

M&G Property Portfolio

**Interim report and unaudited financial statements
for the six months ended 31 March 2023**

Contents

Authorised Corporate Director's Report.....	1
Directors' statement	3
Financial statements and notes	4
Authorised Corporate Director's Report, including the portfolio statement, financial highlights, financial statements and notes	5
Glossary.....	23

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Property Portfolio presents its interim report and unaudited financial statements for the period ended 31 March 2023.

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 Property Portfolio is an Open-Ended Investment Company which is structured as a Property Authorised Investment Fund (PAIF). The Company is a non-UCITS Retail Scheme (NURS) under the COLL Sourcebook and is an alternative investment fund (AIF) for the purposes of the Alternative Investment Fund Managers Directive (AIFMD). This OEIC is an Investment Company with Variable Capital (ICVC) incorporated under the Open-Ended Investment Companies Regulations 2001. It is authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.

The Company was authorised on 16 October 2012 and was launched on 18 January 2013.

The Company's principal activity is to carry on business as an 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 manager

Michael Wood is employed by M&G FA Limited, which is an associate of M&G Securities Limited

ACD

M&G Securities Limited,
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(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

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Registrar

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

Depository

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

Independent auditor

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

Property manager

M&G Real Estate Limited
10 Fenchurch Avenue, London EC3M 5AG, UK

Standing independent valuer

Knight Frank LLP, 55 Baker Street, London W1U 8AN,
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

Authorised Corporate Director's Report

Important information

M&G will continue to waive its annual charge on cash held above 20% of the fund's net asset value until further notice.

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

Effective as of 19 October 2022, Michael Wood replaced Justin Upton as fund manager of the M&G Property Portfolio and M&G Feeder of Property Portfolio.

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

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

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.

Investor information

The Prospectus, Instrument of Incorporation, Key Investor Information Documents, costs and charges illustration, the latest Annual or Interim Investment Report and Financial Statements as well as a list of purchases and sales are available free of charge on request from the following address. The Instrument of Incorporation can also be inspected at our offices or at the office of the Depositary.

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)

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
26 May 2023

Financial statements and notes

The financial statements for M&G Property Portfolio comprise the financial statements for the fund and the notes below.

Notes to the financial statements

Accounting policies

The interim financial statements have been prepared on the same basis as the audited annual financial statements for the year ended 30 September 2022.

They are 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.

The financial statements of the M&G Property Portfolio 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. The ACD has made an assessment of the fund'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. This assessment considers liquidity, market sentiment, fund performance and investor intentions, and concludes that the use of the going concern basis is appropriate in preparing these financial statements.

Authorised Corporate Director's Report

For the purposes of these financial statements, the Prospectus dated 13 July 2022 has been used.

Investment objective

The investment objective of the fund is to carry out property investment business and to manage cash raised from investors for investment in the property investment business. In doing so, the fund aims to provide a higher total return (capital growth plus income), net of the ongoing charge figure and property expense ratio, than the average return of the IA UK Direct Property Sector over any five-year period.

Investment policy

At least 70% of the fund is invested directly in a diversified portfolio of commercial property in the UK. This may be reduced to 60%, if it is considered prudent for liquidity management.

The fund may also invest in other property related assets such as:

- other types of property, including residential property;
- property of any type outside the UK;
- funds (including funds managed by M&G); and
- transferable securities (such as shares and bonds); and money market instruments.

For liquidity management, the fund may invest in cash; near cash; money market instruments; and government bonds, directly, or via funds (including funds managed by M&G).

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

Investment approach

The fund is actively managed, while controlling for risk factors, through diversified real estate exposure primarily in direct property sectors (such as retail, offices and industrial). The fund's investment and

disposals align the fund positioning toward those sectors forecast to outperform with regard for structural trends and property specific risk such as lease expiries and voids, tenant covenant strength and physical and environmental factors.

The investment process is structured to deliver the fund's objective however, as a responsible property manager, M&G's Responsible Property Investment capabilities are drawn on to initiate projects that address ESG themes and risk factors relevant to the fund, such as building suitability in light of regulation and addressing energy efficiency, water use and waste. Performance will take precedence over any ESG goals referenced within the Responsible Property Investment policy.

M&G's Responsible Property Investment policy is available on the M&G website: mandg.com/dam/investments/common/gb/en/documents/funds-literature/fund-specific-files/rpi-policy-mg-uk-property-portfolio.pdf

Benchmark

Benchmark: IA UK Direct Property sector.

The benchmark is a target which the fund seeks to outperform. The sector has been chosen as the fund's benchmark as the fund is a constituent of the sector. 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.

Risk profile

For details of the risks associated with this fund, please refer to the Prospectus.

Authorised Corporate Director's Report

Investment review

For the six months ended 31 March 2023

Performance against objective

Between 1 October 2022 (the start of the review period) and 31 March 2023, the M&G Property Portfolio delivered a negative total return (the combination of income and growth of capital) across all its sterling share classes. Fund performance was behind the fund's benchmark, the IA UK Direct Property Sector, which recorded a total return of -9.5% over the same six-month period under review.

Over five years, the fund produced an annualised negative total return across all its share classes. The IA UK Direct Property Sector recorded a negative total return of -0.8% pa over the same period. Therefore, the fund did not meet its objective of providing a higher total return (capital growth plus income) net of the ongoing charge figure and property expense ratio than the average return of the IA UK Direct Property Sector 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

Over the six-month review period, the UK commercial property market saw a steep fall in capital values*. Capital values fell in every month, across industrials, retail and offices, with the exception of the final month, March.

Amidst increased debt costs, higher bond market yields and a weaker economic outlook (GDP growth was close to flat in the fourth quarter of 2022), sentiment and investor demand for real estate softened considerably from earlier in 2022.

Industrials saw the greatest level of repricing, largely because the sector was the lowest yielding and thus most sensitive to interest rate rises. Capital values in the office and retail sectors also fell sharply, but to a lesser extent. Including rental income, retail produced the least negative total return and industrials the greatest negative total return over the review period.

Following strong activity in the first nine months of 2022, transaction volumes across all main sectors have experienced sharp declines. According to Property Data, a company which supplies independent market data on the UK property market, £15.6 billion of commercial property transactions took place over the review period. This compares to £42.9 billion over the same period a year earlier.

Against this background the fund produced a negative total return over the review period and underperformed its benchmark, the IA UK Direct Property Sector.

Asset selection was the main driver of underperformance, with steep declines seen across all sectors. Assets that saw a significant fall in value included Junction Six Industrial Estate, Birmingham, Parc Trostre Retail Park, Llanelli and 3 Temple Quay, an office building in Bristol.

Conversely, sector allocation added value as the fund's overweight position to retail and underweight position to industrials relative to the MSCI UK Quarterly Property Index** proved beneficial.

The fund's holdings in UK-listed real estate investment trusts (REITs) also contributed negatively to performance as UK public listed assets also sold off post the 'mini-budget' and again on concerns of another banking crisis. (UK REITs represented 8.1% of the fund's net asset value at the end of March 2023.)

The fund's cash balance*** remained healthy and above 15% throughout the review period – a defensive position during a time where direct property yields shifted out considerably. However, we recognise a high cash balance is a drag on income return. Despite the cash balance, the fund's historic yield remains attractive and this is despite a 11.2% vacancy rate (down from 13.0% in September 2022). We believe the vacancy rate should reduce further as asset management initiatives secure new lettings in both offices and retail.

*From 17 October 2022, assets were valued on a bi-monthly basis, because of the rapid pace of value adjustment in the market. Valuations returned to a monthly valuation schedule at the end of January 2023 once the Fund's Standing Independent Valuer (Knight Frank) and M&G were satisfied that valuations could be appropriately reflected by returning to the usual month-end schedule.

Authorised Corporate Director's Report

** When considering the structure of the fund and understanding the performance of the fund relative to other funds, we compare it to the MSCI UK Quarterly Property Index. The MSCI UK Quarterly Property Index tracks the performance of a large number of directly held UK property investments, providing an understanding of the fund's characteristics versus those of the MSCI UK Quarterly Property Index. This information is not available for the fund's benchmark, the IA UK Direct Property Sector.

***In April 2021, M&G confirmed it would waive its annual charge on cash held above 20% of the M&G Property Portfolio's net asset value until the end of 2021. Following a review by the fund's Authorised Corporate Director, M&G will continue this waiver until further notice.

Portfolio structure

The fund's investment strategy is to focus on what we consider to be higher-quality properties and is formally reviewed semi-annually, with clear objectives with respect to capital allocation. Decisions to buy or sell an asset are based on the individual property's life cycle and the optimal fund structure.

We aim to have small sector bets compared to the MSCI UK Quarterly Property Index, and to limit exposure to individual assets that represent disproportionately large weightings in the portfolio, so as to reduce stock-specific risk.

As at end-March 2023, the fund was underweight in industrials and offices and overweight in retail and 'other'.

Given our concerns about risk/reward trade off in the industrial sector (initial yields were sub-3% in some cases at the start of the review period), we took the decision in the second half of 2022 to reduce our exposure further and maintained an underweight position in industrials throughout the review period.

Since COVID-19, office requirements have changed significantly. At that time, the fund sold its South East offices, moving to an underweight position. The fund's focus is on offices in strong locations, near transport nodes, that have the amenities and sustainability characteristics tenants demand. Additionally, the fund holds offices that have the capacity to reposition to grade 'A' buildings, thus achieving higher rents, improved capital values and relevance to occupiers.

The sub-sector bets in the retail sector reflect our preference for prime, dominant schemes in strong locations. This explains the fund's higher exposure to retail warehouses and lower exposure to the High Street relative to the MSCI UK Quarterly Property Index.

ESG strategy

The investment process is structured to deliver the fund's investment objective, however, as a responsible property manager, M&G's Responsible Property Investment capabilities are drawn on to initiate projects that address ESG themes and risk factors relevant to the fund, such as a building's suitability in light of regulation, and addressing energy efficiency, water use and waste. Performance will take precedence over any ESG goals referenced within the Responsible Property Investment policy. The fund is not managed to achieve the status of, or claims to seek to be, an 'ESG fund'. M&G's Responsible Property Investment policy is available on the M&G website.

We reference the independent, industry-recognised Global Real Estate Sustainability Benchmark (GRESB) as an indicator of the fund's performance relating to ESG matters. GRESB have been analysing the fund since 2013 and its track record has been strong.

The latest 2022 results ranked the fund in the top quartile (13 out of 93) of the UK/Diversified/Core peer group. Key initiatives are underway to improve the fund's resilience in terms of the climate agenda with the goal of developing a net zero carbon pathway based on actual fund data.

The fund sets ESG goals, the details of which can be found on M&G's website. They fall into three main categories, examples of which are:

- Environmental Excellence – Aim for operational carbon to be Paris-aligned by 2030, all carbon to be net zero by 2050, whilst ensuring portfolio resilience in the face of climate peril risk.
- Social Benefit – Where feasible, collaborate with occupiers to improve health & wellbeing at schemes, while working together to improve occupancy satisfaction.

Authorised Corporate Director's Report

- **Good Governance** – Aim for all new leases to include green clauses to help drive our commitment to address ESG factors within our collective control. Key within this, is data collection for informed and productive interventions.

Investment activities

We aim to maintain a favourable fund structure and liquidity position. At the end of the reporting period the fund had a healthy total liquidity of 24.5%, comprising 16.4% cash and 8.1% REITs, marginally higher than the long-run target total liquidity profile of 20%.

(The primary purpose of the REIT portfolio is to provide tactical exposure to sectors via sector-specific securities. Additionally, it can also offer liquidity if required. The expectation is for this position to reduce over the next 12 months, and settle to around 5% of the fund.)

Portfolio turnover was low over the reporting period. One asset was sold, The Peel Centre, Blackburn for £12.5 million to a private investor. The proceeds of the Peel Centre, a lower-quality leisure scheme on the outskirts of Blackburn, improved the fund's liquidity position in the first quarter of 2023.

Looking ahead, a select group of assets have been identified for sale, the purpose of which is either to reduce stock specific risk or remove poor quality assets. Proceeds will be invested into a number of smaller more modern assets, with longer secured income, strong covenants and minimal future capex requirements, due to their attractive ESG characteristics. These asset will improve the overall portfolio quality and seek to reduce sector bets so performance can be driven primarily by stock selection.

Asset management

Since income accounts for around 70% of the total return from investment in property over the long term, we actively manage the assets to safeguard and increase the portfolio's income streams.

Where appropriate, we will devise individual asset strategies designed to extract further value from a property, and hence optimise the achievable returns.

Examples of such strategies include renegotiating leases; tenant engineering on multi-let properties; development; refurbishment; and changing the use of a property.

Activity during the review period focused on concluding negotiations on 15 leases collectively representing c.5% of the fund's current income. The aggregate increase of the rent achieved to the passing rents over the period was +30%. This was achieved through a combination of securing new tenants at Junction Six Industrial Estate Birmingham and The Gracechurch Centre, Sutton Coldfield, and rental uplifts on existing leases.

Outlook

Despite the weakness of the UK economy (GDP growth was close to flat in the fourth quarter of 2022), there are positives. The labour market remains robust, with unemployment at low levels and job vacancies remaining high. Nevertheless, consumer confidence levels are near historic lows, reflecting worries over the 'cost of living' crisis.

Whilst inflation remains elevated currently, it is expected to decline substantially in 2023, suggesting that interest rate rises may not have much further to go. (The Bank of England last raised rates by 25 bps to 4.25% in March 2023.)

Although sharp falls in commercial property values impacted negatively on confidence in the first three months of the reporting period, a deceleration in capital falls has already been evident, with stabilisation in the more in-favour sectors, notably 'sheds, beds & meds' (logistics, accommodation and healthcare assets) and out-of-town retail also proving popular.

Authorised Corporate Director's Report

While transaction volumes have been slow to rebound, there is considerable capital on the sidelines waiting to be deployed. We should see market activity pick up later this year, assuming the risks of further rate rises, persistent inflation and geopolitical conflict do not derail a fragile global and local growth picture.

Michael Wood

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

Location	as at 31.03.23 £'000	as at 31.03.23 %	as at 30.09.22 %
Retail properties	115,774	18.32	18.37
Values between £50 million and £100 million	58,310	9.23	8.95
Llanelli Parc Trostre Retail Park			
Values between £20 million and £50 million	32,061	5.07	8.57
Maidstone 19-21 Fremlin Walk			
Values between £0 million and £20 million	25,403	4.02	0.85
Southampton 57/61 Above Bar Street			
Harrogate Harrogate House			
Sutton Coldfield The Gracechurch Centre			
Office properties	140,250	22.19	21.03
Values between £50 million and £100 million	0	0.00	6.96
Values between £20 million and £50 million	101,114	16.00	11.13
Bristol 3 Temple Quay			
London, W1 Portland & Riding Estate			
Aberdeen The Capitol, 431 Union Street			
Values between £0 million and £20 million	39,136	6.19	2.94
London, E14 8 Greenwich View Place			
Aberdeen City View, Craigshaw Drive			
London, N1 Units 1-4 The Yard, 122 East Road			
Industrial properties	109,814	17.38	16.79
Values between £50 million and £100 million	55,879	8.84	9.31
Birmingham Units 2-12, 14 & 15, Junction 6 Industrial Estate, Electric Avenue			
Values between £20 million and £50 million	0	0.00	2.71
Values between £0 million and £20 million	53,935	8.54	4.77
Leatherhead Leatherhead Trade Park			
Dartford Orbital One Trading Estate, Green Road			
Aberdeen Sites A1-A25, Altens Industrial Estate			
Aberdeen Units 1-4 Howe Moss Drive, Kirkhill Industrial Estate			
Leisure properties	85,555	13.54	13.78
Values between £20 million and £50 million	27,331	4.33	3.71
Rochester Medway Valley Leisure Park			

Portfolio statement

Investments (continued)

Location	as at 31.03.23 £'000	as at 31.03.23 %	as at 30.09.22 %
Leisure properties (continued)			
Values between £0 million and £20 million	58,224	9.21	10.07
Salisbury Premier Inn & McDonald's			
Swansea Premier Inn Hotel, The Waterfront Development			
Telford Southwater Square			
Redhill Travelodge - 2 Redstone Hill			
London, E11 Travelodge - 73 Hollybush Hill, Snaresbrook			
Woodford Green Travelodge - 735 Chigwell Road			
Northampton Travelodge - London Road			
Northolt Travelodge - Mandeville Road			
Borehamwood Travelodge - Studio Way			
Other properties	29,800	4.71	4.14
Values between £20 million and £50 million	29,800	4.71	4.14
Birmingham Selly Oak Student Quarter			
Total direct properties^a	481,193	76.14	74.11
Indirect properties	0	0.00	0.00
Kames Target Healthcare I LP ^b	0	0.00	
Holding Real estate investment trusts^c	51,141	8.09	6.48
330,000 Derwent London	7,729	1.22	
9,100,000 Home	3,462	0.55	
1,300,000 Land Securities	8,102	1.28	
1,007,000 Segro	7,627	1.21	
7,900,000 Supermarket Income	6,668	1.05	
3,550,000 Tritax Big Box	4,920	0.78	
872,000 Unite	8,218	1.30	
1,900,000 Urban Logistics	2,375	0.38	
2,000,000 Warehouse	2,040	0.32	
Total portfolio	532,334	84.23	80.59
Net other assets/(liabilities)	99,650	15.77	19.41
Net assets attributable to shareholders	631,984	100.00	100.00

^a The fair value of investment property is shown net of a lease incentive balance of £10,607,000 (2022: £11,655,000) which has been deducted from the valuation.

^b Residual holding with a fair value of less than £500 has been rounded to nil.

^c Listed on an official stock exchange.

Portfolio statement

Portfolio transactions

for the six months to 31 March	2023 £'000	2022 £'000
Total purchases	4,197	24,462
Total sales	16,312	234,712

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	Six months % ^a	Three years % pa	Five years % pa	Ten years % pa
Sterling				
Class 'A' Income	-13.1	-4.5	-4.3	+0.4
Class 'A' Accumulation	-13.2	-4.5	-4.3	+0.4
Class 'D' Income	-12.9	-4.0	-3.7	+1.0
Class 'D' Accumulation	-12.9	-4.1	-3.8	+1.0
Class 'F' Income	-12.7	-3.6	-3.3	+1.4
Class 'I' Income	-13.0	-4.2	-3.9	+0.8
Class 'I' Accumulation	-13.0	-4.2	-3.9	+0.9
Class 'R' Income	-13.1	-4.4	-4.1	+0.6
Class 'R' Accumulation	-13.1	-4.4	-4.1	+0.7
Benchmark	-9.5	-1.2	-0.8	+2.8

^a Not annualised.

Specific share class performance

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

'Operating charges', 'Property expenses' 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 18 January 2013.

Change in NAV per share	Six months to 31.03.23 UK p	Year to 30.09.22 UK p	Year to 30.09.21 UK p
Opening NAV	92.03	91.47	93.26
Return before charges	(10.47)	7.19	3.29
Property expenses	(0.74)	(0.88)	(1.00)
Operating charges	(0.61)	(1.23)	(1.04)
Return after charges	(11.82)	5.08	1.25
Distributions	(2.04)	(4.52)	(3.04)
Closing NAV	78.17	92.03	91.47
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.40	0.50
Dilution adjustments	(0.05)	(0.40)	(0.38)
Total direct transaction costs	0.00	0.00	0.12
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.14
Property expenses	1.81	0.95	1.00
Other operating charges	1.48	1.32	1.04
Return after charges	-12.84	+5.55	+1.34
Other information			
Closing NAV (£'000)	19,097	23,227	20,901
Number of shares	24,428,566	25,239,159	22,850,042
Highest share price (UK p)	96.99	97.63	92.17
Lowest share price (UK p)	78.14	91.48	90.99

Sterling Class 'A' Accumulation share performance

The share class was launched on 18 January 2013.

Change in NAV per share	Six months to 31.03.23 UK p	Year to 30.09.22 UK p	Year to 30.09.21 UK p
Opening NAV	126.00	120.21	119.01
Return before charges	(14.34)	9.45	4.41
Property expenses	(1.02)	(1.19)	(1.35)
Operating charges	(0.83)	(1.66)	(1.39)
Return after charges	(16.19)	6.60	1.67
Distributions	(2.09)	(4.48)	(2.74)
Retained distributions	1.76	3.67	2.27
Closing NAV	109.48	126.00	120.21
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.54	0.67
Dilution adjustments	(0.07)	(0.54)	(0.51)
Total direct transaction costs	0.00	0.00	0.16
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.14
Property expenses	1.81	0.95	1.00
Other operating charges	1.47	1.32	1.03
Return after charges	-12.85	+5.49	+1.40
Other information			
Closing NAV (£'000)	19,095	23,938	21,508
Number of shares	17,441,471	18,998,928	17,892,379
Highest share price (UK p)	132.83	131.87	120.23
Lowest share price (UK p)	108.03	120.25	118.70

Financial highlights

Sterling Class 'D' Income share performance

The share class was launched on 18 January 2013.

Change in NAV per share	Six months to 31.03.23 UK p	Year to 30.09.22 UK p	Year to 30.09.21 UK p
Opening NAV	949.46	937.82	950.92
Return before charges	(108.06)	73.65	34.04
Property expenses	(7.68)	(9.18)	(10.76)
Operating charges	(3.48)	(6.38)	(5.27)
Return after charges	(119.22)	58.09	18.01
Distributions	(21.04)	(46.45)	(31.11)
Closing NAV	809.20	949.46	937.82
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.51	4.12	5.36
Dilution adjustments	(0.51)	(4.12)	(4.06)
Total direct transaction costs	0.00	0.00	1.30
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.14
Property expenses	1.81	0.95	1.00
Other operating charges	0.82	0.66	0.49
Return after charges	-12.56	+6.19	+1.89
Other information			
Closing NAV (£'000)	1,392	1,845	2,832
Number of shares	172,049	194,280	301,971
Highest share price (UK p)	1,000.75	1,005.49	944.63
Lowest share price (UK p)	808.60	937.93	931.38

Sterling Class 'D' Accumulation share performance

The share class was launched on 18 January 2013.

Change in NAV per share	Six months to 31.03.23 UK p	Year to 30.09.22 UK p	Year to 30.09.21 UK p
Opening NAV	1,340.58	1,272.85	1,254.07
Return before charges	(152.66)	99.43	47.53
Property expenses	(10.78)	(12.72)	(15.19)
Operating charges	(4.88)	(8.97)	(7.29)
Return after charges	(168.32)	77.74	25.05
Distributions	(26.27)	(56.40)	(35.61)
Retained distributions	22.06	46.39	29.34
Closing NAV	1,168.05	1,340.58	1,272.85
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.71	5.71	7.56
Dilution adjustments	(0.71)	(5.71)	(5.74)
Total direct transaction costs	0.00	0.00	1.82
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.14
Property expenses	1.81	0.95	1.00
Other operating charges	0.82	0.67	0.48
Return after charges	-12.56	+6.11	+2.00
Other information			
Closing NAV (£'000)	83	76	43
Number of shares	7,065	5,641	3,370
Highest share price (UK p)	1,413.34	1,401.72	1,272.55
Lowest share price (UK p)	1,150.91	1,272.75	1,254.69

Financial highlights

Sterling Class 'F' Income share performance

The share class was launched on 18 January 2013.

Change in NAV per share	Six months to 31.03.23 UK p	Year to 30.09.22 UK p	Year to 30.09.21 UK p
Opening NAV	97.30	95.55	96.45
Return before charges	(11.09)	7.51	3.43
Property expenses	(0.79)	(0.94)	(1.15)
Operating charges	(0.09)	(0.09)	(0.03)
Return after charges	(11.97)	6.48	2.25
Distributions	(2.16)	(4.73)	(3.15)
Closing NAV	83.17	97.30	95.55
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.42	0.57
Dilution adjustments	(0.05)	(0.42)	(0.43)
Total direct transaction costs	0.00	0.00	0.14
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.14
Property expenses	1.81	0.95	1.00
Other operating charges	0.21	0.09	0.03
Return after charges	-12.30	+6.78	+2.33
Other information			
Closing NAV (£'000)	503,442	654,386	759,500
Number of shares	605,280,640	672,568,416	794,870,197
Highest share price (UK p)	102.56	102.86	96.21
Lowest share price (UK p)	83.09	95.56	94.75

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 18 January 2013.

Change in NAV per share	Six months to 31.03.23 UK p	Year to 30.09.22 UK p	Year to 30.09.21 UK p
Opening NAV	941.80	932.36	947.26
Return before charges	(107.24)	72.98	37.22
Property expenses	(7.60)	(9.09)	(12.62)
Operating charges	(4.50)	(8.71)	(8.58)
Return after charges	(119.34)	55.18	16.02
Distributions	(20.87)	(45.74)	(30.92)
Closing NAV	801.59	941.80	932.36
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.50	4.08	6.28
Dilution adjustments	(0.50)	(4.08)	(4.77)
Total direct transaction costs	0.00	0.00	1.51
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.14
Property expenses	1.81	0.95	1.00
Other operating charges	1.07	0.91	0.68
Return after charges	-12.67	+5.92	+1.69
Other information			
Closing NAV (£'000)	20,683	27,543	217,159
Number of shares	2,580,293	2,924,504	23,291,329
Highest share price (UK p)	992.54	998.00	939.28
Lowest share price (UK p)	801.11	932.48	926.57

Sterling Class 'I' Accumulation share performance

The share class was launched on 18 January 2013.

Change in NAV per share	Six months to 31.03.23 UK p	Year to 30.09.22 UK p	Year to 30.09.21 UK p
Opening NAV	1,323.25	1,258.25	1,242.18
Return before charges	(150.56)	98.59	60.93
Property expenses	(10.73)	(12.29)	(23.73)
Operating charges	(6.34)	(11.77)	(16.14)
Return after charges	(167.63)	74.53	21.06
Distributions	(24.38)	(51.82)	(30.13)
Retained distributions	20.42	42.29	25.14
Closing NAV	1,151.66	1,323.25	1,258.25
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.71	5.52	11.81
Dilution adjustments	(0.71)	(5.52)	(8.96)
Total direct transaction costs	0.00	0.00	2.85
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.14
Property expenses	1.81	0.95	1.00
Other operating charges	1.07	0.91	0.68
Return after charges	-12.67	+5.92	+1.70
Other information			
Closing NAV (£'000)	65,939	82,206	40,902
Number of shares	5,725,562	6,212,463	3,250,667
Highest share price (UK p)	1,395.11	1,384.17	1,258.51
Lowest share price (UK p)	1,135.38	1,258.70	1,241.47

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 18 January 2013.

Change in NAV per share	Six months to 31.03.23 UK p	Year to 30.09.22 UK p	Year to 30.09.21 UK p
Opening NAV	93.21	92.52	94.19
Return before charges	(10.61)	7.27	3.33
Property expenses	(0.75)	(0.90)	(1.02)
Operating charges	(0.55)	(1.11)	(0.91)
Return after charges	(11.91)	5.26	1.40
Distributions	(2.06)	(4.57)	(3.07)
Closing NAV	79.24	93.21	92.52
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.41	0.51
Dilution adjustments	(0.05)	(0.41)	(0.39)
Total direct transaction costs	0.00	0.00	0.12
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.14
Property expenses	1.81	0.95	1.00
Other operating charges	1.32	1.17	0.89
Return after charges	-12.78	+5.69	+1.49
Other information			
Closing NAV (£'000)	719	839	1,045
Number of shares	907,421	899,714	1,129,236
Highest share price (UK p)	98.24	98.85	93.22
Lowest share price (UK p)	79.20	92.53	92.00

Sterling Class 'R' Accumulation share performance

The share class was launched on 18 January 2013.

Change in NAV per share	Six months to 31.03.23 UK p	Year to 30.09.22 UK p	Year to 30.09.21 UK p
Opening NAV	129.91	123.79	122.41
Return before charges	(14.78)	9.72	4.26
Property expenses	(1.06)	(1.23)	(1.25)
Operating charges	(0.77)	(1.51)	(1.11)
Return after charges	(16.61)	6.98	1.90
Distributions	(2.24)	(4.80)	(3.00)
Retained distributions	1.89	3.94	2.48
Closing NAV	112.95	129.91	123.79
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.55	0.62
Dilution adjustments	(0.07)	(0.55)	(0.47)
Total direct transaction costs	0.00	0.00	0.15
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.14
Property expenses	1.81	0.95	1.00
Other operating charges	1.32	1.17	0.89
Return after charges	-12.79	+5.64	+1.55
Other information			
Closing NAV (£'000)	1,534	2,198	2,048
Number of shares	1,358,587	1,692,064	1,654,131
Highest share price (UK p)	136.96	135.94	123.81
Lowest share price (UK p)	111.41	123.83	122.20

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 March	2023		2022	
	£'000	£'000	£'000	£'000
Income				
Net capital gains/(losses)		(114,840)		47,488
Revenue	24,037		29,447	
Expenses	(7,428)		(6,960)	
Interest payable and similar charges	(246)		(281)	
Net revenue/(expense) before taxation	16,363		22,206	
Taxation	0		0	
Net revenue/(expense) after taxation		16,363		22,206
Total return before distributions		(98,477)		69,694
Distributions		(16,598)		(22,820)
Change in net assets attributable to shareholders from investment activities		(115,075)		46,874

Statement of change in net assets attributable to shareholders

for the six months to 31 March	2023		2022	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		816,258		1,072,775
Amounts received on issue of shares	16,525		267,648	
Amounts paid on cancellation of shares	(88,597)		(434,120)	
		(72,072)		(166,472)
Dilution adjustments		1,344		2,433
Change in net assets attributable to shareholders from investment activities (see above)		(115,075)		46,874
Retained distributions on Accumulation shares		1,528		1,807
Unclaimed distributions		1		1
Closing net assets attributable to shareholders		631,984		957,418

The opening net assets attributable to shareholders for 2023 differs to the closing position in 2022 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 March 2023 £'000	30 September 2022 £'000
Assets		
Fixed assets		
Tangible assets		
Land and buildings	481,193	604,895
Investments	51,141	52,937
Current assets		
Debtors	24,796	24,879
Cash and bank balances	41,995	184,349
Cash equivalents	61,510	0
Total assets	660,635	867,060
Liabilities		
Creditors		
Distribution payable	(8,879)	(11,156)
Other creditors	(19,772)	(39,646)
Total liabilities	(28,651)	(50,802)
Net assets attributable to shareholders	631,984	816,258

Financial statements and notes

Financial statements

Cashflow statement

for the six months to 31 March	2023		2022	
	£'000	£'000	£'000	£'000
Operating activities				
Net revenue/(expense) before taxation	16,363		22,206	
Adjustments for:				
Interest payable and similar charges	246		281	
Movement in property debtors	7		38,529	
Movement in non-property debtors	(212)		(237)	
Movement in property creditors	680		(2,735)	
Movement in non-property creditors	114		(74)	
Net cash generated from operating activities		17,198		57,970
Investing activities				
Capital expenditure	(838)		(455)	
Investment purchases	(4,178)		(24,225)	
Investment sales	4,149		30,047	
Tangible assets: acquisitions	(16)		(237)	
Tangible assets: disposals	11,540		204,665	
Net cash from investing activities		10,657		209,795
Financing activities				
Amounts received on issue of shares	16,342		116,212	
Amounts paid on cancellation of shares	(109,282)		(285,017)	
Dilution adjustments	1,344		2,433	
Distributions paid	(13,159)		(14,762)	
Interest paid	(11)		(281)	
Movement in revolving bank loan	0		(39,245)	
Taxation	(3,934)		(3,411)	
Unclaimed distributions received	1		1	
Net cash used in financing activities		(108,699)		(224,070)
Net increase/(decrease) in cash and cash equivalents		(80,844)		43,695
Cash and cash equivalents at the beginning of the period		184,349		172,384
Net increase/(decrease) in cash for the period		(80,844)		43,695
Cash and cash equivalents at end of the period		103,505		216,079

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 4

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.

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.

Yield (property) This refers to the rental income received from a property and is usually expressed annually as a percentage based on the property's original cost or its current market value. Rental income from property is typically collected and distributed quarterly to investors.

