hardware & equipment	4,702	1.10	1.73
20,576,056 IQE ^a	4,702	1.10	
Medical equipment & services	9,232	2.15	1.97
42,130 Stryker	9,232	2.15	
Pharmaceuticals & biotechnology	60,112	14.02	10.77
280,826 AstraZeneca	33,014	7.70	
1,128,854 GSK	15,362	3.58	
256,205 HUTCHMED ADR	2,473	0.58	
3,500,804 Oxford Nanopore Technologies	9,263	2.16	
Banks	38,983	9.09	9.76
5,109,664 HSBC	30,479	7.11	
1,322,930 Standard Chartered	8,504	1.98	
36,725 SVB Financial ^b	0	0.00	
Finance & credit services	16,790	3.91	3.16
197,479 London Stock Exchange	16,790	3.91	
Investment banking & brokerage services	34,036	7.94	9.57
1,005,634 Burford Capital ^a	10,539	2.46	
2,733,067 IntegraFin	7,035	1.64	
3,943,928 Man	8,736	2.04	
687,680 St. James's Place	7,726	1.80	
Life insurance	8,509	1.98	2.22
1,093,000 AIA	8,509	1.98	
Real estate investment trusts	3,316	0.77	0.00
418,013 Segro REIT	3,316	0.77	
Household goods & home construction	4,902	1.14	3.60
450,939 Vistry	3,308	0.77	
2,394,346 Watkin Jones ^a	1,594	0.37	
Leisure goods	9,768	2.28	1.94
103,477 Games Workshop	9,768	2.28	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities (continued)			
Retailers	7,086	1.65	2.41
552,586 ASOS	2,001	0.47	
6,604,453 Victorian Plumbing ^a	5,085	1.18	
Travel & leisure	11,253	2.62	3.69
4,152,439 Hollywood Bowl	11,253	2.62	
Beverages	32,300	7.53	5.23
669,445 Diageo	22,600	5.27	
703,903 Fevertree Drinks ^a	9,700	2.26	
Food producers	10,230	2.38	1.98
316,341 Cranswick	10,230	2.38	
Personal care, drug & grocery stores	44,541	10.39	9.80
271,445 Reckitt Benckiser	17,183	4.01	
672,112 Unilever	27,358	6.38	
Construction & materials	5,101	1.19	2.01
1,642,812 Genuit	5,101	1.19	
Electronic & electrical equipment	9,286	2.16	2.01
2,940,303 Rotork	9,286	2.16	
General industrials	6,607	1.54	1.95
9,617,635 Coats	6,607	1.54	
Industrial engineering	15,685	3.66	2.46
63,461 Spirax-Sarco Engineering	6,943	1.62	
514,532 Weir	8,742	2.04	
Industrial support services	31,624	7.37	7.80
536,046 Experian	15,347	3.58	
770,411 FDM	5,254	1.22	
262,770 Intertek	11,023	2.57	
Industrial transportation	8,225	1.92	4.52
288,107 Clarkson	8,225	1.92	
Chemicals	6,502	1.52	1.74
421,409 Victrex	6,502	1.52	
Oil & gas	8,516	1.99	1.78
106,389 Gaztransport Technigaz	8,516	1.99	

Portfolio statement

Investments (continued)

Holding	as at 31.05.23 £'000	as at 31.05.23 %	as at 31.05.22 %
Equities (continued)			
Alternative energy			
1,605,834 Ceres Power ^a	4,554	1.06	
1,095,646 ITM Power ^a	758	0.18	
Total portfolio	410,062	95.61	96.75
Net other assets/(liabilities)	18,820	4.39	3.25
Net assets attributable to shareholders	428,882	100.00	100.00

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

^a AIM quoted.

^b Suspended.

Portfolio statement

Top ten portfolio transactions for the year to 31 May 2023

Largest purchases	£'000
GSK	16,610
SVB Financial	9,733
Bytes Technology	9,174
Diageo	8,020
Vistry	7,314
Spirax-Sarco Engineering	6,642
HSBC	5,594
Segro REIT	3,328
Ceres Power ^a	3,246
Fevertree Drinks ^a	2,562
Other purchases	23,047
Total purchases	95,270

Largest sales	£'000
AstraZeneca	15,387
Ashtead	13,019
Charles Schwab	8,821
Countryside Partnerships	8,684
Close Brothers	7,607
Standard Chartered	7,552
Unilever	5,257
AVEVA	5,020
On the Beach	4,835
Weir	4,132
Other sales	56,277
Total sales	136,591

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

^a AIM quoted.

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.

On 24 June 2022, 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.

Share class	One year % ^a	Three years % pa	Five years % pa	Ten years % pa
Sterling				
Class 'A' Income	-3.1	+2.3	+0.1	+3.3
Class 'A' Accumulation	-3.1	+2.3	+0.1	+3.3
Class 'C' Income	-2.1	+3.5	+1.3	+4.7
Class 'I' Income	-2.8	+2.8	+0.6	+3.9
Class 'I' Accumulation	-2.8	+2.8	+0.6	+3.9
Class 'PP' Income	-2.6	n/a	n/a	n/a
Class 'PP' Accumulation	-2.6	n/a	n/a	n/a
Class 'R' Income	-3.0	+2.5	+0.3	+3.7
Class 'R' Accumulation	-3.0	+2.5	+0.3	+3.7
Class 'X' Income	-6.0	+4.0	-0.6	+3.3
Class 'X' Accumulation	-6.0	+4.0	-0.6	+3.3
Benchmark	+0.4	+10.2	+2.9	+5.3

^a Not annualised.

Financial highlights

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 19 October 1982.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,882.52	3,267.29	2,715.18
Return before operating charges	(60.35)	(285.69)	650.85
Operating charges	(30.30)	(35.14)	(34.75)
Return after operating charges	(90.65)	(320.83)	616.10
Distributions	(74.94)	(63.94)	(63.99)
Closing NAV	2,716.93	2,882.52	3,267.29
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.53	2.57	2.92
Dilution adjustments	(0.22)	(0.80)	(0.50)
Total direct transaction costs	2.31	1.77	2.42
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.05	0.08
Operating charges	1.10	1.10	1.17
Return after charges	-3.14	-9.82	+22.69
Other information			
Closing NAV (£'000)	196,533	216,475	229,504
Number of shares	7,233,658	7,509,954	7,024,314
Highest share price (UK p)	2,942.89	3,425.15	3,309.29
Lowest share price (UK p)	2,470.84	2,721.96	2,666.98

Sterling Class 'A' Accumulation share performance

The share class was launched on 17 December 1968.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	4,985.27	5,531.54	4,505.93
Return before operating charges	(104.24)	(486.56)	1,083.46
Operating charges	(52.58)	(59.71)	(57.85)
Return after operating charges	(156.82)	(546.27)	1,025.61
Distributions	(77.58)	(48.92)	(48.72)
Retained distributions	77.58	48.92	48.72
Closing NAV	4,828.45	4,985.27	5,531.54
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	4.39	4.37	4.87
Dilution adjustments	(0.39)	(1.36)	(0.83)
Total direct transaction costs	4.00	3.01	4.04
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.05	0.08
Operating charges	1.10	1.10	1.17
Return after charges	-3.15	-9.88	+22.76
Other information			
Closing NAV (£'000)	139,216	160,904	189,229
Number of shares	2,883,240	3,227,608	3,420,914
Highest share price (UK p)	5,126.34	5,798.22	5,528.23
Lowest share price (UK p)	4,273.19	4,636.91	4,425.73

Financial highlights

Sterling Class 'C' Income share performance

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

The share class was launched on 13 March 2013.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	3,112.00	3,488.23	2,865.00
Return before operating charges	(64.65)	(307.53)	691.22
Operating charges	0.00	0.00	0.00
Return after operating charges	(64.65)	(307.53)	691.22
Distributions	(81.43)	(68.70)	(67.99)
Closing NAV	2,965.92	3,112.00	3,488.23
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.74	2.76	3.10
Dilution adjustments	(0.24)	(0.86)	(0.53)
Total direct transaction costs	2.50	1.90	2.57
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.05	0.08
Operating charges	0.00	0.00	0.00
Return after charges	-2.08	-8.82	+24.13
Other information			
Closing NAV (£'000)	11,158	12,328	14,862
Number of shares	376,202	396,133	426,055
Highest share price (UK p)	3,201.66	3,667.92	3,532.94
Lowest share price (UK p)	2,678.44	2,931.01	2,815.72

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,453.18	1,640.48	1,356.85
Return before operating charges	(30.34)	(143.85)	326.11
Operating charges	(9.74)	(11.27)	(10.41)
Return after operating charges	(40.08)	(155.12)	315.70
Distributions	(37.87)	(32.18)	(32.07)
Closing NAV	1,375.23	1,453.18	1,640.48
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.28	1.30	1.46
Dilution adjustments	(0.11)	(0.40)	(0.25)
Total direct transaction costs	1.17	0.90	1.21
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.05	0.08
Operating charges	0.70	0.70	0.70
Return after charges	-2.76	-9.46	+23.27
Other information			
Closing NAV (£'000)	19,505	23,276	30,737
Number of shares	1,418,283	1,601,721	1,873,672
Highest share price (UK p)	1,487.76	1,721.64	1,661.54
Lowest share price (UK p)	1,247.48	1,370.94	1,333.07

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,836.00	2,028.98	1,645.04
Return before operating charges	(38.29)	(179.00)	396.28
Operating charges	(12.34)	(13.98)	(12.34)
Return after operating charges	(50.63)	(192.98)	383.94
Distributions	(35.71)	(25.97)	(26.36)
Retained distributions	35.71	25.97	26.36
Closing NAV	1,785.37	1,836.00	2,028.98
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.62	1.61	1.74
Dilution adjustments	(0.14)	(0.50)	(0.29)
Total direct transaction costs	1.48	1.11	1.45
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.05	0.08
Operating charges	0.70	0.70	0.70
Return after charges	-2.76	-9.51	+23.34
Other information			
Closing NAV (£'000)	31,245	38,026	49,938
Number of shares	1,750,034	2,071,119	2,461,212
Highest share price (UK p)	1,893.22	2,129.15	2,027.76
Lowest share price (UK p)	1,576.09	1,706.12	1,616.14

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 19 February 2021.

for the year/period to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	93.29	105.16	100.00
Return before operating charges	(1.95)	(9.30)	6.28
Operating charges	(0.49)	(0.51)	(0.15)
Return after operating charges	(2.44)	(9.81)	6.13
Distributions	(2.43)	(2.06)	(0.97)
Closing NAV	88.42	93.29	105.16
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.07	0.00
Dilution adjustments	(0.01)	(0.02)	0.00
Total direct transaction costs	0.07	0.05	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.05	0.08
Operating charges	0.55	0.55	0.55
Return after charges	-2.62	-9.33	+6.13
Other information			
Closing NAV (£'000)	1,819	1,544	21
Number of shares	2,057,010	1,655,010	20,010
Highest share price (UK p)	95.61	110.41	106.07
Lowest share price (UK p)	80.13	87.98	98.20

Sterling Class 'PP' Accumulation share performance

The share class was launched on 19 February 2021.

for the year/period to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	96.18	106.13	100.00
Return before operating charges	(2.00)	(9.43)	6.28
Operating charges	(0.51)	(0.52)	(0.15)
Return after operating charges	(2.51)	(9.95)	6.13
Distributions	(2.01)	(1.51)	(0.82)
Retained distributions	2.01	1.51	0.82
Closing NAV	93.67	96.18	106.13
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.08	0.00
Dilution adjustments	(0.01)	(0.02)	0.00
Total direct transaction costs	0.08	0.06	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.05	0.08
Operating charges	0.55	0.55	0.55
Return after charges	-2.61	-9.38	+6.13
Other information			
Closing NAV (£'000)	2,564	1,712	21
Number of shares	2,737,474	1,780,000	20,000
Highest share price (UK p)	99.28	111.42	106.07
Lowest share price (UK p)	82.61	89.34	98.20

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	143.22	162.09	134.40
Return before operating charges	(2.99)	(14.19)	32.26
Operating charges	(1.30)	(1.51)	(1.40)
Return after operating charges	(4.29)	(15.70)	30.86
Distributions	(3.73)	(3.17)	(3.17)
Closing NAV	135.20	143.22	162.09
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.13	0.13	0.15
Dilution adjustments	(0.01)	(0.04)	(0.02)
Total direct transaction costs	0.12	0.09	0.13
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.05	0.08
Operating charges	0.95	0.95	0.95
Return after charges	-3.00	-9.69	+22.96
Other information			
Closing NAV (£'000)	5,125	5,576	6,543
Number of shares	3,790,880	3,892,995	4,036,403
Highest share price (UK p)	146.37	169.99	164.17
Lowest share price (UK p)	122.83	135.20	132.03

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	179.08	198.41	161.26
Return before operating charges	(3.74)	(17.48)	38.84
Operating charges	(1.63)	(1.85)	(1.69)
Return after operating charges	(5.37)	(19.33)	37.15
Distributions	(3.05)	(2.05)	(2.14)
Retained distributions	3.05	2.05	2.14
Closing NAV	173.71	179.08	198.41
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.16	0.16	0.17
Dilution adjustments	(0.01)	(0.05)	(0.03)
Total direct transaction costs	0.15	0.11	0.14
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.05	0.08
Operating charges	0.95	0.95	0.95
Return after charges	-3.00	-9.74	+23.04
Other information			
Closing NAV (£'000)	21,717	22,982	26,713
Number of shares	12,501,707	12,832,916	13,463,937
Highest share price (UK p)	184.34	208.06	198.29
Lowest share price (UK p)	153.59	166.51	158.41

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002, and subsequently merged into Sterling Class 'A' Income on 24 June 2022

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,901.74	3,289.07	2,733.29
Return before operating charges	(174.47)	(287.54)	655.17
Operating charges	(2.02)	(35.43)	(34.98)
Return after operating charges	(176.49)	(322.97)	620.19
Distributions	n/a	(64.36)	(64.41)
NAV of in specie transfer	(2,725.25)	n/a	n/a
Closing NAV	0.00	2,901.74	3,289.07
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.17	2.59	2.94
Dilution adjustments	(0.02)	(0.81)	(0.27)
Total direct transaction costs	0.15	1.78	2.67
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.05	0.08
Operating charges	1.10	1.10	1.17
Return after charges	-6.08	-9.82	+22.69
Other information			
Closing NAV (£'000)	0	4,414	5,528
Number of shares	0	152,115	168,058
Highest share price (UK p)	2,908.15	3,447.99	3,331.36
Lowest share price (UK p)	2,664.53	2,740.12	2,684.76

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002, and subsequently merged into Sterling Class 'A' Accumulation on 24 June 2022.

for the year to 31 May	2023	2022	2021
Change in NAV per share	UK p	UK p	UK p
Opening NAV	4,931.78	5,472.18	4,457.58
Return before operating charges	(296.63)	(481.32)	1,071.83
Operating charges	(3.44)	(59.08)	(57.23)
Return after operating charges	(300.07)	(540.40)	1,014.60
Distributions	n/a	(48.40)	(48.20)
Retained distributions	n/a	48.40	48.20
NAV of in specie transfer	(4,631.71)	n/a	n/a
Closing NAV	0.00	4,931.78	5,472.18
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.29	4.32	4.82
Dilution adjustments	(0.03)	(1.35)	(0.82)
Total direct transaction costs	0.26	2.97	4.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.05	0.08
Operating charges	1.10	1.10	1.17
Return after charges	-6.08	-9.88	+22.76
Other information			
Closing NAV (£'000)	0	3,235	3,880
Number of shares	0	65,600	70,909
Highest share price (UK p)	4,942.57	5,736.00	5,468.90
Lowest share price (UK p)	4,528.52	4,587.15	4,378.24

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 May	Note	2023		2022	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	3		(23,199)		(60,794)
Revenue	5	12,178		11,078	
Expenses	6	(4,534)		(5,582)	
Interest payable and similar charges		0		(1)	
Net revenue/(expense) before taxation		7,644		5,495	
Taxation	7	(32)		56	
Net revenue/(expense) after taxation			7,612		5,551
Total return before distributions			(15,587)		(55,243)
Distributions	8		(10,088)		(8,474)
Change in net assets attributable to shareholders from investment activities			(25,675)		(63,717)

Statement of change in net assets attributable to shareholders

for the year to 31 May	2023		2022	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		490,472		556,976
Amounts received on issue of shares	6,196		40,974	
Amounts paid on cancellation of shares	(45,534)		(46,474)	
		(39,338)		(5,500)
Dilution adjustments		62		222
Change in net assets attributable to shareholders from investment activities (see above)		(25,675)		(63,717)
Retained distributions on Accumulation shares		3,328		2,460
Unclaimed distributions		33		31
Closing net assets attributable to shareholders		428,882		490,472

Financial statements and notes

Financial statements

Balance sheet

as at 31 May	Note	2023 £'000	2022 £'000
Assets			
Fixed assets			
Investments		410,062	474,531
Current assets			
Debtors	9	4,356	1,459
Cash and bank balances	10	8	253
Cash equivalents		19,882	18,763
Total assets		434,308	495,006
Liabilities			
Creditors			
Distribution payable		(4,733)	(4,017)
Other creditors	11	(693)	(517)
Total liabilities		(5,426)	(4,534)
Net assets attributable to shareholders		428,882	490,472

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, ordinary stock dividends have been transferred to capital, reducing the amount available.

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

3 Net capital gains/(losses)

for the year to 31 May	2023 £'000	2022 £'000
Non-derivative securities	(23,148)	(60,788)
Currency gains/(losses)	(51)	(6)
Net capital gains/(losses)	(23,199)	(60,794)

Financial statements and notes

4 Portfolio transactions and associated costs

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

for the year to 31 May	2023 £'000	% of transaction	2022 £'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	94,908		107,452	
Commissions	34	0.04	40	0.04
Taxes	328	0.34	364	0.34
Total purchases after transaction costs	95,270		107,856	
b) Sales				
Equities				
Equities before transaction costs	136,641		118,606	
Commissions	(46)	0.03	(40)	0.03
Taxes	(4)	0.00	(1)	0.00
Total sales after transaction costs	136,591		118,565	
	2023 £'000	% of average NAV	2022 £'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	80	0.02	80	0.01
Taxes paid				
Equities	332	0.07	365	0.07
Total direct portfolio transaction costs	412	0.09	445	0.08
		%		%
d) Indirect portfolio transaction costs				
Average portfolio dealing spread as at the balance sheet date		0.17		0.14

Financial statements and notes

5 Revenue

for the year to 31 May	2023 £'000	2022 £'000
Bank interest	3	0
Dividends from equity investments: non-taxable	11,600	10,969
Interest distributions	563	33
Rebate of ongoing charges from underlying funds	12	10
Stock dividends	0	66
Total revenue	12,178	11,078

6 Expenses

for the year to 31 May	2023 £'000	2022 £'000
Payable to the ACD or associate		
Annual charge	4,534	5,582
Total expenses	4,534	5,582

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

Financial statements and notes

7 Taxation

for the year to 31 May	2023 £'000	2022 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	32	(56)
Deferred tax (note 7c)	0	0
Total taxation	32	(56)
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	7,644	5,495
Corporation tax at 20%	1,529	1,099
Effects of:		
Dividends from equity investments: non-taxable	(2,320)	(2,194)
Stock dividends: non-taxable	0	(13)
Current year expenses not utilised	791	1,108
Withholding tax	32	(56)
Total tax charge (note 7a)	32	(56)
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of £31,141,000 (2022:£30,350,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

Financial statements and notes

8 Distributions

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

for the year to 31 May	2023		2022	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Dividend distributions				
Interim	1,791	733	1,891	586
Final	4,733	2,595	4,017	1,874
Total net distributions		9,852		8,368
Income deducted on cancellation of shares		280		207
Income received on issue of shares		(44)		(101)
Distributions		10,088		8,474
Net revenue/(expense) per statement of total return		7,612		5,551
Expenses offset against capital		2,476		2,989
Stock dividends not distributed		0		(66)
Distributions		10,088		8,474

9 Debtors

as at 31 May	2023 £'000	2022 £'000
Amounts receivable on issues of shares	46	0
Distributions receivable	72	12
Dividends receivable	1,570	1,347
Rebate of ongoing charges from underlying funds	1	0
Sales awaiting settlement	2,638	0
Withholding tax recoverable	29	100
Total debtors	4,356	1,459

10 Cash and bank balances

as at 31 May	2023 £'000	2022 £'000
Cash held as bank balances	8	253
Total cash and bank balances	8	253

Financial statements and notes

11 Other creditors

as at 31 May	2023 £'000	2022 £'000
Amounts payable on cancellation of shares	498	316
Annual charge payable	195	201
Total other creditors	693	517

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 01.06.22	Issued	Movements Cancelled	Converted	Closing 31.05.23
Sterling					
Class 'A' Income	7,509,954	76,363	(504,606)	151,947	7,233,658
Class 'A' Accumulation	3,227,608	16,443	(424,848)	64,037	2,883,240
Class 'C' Income	396,133	6,799	(26,730)	0	376,202
Class 'I' Income	1,601,721	27,044	(210,482)	0	1,418,283
Class 'I' Accumulation	2,071,119	2,624	(323,709)	0	1,750,034
Class 'PP' Income	1,655,010	518,000	(116,000)	0	2,057,010
Class 'PP' Accumulation	1,780,000	1,184,000	(226,526)	0	2,737,474
Class 'R' Income	3,892,995	55,684	(157,799)	0	3,790,880
Class 'R' Accumulation	12,832,916	576,890	(908,099)	0	12,501,707
Class 'X' Income	152,115	0	(1,176)	(150,939)	0
Class 'X' Accumulation	65,600	0	(868)	(64,732)	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.

Financial statements and notes

14 Charging structure

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

Share class	Annual charge %
Sterling	
Class 'A'	1.10
Class 'C'	0.00
Class 'I'	0.70
Class 'PP'	0.55
Class 'R'	0.95
Class 'X'	1.10

15 Related parties

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

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

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

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 4.83% (2022: 4.87%) 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.

Financial statements and notes

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 31 May	Assets 2023 £'000	Liabilities 2023 £'000	Assets 2022 £'000	Liabilities 2022 £'000
Basis of valuation				
Level 1	410,062	0	474,531	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	410,062	0	474,531	0

17 Risk management policies

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

18 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by £20,503,000 (2022: £23,727,000). A five per cent decrease would have an equal and opposite effect.

19 Currency risk sensitivity and exposure

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

20 Interest rate risk sensitivity and exposure

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

21 Credit risk

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

22 Dividend distribution tables

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

Semi-annual distribution periods

	Start	End	Xd	Payment
Interim	01.06.22	30.11.22	01.12.22	31.01.23
Final	01.12.22	31.05.23	01.06.23	31.07.23

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

Financial statements and notes

shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the income and equalisation components.

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 May	Group 2		Group 1 & 2 Distribution	
	Income 2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
Interim	13.0850	6.9150	20.0000	20.0000
Final	37.7126	17.2272	54.9398	43.9356

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 May	Group 2		Group 1 & 2 Distribution	
	Income 2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
Interim	4.3934	11.5498	15.9432	10.5957
Final	32.9121	28.7286	61.6407	38.3270

Sterling Class 'C' Income shares

Ordinary distributions for the year to 31 May	Group 2		Group 1 & 2 Distribution	
	Income 2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
Interim	0.6377	21.0066	21.6443	21.4092
Final	0.0425	59.7463	59.7888	47.2899

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 May	Group 2		Group 1 & 2 Distribution	
	Income 2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
Interim	4.8030	5.2885	10.0915	10.0515
Final	13.9883	13.7892	27.7775	22.1251

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 May	Group 2		Group 1 & 2 Distribution	
	Income 2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
Interim	2.6925	5.6832	8.3757	6.9921
Final	13.6410	13.6917	27.3327	18.9781

Financial statements and notes

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 May	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Interim	0.3372	0.3108	0.6480	0.6437
Final	0.5744	1.2108	1.7852	1.4187

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 May	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Interim	0.4880	0.0000	0.4880	0.4259
Final	0.3570	1.1661	1.5231	1.0889

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 May	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Interim	0.4593	0.5348	0.9941	0.9925
Final	1.2478	1.4849	2.7327	2.1821

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 May	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Interim	0.0494	0.6149	0.6643	0.4939
Final	1.2025	1.1809	2.3834	1.5548

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 May	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2023 UK p	2023 UK p	2023 UK p	2022 UK p
Interim	n/a	n/a	n/a	20.1333
Final	n/a	n/a	n/a	44.2286

Financial statements and notes

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 May	Income	Group 2	Group 1 & 2	
	2023 UK p	Equalisation 2023 UK p	2023 UK p	2022 UK p
Interim	n/a	n/a	n/a	10.4820
Final	n/a	n/a	n/a	37.9160

23 Events after the balance sheet date

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

Other regulatory disclosures

Remuneration

The below disclosure is made in accordance with Undertakings for Collective Investment in Transferable Securities (“UCITS”) V and the Guidelines on sound remuneration policies under the UCITS issued by the European Securities and Markets Authority (“ESMA Guidelines”).

M&G Securities Limited (the “UCITS Management Company”) is subject to a remuneration policy which is consistent with the principles outlined in the ESMA Guidelines.

The remuneration policy is designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of employees is in line with the risk policies and objectives of the UCITS funds managed by the UCITS Management Company. Further details of the remuneration policy can be found on our website: mandgplc.com/our-business/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.

M&G Securities Limited is required under UCITS to make quantitative disclosures of remuneration. These disclosures are made in line with M&G’s interpretation of currently available guidance on quantitative remuneration disclosures. As market or regulatory guidance evolves, M&G may consider it appropriate to make changes to the way in which quantitative disclosures are calculated.

The ‘Identified Staff’ of M&G Securities Limited are those who could have a material impact on the risk profile of M&G Securities Limited or the UCITS funds it manages and generally includes senior management, risk takers and control functions. ‘Identified Staff’ typically provide both UCITS and non-UCITS related services and have a number of areas of responsibility. Therefore, only the portion of remuneration for those individuals’ services which may be attributable

to UCITS is included in the remuneration figures disclosed. Accordingly the figures are not representative of any individual’s actual remuneration. The information needed to provide a further breakdown of remuneration is not readily available and would not be relevant or reliable.

The amounts shown below reflect payments made in respect of the financial year 1 January 2022 to 31 December 2022.

	Fixed Remuneration £000	Variable Remuneration £000	Total £000	Beneficiaries
Senior Management	622	1,303	1,925	9
Other Identified Staff	4,578	18,758	23,336	37

Swiss investor information

For funds registered in Switzerland we are required by FINMA to disclose the Total Expense Ratio (TER).

For these funds the TERs are the same as the operating charges disclosed in the fund’s financial highlights section under ‘Performance and charges’.

Glossary

Accumulation shares A type of share where distributions are automatically reinvested and reflected in the value of the shares.

Accumulation units A type of unit where distributions are automatically reinvested and reflected in the value of the units.

Asset Anything having commercial or exchange value that is owned by a business, institution or individual.

Asset allocation Apportioning a portfolio's assets according to risk tolerance and investment goals.

Asset class Category of assets, such as cash, company shares, fixed income securities and their sub-categories, as well as tangible assets such as real estate.

Bond A loan in the form of a security, usually issued by a government or company, which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.

Bond issue A set of fixed income securities offered for sale to the public by a company or government. If the bonds are sold for the first time, it is called a 'new issue'.

Bottom-up selection Selecting stocks based on the attractiveness of a company.

Bunds Fixed income securities issued by the German government.

Capital Refers to the financial assets, or resources, that a company has to fund its business operations.

Capital growth Occurs when the current value of an investment is greater than the initial amount invested.

Capital return The term for the gain or loss derived from an investment over a particular period. Capital return includes capital gain or loss only and excludes income (in the form of interest or dividend payments).

Cash equivalents Deposits or investments with similar characteristics to cash.

Charity Authorised Investment Fund (CAIF) An investment entity that is both a registered charity and an authorised investment fund. The CAIF must comply with charity law as well as financial services laws and regulations, and is usually treated as a registered charity for tax purposes.

Comparative sector A group of funds with similar investment objectives and/or types of investment, as classified by bodies such as the Investment Association (IA) or Morningstar™. Sector definitions are mostly based on the main assets a fund should invest in, and may also have a geographic focus. Sectors can be the basis for comparing the different characteristics of similar funds, such as their performance or charging structure.

Consumer Prices Index (CPI) An index used to measure inflation, which is the rate of change in prices for a basket of goods and services. The contents of the basket are meant to be representative of products and services we typically spend our money on.

Convertible bonds Fixed income securities that can be exchanged for predetermined amounts of company shares at certain times during their life.

Corporate bonds Fixed income securities issued by a company. They are also known as bonds and can offer higher interest payments than bonds issued by governments as they are often considered more risky.

Coupon The interest paid by the government or company that has raised a loan by selling bonds.

Credit The borrowing capacity of an individual, company or government. More narrowly, the term is often used as a synonym for fixed income securities issued by companies.

Credit default swaps (CDS) Are a type of derivative, namely financial instruments whose value, and price, are dependent on one or more underlying assets. CDS are insurance-like contracts that allow investors to transfer the risk of a fixed income security defaulting to another investor.

Credit rating An independent assessment of a borrower's ability to repay its debts. A high rating indicates that the credit rating agency considers the issuer to be at low risk of default; likewise, a low rating indicates high risk of default. Standard & Poor's, Fitch and Moody's are the three most prominent credit rating agencies. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Credit rating agency A company that analyses the financial strength of issuers of fixed income securities and attaches a rating to their debt. Examples include Standard & Poor's and Moody's.

Credit risk Risk that a financial obligation will not be paid and a loss will result for the lender.

Glossary

Credit selection The process of evaluating a fixed income security, also called a bond, in order to ascertain the ability of the borrower to meet its debt obligations. This research seeks to identify the appropriate level of default risk associated with investing in that particular bond.

Credit spread The difference between the yield of a corporate bond, a fixed income security issued by a company, and a government bond of the same life span. Yield refers to the income received from an investment and is expressed as a percentage of the investment's current market value.

Default When a borrower does not maintain interest payments or repay the amount borrowed when due.

Defaulted bond When a bond issuer does not maintain interest payments or repay the amount borrowed when due.

Default risk Risk that a debtholder will not receive interest and full repayment of the loan when due.

Derivatives Financial instruments whose value, and price, are dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded on a regulated exchange or traded over the counter.

Developed economy/market Well-established economies with a high degree of industrialisation, standard of living and security.

Dilution adjustments The dilution adjustment is used to protect ongoing investors against the transaction charges incurred in investing or divesting in respect of creations and cancellations. The dilution adjustment is made up of the direct and indirect transaction charges. In the financial statements the direct transaction charges as a percentage of average NAV will be disclosed. This percentage will take account of those direct transaction charges that have been recovered through the dilution adjustment leaving a percentage that just represents the costs incurred in portfolio management.

Distribution Distributions represent a share in the income of the fund and are paid out to Income shareholders or reinvested for Accumulation shareholders at set times of the year (monthly, quarterly, half-yearly or annually). They may either be in the form of interest distributions or dividend distributions.

Distribution yield Expresses the amount that is expected to be distributed by the fund over the next 12 months as a percentage of the share price as at a certain date. It is based on the expected gross income less the ongoing charges.

Diversification The practice of investing in a variety of assets. This is a risk management technique where, in a well-diversified portfolio, any loss from an individual holding should be offset by gains in other holdings, thereby lessening the impact on the overall portfolio.

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

Duration A measure of the sensitivity of a fixed income security, also called a bond, or bond fund to changes in interest rates. The longer a bond or bond fund's duration, the more sensitive it is to interest rate movements.

Duration risk The longer a fixed income security, also called a bond, or bond fund's duration, the more sensitive and therefore at risk it is to changes in interest rates.

Emerging economy or market Economies in the process of rapid growth and increasing industrialisation. Investments in emerging markets are generally considered to be riskier than those in developed markets.

Equities Shares of ownership in a company.

Exchange traded Usually refers to investments traded on an exchange, such as company shares on a stock exchange.

Ex-dividend, ex-distribution or XD date The date on which declared distributions officially belong to underlying investors.

Exposure The proportion of a fund invested in a particular share/fixed income security, sector/region, usually expressed as a percentage of the overall portfolio.

Fixed income security A loan in the form of a security, usually issued by a government or company, which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid. Also referred to as a bond.

Floating rate notes (FRNs) Securities whose interest (income) payments are periodically adjusted depending on the change in a reference interest rate.

Foreign exchange The exchange of one currency for another, or the conversion of one currency into another currency. Foreign exchange also refers to the global market where currencies are traded virtually around the clock. The term foreign exchange is usually abbreviated as 'forex' and occasionally as 'FX'.

Glossary

Foreign exchange (FX) strategy Currencies can be an asset class in its own right, along with company shares, fixed income securities, property and cash. Foreign exchange strategy can therefore be a source of investment returns.

Forward contract A contract between two parties to buy or sell a particular commodity or financial instrument at a pre-determined price at a future date. Examples include forward currency contracts.

Fundamentals (company) A basic principle, rule, law, or the like, that serves as the groundwork of a system. A company's fundamentals pertain specifically to that company, and are factors such as its business model, earnings, balance sheet and debt.

Fundamentals (economic) A basic principle, rule, law, or the like, that serves as the groundwork of a system. Economic fundamentals are factors such as inflation, employment, economic growth.

Futures A futures contract is a contract between two parties to buy or sell a particular commodity or financial instrument at a predetermined price at a future date. Futures are traded on a regulated exchange.

Gilts Fixed income securities issued by the UK government.

Government bonds Fixed income securities issued by governments, that normally pay a fixed rate of interest over a given time period, at the end of which the initial investment is repaid.

Hedging A method of reducing unnecessary or unintended risk.

High water mark (HWM) The highest level that a fund's NAV (net asset value) has reached at the end of any 12-month accounting period.

High yield bonds Fixed income securities issued by companies with a low credit rating from a recognised credit rating agency. They are considered to be at higher risk of default than better quality, ie higher-rated fixed income securities but have the potential for higher rewards. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Historic yield The historic yield reflects distributions declared over the past 12 months as a percentage of the share price, as at the date shown.

Income yield Refers to the income received from an investment and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value.

Index An index represents a particular market or a portion of it, serving as a performance indicator for that market.

Income shares A type of share where distributions are paid out as cash on the payment date.

Income units A type of unit where distributions are paid out as cash on the payment date.

Index tracking A fund management strategy that aims to match the returns from a particular index.

Index-linked bonds Fixed income securities where both the value of the loan and the interest payments are adjusted in line with inflation over the life of the security. Also referred to as inflation-linked bonds.

Inflation The rate of increase in the cost of living. Inflation is usually quoted as an annual percentage, comparing the average price this month with the same month a year earlier.

Inflation risk The risk that inflation will reduce the return of an investment in real terms.

Initial public offering (IPO) The first sale of shares by a private company to the public.

Interest rate risk The risk that a fixed income investment will lose value if interest rates rise.

Interest rate swap An agreement between two parties to swap a fixed interest payment with a variable interest payment over a specified period of time.

Investment Association (IA) The UK trade body that represents fund managers. It works with investment managers, liaising with government on matters of taxation and regulation, and also aims to help investors understand the industry and the investment options available to them.

Investment grade bonds Fixed income securities issued by a company with a medium or high credit rating from a recognised credit rating agency. They are considered to be at lower risk from default than those issued by companies with lower credit ratings. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Issuer An entity that sells securities, such as fixed income securities and company shares.

Glossary

Leverage When referring to a company, leverage is the level of a company's debt in relation to its assets. A company with significantly more debt than capital is considered to be leveraged. It can also refer to a fund that borrows money or uses derivatives to magnify an investment position.

Liquidity A company is considered highly liquid if it has plenty of cash at its disposal. A company's shares are considered highly liquid if they can be easily bought or sold since large amounts are regularly traded.

Long position Refers to ownership of a security held in the expectation that the security will rise in value.

Macroeconomic Refers to the performance and behaviour of an economy at the regional or national level. Macroeconomic factors such as economic output, unemployment, inflation and investment are key indicators of economic performance. Sometimes abbreviated to 'macro'.

Maturity The length of time until the initial investment amount of a fixed income security is due to be repaid to the holder of the security.

Modified duration A measure of the sensitivity of a fixed income security, called a bond, or bond fund to changes in interest rates. The longer a bond or bond fund's duration, the more sensitive it is to interest rate movements.

Monetary easing When central banks lower interest rates or buy securities on the open market to increase the money in circulation.

Monetary policy A central bank's regulation of money in circulation and interest rates.

Monetary tightening When central banks raise interest rates or sell securities on the open market to decrease the money in circulation.

Morningstar™ A provider of independent investment research, including performance statistics and independent fund ratings.

Near cash Deposits or investments with similar characteristics to cash.

Net asset value (NAV) A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.

Ongoing Charge Figure The ongoing charge figure represents the operating costs investors can reasonably expect to pay under normal circumstances.

Open-ended investment company (OEIC) A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Options Financial contracts that offer the right, but not the obligation, to buy or sell an asset at a given price on or before a given date in the future.

Over-the-counter (OTC) Whereby financial assets are traded directly between two parties. This is in contrast to exchange trading, which is carried out through exchanges set up specifically for the purpose of trading. OTC is also known as off-exchange trading.

Overweight If a fund is 'overweight' a stock, it holds a larger proportion of that stock than the comparable index or sector.

Payment date The date on which distributions will be paid by the fund to investors, usually the last business day of the month.

Physical assets An item of value that has tangible existence, for example, cash, equipment, inventory or real estate. Physical assets can also refer to securities, such as company shares or fixed income securities.

Portfolio transaction cost The cost of trading, such as brokerage, clearing, exchange fees and bid-offer spread as well as taxes such as stamp duty.

Preference shares Preference shares are a loan to a company that may be traded in the same way as ordinary shares, but generally have a higher yield and pay dividends on fixed dates. Preference shares have varying characteristics as to the treatment of the principal and the dividend payment, which includes ranking them above ordinary shares when it comes to dividend payments.

Principal The face value of a fixed income security, which is the amount due back to the investor by the borrower when the security reaches the end of its life.

Private placement An offer of sale of securities to a relatively small number of investors selected by the company, generally investment banks, mutual funds, insurance companies or pension funds.

Property Expense Ratio (PER) Property expenses are the operating expenses that relate to the management of the property assets in the portfolio. These include: insurance and rates, rent review and lease renewal costs and maintenance and repairs, but not improvements. They depend on the level of activity taking place within the fund. The Property Expense Ratio is the ratio of property expenses to the fund's net asset value.

Glossary

Real yield The return of an investment, adjusted for changes in prices in an economy.

Retail Prices Index (RPI) A UK inflation index that measures the rate of change in prices for a basket of goods and services in the UK, including mortgage payments and council tax.

Risk The chance that an investment's return will be different to what is expected. Risk includes the possibility of losing some or all of the original investment.

Risk management The term used to describe the activities the fund manager undertakes to limit the risk of a loss in a fund.

Risk premium The difference between the return from a risk-free asset, such as a high-quality government bond or cash, and the return from an investment in any other asset. The risk premium can be considered the 'price' or 'pay-off' for taking on increased risk. A higher risk premium implies higher risk.

Risk-free asset An asset that notionally carries no risk of non-payment by the borrower such as a high-quality fixed income security issued by a government or cash.

Risk/reward ratio A ratio comparing the expected returns of an investment with the amount of risk undertaken.

Safe-haven assets Refers to assets that investors perceive to be relatively safe from suffering a loss in times of market turmoil.

Security Financial term for a paper asset – usually a share in a company or a fixed income security also known as a bond.

Share class Each M&G fund has different share classes, such as A, R and I. Each has a different level of charges and minimum investment. Details on charges and minimum investments can be found in the Key Investor Information Documents.

Share class hedging Activities undertaken in respect of hedged shares to mitigate the impact on performance of exchange rate movements between the fund's currency exposure and the investor's chosen currency.

Short position A way for a fund manager to express his or her view that the market might fall in value.

Short selling This often refers to the practice whereby an investor sells an asset they do not own. The investor borrows the asset from someone who does own it and pays a fee. The investor must eventually return the borrowed asset by buying it in the open market. If the asset has fallen in price, the investor buys it for less than they sold it for, thus making a profit. The contrary may also occur.

Short-dated corporate bonds Fixed income securities issued by companies and repaid over relatively short periods.

Short-dated government bonds Fixed income securities issued by governments and repaid over relatively short periods.

Sovereign debt Debt of a government. Also referred to as government bonds.

Sub-investment grade bonds Fixed income securities issued by a company with a low rating from a recognised credit rating agency. They are considered to be at higher risk from default than those issued by companies with higher credit ratings. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Suspended Temporarily halting the trading of a listed security on the stock exchange. It can be voluntary (requested by the issuing company) or imposed by regulators. Typically, trading suspensions are introduced ahead of important news announcements, following technical glitches, or due to regulatory concerns.

Swing pricing Swing pricing is a method of protecting long-term shareholders in the fund from bearing the costs of transactions carried out by shorter-term investors. When investors buy or sell shares in the fund, the fund manager has to buy or sell underlying securities to either invest the cash obtained from investors, or to provide them with cash in exchange for their shares. Swing pricing essentially adjusts the fund shares' daily price to take into account the costs of buying or selling the underlying securities held by the fund. This ensures that transaction costs such as brokerage fees and administrative charges are borne by those investors who trade shares in the fund, not by those who remain invested in the fund. (Also see dilution adjustment).

Top-down investing An investment approach that analyses economic factors, ie surveys the 'big picture', before selecting which companies to invest in. The top-down investor will look at which industries are likely to generate the best returns in certain economic conditions and limit the search to that area.

Total return The term for the gain or loss derived from an investment over a particular period. Total return includes income (in the form of interest or dividend payments) and capital gains.

Treasuries Fixed income securities issued by the US government.

Glossary

Triple A or AAA rated The highest possible rating a fixed income security, also called a bond, can be assigned by credit rating agencies. Bonds that are rated AAA are perceived to have the lowest risk of default. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

UCITS Stands for Undertakings for Collective Investment in Transferable Securities. This is the European regulatory framework for an investment vehicle that can be marketed across the European Union and is designed to enhance the single market in financial assets while maintaining high levels of investor protection.

Unconstrained The term used to describe the mandate of a fund whereby the manager has the freedom to invest according to his or her own strategy, not being obliged to allocate capital according to the weightings of any index, for example.

Underlying value The fundamental value of a company, reflecting both tangible and intangible assets, rather than the current market value.

Underlying yield Refers to the income received by a managed fund, and is usually expressed annually as a percentage based on the fund's current value.

Underweight If a portfolio is 'underweight' a stock, it holds a smaller proportion of that stock than the comparable index or sector.

Unit trust A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Unit/share type Type of units/shares held by investors in a trust or fund (unit/share types differ by features such as whether income is to be paid out as cash or reinvested on the payment date).

Unlisted/unquoted stocks Shares of ownership in companies that are not listed on a public exchange, known as private companies.

Valuation The worth of an asset or company based on its current price.

Volatile When the value of a particular share, market or sector swings up and down fairly frequently and/or significantly, it is considered volatile.

Volatility The degree to which a given security, fund, or index rapidly changes. It is calculated as the degree of deviation from the norm for that type of investment over a given time period. The higher the volatility, the riskier the security tends to be.

Warrant A security issued by a company that gives the holder the right to buy shares in that company at a specified price and within a certain timeframe.

Yield This refers to either the interest received from a fixed income security or to the dividends received from a share. It is usually expressed as a percentage based on the investment's costs, its current market value or its face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

Yield (equity) Refers to the dividends received by a holder of company shares and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

Yield (bonds) This refers to the interest received from a fixed income security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

Yield (income) Refers to the income received from an investment and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value.

