

M&G Global Dividend Fund

**Interim Long Report and unaudited Financial Statements
for the six months ended 30 September 2021**

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Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Global Dividend Fund presents its Interim Long Report and unaudited Financial Statements for the six months ended 30 September 2021.

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

Company information

This Open-Ended Investment Company (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 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 FCA.

The Company was authorised on 9 July 2008 and the fund was launched on 18 July 2008.

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

Stuart Rhodes is employed by M&G FA Limited which is an associate of M&G Securities Limited.

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

*Appointed 19 May 2021.

Investment manager

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

Registrar

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

Depositary

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

Independent auditor

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

Annual value assessment

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

Authorised Corporate Director's Report

Important information

The World Health Organisation declared the COVID-19 outbreak a pandemic on 11 March 2020.

The COVID-19 pandemic has been an unprecedented event. After an initial period of increased market volatility and uncertainty, there has been a marked recovery in global markets, bolstered by supportive economic policies from governments and positive news on vaccines for COVID-19.

The ACD continues to monitor the ongoing operational risks that are posed to the Company and its service providers due to global and local movement restrictions that have been enacted by various governments.

Investor information

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

Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

Customer services and administration for non-UK clients:

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

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

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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 long reports for the Company. The ACD must ensure that the financial statements, contained in this report, for the Company 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.

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
11 November 2021

Authorised Corporate Director's Report

Investment objective

The fund has three aims:

- To deliver an income stream that increases every year.
- To deliver a yield above that available from the MSCI ACWI Index over any five-year period.
- To deliver a higher total return (the combination of income and growth of capital) than that of the MSCI ACWI Index over any five-year period.

Investment policy

At least 70% of the fund is invested in a range of global equities. The fund may invest across a wide range of geographies, sectors and market capitalisations. The fund may also invest in collective investment schemes, other transferable securities, cash, near cash, other money market securities, warrants and derivatives. The fund's exposure to global equities may be gained through the use of derivatives. Derivatives may be used for efficient portfolio management.

Investment approach

The fund manager employs a bottom-up stockpicking approach, driven by the fundamental analysis of individual companies. The fund manager seeks to invest in companies with excellent capital discipline and the potential for long-term dividend growth. The fund manager believes rising dividends create upward pressure on the value of shares. Dividend yield is not the primary consideration for stock selection.

The fund manager aims to create a diversified portfolio with exposure to a broad range of countries and sectors. The fund manager selects stocks with different drivers of dividend growth to construct a portfolio that has the potential to cope in a variety of market conditions. The fund invests with a long-term view of typically three to five years. When attempting to grow distributions, the fund manager's main focus is on delivering an increase in sterling terms.

Benchmark

Benchmark: MSCI ACWI Index.

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

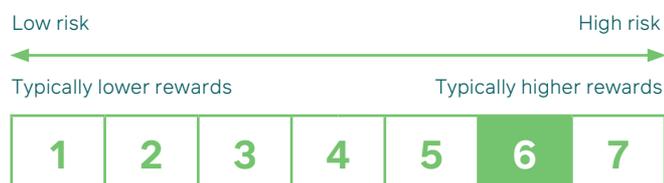
For unhedged share classes, the benchmark is shown in the share class currency.

Risk profile

The fund invests globally in the shares of companies and is, therefore, subject to the price volatility of the global stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates. The fund's focus is on shares of companies that have the potential to grow their dividends over the long term. Income distributions from the fund's holdings, however, are not guaranteed and may vary. Diversification across industries and market capitalisation is key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 1 October 2021, for the six months ended 30 September 2021

Distribution summary

Over the six-month period under review to 1 October 2021, the fund distributed income of 3.1000 pence per Sterling Class 'A' (Income) share. This is 1.3% higher than the distribution for the same period in the previous financial year. The payout represented a yield (distributed income as a percentage of the share price as at 1 October 2021) of 2.85% versus a yield of 1.79% for the MSCI ACWI Index, the fund's target benchmark.

Despite the severe pressure on economic activity in the immediate aftermath of the pandemic, corporate cashflows have improved quickly, with the result that dividends and dividend growth have been restored widely as a signal of future confidence. (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.) For all the resilience of the corporate world, not all companies were immune to dividend cuts. The decision by AT&T, the US telecommunications company,

to reduce its dividend and end its long sequence of dividend growth served as a rude reminder of the need to be selective.

The fund benefited from a backdrop of recovery, with higher dividends from a broad range of countries and sectors, although the strength of sterling – particularly against the US dollar, the main source of the fund's income – provided an unhelpful obstacle for distributions paid in sterling. The majority of holdings delivered dividend increases in the region of 5% to 15% in local currency, in line with previous years. There were no dividend cuts.

Economically sensitive sectors accounted for the strongest dividend growth. Lundin Mining raised its regular dividend by 50% for the second time in 2021 and announced a special dividend tied to operating performance.

It was also encouraging to see some of last year's dividend cutters resume dividend growth. In the materials sector, Trinseo improved its balance sheet to the extent that it could accommodate a higher cash return to shareholders. The dividend was increased by a multiple of four after it was lowered in December to prioritise debt reduction following an acquisition. Methanex, which reduced its dividend to retain financial flexibility in the wake of the pandemic, raised its dividend more than threefold, reflecting a positive outlook for the methanol industry.

In consumer discretionary, Lowe's boosted its dividend by 33%, up from last year's 9%, as the US home improvement retailer continued to report better-than-expected results. Pandora reinstated its dividend after last year's suspension given the jewellery company's strong operational performance and ample liquidity.

Technology continued to provide a source of robust dividend growth, with KLA Corp leading the sector with a 17% increase. Taiwan Semiconductor Manufacturing Company also reported a double-digit hike. In software, Microsoft extended its long track record of dividend growth with an 11% uplift.

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Healthcare provided reliable growth among defensive sectors, with double-digit increases from Medtronic and UnitedHealth. (Defensive stocks are companies that tend to have stable earnings and are less affected by peaks and troughs in the economy.) In consumer staples, Procter & Gamble reported a 10% increase.

However, it was not all good news. Takeda Pharmaceutical held its dividend flat. The full-year dividend for Treasury Wine Estates also remained unchanged despite a significant boost to the final payment. We expect both companies to return to dividend growth at the appropriate time.

That said, static dividends were the exception rather than the rule. We are encouraged that the majority of the fund's holdings delivered solid, and in many cases impressive, dividend growth, as a result of which the fund increased its distribution during the six-month period under review, while maintaining a yield above that of the MSCI ACWI Index. We are conscious that the combination of a premium yield and rising income is important to many of our investors and remain focused on meeting this objective.

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

Performance against objective

Between 1 April 2021 (the start of the review period) and 1 October 2021, the M&G Global Dividend Fund delivered a positive total return (the combination of income and growth of capital) across all its share classes but underperformed its benchmark, the MSCI ACWI Index, which returned 8.0% in sterling. The fund's success in meeting its objective over this short timeframe was mixed. The fund fell short on the objective of outperforming the MSCI ACWI Index, but delivered on its income objectives of increasing the

income stream and providing a higher yield than the MSCI ACWI Index.

Over five years, the fund's sterling share classes have delivered positive total returns, albeit behind the MSCI ACWI Index, which returned 12.7% pa in sterling. Distributions have increased in each financial year during this time and the fund's yield has been at a consistent premium to the benchmark. Consequently, the fund has achieved two of its three objectives over this longer timeframe.

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.

Investment performance

Global stockmarkets continued to recover, with the US leading the gains. The major US indices – the S&P 500 Index, Dow Jones Industrial Average and Nasdaq Composite – reached all-time highs. Europe and Japan delivered positive returns but did not keep up with the MSCI ACWI Index. Asia Pacific ex Japan and emerging markets fell as regulatory concerns weighed on China, where the internet giants of Alibaba and Tencent came under severe pressure.

Energy and financials outperformed among economically sensitive sectors, but industrials and materials underperformed. Technology benefited from the strength of Microsoft and Apple, but consumer discretionary lagged behind due to the weakness in Alibaba. Healthcare delivered gains ahead of the market, but was an outlier among defensive sectors; utilities and consumer staples were left behind in the market rally.

Against this backdrop, the fund generated a positive return but underperformed the MSCI ACWI Index. Trinseo and Lundin Mining led the detractors in an out-of-favour materials sector.

Trinseo gave back some of its previous gains despite taking an important step in its transformation strategy. The US company specialising in plastics and latex binders announced the acquisition of Aristech Surfaces in its quest to become a higher value added, more

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sustainable business. We welcome the development and continue to believe that the share price does not reflect the company's long-term potential.

Lundin Mining struggled against the backdrop of a lower copper price. The company also cut its guidance for the year due to precautionary measures required to manage production risk. We believe that Lundin is well placed for the long term due to its focus on copper, which as an efficient conductor of heat and electricity, is a potential beneficiary of the structural growth in renewable energy. We added to the holding on weakness.

Abrdn, formerly Standard Life Aberdeen, drifted lower in financials, while Enel underperformed in utilities. We continue to believe that abrdn's valuation is distressed and does not reflect the value attached to the company's quoted stake in India's HDFC Life. We reduced Enel during the review period as a source of cash for higher-conviction ideas.

Not owning Apple and Alphabet also provided a headwind for the fund's performance relative to the MSCI ACWI Index. Apple is a potential investment candidate because the technology company has paid rising dividends in recent years, but the valuation is demanding and we see more attractive opportunities elsewhere. Alphabet, the owner of Google, does not pay dividends and is therefore ineligible for our dividend growth approach.

Turning to the positive contributors, Methanex added the most value as the shares rose 25% in US dollars. A rampant methanol price provided a boost for the share price, as well as the announcement in September of a new share buyback programme, which will reduce the share count by 5% over the next 12 months. We are optimistic about the prospects for cash generation in the current operating environment and the stock remains a core holding.

Keyera outperformed in a buoyant energy sector. The energy infrastructure company, which owns and operates pipelines, storage terminals and processing facilities, offers attractive long-term prospects, in our view, driven by its exposure to some of the most prolific

basins in North America. The stock also offers compelling value with a dividend yield of 6%, which we believe is secure.

St. James's Place (financials), Novo Nordisk (healthcare) and Pandora (consumer discretionary) benefited from strong operating performance, while Imperial Logistics (industrials) jumped after receiving a takeover approach.

The fund's zero exposure to Alibaba and Tencent also helped performance relative to the MSCI ACWI Index. The standard bearers for China's new economy are non-dividend-payers and are therefore out of scope.

Investment activities

We made five new purchases and four complete sales during the six months under review – a level of turnover consistent with our investment timeframe of three to five years. The number of holdings rose to 44, compared to our historic range of 40 to 50.

We bought Adidas in April, taking advantage of share price weakness to invest in a leading player in a long-term growth industry.

Analog Devices was added to the portfolio in May in the belief that the semiconductor company offers attractions beyond the economic reopening. The US company is well-positioned for the current economic environment, in our view, given its exposure to favourable end markets, particularly industrials. But a key driver of our investment thesis is the accretive acquisition of Maxim Integrated Products, which provides upside potential over the long term owing to the increased breadth and scale of the combined entity.

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VF Corp was the final purchase during the review period. We think the company's strategic focus on the four key brands of Vans, The North Face, Timberland and Dickies will generate profitable growth over the long term. The US company has global ambitions, with a strong emphasis on expansion outside its domestic market, particularly in Asia, and is delivering on its growth targets with robust operating performance. The company raised its guidance for the current fiscal year and remains committed to its dividend.

Cisco Systems and Arthur J Gallagher were the first stocks to be sold during the six-month period. We completed our exit from Cisco in May. The technology stock more than doubled since our initial purchase in September 2015 and the valuation was no longer compelling. We divested our holding in Arthur J Gallagher in June. Shares of the insurance brokerage increased more than fivefold since our initial purchase at fund launch in 2008, when the stock yielded more than 5%. The dividend has increased every year since then, but after a significant increase in valuation, the yield dropped below 1.5%. We saw better opportunities elsewhere.

We also sold UnitedHealth and Roche in healthcare to back our greater conviction in Anthem and Novartis.

Outlook

We remain optimistic about the prospects for an economic recovery given the backdrop of pent-up demand and fiscal stimulus. The portfolio remains well placed for this scenario, in our view, with a meaningful exposure to economically sensitive stocks, which we think remain attractively valued even after their recent revival.

For all the excitement about economic activity, we are increasingly looking beyond the reopening to identify companies benefiting from internal development to drive future growth. The new ideas of Analog Devices, Intact Financial and AstraZeneca were very much driven by this thinking.

We continue to see dramatic swings in the market's attitude to growth and value, but valuation remains a critical aspect of our fundamental analysis. It is

important that we do not overpay for the growth we seek. We remain poised to take advantage of buying opportunities when they arise. Capitalising on these opportunities will ultimately determine fund performance in the years ahead and we remain optimistic about the future.

Stuart Rhodes

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.

Investments

Portfolio statement

Holding	as at 30.09.21 £'000	as at 30.09.21 %	as at 31.03.21 %
Equities	2,292,414	99.91	99.55
United Kingdom	291,441	12.70	14.06
31,097,863 Abrdn	78,957	3.44	
345,612 AstraZeneca	30,905	1.35	
10,582,988 Imperial Brands	166,947	7.27	
967,389 St. James's Place	14,632	0.64	
Denmark	68,775	3.00	3.07
354,728 Novo Nordisk	25,558	1.12	
469,261 Pandora	43,217	1.88	
Germany	73,163	3.19	1.53
135,633 Adidas	31,988	1.39	
336,359 Siemens	41,175	1.80	
Italy	1,088	0.05	1.91
188,565 Enel	1,088	0.05	
Norway	399	0.02	0.02
3,981,819 Prosafe	399	0.02	
Switzerland	106,397	4.64	8.28
1,664,053 ABB	41,664	1.82	
1,053,447 Novartis	64,733	2.82	
United States	1,146,079	49.95	46.97
423,410 Analog Devices	53,214	2.32	
190,969 Anthem	55,258	2.41	
198,929 Automatic Data Processing	29,546	1.29	
44,247 BlackRock	28,235	1.23	
1,102,308 Bristol Myers Squibb	49,729	2.17	
1,039,307 Coca-Cola	40,961	1.78	
801,435 Colgate-Palmolive	45,975	2.00	
160,560 KLA	40,074	1.75	
336,117 Lowe's	51,812	2.26	
488,706 Medtronic	46,048	2.01	
6,160,474 Methanex	214,321	9.34	
408,153 Microsoft	86,282	3.76	
461,969 NextEra Energy	26,941	1.17	

Investments

Portfolio statement (continued)

Holding	as at 30.09.21 £'000	as at 30.09.21 %	as at 31.03.21 %
Equities (continued)			
United States (continued)			
349,309 PepsiCo	39,598	1.72	
315,215 Procter & Gamble	33,323	1.45	
69,886 S&P Global	22,192	0.97	
188,795 Travelers	21,772	0.95	
3,465,898 Trinseo	142,918	6.23	
531,405 VF	27,106	1.18	
281,434 Visa	47,474	2.07	
414,252 Walmart	43,300	1.89	
Canada	326,025	14.21	12.78
10,314,734 Gibson Energy	138,797	6.05	
269,719 Intact Financial	26,653	1.16	
6,649,401 Keyera	123,922	5.40	
6,926,904 Lundin Mining	36,653	1.60	
Japan	35,175	1.53	1.51
1,431,800 Takeda Pharmaceutical	35,175	1.53	
Australia	112,939	4.92	4.71
7,901,947 Amcor	69,339	3.02	
6,582,030 Treasury Wine Estates	43,600	1.90	
Hong Kong	34,424	1.50	1.05
4,006,927 AIA	34,424	1.50	
Taiwan	50,313	2.19	1.75
3,247,000 Taiwan Semiconductor Manufacturing	50,313	2.19	
South Africa	46,196	2.01	1.91
6,432,204 Imperial Logistics	19,491	0.85	
5,303,644 Motus	26,705	1.16	
Total portfolio	2,292,414	99.91	99.55
Net other assets/(liabilities)	2,036	0.09	0.45
Net assets attributable to shareholders	2,294,450	100.00	100.00

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

Investments

Top ten portfolio transactions for the six months to 30 September 2021

Largest purchases	£'000
Analog Devices	51,678
Walmart	44,025
Adidas	34,258
AstraZeneca	29,999
VF	29,168
Intact Financial	26,433
Lundin Mining	20,342
Visa	17,296
Anthem	14,415
Taiwan Semiconductor Manufacturing	14,136
Other purchases	89,971
Total purchases	371,721

Largest sales	£'000
Roche Holding	80,335
St. James's Place	46,556
Enel	37,632
KLA	32,734
Cisco Systems	29,765
Microsoft	27,890
Arthur J Gallagher	26,366
UnitedHealth	25,029
Keyera	24,801
Imperial Brands	17,492
Other sales	194,004
Total sales	542,604

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

Financial highlights

Fund performance

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

The following charts and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Global Dividend Fund, which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value as at	30.09.21 £'000	31.03.21 £'000	31.03.20 £'000
Fund net asset value (NAV)	2,294,450	2,293,192	1,686,990

Performance since launch

To give an indication of how the fund has performed since launch, the chart below shows total return of Sterling Class 'A' (Accumulation) shares.

July 2008 = 100, plotted monthly
Chart date 1 October 2021



Source: Morningstar, Inc. and M&G

* Income reinvested

** Benchmark prior to 1 January 2012 was the FTSE World Index. Thereafter it is the MSCI ACWI Index

Financial highlights

Historic yield

The chart below shows the historic yield of Sterling Class 'A' (Income) shares against that of a comparator benchmark.

Historic yield comparison from July 2008, plotted monthly
Chart date 1 October 2021



Source: Morningstar, Inc. and M&G

Historic yield: The historic yield reflects distributions declared over the past twelve months as a percentage of the mid-market price, as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions.

Distribution over ten years

The chart below shows the annual distribution of Sterling Class 'A' (Income) shares over 10 years.

Annual distribution over 10 years
Chart date 1 April 2021



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 01.04.21 % ^a	Three years 01.10.18 % pa	Five years 03.10.16 % pa	Since launch % pa
Sterling				
Class 'A'	+6.8	+7.6	+9.9	+10.7
Class 'I'	+7.0	+8.2	+10.6	+11.5
Class 'X'	+6.8	+7.6	+9.9	+10.7
MSCI ACWI Index ^b	+8.0	+11.8	+12.7	+11.7
Class 'PP'	+7.1	n/a	n/a	+10.5
MSCI ACWI Index	+8.0	n/a	n/a	+14.4
Class 'R'	+6.9	+7.9	+10.4	+10.9
MSCI ACWI Index	+8.0	+11.8	+12.7	+13.7

^a Not annualised.

^b The benchmark prior to 1 January 2012 was the FTSE World Index. Thereafter it is the MSCI ACWI Index.

Financial highlights

Operating charges and portfolio transaction costs

We explain below the payments made to meet the ongoing costs of investing and managing the fund, comprising operating charges and portfolio transaction costs.

Operating charges

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

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

The operating charges paid by each share class of the fund are shown in the following performance tables. These charges do not include portfolio transaction costs or any entry and exit charges (also known as initial and redemption charges). The charging structures of share classes may differ, and therefore the operating charges may differ.

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

Portfolio transaction costs

Portfolio transaction costs are incurred by funds when buying and selling investments. These costs vary depending on the types of investment, their market capitalisation, country of exchange and method of execution. They are made up of direct and indirect portfolio transaction costs:

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

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

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. The table on the following page shows direct portfolio transaction costs paid by the fund before and after that part of the dilution adjustment relating to direct portfolio transaction costs. To give an indication of the indirect portfolio dealing costs the table also shows the average portfolio dealing spread.

Further information on this process is in the Prospectus, which is available free of charge on request either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Financial highlights

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 30.09.21 %	Year to 31.03.21 %	Year to 31.03.20 %	Average ^a %
Broker commission	0.03	0.04	0.03	0.03
Taxes	0.01	0.03	0.04	0.03
Costs before dilution adjustments	0.04	0.07	0.07	0.06
Dilution adjustments ^c	(0.01)	(0.04)	(0.01)	(0.02)
Total direct portfolio transaction costs	0.03	0.03	0.06	0.04
as at Indirect portfolio transaction costs	30.09.21 %	31.03.21 %	31.03.20 %	Average ^a %
Average portfolio dealing spread	0.15	0.12	0.18	0.15

^a Average of first three columns.

^b As a percentage of average net asset value.

^c In respect of direct portfolio transaction costs. Please see the section above this table for an explanation of dilution adjustments.

Specific share class performance

The following 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.

Historic yields for the current period are calculated as at 8 October 2021.

Sterling Class 'A' Income share performance

The share class was launched on 18 July 2008.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	237.19	167.32	209.27
Return before operating charges	22.75	79.80	(31.69)
Operating charges	(1.31)	(2.83)	(3.17)
Return after operating charges	21.44	76.97	(34.86)
Distributions	(3.10)	(7.10)	(7.09)
Closing NAV	255.53	237.19	167.32
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.16	0.16
Dilution adjustments ^a	(0.02)	(0.09)	(0.02)
Total direct transaction costs	0.03	0.07	0.14
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.06
Operating charges ^c	1.06	1.31	1.46
Return after charges	+9.04	+46.00	-16.66
Historic yield	2.81	2.94	4.00
Other information			
Closing NAV (£'000)	462,332	518,573	214,634
Closing NAV (%)	20.15	22.61	12.72
Number of shares	180,928,326	218,630,792	128,280,917
Highest share price (UK p)	257.79	243.07	229.90
Lowest share price (UK p)	237.68	162.79	155.20

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 18 July 2008.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	359.71	245.63	296.42
Return before operating charges	34.60	118.20	(46.30)
Operating charges	(2.00)	(4.12)	(4.49)
Return after operating charges	32.60	114.08	(50.79)
Distributions	(2.82)	(6.41)	(5.68)
Retained distributions	2.82	6.41	5.68
Closing NAV	392.31	359.71	245.63
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.23	0.22
Dilution adjustments ^a	(0.02)	(0.13)	(0.03)
Total direct transaction costs	0.06	0.10	0.19
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.06
Operating charges ^c	1.06	1.32	1.46
Return after charges	+9.06	+46.44	-17.13
Historic yield	1.69	1.71	2.18
Other information			
Closing NAV (£'000)	203,442	222,444	206,764
Closing NAV (%)	8.87	9.70	12.26
Number of shares	51,857,773	61,839,313	84,178,803
Highest share price (UK p)	393.39	364.77	332.36
Lowest share price (UK p)	360.47	239.06	224.36

Sterling Class 'I' Income share performance

The share class was launched on 18 July 2008.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	259.51	182.16	226.50
Return before operating charges	24.93	87.01	(34.59)
Operating charges	(0.90)	(1.91)	(2.05)
Return after operating charges	24.03	85.10	(36.64)
Distributions	(3.40)	(7.75)	(7.70)
Closing NAV	280.14	259.51	182.16
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.17	0.17
Dilution adjustments ^a	(0.02)	(0.10)	(0.03)
Total direct transaction costs	0.04	0.07	0.14
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.06
Operating charges ^c	0.66	0.84	0.88
Return after charges	+9.26	+46.72	-16.18
Historic yield	2.81	2.93	3.99
Other information			
Closing NAV (£'000)	625,409	664,485	626,047
Closing NAV (%)	27.26	28.98	37.11
Number of shares	223,250,430	256,056,095	343,670,255
Highest share price (UK p)	282.61	265.90	250.06
Lowest share price (UK p)	260.05	177.24	168.95

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 18 July 2008.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	392.98	267.04	320.37
Return before operating charges	37.83	128.78	(50.40)
Operating charges	(1.36)	(2.84)	(2.93)
Return after operating charges	36.47	125.94	(53.33)
Distributions	(3.86)	(8.66)	(8.10)
Retained distributions	3.86	8.66	8.10
Closing NAV	429.45	392.98	267.04
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.25	0.24
Dilution adjustments ^a	(0.03)	(0.15)	(0.04)
Total direct transaction costs	0.06	0.10	0.20
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.06
Operating charges ^c	0.66	0.84	0.88
Return after charges	+9.28	+47.16	-16.65
Historic yield	2.09	2.12	2.86
Other information			
Closing NAV (£'000)	681,962	656,252	566,517
Closing NAV (%)	29.72	28.62	33.58
Number of shares	158,797,583	166,991,748	212,145,537
Highest share price (UK p)	430.64	398.44	360.98
Lowest share price (UK p)	393.82	259.91	243.90

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	112.07	78.52	100.00
Return before operating charges	10.77	37.55	(18.46)
Operating charges	(0.33)	(0.65)	(0.43)
Return after operating charges	10.44	36.90	(18.89)
Distributions	(1.47)	(3.35)	(2.59)
Closing NAV	121.04	112.07	78.52
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.07	0.05
Dilution adjustments ^a	(0.01)	(0.04)	(0.01)
Total direct transaction costs	0.02	0.03	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.06
Operating charges	0.56	0.65	0.66
Return after charges	+9.32	+46.99	-18.89
Historic yield	2.80	2.93	3.99
Other information			
Closing NAV (£'000)	180,321	123,346	136
Closing NAV (%)	7.86	5.38	0.01
Number of shares	148,975,146	110,060,619	173,697
Highest share price (UK p)	122.11	114.83	107.74
Lowest share price (UK p)	112.31	76.40	72.82

Financial highlights

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	119.34	80.93	100.00
Return before operating charges	11.49	39.07	(18.40)
Operating charges	(0.35)	(0.66)	(0.67)
Return after operating charges	11.14	38.41	(19.07)
Distributions	(1.23)	(2.82)	(2.66)
Retained distributions	1.23	2.82	2.66
Closing NAV	130.48	119.34	80.93
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.07	0.07
Dilution adjustments ^a	(0.01)	(0.04)	(0.01)
Total direct transaction costs	0.02	0.03	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.06
Operating charges ^c	0.56	0.66	0.68
Return after charges	+9.33	+47.46	-19.07
Historic yield	2.21	2.29	3.10
Other information			
Closing NAV (£'000)	40,005	12,187	701
Closing NAV (%)	1.73	0.53	0.04
Number of shares	30,659,349	10,211,708	865,782
Highest share price (UK p)	130.84	120.99	109.36
Lowest share price (UK p)	119.59	78.77	73.92

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	182.27	128.27	159.89
Return before operating charges	17.49	61.20	(24.33)
Operating charges	(0.87)	(1.75)	(1.86)
Return after operating charges	16.62	59.45	(26.19)
Distributions	(2.38)	(5.45)	(5.43)
Closing NAV	196.51	182.27	128.27
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.12	0.12
Dilution adjustments ^a	(0.01)	(0.07)	(0.02)
Total direct transaction costs	0.03	0.05	0.10
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.06
Operating charges ^c	0.91	1.08	1.13
Return after charges	+9.12	+46.35	-16.38
Historic yield	2.81	2.94	3.99
Other information			
Closing NAV (£'000)	11,606	11,008	8,638
Closing NAV (%)	0.51	0.48	0.51
Number of shares	5,906,072	6,039,238	6,734,138
Highest share price (UK p)	198.25	186.77	176.16
Lowest share price (UK p)	182.65	124.80	118.97

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	241.39	164.44	198.78
Return before operating charges	23.22	79.22	(31.02)
Operating charges	(1.15)	(2.27)	(2.32)
Return after operating charges	22.07	76.95	(33.34)
Distributions	(2.07)	(4.80)	(4.48)
Retained distributions	2.07	4.80	4.48
Closing NAV	263.46	241.39	164.44
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.16	0.15
Dilution adjustments ^a	(0.02)	(0.09)	(0.02)
Total direct transaction costs	0.04	0.07	0.13
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.06
Operating charges ^c	0.91	1.08	1.13
Return after charges	+9.14	+46.80	-16.86
Historic yield	1.86	1.91	2.57
Other information			
Closing NAV (£'000)	22,058	21,301	14,665
Closing NAV (%)	0.96	0.93	0.87
Number of shares	8,372,562	8,824,199	8,918,268
Highest share price (UK p)	264.19	244.77	222.39
Lowest share price (UK p)	241.90	160.04	150.20

Sterling Class 'X' Income share performance

The share class was launched on 18 July 2008.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	237.30	167.39	209.36
Return before operating charges	22.77	79.79	(31.73)
Operating charges	(1.32)	(2.78)	(3.15)
Return after operating charges	21.45	77.01	(34.88)
Distributions	(3.10)	(7.10)	(7.09)
Closing NAV	255.65	237.30	167.39
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.16	0.16
Dilution adjustments ^a	(0.02)	(0.09)	(0.02)
Total direct transaction costs	0.03	0.07	0.14
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.06
Operating charges ^c	1.06	1.32	1.46
Return after charges	+9.04	+46.01	-16.66
Historic yield	2.81	2.94	4.00
Other information			
Closing NAV (£'000)	48,606	46,180	35,680
Closing NAV (%)	2.12	2.01	2.12
Number of shares	19,012,592	19,460,728	21,315,456
Highest share price (UK p)	257.91	243.18	230.00
Lowest share price (UK p)	237.79	162.86	155.27

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 18 July 2008.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	359.91	245.76	296.58
Return before operating charges	34.61	118.29	(46.31)
Operating charges	(2.00)	(4.14)	(4.51)
Return after operating charges	32.61	114.15	(50.82)
Distributions	(2.82)	(6.42)	(5.68)
Retained distributions	2.82	6.42	5.68
Closing NAV	392.52	359.91	245.76
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.23	0.22
Dilution adjustments ^a	(0.02)	(0.14)	(0.03)
Total direct transaction costs	0.06	0.09	0.19
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.06
Operating charges ^c	1.06	1.32	1.46
Return after charges	+9.06	+46.45	-17.14
Historic yield	1.69	1.71	2.18
Other information			
Closing NAV (£'000)	18,709	17,416	13,208
Closing NAV (%)	0.82	0.76	0.78
Number of shares	4,766,280	4,838,854	5,374,283
Highest share price (UK p)	393.61	364.97	332.54
Lowest share price (UK p)	360.67	239.19	224.49

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

^c 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 30 September	2021		2020	
	£'000	£'000	£'000	£'000
Income				
Net capital gains/(losses)		182,608		366,187
Revenue	34,670		37,988	
Expenses	(9,274)		(9,824)	
Net revenue/(expense) before taxation	25,396		28,164	
Taxation	(3,380)		(4,396)	
Net revenue/(expense) after taxation		22,016		23,768
Total return before distributions		204,624		389,955
Distributions		(25,737)		(26,737)
Change in net assets attributable to shareholders from investment activities		178,887		363,218

Statement of change in net assets attributable to shareholders

for the six months to 30 September	2021		2020	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		2,293,192		1,686,990
Amounts received on issue of shares	104,895		334,039	
Amounts paid on cancellation of shares	(291,114)		(349,138)	
		(186,219)		(15,099)
Dilution adjustments		256		514
Change in net assets attributable to shareholders from investment activities (see above)		178,887		363,218
Retained distributions on Accumulation shares		8,331		11,425
Unclaimed distributions		3		1
Closing net assets attributable to shareholders		2,294,450		2,047,049

The opening net assets attributable to shareholders for 2021 differs to the closing position in 2020 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	30 September 2021 £'000	31 March 2021 £'000
Assets		
Fixed assets		
Investments	2,292,414	2,282,823
Current assets		
Debtors	18,899	30,078
Cash and bank balances	5,597	17,280
Total assets	2,316,910	2,330,181
Liabilities		
Creditors		
Bank overdrafts	(2,409)	0
Distribution payable	(8,055)	(14,426)
Other creditors	(11,996)	(22,563)
Total liabilities	(22,460)	(36,989)
Net assets attributable to shareholders	2,294,450	2,293,192

Financial statements and notes

Notes to the financial statements

1 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 March 2021. 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 as amended in June 2017.

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.

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

Other regulatory disclosures

Swiss investor information

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

For these funds the TERs are the same as the operating charges disclosed in the fund's financial highlights section under 'Performance and charges'.

Glossary

Accumulation shares A type of share where distributions are automatically reinvested and reflected in the value of the shares.

Accumulation units A type of unit where distributions are automatically reinvested and reflected in the value of the units.

Asset Anything having commercial or exchange value that is owned by a business, institution or individual.

Asset allocation Apportioning a portfolio's assets according to risk tolerance and investment goals.

Asset class Category of assets, such as cash, company shares, fixed income securities and their sub-categories, as well as tangible assets such as real estate.

Bond A loan in the form of a security, usually issued by a government or company, which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.

Bond issue A set of fixed income securities offered for sale to the public by a company or government. If the bonds are sold for the first time, it is called a 'new issue'.

Bottom-up selection Selecting stocks based on the attractiveness of a company.

Bunds Fixed income securities issued by the German government.

Capital Refers to the financial assets, or resources, that a company has to fund its business operations.

Capital growth Occurs when the current value of an investment is greater than the initial amount invested.

Capital return The term for the gain or loss derived from an investment over a particular period. Capital return includes capital gain or loss only and excludes income (in the form of interest or dividend payments).

Cash equivalents Deposits or investments with similar characteristics to cash.

Charity Authorised Investment Fund (CAIF) An investment entity that is both a registered charity and an authorised investment fund. The CAIF must comply with charity law as well as financial services laws and regulations, and is usually treated as a registered charity for tax purposes.

Comparative sector A group of funds with similar investment objectives and/or types of investment, as classified by bodies such as the Investment Association (IA) or Morningstar™. Sector definitions are mostly based on the main assets a fund should invest in, and may also have a geographic focus. Sectors can be the basis for comparing the different characteristics of similar funds, such as their performance or charging structure.

Consumer Prices Index (CPI) An index used to measure inflation, which is the rate of change in prices for a basket of goods and services. The contents of the basket are meant to be representative of products and services we typically spend our money on.

Convertible bonds Fixed income securities that can be exchanged for predetermined amounts of company shares at certain times during their life.

Corporate bonds Fixed income securities issued by a company. They are also known as bonds and can offer higher interest payments than bonds issued by governments as they are often considered more risky.

Coupon The interest paid by the government or company that has raised a loan by selling bonds.

Credit The borrowing capacity of an individual, company or government. More narrowly, the term is often used as a synonym for fixed income securities issued by companies.

Credit default swaps (CDS) Are a type of derivative, namely financial instruments whose value, and price, are dependent on one or more underlying assets. CDS are insurance-like contracts that allow investors to transfer the risk of a fixed income security defaulting to another investor.

Credit rating An independent assessment of a borrower's ability to repay its debts. A high rating indicates that the credit rating agency considers the issuer to be at low risk of default; likewise, a low rating indicates high risk of default. Standard & Poor's, Fitch and Moody's are the three most prominent credit rating agencies. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Credit rating agency A company that analyses the financial strength of issuers of fixed income securities and attaches a rating to their debt. Examples include Standard & Poor's and Moody's.

Credit risk Risk that a financial obligation will not be paid and a loss will result for the lender.

Glossary

Credit selection The process of evaluating a fixed income security, also called a bond, in order to ascertain the ability of the borrower to meet its debt obligations. This research seeks to identify the appropriate level of default risk associated with investing in that particular bond.

Credit spread The difference between the yield of a corporate bond, a fixed income security issued by a company, and a government bond of the same life span. Yield refers to the income received from an investment and is expressed as a percentage of the investment's current market value.

Default When a borrower does not maintain interest payments or repay the amount borrowed when due.

Defaulted bond When a bond issuer does not maintain interest payments or repay the amount borrowed when due.

Default risk Risk that a debtholder will not receive interest and full repayment of the loan when due.

Derivatives Financial instruments whose value, and price, are dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded on a regulated exchange or traded over the counter.

Developed economy/market Well-established economies with a high degree of industrialisation, standard of living and security.

Dilution adjustments The dilution adjustment is used to protect ongoing investors against the transaction charges incurred in investing or divesting in respect of creations and cancellations. The dilution adjustment is made up of the direct and indirect transaction charges. In the financial statements the direct transaction charges as a percentage of average NAV will be disclosed. This percentage will take account of those direct transaction charges that have been recovered through the dilution adjustment leaving a percentage that just represents the costs incurred in portfolio management.

Distribution Distributions represent a share in the income of the fund and are paid out to Income shareholders or reinvested for Accumulation shareholders at set times of the year (monthly, quarterly, half-yearly or annually). They may either be in the form of interest distributions or dividend distributions.

Distribution yield Expresses the amount that is expected to be distributed by the fund over the next 12 months as a percentage of the share price as at a certain date. It is based on the expected gross income less the ongoing charges.

Diversification The practice of investing in a variety of assets. This is a risk management technique where, in a well-diversified portfolio, any loss from an individual holding should be offset by gains in other holdings, thereby lessening the impact on the overall portfolio.

Dividend Dividends represent a share in the profits of a company and are paid out to the company's shareholders at set times of the year.

Duration A measure of the sensitivity of a fixed income security, also called a bond, or bond fund to changes in interest rates. The longer a bond or bond fund's duration, the more sensitive it is to interest rate movements.

Duration risk The longer a fixed income security, also called a bond, or bond fund's duration, the more sensitive and therefore at risk it is to changes in interest rates.

Emerging economy or market Economies in the process of rapid growth and increasing industrialisation. Investments in emerging markets are generally considered to be riskier than those in developed markets.

Equities Shares of ownership in a company.

Exchange traded Usually refers to investments traded on an exchange, such as company shares on a stock exchange.

Ex-dividend, ex-distribution or XD date The date on which declared distributions officially belong to underlying investors.

Exposure The proportion of a fund invested in a particular share/fixed income security, sector/region, usually expressed as a percentage of the overall portfolio.

Fixed income security A loan in the form of a security, usually issued by a government or company, which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid. Also referred to as a bond.

Floating rate notes (FRNs) Securities whose interest (income) payments are periodically adjusted depending on the change in a reference interest rate.

Foreign exchange The exchange of one currency for another, or the conversion of one currency into another currency. Foreign exchange also refers to the global market where currencies are traded virtually around the clock. The term foreign exchange is usually abbreviated as 'forex' and occasionally as 'FX'.

Glossary

Foreign exchange (FX) strategy Currencies can be an asset class in its own right, along with company shares, fixed income securities, property and cash. Foreign exchange strategy can therefore be a source of investment returns.

Forward contract A contract between two parties to buy or sell a particular commodity or financial instrument at a pre-determined price at a future date. Examples include forward currency contracts.

Fundamentals (company) A basic principle, rule, law, or the like, that serves as the groundwork of a system. A company's fundamentals pertain specifically to that company, and are factors such as its business model, earnings, balance sheet and debt.

Fundamentals (economic) A basic principle, rule, law, or the like, that serves as the groundwork of a system. Economic fundamentals are factors such as inflation, employment, economic growth.

Futures A futures contract is a contract between two parties to buy or sell a particular commodity or financial instrument at a predetermined price at a future date. Futures are traded on a regulated exchange.

Gilts Fixed income securities issued by the UK government.

Government bonds Fixed income securities issued by governments, that normally pay a fixed rate of interest over a given time period, at the end of which the initial investment is repaid.

Hedging A method of reducing unnecessary or unintended risk.

High water mark (HWM) The highest level that a fund's NAV (net asset value) has reached at the end of any 12-month accounting period.

High yield bonds Fixed income securities issued by companies with a low credit rating from a recognised credit rating agency. They are considered to be at higher risk of default than better quality, ie higher-rated fixed income securities but have the potential for higher rewards. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Historic yield The historic yield reflects distributions declared over the past 12 months as a percentage of the share price, as at the date shown.

Income yield Refers to the income received from an investment and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value.

Index An index represents a particular market or a portion of it, serving as a performance indicator for that market.

Income shares A type of share where distributions are paid out as cash on the payment date.

Income units A type of unit where distributions are paid out as cash on the payment date.

Index tracking A fund management strategy that aims to match the returns from a particular index.

Index-linked bonds Fixed income securities where both the value of the loan and the interest payments are adjusted in line with inflation over the life of the security. Also referred to as inflation-linked bonds.

Inflation The rate of increase in the cost of living. Inflation is usually quoted as an annual percentage, comparing the average price this month with the same month a year earlier.

Inflation risk The risk that inflation will reduce the return of an investment in real terms.

Initial public offering (IPO) The first sale of shares by a private company to the public.

Interest rate risk The risk that a fixed income investment will lose value if interest rates rise.

Interest rate swap An agreement between two parties to swap a fixed interest payment with a variable interest payment over a specified period of time.

Investment Association (IA) The UK trade body that represents fund managers. It works with investment managers, liaising with government on matters of taxation and regulation, and also aims to help investors understand the industry and the investment options available to them.

Investment grade bonds Fixed income securities issued by a company with a medium or high credit rating from a recognised credit rating agency. They are considered to be at lower risk from default than those issued by companies with lower credit ratings. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Issuer An entity that sells securities, such as fixed income securities and company shares.

Glossary

Leverage When referring to a company, leverage is the level of a company's debt in relation to its assets. A company with significantly more debt than capital is considered to be leveraged. It can also refer to a fund that borrows money or uses derivatives to magnify an investment position.

Liquidity A company is considered highly liquid if it has plenty of cash at its disposal. A company's shares are considered highly liquid if they can be easily bought or sold since large amounts are regularly traded.

Long position Refers to ownership of a security held in the expectation that the security will rise in value.

Macroeconomic Refers to the performance and behaviour of an economy at the regional or national level. Macroeconomic factors such as economic output, unemployment, inflation and investment are key indicators of economic performance. Sometimes abbreviated to 'macro'.

Maturity The length of time until the initial investment amount of a fixed income security is due to be repaid to the holder of the security.

Modified duration A measure of the sensitivity of a fixed income security, called a bond, or bond fund to changes in interest rates. The longer a bond or bond fund's duration, the more sensitive it is to interest rate movements.

Monetary easing When central banks lower interest rates or buy securities on the open market to increase the money in circulation.

Monetary policy A central bank's regulation of money in circulation and interest rates.

Monetary tightening When central banks raise interest rates or sell securities on the open market to decrease the money in circulation.

Morningstar™ A provider of independent investment research, including performance statistics and independent fund ratings.

Near cash Deposits or investments with similar characteristics to cash.

Net asset value (NAV) A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.

Ongoing Charge Figure The ongoing charge figure represents the operating costs investors can reasonably expect to pay under normal circumstances.

Open-ended investment company (OEIC) A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Options Financial contracts that offer the right, but not the obligation, to buy or sell an asset at a given price on or before a given date in the future.

Over-the-counter (OTC) Whereby financial assets are traded directly between two parties. This is in contrast to exchange trading, which is carried out through exchanges set up specifically for the purpose of trading. OTC is also known as off-exchange trading.

Overweight If a fund is 'overweight' a stock, it holds a larger proportion of that stock than the comparable index or sector.

Payment date The date on which distributions will be paid by the fund to investors, usually the last business day of the month.

Physical assets An item of value that has tangible existence, for example, cash, equipment, inventory or real estate. Physical assets can also refer to securities, such as company shares or fixed income securities.

Portfolio transaction cost The cost of trading, such as brokerage, clearing, exchange fees and bid-offer spread as well as taxes such as stamp duty.

Preference shares Preference shares are a loan to a company that may be traded in the same way as ordinary shares, but generally have a higher yield and pay dividends on fixed dates. Preference shares have varying characteristics as to the treatment of the principal and the dividend payment, which includes ranking them above ordinary shares when it comes to dividend payments.

Principal The face value of a fixed income security, which is the amount due back to the investor by the borrower when the security reaches the end of its life.

Private placement An offer of sale of securities to a relatively small number of investors selected by the company, generally investment banks, mutual funds, insurance companies or pension funds.

Property Expense Ratio (PER) Property expenses are the operating expenses that relate to the management of the property assets in the portfolio. These include: insurance and rates, rent review and lease renewal costs and maintenance and repairs, but not improvements. They depend on the level of activity taking place within the fund. The Property Expense Ratio is the ratio of property expenses to the fund's net asset value.

Glossary

Real yield The return of an investment, adjusted for changes in prices in an economy.

Retail Prices Index (RPI) A UK inflation index that measures the rate of change in prices for a basket of goods and services in the UK, including mortgage payments and council tax.

Risk The chance that an investment's return will be different to what is expected. Risk includes the possibility of losing some or all of the original investment.

Risk management The term used to describe the activities the fund manager undertakes to limit the risk of a loss in a fund.

Risk premium The difference between the return from a risk-free asset, such as a high-quality government bond or cash, and the return from an investment in any other asset. The risk premium can be considered the 'price' or 'pay-off' for taking on increased risk. A higher risk premium implies higher risk.

Risk-free asset An asset that notionally carries no risk of 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.

