

# M&G Investment Funds (12)

**Interim report and unaudited financial statements  
for the six months ended 31 July 2022**



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# Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (12) presents its interim report and unaudited financial statements for the six months ended 31 July 2022.

The unaudited financial statements of M&G Investment Funds (12) and the investment report and unaudited financial statements and notes of the 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 (12) is an umbrella Open-Ended Investment Company (OEIC) and contains one sub-fund, hereinafter referred to as 'fund' in the rest of this report. This fund is a UCITS (Undertakings for Collective Investment in Transferable Securities) scheme as defined in the Collective Investment Schemes sourcebook, as issued (and amended) by the 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 2 November 2011 and the fund was launched on 17 February 2012.

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.

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.

## Co-fund managers

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

### M&G Global Strategic Value Fund

Richard Halle, Daniel White & Shane Kelly

## ACD

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

## Directors of the ACD

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

## Investment manager

M&G Investment Management Limited,  
10 Fenchurch Avenue, London EC3M 5AG, UK  
Telephone: +44 (0)20 7626 4588  
(Authorised and regulated by the Financial Conduct Authority)

## Registrar

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

## 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

# Authorised Corporate Director's Report

## 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 report can be found at [www.mandg.co.uk/valueassessment](http://www.mandg.co.uk/valueassessment)

## Important information

The COVID-19 pandemic has been an unprecedented event and continues to bring uncertainties. The ACD continues to monitor the ongoing operational risks that are posed to the Company and its service providers.

The events currently unfolding in Ukraine are shocking and tragic. Although feared, a full-scale military invasion of Ukraine by Russia was arguably not expected and has been widely condemned. Western nations have responded to Russia's attack which started on 24 February 2022, with sweeping sanctions: the US, the UK and the European Union have imposed sanctions on Russian banks, state-owned enterprises (SOEs) and individuals with close links to President Putin. On 28 February 2022, Russia's central bank closed stock trading on the Moscow Stock Exchange. Whilst restrictions and sanctions are still in place, there was a partial reopening of the Exchange on 24 March 2022.

From the perspective of financial markets, Russia's attack has sparked considerable volatility, with Russian assets, in particular, falling sharply and oil prices surging. Given the uncertainty around the continuing conflict, it is likely that financial markets will remain volatile in the coming months as investors react to developments.

In this uncertain fast-moving environment, please be aware that investment commentary may become quickly outdated by ongoing events. We will continue to monitor the geopolitical situation closely.

Please refer to the 'Investment review' section for further details on significant events during the period.

From 27 April 2022, the M&G Investments Thermal Coal Investment Policy has been applied. For further information, investors should refer to the Prospectus or

the 'M&G Investments Thermal Coal Investment Policy' document which is available on the M&G website at [www.mandgplc.com/sustainability/environment/coal](http://www.mandgplc.com/sustainability/environment/coal)

## 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.

# Authorised Corporate Director's Report

## **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: [csmandg@rbc.com](mailto:csmandg@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 the fund 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  
20 September 2022

# Financial statements and notes

The financial statements for M&G Investment Funds (12) comprise the individual financial statements for the fund and the notes below.

## Notes to the financial statements

### Accounting policies

There are no material events that have been identified that may cast significant doubt on the Company's ability to continue as a going concern for at least the next twelve months from the date these financial statements are authorised for issue. The ACD believes that the Company has adequate resources to continue in operational existence for the foreseeable future and, following consideration of the impact of COVID-19 they continue to adopt the going concern basis in preparing the financial statements. The ACD has made an assessment of the fund's ability to continue as a going concern which is made as at the date of issue of these financial statements and considers liquidity, declines in global capital markets, investor intention, known redemption levels, expense projections, key service provider's operational resilience, and the impact of COVID-19.

The interim financial statements have been prepared on the same basis as the audited financial statements for the year ended 31 January 2022. They are prepared under the historical cost convention, as modified by the revaluation of investments, 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.

# Authorised Corporate Director's Report

## 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 MSCI ACWI Index over any five-year period.

## Investment policy

At least 80% of the fund is invested directly in equity securities and equity related securities of companies across any sector and market capitalisations that are domiciled in any country, including emerging markets.

The fund may also invest in other transferable securities, cash and near cash directly and 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 employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies.

The investment approach focuses on identifying shares in cheap or out-of-favour companies that the fund managers believe are undervalued, while trying to avoid companies with problems that could prevent their share prices from improving over time.

The fund's approach combines a strict valuation screen and rigorous qualitative analysis. This ensures the fund concentrates on cheap stocks without compromising on characteristics such as financial strength or competitive advantages.

The main drivers of returns are expected to be the value style and overall stock selection rather than any individual sector or stock.

## Benchmark

Benchmark: MSCI ACWI 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 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.

The benchmark is shown in the share class currency.

## Risk profile

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 six months ended 31 July 2022

### Performance against objective

Between 1 February 2022 (the start of the review period) and 31 July 2022, all share classes of the M&G Global Strategic Value Fund produced a positive total return (the combination of income and growth of capital).

The fund's returns were ahead of its benchmark, the MSCI ACWI Index, which fell 0.7% in the six-month period.

Over the longer term of five years, the fund has delivered positive returns but lagged the index, which returned 10.2% pa. Therefore, the fund has failed to meet its objective to provide a higher total return, net of the ongoing charge figure, than that of the MSCI ACWI Index 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

Financial markets were turbulent in the period under review, as the war in Ukraine, high levels of inflation and the prospect of interest rate rises knocked investor confidence. Worries about China's zero-COVID strategy, which saw many cities placed in strict lockdowns to prevent the spread of COVID-19 and caused a slowdown in economic activity, also dampened sentiment.

Russia's invasion of Ukraine on 24 February was a major contributor to investors' risk aversion. Stockmarkets fell sharply in the aftermath as investors contemplated the impact of the conflict and Western sanctions on the global economy. Commodity prices soared amid fears that restrictions on Russian oil and gas would have a severe impact on global supplies.

The surge in commodity prices contributed to a spike in inflation, which was already at elevated levels due to supply constraints and the rebound in global economic growth after the coronavirus pandemic. As price rises

proved more persistent than many policymakers had expected – the annual rate of inflation in the US reached 9.1% in June – major central banks, notably the US Federal Reserve, raised interest rates to try to control soaring inflation.

Share prices declined as investors became increasingly concerned that sharp interest rate increases at a time of slowing economic activity and high energy costs could lead to a global economic recession.

In this environment, the 'value' investment style proved relatively resilient and outperformed the broader market. (Value investors typically buy lowly valued, out-of-favour stocks which are trading at valuations that do not reflect their true worth.) During the period there was a powerful rotation away from highly valued 'growth' stocks, particularly large US technology companies, towards cheaper firms. This was driven in part by the prospect of higher interest rates. (Growth stocks are generally regarded as companies that are expected to deliver above-average increases in earnings and profits in future.)

From a regional perspective, Asian and emerging market equities lagged the broader market, weighed down by weakness in China's stockmarket, which fell on concerns about the country's strict zero-COVID-19 policy. Stockmarkets in South Korea and Taiwan also declined amid concerns about the global economic outlook. Stockmarkets in Eastern Europe, such as Hungary and Poland, fell on concerns about the potential knock-on effect of the war in Ukraine. Germany and the Netherlands were among the weakest markets too.

In contrast, stockmarkets in commodity-producing nations were among the best performers, notably Australia, Brazil, Kuwait and Qatar. Share prices in India and the UK outperformed the broader market too.

In terms of sectors, energy was the standout performer over the period, buoyed by higher oil prices. Defensive areas (which are generally considered to be businesses that can deliver stable earnings in different economic conditions) also performed well: consumer staples, healthcare and utilities outperformed the broader

# Authorised Corporate Director's Report

market. On the other hand, consumer discretionary, information technology and financials were among the weakest sectors.

Against this background, the fund delivered positive returns ahead of the benchmark index, with stock selection in communication services (which includes telecoms) and industrials supporting relative performance. The above-index position in energy and the below-index weight in technology was helpful too. In contrast, stockpicking in consumer discretionary and materials detracted.

In terms of individual holdings, German defence company Rheinmetall was a leading contributor. The stock rallied, driven by expectations that the conflict in Ukraine will lead to higher defence spending.

In energy, our holdings in Belgium-based oil tanker company Euronav and Tenaris, a Luxembourg-based supplier of steel pipes used in the oil & gas industry, delivered healthy gains, against a backdrop of rising oil prices. Euronav's share price also climbed on the news of a merger with a smaller rival, which could create a market-leading operator and offer economies of scale.

As healthcare outperformed, our holding in US drugmaker Bristol Myers Squibb was a leading contributor. US supermarket chain Kroger also advanced, supported by expectations that the retailer would be able to cope in a challenging economic environment with lower discretionary spending.

In contrast, German home improvements company Hornbach was a notable detractor. After performing well in 2021, the stock has retreated this year. The share price fell when Hornbach warned that full-year earnings would be lower than last year due to macroeconomic challenges such as rising prices. We believe investors overreacted and think the stock remains attractively valued.

Our holding in Chinese drugmaker HutchMed held back relative performance too as the stock fell when the US drug regulator declined to approve the company's cancer drug.

US sports footwear retailer Foot Locker was another leading detractor. Investors were disappointed when the company forecast that sales would decline this year, partly as its biggest supplier Nike is aiming to sell more directly to consumers, and the stock fell. In addition, our shares in steelmaker Aperam fell on weaker steel prices and worries about the impact of higher energy costs.

## Investment activities

During the period, we identified a number of new opportunities that we felt had become attractively valued. We started a position in US social media firm Meta Platforms, formerly Facebook. The company's share price has fallen dramatically, partly driven by concerns about increasing competition from rival apps. In our view, the market has overreacted, and the company's prospects are not being fully valued.

We also invested in Chinese e-commerce firm Alibaba, another internet-related stock that has fallen dramatically. Worries about increased regulatory oversight, the economic impact of China's COVID-19 lockdowns and uncertainty about the potential de-listing of Chinese stocks from US stock exchanges have weighed on the company's share price. Although we recognise that the company faces challenges, we think Alibaba's core business could deliver solid levels of profitability and cashflow over the long term and feel the stock is now attractively valued.

Other new holdings included US technology firm Qualcomm and Swedish network equipment firm Ericsson. In our view, Ericsson has a positive business outlook, supported by the roll out of 5G mobile networks and reduced competition.

In terms of sales, we sold our entire stake in Japan Airlines as we felt that there was an increasing risk that the international recovery in travel will fail to meet expectations.

We also closed our position in US sports footwear retailer Foot Locker as we believe the company is facing headwinds from the increasing shift of key brands to direct marketing and sales.

# Authorised Corporate Director's Report

In addition, we took some profits by trimming stocks that had performed well. These included US drugmaker Bristol Myers Squibb, Canada-listed copper miner First Quantum Minerals and German defence firm Rheinmetall.

## Outlook

The current macroeconomic and geopolitical environment is extremely uncertain and it is likely that financial markets will remain turbulent in the coming months. With major central banks focused on controlling inflation, it remains to be seen if they can raise interest rates without causing an economic slowdown. The cost-of-living crisis is likely to put pressure on consumers, while rising costs could hurt companies' profit margins. In this challenging environment, we will be monitoring our holdings and altering positions as appropriate. We believe our preference for companies with sound balance sheets could be beneficial if economic conditions deteriorate. Although there could be some difficult times ahead, we think the portfolio is well placed to cope. We also remain optimistic about the outlook for the value style: although value has returned to favour this year, we believe the style still has a long way to go to reverse the previous decade of underperformance.

## Richard Halle, Daniel White & Shane Kelly

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 31.07.22 \$'000	as at 31.07.22 %	as at 31.01.22 %
<b>Equities</b>	<b>376,431</b>	<b>98.95</b>	<b>98.66</b>
<b>United Kingdom</b>	<b>48,003</b>	<b>12.62</b>	<b>12.89</b>
1,250,000 African Minerals <sup>a</sup>	0	0.00	
1,866,667 BP	8,987	2.36	
91,005 Coca-Cola Europacific Partners	4,923	1.29	
1,693,789 Currys	1,397	0.37	
215,120 GSK	4,532	1.19	
268,901 Haleon	944	0.25	
288,199 Imperial Brands	6,326	1.66	
103,786 Izodia <sup>a</sup>	0	0.00	
95,824 Johnson Matthey	2,495	0.66	
944,004 Kenmare Resources	5,054	1.33	
894,398 KSK Power Ventur <sup>a</sup>	0	0.00	
1,376,179 NatWest	4,148	1.09	
1,314,903 OPG Power Ventures <sup>b</sup>	106	0.03	
336,315 Standard Chartered	2,377	0.63	
2,090,816 Tesco	6,714	1.76	
<b>Belgium</b>	<b>6,812</b>	<b>1.79</b>	<b>1.52</b>
256,436 Euronav	3,454	0.91	
42,071 UCB	3,358	0.88	
<b>Finland</b>	<b>6,742</b>	<b>1.77</b>	<b>1.81</b>
214,866 UPM-Kymmene	6,742	1.77	
<b>France</b>	<b>11,416</b>	<b>3.00</b>	<b>2.85</b>
30,777 Ipsen	3,244	0.85	
160,877 TotalEnergies	8,172	2.15	
<b>Germany</b>	<b>13,428</b>	<b>3.53</b>	<b>5.13</b>
78,271 Bilfinger	2,377	0.63	
54,338 Hornbach	4,266	1.12	
18,824 Rheinmetall	3,462	0.91	
23,723 Volkswagen Preference Shares	3,323	0.87	
<b>Ireland</b>	<b>3,182</b>	<b>0.84</b>	<b>1.15</b>
1,400,595 AIB	3,182	0.84	

# Portfolio statement

## Investments (continued)

Holding	as at 31.07.22 \$'000	as at 31.07.22 %	as at 31.01.22 %
<b>Equities (continued)</b>			
<b>Italy</b>	<b>5,658</b>	<b>1.49</b>	<b>1.31</b>
414,154 Tenaris	5,658	1.49	
<b>Netherlands</b>	<b>3,689</b>	<b>0.97</b>	<b>1.51</b>
115,007 APERAM	3,689	0.97	
<b>Spain</b>	<b>6,115</b>	<b>1.61</b>	<b>1.93</b>
894,232 CaixaBank	2,703	0.71	
2,118,291 Mapfre	3,412	0.90	
<b>Sweden</b>	<b>10,224</b>	<b>2.69</b>	<b>1.28</b>
761,838 Ericsson	5,742	1.51	
455,115 Securitas	4,482	1.18	
<b>United States</b>	<b>178,810</b>	<b>47.00</b>	<b>45.95</b>
66,160 Autohome ADR	2,256	0.59	
134,108 Bristol-Myers Squibb	10,022	2.63	
143,475 Cisco Systems	6,555	1.72	
51,288 Citigroup	2,653	0.70	
199,250 Comcast	7,803	2.05	
56,947 Constellation Energy	3,717	0.98	
297,060 Coty	2,327	0.61	
121,977 DXC Technology	3,891	1.02	
108,559 eBay	5,394	1.42	
13,722 Elevance Health	6,569	1.73	
154,210 Exelon	7,163	1.88	
17,977 FedEx	4,192	1.10	
42,485 General Electric	3,132	0.82	
1,079,172 Gurnet Point Capital <sup>a</sup>	0	0.00	
96,864 Hartford Financial Services	6,117	1.61	
337,576 Hewlett Packard Enterprise	4,793	1.26	
264,407 HutchMed ADR	3,383	0.89	
105,954 Intel	3,886	1.02	
59,655 JPMorgan Chase	6,882	1.81	
132,842 Kroger	6,148	1.62	
71,893 Merck	6,480	1.70	

# Portfolio statement

## Investments (continued)

Holding	as at 31.07.22 \$'000	as at 31.07.22 %	as at 31.01.22 %
<b>Equities (continued)</b>			
<b>United States (continued)</b>			
39,648 Meta Platforms	6,411	1.69	
17,635 Microsoft	4,899	1.29	
68,244 Molson Coors Beverage	4,045	1.06	
204,694 New York Community Bancorp	2,189	0.58	
84,539 Oracle	6,567	1.73	
33,793 Oshkosh	2,858	0.75	
201,629 Perpetua Resources	550	0.14	
156,839 Pfizer	7,955	2.09	
32,985 Qualcomm	4,898	1.29	
41,850 Reinsurance Group of America	4,846	1.27	
64,136 Southwest Airlines	2,475	0.65	
108,711 Tapestry	3,742	0.98	
41,289 Tyson Foods	3,615	0.95	
129,013 Verizon Communications	5,877	1.55	
124,977 Wells Fargo	5,464	1.44	
51,965 Western Digital	2,560	0.67	
98,597 Weyerhaeuser REIT	3,603	0.95	
90,583 Whitbread	2,893	0.76	
<b>Canada</b>	<b>2,070</b>	<b>0.54</b>	<b>1.28</b>
122,793 First Quantum Minerals	2,070	0.54	
<b>Mexico</b>	<b>2,861</b>	<b>0.75</b>	<b>1.01</b>
2,805,303 Fibra Uno Administracion REIT	2,861	0.75	
<b>Japan</b>	<b>34,547</b>	<b>9.08</b>	<b>9.12</b>
135,800 Hitachi	6,833	1.79	
116,900 Nippon Telegraph & Telephone	3,342	0.88	
49,400 Rohm	3,644	0.96	
125,800 Seven & i	5,121	1.35	
35,600 Sony	3,133	0.82	
188,600 Takeda Pharmaceutical	5,562	1.46	
285,600 TBS	3,645	0.96	
86,900 Ulvac	3,267	0.86	

# Portfolio statement

## Investments (continued)

Holding	as at 31.07.22 \$'000	as at 31.07.22 %	as at 31.01.22 %
<b>Equities (continued)</b>			
<b>Australia</b>	<b>12,215</b>	<b>3.21</b>	<b>2.85</b>
243,410,042 FBR	6,638	1.75	
33,266,512 Mineral Commodities	2,024	0.53	
543,093 Origin Energy	2,256	0.59	
1,662,852 St Barbara	1,297	0.34	
<b>China</b>	<b>4,447</b>	<b>1.17</b>	<b>0.00</b>
46,888 Alibaba ADR	4,447	1.17	
<b>Hong Kong</b>	<b>3,435</b>	<b>0.90</b>	<b>0.97</b>
2,613,300 China Financial Services <sup>a</sup>	566	0.15	
223,000 HutchMed <sup>b</sup>	562	0.15	
3,134,000 Kunlun Energy	2,307	0.60	
<b>New Zealand</b>	<b>1,915</b>	<b>0.50</b>	<b>0.49</b>
589,831 Fletcher Building	1,915	0.50	
<b>South Korea</b>	<b>13,403</b>	<b>3.52</b>	<b>3.56</b>
79,335 KB Financial	2,956	0.78	
161,215 Samsung Electronics	7,607	2.00	
18,730 Samsung Fire & Marine Insurance	2,840	0.74	
<b>Thailand</b>	<b>1,464</b>	<b>0.39</b>	<b>0.39</b>
409,700 Bangkok Bank	1,464	0.39	
<b>Israel</b>	<b>5,995</b>	<b>1.58</b>	<b>1.66</b>
47,274 Check Point Software Technologies	5,995	1.58	
<b>Portfolio of investments</b>	<b>376,431</b>	<b>98.95</b>	<b>98.66</b>
<b>Cash equivalents</b>	<b>7,196</b>	<b>1.89</b>	<b>1.76</b>
<b>'AAA' rated money market funds<sup>c</sup></b>	<b>7,196</b>	<b>1.89</b>	<b>1.76</b>
5,907,000 Northern Trust Global Fund - Sterling	7,196	1.89	
<b>Total portfolio</b>	<b>383,627</b>	<b>100.84</b>	<b>100.42</b>
<b>Net other assets/(liabilities)</b>	<b>(3,179)</b>	<b>(0.84)</b>	<b>(0.42)</b>
<b>Net assets attributable to shareholders</b>	<b>380,448</b>	<b>100.00</b>	<b>100.00</b>

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

<sup>a</sup> Suspended.

<sup>b</sup> AIM quoted.

<sup>c</sup> Uncommitted surplus cash is placed into 'AAA' rated money market funds with the aim of reducing counterparty risk.

# Portfolio statement

## Top ten portfolio transactions for the six months to 31 July 2022

Largest purchases	\$'000
Ericsson	6,751
Meta Platforms	6,623
Qualcomm	4,731
Alibaba ADR	4,262
Rohm	3,408
Ulvac	3,050
Erste Bank	2,381
Intel	1,846
FBR	1,749
Samsung Electronics	947
Other purchases	9,214
<b>Total purchases</b>	<b>44,962</b>

Largest sales	\$'000
Cognizant Technology Solutions	5,156
Nippon Telegraph & Telephone	4,060
First Quantum Minerals	3,361
Foot Locker	3,219
Bristol-Myers Squibb	3,049
Rheinmetall	2,882
Kajima	2,780
Japan Airlines	2,518
Fibra Uno Administracion REIT	1,983
Origin Energy	1,861
Other sales	21,163
<b>Total sales</b>	<b>52,032</b>

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 the website at [www.mandg.com/investments](http://www.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	Six months % <sup>a</sup>	Three years % pa	Five years % pa	Ten years % pa
<b>Sterling</b>				
Class 'A' Income	+1.6	+4.5	+4.0	+8.5
Class 'A' Accumulation	+1.6	+4.5	+4.0	+8.5
Class 'I' Income	+1.8	+5.0	+4.6	+9.2
Class 'I' Accumulation	+1.8	+5.0	+4.6	+9.2
Class 'R' Income	+1.7	+4.7	+4.3	+8.9
Class 'R' Accumulation	+1.7	+4.7	+4.3	+8.9
<b>Benchmark</b>	<b>-0.7</b>	<b>+9.3</b>	<b>+10.2</b>	<b>+12.7</b>

<sup>a</sup> 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). 'Dilution adjustments' are only in respect of direct portfolio transaction costs.

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 17 February 2012.

Change in NAV per share	Six months to 31.07.22 UK p	Year to 31.01.22 UK p	Year to 31.01.21 UK p
Opening NAV	183.47	162.14	160.30
Return before operating charges	4.15	27.63	7.36
Operating charges	(1.19)	(2.38)	(2.07)
Return after operating charges	2.96	25.25	5.29
Distributions	(3.14)	(3.92)	(3.45)
Closing NAV	183.29	183.47	162.14
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.06	0.10
Dilution adjustments <sup>a</sup>	(0.01)	(0.02)	0.00
Total direct transaction costs	0.01	0.04	0.10
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.02	0.06
Operating charges <sup>c</sup>	1.30	1.30	1.40
Return after charges	+1.61	+15.57	+3.30
Other information			
Closing NAV (\$'000)	308,241	347,159	326,103
Closing NAV (%)	81.03	81.82	84.69
Number of shares	138,046,849	141,165,582	146,608,148
Highest share price (UK p)	193.63	191.63	172.07
Lowest share price (UK p)	178.12	162.25	116.88

## Sterling Class 'A' Accumulation share performance

The share class was launched on 17 February 2012.

Change in NAV per share	Six months to 31.07.22 UK p	Year to 31.01.22 UK p	Year to 31.01.21 UK p
Opening NAV	205.92	178.12	172.10
Return before operating charges	4.64	30.44	8.28
Operating charges	(1.34)	(2.64)	(2.26)
Return after operating charges	3.30	27.80	6.02
Distributions	(2.12)	(1.68)	(1.57)
Retained distributions	2.12	1.68	1.57
Closing NAV	209.22	205.92	178.12
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.07	0.11
Dilution adjustments <sup>a</sup>	(0.01)	(0.02)	0.00
Total direct transaction costs	0.01	0.05	0.11
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.02	0.06
Operating charges <sup>c</sup>	1.30	1.30	1.40
Return after charges	+1.60	+15.61	+3.50
Other information			
Closing NAV (\$'000)	3,590	4,155	929
Closing NAV (%)	0.94	0.98	0.25
Number of shares	1,408,521	1,505,355	380,064
Highest share price (UK p)	217.29	213.02	187.01
Lowest share price (UK p)	199.89	178.23	125.51

# Financial highlights

## Sterling Class 'I' Income share performance

The share class was launched on 17 February 2012.

Change in NAV per share	Six months to 31.07.22 UK p	Year to 31.01.22 UK p	Year to 31.01.21 UK p
Opening NAV	190.46	167.63	164.90
Return before operating charges	4.31	28.59	7.67
Operating charges	(0.86)	(1.70)	(1.38)
Return after operating charges	3.45	26.89	6.29
Distributions	(3.26)	(4.06)	(3.56)
Closing NAV	190.65	190.46	167.63
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.02	0.06	0.10
Dilution adjustments <sup>a</sup>	(0.01)	(0.02)	0.00
Total direct transaction costs	0.01	0.04	0.10
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.01	0.02	0.06
Operating charges <sup>c</sup>	0.90	0.90	0.90
Return after charges	+1.81	+16.04	+3.81
<b>Other information</b>			
Closing NAV (\$'000)	3,208	3,636	3,019
Closing NAV (%)	0.84	0.86	0.78
Number of shares	1,381,281	1,424,281	1,312,921
Highest share price (UK p)	201.26	198.90	177.86
Lowest share price (UK p)	184.98	167.75	120.32

## Sterling Class 'I' Accumulation share performance

The share class was launched on 17 February 2012.

Change in NAV per share	Six months to 31.07.22 UK p	Year to 31.01.22 UK p	Year to 31.01.21 UK p
Opening NAV	219.99	189.50	182.20
Return before operating charges	4.95	32.42	9.04
Operating charges	(0.99)	(1.93)	(1.74)
Return after operating charges	3.96	30.49	7.30
Distributions	(2.73)	(2.67)	(2.49)
Retained distributions	2.73	2.67	2.49
Closing NAV	223.95	219.99	189.50
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.02	0.07	0.13
Dilution adjustments <sup>a</sup>	(0.01)	(0.02)	0.00
Total direct transaction costs	0.01	0.05	0.13
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.01	0.02	0.06
Operating charges <sup>c</sup>	0.90	0.90	0.90
Return after charges	+1.80	+16.09	+4.01
<b>Other information</b>			
Closing NAV (\$'000)	43,653	45,934	34,362
Closing NAV (%)	11.47	10.83	8.92
Number of shares	16,001,340	15,577,797	13,217,959
Highest share price (UK p)	232.43	227.53	198.92
Lowest share price (UK p)	213.63	189.63	132.96

# Financial highlights

## Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.07.22 UK p	Year to 31.01.22 UK p	Year to 31.01.21 UK p
Opening NAV	202.76	178.92	176.44
Return before operating charges	4.60	30.47	8.17
Operating charges	(1.17)	(2.31)	(1.89)
Return after operating charges	3.43	28.16	6.28
Distributions	(3.47)	(4.32)	(3.80)
Closing NAV	202.72	202.76	178.92
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.07	0.11
Dilution adjustments <sup>a</sup>	(0.01)	(0.02)	0.00
Total direct transaction costs	0.01	0.05	0.11
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.02	0.06
Operating charges <sup>c</sup>	1.15	1.15	1.15
Return after charges	+1.69	+15.74	+3.56
Other information			
Closing NAV (\$'000)	1,678	2,044	1,821
Closing NAV (%)	0.44	0.48	0.47
Number of shares	679,486	751,958	741,921
Highest share price (UK p)	214.09	211.77	189.83
Lowest share price (UK p)	196.88	179.04	128.70

## Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.07.22 UK p	Year to 31.01.22 UK p	Year to 31.01.21 UK p
Opening NAV	230.36	198.94	191.75
Return before operating charges	5.18	34.01	9.25
Operating charges	(1.33)	(2.59)	(2.06)
Return after operating charges	3.85	31.42	7.19
Distributions	(2.56)	(2.23)	(2.19)
Retained distributions	2.56	2.23	2.19
Closing NAV	234.21	230.36	198.94
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.08	0.12
Dilution adjustments <sup>a</sup>	(0.01)	(0.02)	0.00
Total direct transaction costs	0.01	0.06	0.12
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.02	0.06
Operating charges <sup>c</sup>	1.15	1.15	1.15
Return after charges	+1.67	+15.79	+3.75
Other information			
Closing NAV (\$'000)	20,078	21,352	18,846
Closing NAV (%)	5.28	5.03	4.89
Number of shares	7,037,061	6,915,061	6,905,675
Highest share price (UK p)	243.19	238.28	208.85
Lowest share price (UK p)	223.65	199.07	139.89

<sup>a</sup> In respect of direct portfolio transaction costs.

<sup>b</sup> As a percentage of average net asset value.

<sup>c</sup> Where there is a change in the charging structure, you may see variances between the comparative and current year figures.

# Financial statements and notes

## Financial statements

### Statement of total return

for the six months to 31 July	2022		2021	
	\$'000	\$'000	\$'000	\$'000
<b>Income</b>				
Net capital gains/(losses)		(36,434)		48,109
Revenue	7,250		5,892	
Expenses	(2,493)		(2,712)	
Interest payable and similar charges	(2)		(2)	
Net revenue/(expense) before taxation	4,755		3,178	
Taxation	(681)		(560)	
Net revenue/(expense) after taxation		4,074		2,618
<b>Total return before distributions</b>		<b>(32,360)</b>		<b>50,727</b>
Distributions		(6,223)		(4,873)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(38,583)</b>		<b>45,854</b>

### Statement of change in net assets attributable to shareholders

for the six months to 31 July	2022		2021	
	\$'000	\$'000	\$'000	\$'000
<b>Opening net assets attributable to shareholders</b>		<b>424,280</b>		<b>385,080</b>
Amounts received on issue of shares	6,418		24,768	
Amounts paid on cancellation of shares	(12,474)		(11,636)	
		(6,056)		13,132
Dilution adjustments		19		55
Change in net assets attributable to shareholders from investment activities (see above)		(38,583)		45,854
Retained distributions on Accumulation shares		788		566
<b>Closing net assets attributable to shareholders</b>		<b>380,448</b>		<b>444,687</b>

Interest payable and similar charges of \$2,000 (2021: \$2,000) has been reclassified from 'Expenses' within the statement of total return.

The opening net assets attributable to shareholders for 2022 differs to the closing position in 2021 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

# Financial statements and notes

## Financial statements

### Balance sheet

as at	31 July 2022 \$'000	31 January 2022 \$'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	376,431	418,585
<b>Current assets</b>		
Debtors	1,315	1,336
Cash and bank balances	1,694	1,365
Cash equivalents	7,196	7,471
<b>Total assets</b>	<b>386,636</b>	<b>428,757</b>
<b>Liabilities</b>		
<b>Creditors</b>		
Distribution payable	(5,362)	(3,423)
Other creditors	(826)	(1,054)
<b>Total liabilities</b>	<b>(6,188)</b>	<b>(4,477)</b>
<b>Net assets attributable to shareholders</b>	<b>380,448</b>	<b>424,280</b>

# Financial statements and notes

## Notes to the financial statements

### Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 5.

### Distribution policy

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

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

# Other regulatory disclosures

## Swiss investor information

For funds registered in Switzerland we are required by FINMA to disclose the Total Expense Ratio (TER).

For this fund 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 nonpayment 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.

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