

# M&G Investment Funds (4)

**Annual Long Report and audited Financial Statements  
for the year ended 31 October 2021**

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# Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (4) presents its Annual Long Report and audited Financial Statements for the year ended 31 October 2021.

The audited financial statements of M&G Investment Funds (4) and the investment report and audited financial statements and notes of each sub-fund are presented in their individual sections of this report as set out in the contents page.

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

## Company information

M&G Investment Funds (4) is an umbrella Open-Ended Investment Company (OEIC) and contains 7 sub-funds, hereinafter referred to as 'funds' in the rest of this report. The Company is a non-UCITS Retail Scheme (NURS) and, for the purposes of the AIFMD, qualifies as an alternative investment fund (AIF), as issued (and amended) by the Financial Conduct Authority (FCA). This OEIC is an Investment Company with Variable Capital (ICVC) incorporated under the Open-Ended Investment Companies Regulations 2001. It is authorised and regulated by the FCA under the Financial Services and Markets Act 2000.

The Company was authorised on 20 February 2002 and was launched on 20 June 2002. The M&G Sustainable Multi Asset Fund was launched on 14 February 2019. The M&G Sustainable Multi Asset Balanced Fund, M&G Sustainable Multi Asset Cautious Fund and M&G Sustainable Multi Asset Growth Fund were launched on 8 December 2020.

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

As at 31 October 2021, none of the funds held shares of the other funds within this OEIC.

A shareholder is not liable for the debts of the Company and will never be liable to make any further payment to the Company after paying the purchase price of the shares.

## Fund managers

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

### M&G Episode Allocation Fund

Tony Finding & Juan Nevado

### M&G Episode Growth Fund

Craig Simpson & Eric Lonergan

### M&G Managed Growth Fund

David Fishwick

### M&G Sustainable Multi Asset Fund

Maria Municchi

### M&G Sustainable Multi Asset Balanced Fund

Maria Municchi

### M&G Sustainable Multi Asset Cautious Fund

Maria Municchi

### M&G Sustainable Multi Asset Growth Fund

Maria Municchi

## 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.

# Authorised Corporate Director's Report

## Investment manager

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

## Registrar

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

## 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

## Annual value assessment

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

## Important information

On 8 December 2020 the M&G Sustainable Multi Asset Balanced Fund, the M&G Sustainable Multi Asset Cautious Fund and the M&G Sustainable Multi Asset Growth Fund were launched as sub-funds of M&G Investment Funds (4).

The investment objective and benchmark changed for the M&G Episode Growth Fund and the M&G Managed Growth Fund on 2 February 2021.

There was a reduction in the annual charge on some share classes from 15 February 2021. The reduction in annual charge varies across the M&G funds and the detail was communicated in the shareholder letter dated 15 January 2021.

The investment objective, policy and approach changed for the M&G Sustainable Multi Asset Fund on 1 July 2021.

The investment objective and benchmark changed for the M&G Episode Allocation Fund on 20 July 2021.

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

# Authorised Corporate Director's Report

## Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

# Authorised Corporate Director's Report

## Authorised Corporate Director's Responsibilities

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

The ACD is required to keep proper accounting records, and to manage the Company in accordance with the Collective Investment Schemes sourcebook, as issued (and amended) by the FCA, the Instrument of Incorporation and the Prospectus, and to take reasonable steps for the prevention and detection of fraud or other irregularities.

## 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  
13 January 2022

# Depository's Responsibilities and Report

## Statement of the Depository's Responsibilities and Report of the Depository to the Shareholders of M&G Investment Funds (4) ('the Company') for the year ended 31 October 2021

The Depository must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI2001/1228) (the OEIC Regulations), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Company's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as detailed below.

The Depository must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depository is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depository must ensure that:

- the Company's cashflows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares in the Company is calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ('the AFM') are carried out (unless they conflict with the Regulations).

The Depository also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

The financial statements have been prepared on the going concern basis unless it is inappropriate to presume that the sub-funds will continue in operation.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depository of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AFM:

- i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company, and
- ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

Edinburgh  
13 January 2022

NatWest Trustee and  
Depository Services Limited

# Independent Auditor's Report

## Independent Auditor's Report to the shareholders of M&G Investment Funds (4)

### Opinion

We have audited the financial statements of M&G Investment Funds (4) ("the Company") comprising each of its sub-funds for the year ended 31 October 2021, which comprise the Statement of Total Return, the Statement of Changes in Net Assets Attributable to Shareholders, the Balance Sheet, the related notes and the Distribution Tables, and the accounting policies of the Company, which include a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company comprising each of its sub-funds as at 31 October 2021 and of the net revenue/ (expenses) and the net capital gains/losses on the scheme property of the Company comprising each of its sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Authorised Corporate Director's ("the ACD") use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the ACD with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

### Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The ACD is responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.



# Independent Auditor's Report

We have nothing to report in this regard.

## Opinions on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority (the "FCA")

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the FCA and the Instrument of Incorporation; and
- there is nothing to indicate that adequate accounting records have not been kept or that the financial statements are not in agreement with those records; and
- the information given in the ACD's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matter in relation to which the rules of the Collective Investment Schemes Sourcebook of the FCA requires us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

## Responsibilities of the ACD

As explained more fully in the ACD's responsibilities statement set out on page 4, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the ACD determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the ACD is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the ACD either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

# Independent Auditor's Report

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are United Kingdom Generally Accepted Accounting Practice, the Investment Management Association's Statement of Recommended Practice ("IMA SORP"), the FCA Collective Investment Schemes Sourcebook, the OEIC Regulations, the Company's Instrument of Incorporation and the Prospectus.
- We understood how the Company is complying with those frameworks through discussions with the ACD and the Company's administrator and a review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override, specifically management's propensity to influence revenue and amounts available for distribution. We identified a fraud risk with respect to the incomplete or inaccurate income recognition through incorrect classification of special dividends and the resulting impact to amounts available for distribution. We tested the appropriateness of management's classification of material special dividends as either a capital or revenue return.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the ACD with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Company.
- Due to the regulated nature of the Company, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and

capabilities, to identify non-compliance with the applicable laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report

## Use of our report

This report is made solely to the Company's shareholders, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Edinburgh  
13 January 2022

Ernst & Young LLP  
Statutory Auditor

(1) The maintenance and integrity of the M&G website is the responsibility of the ACD; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(2) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Financial statements and notes

The financial statements for M&G Investment Funds (4) comprise the individual financial statements for each fund and the notes below.

## Notes to the financial statements

### 1 Statement of compliance

The financial statements of M&G Investment Funds (4) have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014 and amended in June 2017.

### 2 Summary of significant accounting policies

#### a. Basis of preparation

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

The financial statements of M&G Investment Funds (4) are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

#### b. Functional and presentational currency

Where the functional and presentational currency of a fund is not UK sterling this is disclosed in the 'Financial statements and notes' of that fund.

#### c. Exchange rates

Transactions in currencies other than each fund's functional currency are translated at the rate of exchange ruling on the date of the transaction and where applicable assets and liabilities are translated into the fund's functional currency at the rate of exchange ruling as at 12 noon on 29 October 2021, being the last business day of the accounting period.

#### d. Investments – recognition and valuation

The provisions of both Section 11 and Section 12 of FRS 102 have been applied in full. All investments have been designated as fair value through profit and loss and recognised initially at fair value, which is normally the transaction price (excluding transaction costs and accrued interest).

At the end of the reporting period all investments have been measured at their fair value using the prices and the portfolio holdings determined at 12 noon on 29 October 2021, being the last valuation point of the accounting period, as this is not materially different from a valuation carried out at close of business on the balance sheet date.

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

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

# Financial statements and notes

- Equities traded on the Alternative Investment Market (AIM), whose liquidity cannot be guaranteed, are included at their quoted bid price as this represents the most objective and appropriate method of valuation.
- Collective investment schemes operated by the ACD are included at either their cancellation price for dual priced funds or their single price for single priced funds.
- Collective investment schemes operated by another manager are included at either their bid price for dual priced funds or their single price for single priced funds.
- Other equities and debt securities which are unquoted or not actively traded on a quoted market are included at a value estimated by the ACD using an appropriate valuation technique, excluding any accrued interest in respect of bonds.
- Exchange traded futures and options are included at the cost of closing out the contract at the balance sheet date.
- Over the counter equity options, credit default swaps, interest rate swaps, asset swaps and inflation swaps are included at a value provided by Markit Valuations Limited, an independent credit derivative price provider. Their fair value excludes any accrued interest in respect of derivatives where the income is revenue in nature.
- Forward currency contracts, for share class hedging and investment, are included at a value determined by reference to current forward exchange rates for contracts with similar maturity profiles.

## **e. Recognition of income and expenses**

- Dividends, including ordinary stock dividends, from equity investments are recognised when the security is quoted ex-dividend.

- Distributions from collective investment schemes are recognised when the scheme is priced ex-distribution.
- Interest on debt securities is recognised on an effective interest rate basis. Bank interest is recognised on an accruals basis.
- Underwriting commission is recognised when the issue takes place.
- Revenue from derivatives is recognised on an accruals basis.
- Fee rebates from investing in other collective investment schemes are recognised on an accruals basis.
- Expenses are recognised on an accruals basis.

## **f. Treatment of income and expenses**

- Any increases or decreases in the fair value of investments and gains and losses realised on sales of investments are treated as capital and recognised in net capital gains/(losses).
- The value of any enhancement to a stock dividend is treated as capital.
- Ordinary equity dividends, including ordinary stock dividends are treated as revenue.
- Special dividends, share buy backs or additional share issues may be treated as revenue or capital depending on the facts of each particular case.
- Distributions from collective investment schemes are treated as revenue in nature, except for any element of equalisation, which represents the average amount of income included in the price paid for the collective investment scheme, which is treated as capital.

# Financial statements and notes

- Debt security interest comprises the coupon interest and the difference between the purchase price and the expected maturity price spread over its expected remaining life. This is treated as revenue with the difference adjusting the cost of the shares and treated as capital.
- Other interest income, such as bank interest is treated as revenue.
- Underwriting commission is treated as revenue, except where the fund is required to take up all or some of the shares underwritten, in which case a proportion of the commission received is deducted from the cost of the shares and treated as capital.
- The treatment of the income on derivative contracts depends upon the nature of the transaction. Both motive and circumstances are used to determine whether the returns should be treated as capital or revenue. Where positions are undertaken to protect or enhance capital, and the circumstances support this, the returns are recognised in net capital gains; similarly where the motives and circumstances are to generate or protect revenue, and the circumstances support this, the returns are included within net revenue before taxation. Where positions generate total returns it will generally be appropriate to apportion such returns between capital and revenue to properly reflect the nature of the transaction.
- Expenses relating to the purchase and sale of investments are treated as capital; all other expenses are treated as revenue.
- Rebates of charges from holdings in collective investment schemes are treated as revenue or capital in accordance with the underlying scheme's distribution policy.

## **g. Tax**

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

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

Deferred tax is recognised in respect of temporary timing differences that have originated but not reversed by the balance sheet date. Deferred tax is measured on a non-discounted basis, at the average rate of tax expected to apply in the period in which it expects the deferred tax to be realised or settled. A deferred tax asset is only recognised to the extent that it is more likely than not that the asset will be recovered.

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

## **h. Allocation of returns to share classes**

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

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

# Financial statements and notes

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

## 3 Risk management policies

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

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

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

The following risk management policies are applicable to the funds, with specific risk disclosures set out in the notes to the financial statements of each fund.

### a. Market risk

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

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

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

### b. Commitment approach

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

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

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

Market risk is considered on a daily basis and forms the foundation of investment oversight analysis. This can include for each fund (but is not limited to) the analysis of factors such as fund concentration; style, geographical, industry and market capitalisation biases; active, systematic and specific risk measurements; active money; and beta characteristics.

### c. Value at Risk approach

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

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



# Financial statements and notes

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

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

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

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

Fund	Global exposure approach
M&G Episode Allocation Fund	VaR
M&G Episode Growth Fund	VaR
M&G Managed Growth Fund	Commitment
M&G Sustainable Multi Asset Fund	VaR
M&G Sustainable Multi Asset Balanced Fund	VaR
M&G Sustainable Multi Asset Cautious Fund	VaR
M&G Sustainable Multi Asset Growth Fund	VaR

## d. Liquidity risk

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

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

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

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

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

# Financial statements and notes

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

## e. Credit risk

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

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

Funds investing in derivatives are exposed to counterparty risk. This is the risk that the other party to the transaction fails to fulfil their obligations, either by failing to pay or failing to deliver securities. To minimise this risk, carefully selected, financially strong and well-established counterparties are selected following a thorough due diligence review and collateral is posted daily (in the form of cash or high-quality government bonds). Derivative positions are valued on a mark-to-market basis (revalued to reflect prevailing market prices) daily and collateral moves from one counterparty to the other to reflect movements in the unrealised profit or loss. As a result, the maximum loss to the fund would be limited to that day's price movements in affected derivatives contracts.

For funds in which they are used, credit default swaps are bought and sold in response to detailed credit research to take advantage of anticipated movements in credit spreads on individual stocks and baskets of securities. When a fund buys a credit default swap the default risk associated with the underlying security transfers to the counterparty. When a fund sells a credit default swap the fund assumes the credit risk of the underlying security.



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## Investment objective up to 19 July 2021

The fund aims to deliver a total return (the combination of capital growth and income) of at least 5% per annum above the 3-month GBP LIBOR rate, before any charges are taken, over any five-year period.

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

## Investment objective from 20 July 2021

The fund aims to deliver a total return (the combination of capital growth and income) of at least 5% per annum above the Sterling Overnight Index Average (SONIA), before any charges are taken, over any five-year period. There is no guarantee that the fund will achieve a positive return over five years, or any other, period, and investors may not get back the original amount they invested.

## Investment policy

The fund is a multi-asset fund that invests across a range of asset classes, including equities, fixed income securities, convertibles, cash and near cash. Exposure to these assets may be gained either directly or indirectly via collective investment schemes or derivatives. The fund may also invest indirectly via collective investment schemes or derivatives in other asset classes such as property and gold.

The currency exposure of the fund will be actively managed, seeking to enhance returns, with a minimum of 30% of the fund exposed to sterling and a minimum of 60% in developed market currencies (including sterling).

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

## Investment approach

The fund managers have a flexible top-down approach to the allocation of capital between different types of assets in response to changes in economic conditions and asset values. This approach combines in-depth research to work out the value of assets over the medium to long term, with analysis of market reactions to events to identify investment opportunities. In particular, the manager seeks to respond when asset prices move away from a reasonable sense of 'fair' long-term value due to market reactions to events.

The fund seeks to manage risk by investing globally across multiple asset classes, sectors, currencies and countries. The fund will typically invest 20-60% of its assets in equities and convertibles, 30-75% in fixed income securities or cash, and up to 20% in other assets. These allocations reflect the net exposure of the portfolio.

The fund will typically take investment positions at index or sector level, but it may also take positions in individual shares or bonds. The fund's investment strategy may involve the use of derivatives to take long or short positions.

## Benchmark up to 19 July 2021

Benchmark: 3-month GBP LIBOR + 5%.

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

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

# Authorised Corporate Director's Report

## Benchmark from 20 July 2021

Benchmark: SONIA + 5%

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

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

## Risk profile

The fund invests globally in a broad range of assets, including company shares (equities), fixed income securities (bonds), currencies and other assets such as property shares and convertible bonds. The fund is, therefore, subject to the price volatility of global financial and currency markets. Exposure to the different asset classes may be gained through the use of derivatives.

In association with the use of derivatives, including those instruments not traded through an exchange, collateral is deposited, in order to mitigate the risk that a counterparty may default on its obligations or become insolvent.

The fund adopts a flexible approach to the allocation of capital between asset classes in response to changes in economic conditions and the valuation of assets, and the managers will seek to maximise portfolio diversity wherever possible. However, in cases where the managers believe that the opportunities are limited to a few areas, there may be a higher-than-usual concentration of asset or market exposure. Such strategies may result in higher volatility of the fund's short-term performance.

The blend of assets held in the fund is regularly adjusted depending on where the managers see the most value and to manage risks, including liquidity, credit, currency and market risks. The fund's risks are

measured and managed as an integral part of the investment process.

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 November 2021, for the year ended 31 October 2021

Between 2 November 2020 (the start of the review period) and 1 November 2021, the M&G Episode Allocation Fund produced a positive total return (the combination of income and growth of capital) which was above the Sterling Overnight Index Average (SONIA) + 5.0% across all of its share classes (and above GBP 3-month LIBOR+5.0% prior to 19 July 2021). SONIA reflects the average interest rate that banks pay to borrow sterling overnight from other financial institutions.

The fund's objective is to achieve a total return of at least 5% per annum above the SONIA, before any charges are taken, over any five-year period. (Prior to 19 July 2021 it was to achieve a return of at least 5% per annum above GBP 3-month LIBOR.) Over five years, the fund has not met its objective; the annualised five-year return before any charges was 5.1% versus SONIA + 5.0% (from 19 July 2021 and before that GBP

# Authorised Corporate Director's Report

LIBOR +5.0% until 19 July 2021), which delivered an annualised return of 5.5% over this period.

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

## Performance review

The 12 months under review delivered strongly positive returns for equity (company shares) markets. Initially, investors were encouraged by massive amounts of support from governments and central banks, together with the start of vaccination programmes to prevent COVID-19 and this prompted a continuation of the strong recovery of equities from the lows encountered in March 2020. Investors generally preferred to focus on the continued recovery in the global economy and corporate earnings, rather than any resurgences of the virus and further lockdown restrictions.

Later, investors started to worry about the effect of the strong economic recovery on demand and began to consider when interest rates would have to be raised to combat the threat of higher prices causing inflation. This was compounded by supply disruption and a big spike in oil & gas prices. Fear that central banks, especially in the US, might have to raise interest rates quicker than they have been planning, caused weakness in government bond markets, as well as temporary weakness in equity markets.

(Bonds are loans that are extended by an investor to an issuer – such as a company or government – usually in exchange for regular interest payments. Bonds issued by companies are referred to as 'corporate bonds', while those issued by governments are called 'government bonds'. Bonds are also called fixed income securities.)

Towards the end of the review period, there was some concern about slowing economic growth particularly in China, which was also adversely affected by power cuts and a debt crisis in the property sector. On the whole, however, investor sentiment remained positive, possibly as investors agreed with central banks that rising prices will be 'transitory' – in other words, temporary. At the end of the 12 months, even the news that central banks were beginning to withdraw their 'quantitative easing'

programmes of purchasing financial assets, which have done so much to help markets recover from their pandemic-inspired lows, had little effect on share prices and several stockmarket indices finished the period close to record highs.

The best-performing developed market equity indices during the period included the US, UK and Europe, where France was particularly strong. Emerging markets also rose impressively, led by remarkable rallies in Argentina and India. On the other hand, China's problems led its stockmarket to fall and also weighed on its neighbours in Asia. Brazil also lagged.

Against this backdrop, the fund delivered a positive return. The main positive contribution came from exposures to company shares, which we increased during the autumn, prior to the boost to global sentiment provided by the discovery of effective vaccines against COVID-19. The strongest positive contributors were exposure to stocks from Europe, followed by banking stocks and the UK. Non-mainstream government bonds from South Africa also delivered a positive return. Corporate bonds also contributed, as a positive contribution from credit funds outweighed losses from US corporate bonds and bonds from mining firms. Property was another contributor, while currency exposures also helped performance.

These gains were partly offset by losses from long exposure to US long-dated government bonds (Treasuries).

## Investment activities

Following some very strong performance by US stockmarkets at the start of the period, we reversed the tactical (a short-term change made with the expectation of making a gain) equity addition we made less than two weeks earlier, whereby we had added to the fund's US equity holding, increasing exposure to the S&P 500 Index from 5% to 10%. This had followed price weakness that we believed was driven by market pessimism rather than a change to fundamentals. This was one of the shortest-held tactical trades we have made in the portfolio. It highlighted the magnitude of the price volatility and valuation shifts that were

# Authorised Corporate Director's Report

occurring and the very important role that dynamic asset allocation can play in enhancing the returns to a static balanced portfolio.

In December we closed a small position in the Korean won in favour of one in the Turkish lira, following strong performance by the won against the US dollar. Meanwhile, we believed that the latter offered more attractive price and interest rate levels.

In March, in response to a rise in yields, we reduced exposure to US dollar short-dated Argentine government bonds (bonds that are issued by governments and repaid over relatively short periods), as they are more sensitive to short-term fluctuations in interest rates and increased exposure to emerging market bonds. We also closed a small position in mining corporate bonds (bonds that are issued by companies).

In the summer, we slightly reduced exposure to the M&G Property Portfolio in order to increase fund liquidity, with the aim of improving our ability to respond should a correlated episode occur in both fixed income and equity assets. We also modestly reduced both equity and duration risk (sensitivity to changes in interest rates) by selling the fund's exposure to Germany, and selling the holding in methanol producer Methanex. The resultant increase in our cash position was intended to improve our ability to respond should market turbulence affect both bonds and equities.

## Outlook

Although there is clearly growing uncertainty about the prospect of higher inflation, which could lead to higher interest rates, we do not yet believe that the investment background is about to change significantly. Although central banks have begun to hint at a withdrawal of policy stimulus measures, they have not yet signalled that interest rates need to be raised quickly in an attempt to curb rising prices. While inflation may well pick up, there are other factors that could mean that central banks do not move rapidly, such as the fragile state of the labour market, particularly as employment support schemes are coming to an end. We also agree with central banks that many of the factors behind the rise in inflation are likely to be temporary.

Overall, we feel that the balance of probability points towards further economic growth, albeit against a background of gradually rising interest rates. In our view, this could encourage equity prices higher, although we must bear in mind that some parts of the equity market are, in our opinion, already fully valued. Accordingly, the fund retains its focus on equities, as we believe they represent better value than other asset classes, particularly most bond markets, which continue to offer historically low levels of yield.

Clearly, the current macroeconomic situation remains highly uncertain, but we are confident that we are well positioned to exploit the investment opportunities that could arise in the event of further volatility.

## Tony Finding and Juan Nevado

Co-fund managers

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

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

## Investments

## Portfolio statement

Holding	as at 31.10.21 £'000	as at 31.10.21 %	as at 31.10.20 %
<b>Equities</b>	<b>20,243</b>	<b>5.44</b>	<b>4.24</b>
<b>United Kingdom</b>	<b>3,262</b>	<b>0.88</b>	<b>0.41</b>
<b>UK equities</b>	<b>3,262</b>	<b>0.88</b>	<b>0.41</b>
6,500,004 Lloyds Banking	3,262	0.88	
<b>United States</b>	<b>16,981</b>	<b>4.56</b>	<b>3.37</b>
<b>US equities</b>	<b>16,981</b>	<b>4.56</b>	<b>3.37</b>
16,711 American Express	2,117	0.57	
98,836 Bank of America	3,425	0.92	
49,746 Bank of New York Mellon	2,145	0.58	
57,451 Citigroup	2,954	0.79	
25,664 JPMorgan Chase	3,172	0.85	
85,054 Wells Fargo	3,168	0.85	
<b>Canada</b>	<b>0</b>	<b>0.00</b>	<b>0.46</b>
<b>Canadian equities</b>	<b>0</b>	<b>0.00</b>	<b>0.46</b>
<b>Equity derivatives</b>	<b>(323)</b>	<b>(0.09)</b>	<b>(2.27)</b>
<b>Other</b>	<b>(323)</b>	<b>(0.09)</b>	<b>(2.27)</b>
<b>Other equity futures</b>	<b>(323)</b>	<b>(0.09)</b>	<b>(2.27)</b>
29 DAX Index Futures Dec 2021	(129)	(0.04)	
270 Euro STOXX 50 Index Dec 2021	109	0.03	
222 FTSE 100 Index Dec 2021	361	0.10	
89 FTSE MIB Index Futures Dec 2021	388	0.10	
105 FTSE Taiwan Index Futures Nov 2021	(20)	(0.01)	
136 Hang Seng China Enterprise Index Nov 2021	(212)	(0.06)	
49 Hang Seng Index Futures Nov 2021	(200)	(0.05)	
127 IBEX 35 Index Futures Nov 2021	200	0.05	
99 KOSPI2 Index Futures Dec 2021	(464)	(0.12)	
201 MSCI Singapore Index Futures Nov 2021	(12)	0.00	
121 S&P 500 EMINI Index Futures Dec 2021	356	0.10	
214 TOPIX Index Futures Dec 2021	(700)	(0.19)	
<b>Equity portfolios</b>	<b>28,002</b>	<b>7.52</b>	<b>6.67</b>
<b>United Kingdom<sup>ab</sup></b>	<b>19,585</b>	<b>5.26</b>	<b>4.58</b>
4,943,423 M&G Recovery Fund Sterling Class 'C' (Accumulation)	19,585	5.26	

## Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %	as at 31.10.20 %
<b>Equity portfolios (continued)</b>			
<b>France</b>	<b>2,391</b>	<b>0.64</b>	<b>0.35</b>
2,850,882 Lyxor MSCI Greece ETF	2,391	0.64	
<b>Indonesia</b>	<b>4,117</b>	<b>1.11</b>	<b>1.15</b>
376,818 Xtrackers MSCI Indonesia Swap ETF	4,117	1.11	
<b>Other<sup>ab</sup></b>	<b>1,909</b>	<b>0.51</b>	<b>0.59</b>
742,964 M&G Global Dividend Fund	1,909	0.51	
<b>Fixed income</b>	<b>222,563</b>	<b>59.77</b>	<b>65.30</b>
<b>United Kingdom</b>	<b>26,895</b>	<b>7.22</b>	<b>13.56</b>
<b>Government bonds</b>	<b>26,895</b>	<b>7.22</b>	<b>12.43</b>
£11,300,000 UK Treasury 0% 29/12/2021	11,298	3.03	
£15,600,000 UK Treasury 0% 24/01/2022	15,597	4.19	
<b>Below investment grade corporate bonds</b>	<b>0</b>	<b>0.00</b>	<b>1.13</b>
<b>United States</b>	<b>158,661</b>	<b>42.61</b>	<b>39.72</b>
<b>Government bonds</b>	<b>158,661</b>	<b>42.61</b>	<b>38.62</b>
US\$21,800,000 US Treasury 0% 04/11/2021	15,815	4.24	
US\$17,500,000 US Treasury 0% 12/11/2021	12,696	3.41	
US\$39,000,000 US Treasury 0% 26/11/2021	28,292	7.60	
US\$17,400,000 US Treasury 0% 13/01/2022	12,622	3.39	
US\$28,900,000 US Treasury 0% 17/03/2022	20,962	5.63	
US\$38,445,000 US Treasury 0% 21/04/2022	27,884	7.49	
US\$66,975,000 US Treasury 1.25% 15/05/2050	40,390	10.85	
<b>Below investment grade corporate bonds</b>	<b>0</b>	<b>0.00</b>	<b>1.10</b>
<b>Australia</b>	<b>0</b>	<b>0.00</b>	<b>0.86</b>
<b>Argentina</b>	<b>0</b>	<b>0.00</b>	<b>0.41</b>
<b>Brazil</b>	<b>4,355</b>	<b>1.17</b>	<b>1.13</b>
<b>Government bonds</b>	<b>4,355</b>	<b>1.17</b>	<b>1.13</b>
BRL34,790,000 Brazil (Federal Republic of) 10% 01/01/2023	4,355	1.17	
<b>Mexico</b>	<b>15,680</b>	<b>4.21</b>	<b>5.38</b>
<b>Government bonds</b>	<b>15,680</b>	<b>4.21</b>	<b>5.38</b>
MXN442,500,000 Mexico (United Mexican States) 8% 07/11/2047	15,680	4.21	

## Investments

## Portfolio statement (continued)

Holding		as at 31.10.21 £'000	as at 31.10.21 %	as at 31.10.20 %
<b>Fixed income (continued)</b>				
<b>South Africa</b>		<b>10,835</b>	<b>2.91</b>	<b>2.86</b>
<b>Government bonds</b>		<b>10,835</b>	<b>2.91</b>	<b>2.86</b>
ZAR274,800,000	South Africa (Republic of) 8.5% 31/01/2037	10,835	2.91	
<b>Turkey</b>		<b>6,137</b>	<b>1.65</b>	<b>1.38</b>
<b>Government bonds</b>		<b>6,137</b>	<b>1.65</b>	<b>1.38</b>
US\$8,628,000	Turkey (Republic of) 6.125% 24/10/2028	6,137	1.65	
<b>Fixed income portfolios</b>		<b>48,040</b>	<b>12.90</b>	<b>12.51</b>
<b>Other</b>		<b>48,040</b>	<b>12.90</b>	<b>12.51</b>
94,530	iShares \$ High Yield Corp Bond ETF	7,137	1.92	
93,008	iShares J.P. Morgan \$ EM Bond ETF	7,355	1.97	
380,969	iShares J.P. Morgan EM Local Government Bond ETF	14,549	3.91	
6,553,145	M&G Global High Yield Bond Fund Sterling Class 'X' (Accumulation) <sup>ab</sup>	9,551	2.56	
72,210	M&G Total Return Credit Investment Fund Sterling Class 'C' (Accumulation) <sup>ab</sup>	9,448	2.54	
<b>Property</b>		<b>22,559</b>	<b>6.06</b>	<b>7.17</b>
<b>United Kingdom<sup>ab</sup></b>		<b>22,559</b>	<b>6.06</b>	<b>7.17</b>
2,419,190	M&G Property Portfolio Sterling Class 'I' (Income)	22,559	6.06	
<b>Currency</b>		<b>(312)</b>	<b>(0.08)</b>	<b>(0.15)</b>
<b>Forward currency contracts</b>		<b>(312)</b>	<b>(0.08)</b>	<b>(0.15)</b>
CHF(9,325,605)	Sold for £7,407,251 (expires 21.01.22)	(36)	(0.01)	
€(9,836,070)	Sold for £8,333,168 (expires 21.01.22)	3	0.00	
HK\$37,604,696	Bought for £3,522,561 (expires 21.01.22)	(15)	0.00	
¥(204,899,258)	Sold for £1,314,171 (expires 21.01.22)	6	0.00	
TRY116,609,153	Bought for £9,748,004 (expires 17.12.21)	(1,128)	(0.30)	
US\$3,903,050	Bought for KRW4,599,861,907 (expires 21.01.22)	(20)	(0.01)	
US\$(259,872,028)	Sold for £189,357,963 (expires 21.01.22)	878	0.24	
<b>Portfolio of investments</b>		<b>340,772</b>	<b>91.52</b>	
<b>Cash equivalents</b>		<b>4,764</b>	<b>1.28</b>	<b>0.00</b>
<b>'AAA' rated money market funds<sup>c</sup></b>		<b>4,764</b>	<b>1.28</b>	<b>0.00</b>
4,764,000	Northern Trust Global Fund - Sterling	4,764	1.28	

# Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %	as at 31.10.20 %
Total portfolio (notes 2c & 2d on pages 9 and 10)	345,536	92.80	93.47
<b>Net other assets/(liabilities)</b>	<b>26,800</b>	<b>7.20</b>	<b>6.53</b>
<b>Net assets attributable to shareholders</b>	<b>372,336</b>	<b>100.00</b>	<b>100.00</b>

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

<sup>a</sup> All holdings in M&G collective investment schemes are in Sterling Class 'A' (Income) shares unless otherwise stated.

<sup>b</sup> Related party.

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



# 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 chart 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 Investment Funds (4), which is available free of charge either from our website at [www.mandg.co.uk/prospectuses](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

## Fund level performance

Fund net asset value as at	31.10.21 £'000	31.10.20 £'000	31.10.19 £'000
Fund net asset value (NAV)	372,336	448,228	551,822

## Performance since launch

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

February 2007 = 100, plotted monthly  
Chart date 1 November 2021



Source: Morningstar, Inc. and M&G

\* Income reinvested

Benchmark prior to 20 July 2021 was 3-month GBP LIBOR +5%. Thereafter it is SONIA +5%.

## Long-term performance by share class

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

Share class	One year 02.11.20 % <sup>a</sup>	Three years 01.11.18 % pa	Five years 01.11.16 % pa	Since launch % pa
<b>Sterling</b>				
Class 'A'	+17.1	+4.2	+4.0	+4.9
Class 'I'	+17.5	+4.6	+4.5	+5.8
Class 'PP'	+17.6	n/a	n/a	+3.4
Class 'R'	+17.2	+4.4	+4.3	+5.6
Class 'X'	+17.1	+4.2	+4.0	+4.9

<sup>a</sup> Not annualised.

# 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 below 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](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

# Financial highlights

## Portfolio transaction costs

for the year to 31 October Direct portfolio transaction costs <sup>b</sup>	2021 %	2020 %	2019 %	Average <sup>a</sup> %
Broker commission	0.00	0.01	0.01	0.01
Taxes	0.01	0.01	0.01	0.01
Costs before dilution adjustments	0.01	0.02	0.02	0.02
Dilution adjustments <sup>c</sup>	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.02	0.02	0.02
as at 31 October Indirect portfolio transaction costs	2021 %	2020 %	2019 %	Average <sup>a</sup> %
Average portfolio dealing spread	0.47	0.58	0.60	0.55

<sup>a</sup> Average of first three columns.

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

<sup>c</sup> 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 year are calculated as at 12 November 2021.

## Sterling Class 'A' Income share performance

The share class was launched on 16 February 2007.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	124.80	141.15	136.37
Return before operating charges	22.68	(11.52)	10.98
Operating charges	(1.58)	(1.72)	(2.07)
Return after operating charges	21.10	(13.24)	8.91
Distributions	(2.84)	(3.11)	(4.13)
Closing NAV	143.06	124.80	141.15
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.02	0.02
Dilution adjustments <sup>a</sup>	0.00	0.00	(0.01)
Total direct transaction costs	0.02	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.02	0.02
Operating charges <sup>c</sup>	1.12	1.30	1.53
Return after charges	+16.91	-9.38	+6.53
Historic yield	1.95	2.33	2.83
Other information			
Closing NAV (£'000)	21,124	19,520	24,364
Closing NAV (%)	5.67	4.36	4.42
Number of shares	14,765,544	15,641,473	17,261,364
Highest share price (UK p)	145.53	146.91	145.10
Lowest share price (UK p)	125.53	110.34	131.61

# Financial highlights

## Sterling Class 'A' Accumulation share performance

The share class was launched on 16 February 2007.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	171.45	189.31	177.65
Return before operating charges	31.25	(15.52)	14.40
Operating charges	(2.19)	(2.34)	(2.74)
Return after operating charges	29.06	(17.86)	11.66
Distributions	(1.77)	(1.92)	(2.80)
Retained distributions	1.77	1.92	2.80
Closing NAV	200.51	171.45	189.31
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	0.03
Dilution adjustments <sup>a</sup>	0.00	0.00	(0.01)
Total direct transaction costs	0.02	0.03	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.02	0.02
Operating charges <sup>c</sup>	1.12	1.30	1.53
Return after charges	+16.95	-9.43	+6.56
Historic yield	0.87	1.04	1.36
Other information			
Closing NAV (£'000)	35,995	35,123	80,073
Closing NAV (%)	9.67	7.84	14.51
Number of shares	17,951,323	20,485,908	42,297,803
Highest share price (UK p)	203.16	197.03	191.65
Lowest share price (UK p)	172.44	149.05	171.45

## Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	1,195.42	1,345.22	1,290.75
Return before operating charges	216.33	(111.24)	102.38
Operating charges	(9.41)	(10.11)	(10.55)
Return after operating charges	206.92	(121.35)	91.83
Distributions	(26.11)	(28.45)	(37.36)
Closing NAV	1,376.23	1,195.42	1,345.22
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.15	0.22	0.21
Dilution adjustments <sup>a</sup>	(0.02)	(0.01)	(0.06)
Total direct transaction costs	0.13	0.21	0.15
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.02	0.02
Operating charges <sup>c</sup>	0.70	0.80	0.84
Return after charges	+17.31	-9.02	+7.11
Historic yield	1.86	2.22	2.67
Other information			
Closing NAV (£'000)	21,280	24,469	35,778
Closing NAV (%)	5.72	5.45	6.48
Number of shares	1,546,223	2,046,883	2,659,623
Highest share price (UK p)	1,399.08	1,401.31	1,380.49
Lowest share price (UK p)	1,202.47	1,053.47	1,246.80

# Financial highlights

## Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	1,425.13	1,567.39	1,462.83
Return before operating charges	258.58	(130.40)	116.66
Operating charges	(11.27)	(11.86)	(12.10)
Return after operating charges	247.31	(142.26)	104.56
Distributions	(20.32)	(21.78)	(31.44)
Retained distributions	20.32	21.78	31.44
Closing NAV	1,672.44	1,425.13	1,567.39
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.18	0.26	0.24
Dilution adjustments <sup>a</sup>	(0.02)	(0.02)	(0.07)
Total direct transaction costs	0.16	0.24	0.17
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.02	0.02
Operating charges <sup>c</sup>	0.70	0.80	0.84
Return after charges	+17.35	-9.08	+7.15
Historic yield	1.19	1.42	1.92
Other information			
Closing NAV (£'000)	229,972	228,922	295,131
Closing NAV (%)	61.76	51.07	53.48
Number of shares	13,750,670	16,063,244	18,829,434
Highest share price (UK p)	1,693.68	1,632.67	1,585.06
Lowest share price (UK p)	1,433.47	1,235.97	1,413.02

## Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	90.62	101.72	100.00
Return before operating charges	16.37	(8.47)	2.49
Operating charges	(0.56)	(0.52)	(0.16)
Return after operating charges	15.81	(8.99)	2.33
Distributions	(1.95)	(2.11)	(0.61)
Closing NAV	104.48	90.62	101.72
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.01	0.02	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.02	0.02
Operating charges <sup>c</sup>	0.55	0.55	0.55
Return after charges	+17.45	-8.84	+2.33
Historic yield	1.83	2.17	2.67
Other information			
Closing NAV (£'000)	30	28	31
Closing NAV (%)	0.01	0.01	0.01
Number of shares	29,089	31,373	30,000
Highest share price (UK p)	106.19	106.01	102.89
Lowest share price (UK p)	91.16	79.73	97.98

# Financial highlights

## Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	92.13	101.13	100.00
Return before operating charges	16.70	(8.48)	1.45
Operating charges	(0.58)	(0.52)	(0.32)
Return after operating charges	16.12	(9.00)	1.13
Distributions	(1.44)	(1.60)	(1.67)
Retained distributions	1.44	1.60	1.67
Closing NAV	108.25	92.13	101.13
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.01
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.01	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.02	0.02
Operating charges <sup>c</sup>	0.55	0.55	0.60
Return after charges	+17.50	-8.90	+1.13
Historic yield	1.30	1.61	2.16
Other information			
Closing NAV (£'000)	48,529	125,342	98,419
Closing NAV (%)	13.03	27.96	17.84
Number of shares	44,830,793	136,050,674	97,324,104
Highest share price (UK p)	109.60	105.38	102.22
Lowest share price (UK p)	92.67	79.80	96.49

## Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	117.39	132.43	127.39
Return before operating charges	21.30	(10.88)	10.16
Operating charges	(1.25)	(1.30)	(1.37)
Return after operating charges	20.05	(12.18)	8.79
Distributions	(2.63)	(2.86)	(3.75)
Closing NAV	134.81	117.39	132.43
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.02
Dilution adjustments <sup>a</sup>	0.00	0.00	(0.01)
Total direct transaction costs	0.01	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.02	0.02
Operating charges <sup>c</sup>	0.95	1.05	1.09
Return after charges	+17.08	-9.20	+6.90
Historic yield	1.91	2.27	2.73
Other information			
Closing NAV (£'000)	1,930	2,060	2,444
Closing NAV (%)	0.52	0.46	0.44
Number of shares	1,431,852	1,755,031	1,846,002
Highest share price (UK p)	137.10	137.90	136.01
Lowest share price (UK p)	118.08	103.62	123.01

# Financial highlights

## Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	140.40	154.73	144.69
Return before operating charges	25.54	(12.80)	11.61
Operating charges	(1.50)	(1.53)	(1.57)
Return after operating charges	24.04	(14.33)	10.04
Distributions	(1.68)	(1.86)	(2.81)
Retained distributions	1.68	1.86	2.81
Closing NAV	164.44	140.40	154.73
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	0.02
Dilution adjustments <sup>a</sup>	0.00	0.00	(0.01)
Total direct transaction costs	0.02	0.03	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.02	0.02
Operating charges <sup>c</sup>	0.94	1.05	1.09
Return after charges	+17.12	-9.26	+6.94
Historic yield	1.01	1.23	1.73
Other information			
Closing NAV (£'000)	3,055	2,579	2,902
Closing NAV (%)	0.82	0.58	0.53
Number of shares	1,858,109	1,836,758	1,875,715
Highest share price (UK p)	166.58	161.11	156.55
Lowest share price (UK p)	141.22	121.92	139.72

## Sterling Class 'X' Income share performance

The share class was launched on 16 February 2007.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	124.88	141.23	136.45
Return before operating charges	22.69	(11.52)	10.99
Operating charges	(1.58)	(1.72)	(2.08)
Return after operating charges	21.11	(13.24)	8.91
Distributions	(2.84)	(3.11)	(4.13)
Closing NAV	143.15	124.88	141.23
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.02	0.02
Dilution adjustments <sup>a</sup>	0.00	0.00	(0.01)
Total direct transaction costs	0.02	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.02	0.02
Operating charges <sup>c</sup>	1.12	1.30	1.53
Return after charges	+16.90	-9.37	+6.53
Historic yield	1.95	2.33	2.83
Other information			
Closing NAV (£'000)	8,103	7,923	9,674
Closing NAV (%)	2.18	1.77	1.75
Number of shares	5,660,392	6,345,151	6,849,848
Highest share price (UK p)	145.63	147.00	145.19
Lowest share price (UK p)	125.61	110.41	131.69

# Financial highlights

## Sterling Class 'X' Accumulation share performance

The share class was launched on 16 February 2007.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	171.60	189.49	177.82
Return before operating charges	31.29	(15.56)	14.41
Operating charges	(2.19)	(2.33)	(2.74)
Return after operating charges	29.10	(17.89)	11.67
Distributions	(1.77)	(1.91)	(2.80)
Retained distributions	1.77	1.91	2.80
Closing NAV	200.70	171.60	189.49
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	0.03
Dilution adjustments <sup>a</sup>	0.00	0.00	(0.01)
Total direct transaction costs	0.02	0.03	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.02	0.02
Operating charges <sup>c</sup>	1.12	1.30	1.53
Return after charges	+16.96	-9.44	+6.56
Historic yield	0.87	1.04	1.36
Other information			
Closing NAV (£'000)	2,318	2,262	3,006
Closing NAV (%)	0.62	0.50	0.54
Number of shares	1,154,877	1,318,045	1,586,220
Highest share price (UK p)	203.34	197.22	191.84
Lowest share price (UK p)	172.60	149.19	171.61

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

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

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



# Financial statements and notes

## Financial statements

### Statement of total return

		2021		2020	
for the year to 31 October	Note	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	3		68,495		(55,691)
Revenue	5	9,706		12,911	
Expenses	6	(3,260)		(4,269)	
Net revenue/(expense) before taxation		6,446		8,642	
Taxation	7	(1,082)		(1,452)	
Net revenue/(expense) after taxation			5,364		7,190
Total return before distributions			73,859	(48,501)	
Distributions	8		(5,933)		(7,919)
Change in net assets attributable to shareholders from investment activities			67,926	(56,420)	

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

for the year to 31 October	2021		2020	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>448,228</b>		<b>551,822</b>
Amounts received on issue of shares	13,294		49,720	
Amounts paid on cancellation of shares	(161,855)		(103,498)	
		(148,561)		(53,778)
Dilution adjustments		185		179
Change in net assets attributable to shareholders from investment activities (see above)		67,926		(56,420)
Retained distributions on Accumulation shares		4,558		6,425
<b>Closing net assets attributable to shareholders</b>		<b>372,336</b>		<b>448,228</b>

# Financial statements and notes

## Financial statements

### Balance sheet

as at 31 October	Note	2021 £'000	2020 £'000
<b>Assets</b>			
<b>Fixed assets</b>			
Investments		343,708	430,420
<b>Current assets</b>			
Debtors	9	1,909	2,105
Cash and bank balances	10	33,138	33,985
Cash equivalents		4,764	0
<b>Total assets</b>		<b>383,519</b>	<b>466,510</b>
<b>Liabilities</b>			
Investment liabilities		(2,936)	(11,441)
<b>Creditors</b>			
Bank overdrafts		(2,856)	(1,817)
Overdrawn positions at futures clearing houses and collateral manager		0	(554)
Distribution payable		(208)	(243)
Other creditors	11	(5,183)	(4,227)
<b>Total liabilities</b>		<b>(11,183)</b>	<b>(18,282)</b>
<b>Net assets attributable to shareholders</b>		<b>372,336</b>	<b>448,228</b>

# Financial statements and notes

## Notes to the financial statements

### 1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 9 to 12.

### 2 Distribution policies

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

### 3 Net capital gains/(losses)

for the year to 31 October	2021 £'000	2020 £'000
Non-derivative securities	3,810	(37,376)
Derivative contracts	63,549	(18,394)
Currency gains/(losses)	844	(273)
Management charge rebates taken to capital	256	315
Rebate of ongoing charges from underlying funds taken to capital	36	37
<b>Net capital gains/(losses)<sup>a</sup></b>	<b>68,495</b>	<b>(55,691)</b>

<sup>a</sup> Includes realised gains of £49,461,000 and unrealised gains of £18,742,000 (2020: realised gains of £6,355,000 and unrealised losses of £62,398,000). Certain realised gains and losses in the current year were unrealised in the prior year.

# Financial statements and notes

## 4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 24 and 25.

for the year to 31 October	2021 £'000	% of transaction	2020 £'000	% of transaction
<b>a) Purchases</b>				
<b>Debt securities<sup>a</sup></b>	<b>327,635</b>		<b>584,229</b>	
<b>Collective investment schemes</b>				
Collective investment schemes before transaction costs	10,315		35,540	
Commissions	3	0.03	10	0.03
<b>Collective investment schemes after transaction costs</b>	<b>10,318</b>		<b>35,550</b>	
<b>Total purchases after transaction costs</b>	<b>337,953</b>		<b>619,779</b>	
<b>b) Sales</b>				
<b>Equities</b>				
Equities before transaction costs	11,235		8,822	
Commissions	(2)	0.02	(4)	0.05
<b>Equities after transaction costs</b>	<b>11,233</b>		<b>8,818</b>	
<b>Debt securities<sup>a</sup></b>	<b>381,323</b>		<b>586,956</b>	
<b>Collective investment schemes</b>				
Collective investment schemes before transaction costs	37,893		10,337	
Commissions	(4)	0.01	(2)	0.02
<b>Collective investment schemes after transaction costs</b>	<b>37,889</b>		<b>10,335</b>	
<b>Total sales after transaction costs</b>	<b>430,445</b>		<b>606,109</b>	

# Financial statements and notes

	2021 £'000	% of average NAV	2020 £'000	% of average NAV
<b>c) Direct portfolio transaction costs</b>				
<b>Commissions paid</b>				
Equities	2	0.00	4	0.00
Collective investment schemes	7	0.00	12	0.00
Derivatives	13	0.00	21	0.01
<b>Total commissions paid</b>	<b>22</b>	<b>0.00</b>	<b>37</b>	<b>0.01</b>
<b>Taxes paid</b>				
Derivatives	26	0.01	50	0.01
<b>Total taxes paid</b>	<b>26</b>	<b>0.01</b>	<b>50</b>	<b>0.01</b>
<b>Total direct portfolio transaction costs<sup>b</sup></b>	<b>48</b>	<b>0.01</b>	<b>87</b>	<b>0.02</b>
		%		%
<b>d) Indirect portfolio transaction costs</b>				
Portfolio dealing spread <sup>c</sup>		0.47		0.58

<sup>a</sup> These transaction types do not attract direct portfolio transaction costs.

<sup>b</sup> Costs before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

<sup>c</sup> Average portfolio dealing spread at the balance sheet date.

## 5 Revenue

for the year to 31 October	2021 £'000	2020 £'000
Bank interest	7	11
Derivative revenue	524	733
Distributions from collective investment schemes: non-taxable	985	1,515
Distributions from collective investment schemes: taxable	1,927	1,199
Distributions from collective investment schemes: property income dividends	610	1,342
Dividends from equity investments: non-taxable	482	714
Dividends from equity investments: taxable	6	75
Interest distributions	1	263
Interest on debt securities	4,811	6,708
Management charge rebates	176	205
Rebate of ongoing charges from underlying funds	177	146
<b>Total revenue</b>	<b>9,706</b>	<b>12,911</b>

Revenue includes currency gains/(losses).

# Financial statements and notes

## 6 Expenses

for the year to 31 October	2021 £'000	2020 £'000
<b>Payable to the ACD or associate</b>		
Annual charge	3,215	4,255
<b>Other expenses</b>		
Interest payable	45	19
Safe custody charge <sup>a</sup>	0	(5)
	45	14
<b>Total expenses</b>	<b>3,260</b>	<b>4,269</b>

Audit fees for the financial year ending 2021 were £11,000 (2020: £11,000) (including VAT), which are covered by the annual charge.

<sup>a</sup> This amount relates to refunds received in respect of charges to the fund before the single annual charge took effect.

## 7 Taxation

for the year to 31 October	2021 £'000	2020 £'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	1,080	1,363
Withholding tax	28	99
Deferred tax (note 7c)	(26)	(10)
<b>Total taxation</b>	<b>1,082</b>	<b>1,452</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue/(expense) before taxation	6,446	8,642
Corporation tax at 20%	1,289	1,728
<b>Effects of:</b>		
Tax on management and administration charge rebates taken to capital	58	71
Dividends from equity investments: non-taxable	(293)	(143)
Distributions from collective investment schemes: non-taxable	0	(303)
Withholding tax	28	99
<b>Total tax charge (note 7a)</b>	<b>1,082</b>	<b>1,452</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	54	64
Deferred tax in profit and loss account (note 7a)	(26)	(10)
<b>Provision at the end of the year</b>	<b>28</b>	<b>54</b>

The fund has not recognised a deferred tax asset in the current financial year (2020: same).

# Financial statements and notes

## 8 Distributions

for the year to 31 October Dividend distributions	2021		2020	
	Inc <sup>a</sup> £'000	Acc <sup>b</sup> £'000	Inc <sup>a</sup> £'000	Acc <sup>b</sup> £'000
First interim	310	1,396	507	2,352
Second interim	242	1,000	365	1,593
Third interim	320	1,476	336	1,546
Final	208	686	243	934
Total net distributions		5,638		7,876
Income deducted on cancellation of shares		312		182
Income received on issue of shares		(17)		(139)
<b>Distributions</b>		<b>5,933</b>		<b>7,919</b>
Net revenue/(expense) per statement of total return		5,364		7,190
Expenses offset against capital		518		667
Sharing of relief between classes		102		125 <sup>c</sup>
Tax on management and administration charge rebates taken to capital		(51)		(63) <sup>c</sup>
<b>Distributions</b>		<b>5,933</b>		<b>7,919</b>

<sup>a</sup> Distributions payable on Income shares.

<sup>b</sup> Retained distributions on Accumulation shares.

<sup>c</sup> Restated.

## 9 Debtors

as at 31 October	2021 £'000	2020 £'000
Amounts receivable on issues of shares	30	0
Debt security interest receivable	1,217	1,611
Distributions receivable	138	268
Dividends receivable	96	112
Futures interest receivable	36	97
Management charge rebates due	1	6
Rebate of ongoing charges from underlying funds	6	6
Sales awaiting settlement	380	0
Withholding tax recoverable	5	5
<b>Total debtors</b>	<b>1,909</b>	<b>2,105</b>

# Financial statements and notes

## 10 Cash and bank balances

as at 31 October	2021 £'000	2020 £'000
Amounts held at futures clearing houses and collateral manager	11,964	26,148
Cash held as bank balances	21,174	7,837
<b>Total cash and bank balances</b>	<b>33,138</b>	<b>33,985</b>

## 11 Other creditors

as at 31 October	2021 £'000	2020 £'000
Amounts payable on cancellation of shares	4,558	1,484
Annual charge payable	81	112
Corporation tax payable	488	567
Deferred taxation	28	54
Purchases awaiting settlement	28	2,010
<b>Total other creditors</b>	<b>5,183</b>	<b>4,227</b>

## 12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2020: same).

## 13 Shares in issue

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

Share class	Opening 01.11.20	Issued	Movements Cancelled	Closing 31.10.21
<b>Sterling</b>				
Class 'A' Income	15,641,473	590,244	(1,466,173)	14,765,544
Class 'A' Accumulation	20,485,908	290,084	(2,824,669)	17,951,323
Class 'I' Income	2,046,883	12,340	(513,000)	1,546,223
Class 'I' Accumulation	16,063,244	669,139	(2,981,713)	13,750,670
Class 'PP' Income	31,373	1	(2,285)	29,089
Class 'PP' Accumulation	136,050,674	175,951	(91,395,832)	44,830,793
Class 'R' Income	1,755,031	129,340	(452,519)	1,431,852
Class 'R' Accumulation	1,836,758	280,922	(259,571)	1,858,109
Class 'X' Income	6,345,151	111,214	(795,973)	5,660,392
Class 'X' Accumulation	1,318,045	1,798	(164,966)	1,154,877



# Financial statements and notes

## 14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Annual charge <sup>a</sup> to 14.02.21 %	Annual charge <sup>a</sup> from 15.02.21 %
<b>Sterling</b>		
Class 'A'	1.30	1.05
Class 'I'	0.80	0.65
Class 'PP'	0.55	0.55
Class 'R'	1.05	0.90
Class 'X'	1.30	1.05

<sup>a</sup> The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

## 15 Related parties

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

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

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

During the year, there were transactions in shares in related parties of M&G Securities Limited with a total value of £24,134,000 (2020: £5,843,000).

At the balance sheet date, the fund held shares in related parties of M&G Securities Limited with a value of £63,052,000 (2020: £76,697,000).

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 19.43% (2020: 10.01%) of the fund's shares.

## 16 Events after the balance sheet date

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

## 17 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

### Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities, highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

# Financial statements and notes

## Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

## Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 31 October	Assets 2021	Liabilities 2021	Assets 2020	Liabilities 2020
Basis of valuation	£'000	£'000	£'000	£'000
Level 1	242,762	(1,737)	289,254	(10,191)
Level 2	100,946	(1,199)	109,023	(1,250)
Level 3	0	0	32,143	0
	<b>343,708</b>	<b>(2,936)</b>	<b>430,420</b>	<b>(11,441)</b>

In accordance with FRS 102 (22.4a) the shares in issue for each class meet the definition of a puttable instrument as the shareholders have the right to sell the shares back to the issuer. The shares in the fund may be issued and redeemed on any business day at the quoted price. These shares are not traded on an exchange. However, the price is observable and transactions within the fund take place regularly at that price. The shares in issue as detailed in note 13 meet the definition of a level 2 financial instrument 'Valuation techniques using observable market data'.

## 18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 14.

## 19 Market risk sensitivity and exposure

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

The VaR limit set during the financial year to 31 October 2021 was 13% (2020: 13%).

The lowest, highest and average VaR, as well as utilisation of VaR with reference to the limit above, are calculated during the financial years ended 31 October 2021 and 31 October 2020 .

for the year to 31 October	2021 % of VaR	2021 Utilisation of VaR <sup>a</sup> 13%	2020 % of VaR	2020 Utilisation of VaR <sup>a</sup> 13%
Lowest	5.57	42.85	4.57	35.15
Highest	11.04	84.92	14.45 <sup>b</sup>	111.15
Average	8.15	62.66	9.24	71.11

<sup>a</sup> The VaR on the fund has been divided by its maximum limit.

<sup>b</sup> Due to market volatility caused by the COVID-19 pandemic there was a passive breach on the internally set upper VaR limit. The volatility was more abrupt than the 2008-09 crisis on which these limits were initially modelled. The VaR levels on all funds remained below the regulatory upper VaR limit and are being monitored with increased oversight.

# Financial statements and notes

## 20 Credit risk

The fund is exposed to credit risk both through the credit quality of the investments it holds and through the derivative positions with counterparties. The table below shows the credit quality of the investments held in the portfolio.

as at 31 October	2021 £'000	2020 £'000
Investment grade securities	201,236	266,768
Below investment grade securities	21,327	25,921
Unrated securities	79,017	97,551
Other investments	39,192	28,739
<b>Total</b>	<b>340,772</b>	<b>418,979</b>

The tables below show the exposure to counterparties. Collateral is posted daily, in the form of cash or high-quality government bonds, to minimise this exposure.

as at 31 October 2021	Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch	0	(323)
Barclays Bank	(1,128)	0
Citigroup	2	0
JPMorgan	(49)	0
State Street Bank	(15)	0
UBS	878	0
<b>Total</b>	<b>(312)</b>	<b>(323)</b>

as at 31 October 2020	Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch	0	(10,191)
Citigroup	110	0
JPMorgan	466	0
Standard Chartered Bank	(519)	0
State Street Bank	(731)	0
UBS	18	0
<b>Total</b>	<b>(656)</b>	<b>(10,191)</b>

# Financial statements and notes

## 21 Leverage risk

Funds using VaR approaches are required to disclose the level of leverage employed during the financial reporting period.

Derivatives can be used by the fund to generate market exposure to investments exceeding the net asset value. As a result of this exposure, the size of any positive or negative movement in markets may have a more significant effect on the net asset value of the fund.

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 31 October 2021 and 31 October 2020 are disclosed in the table below.

for the year to 31 October	2021 <sup>a</sup> £'000	2021 <sup>a</sup> % <sup>b</sup>	2020 <sup>a</sup> £'000	2020 <sup>a</sup> % <sup>b</sup>
Lowest	353,118	91	967,785	187
Highest	1,006,139	217	1,769,815	385
Average	445,877	101	1,094,888	219

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

<sup>b</sup> Expressed as a percentage over fund valuation.

## 22 Dividend distribution tables

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

### Quarterly distribution periods

	Start	End	Xd	Payment
First interim	01.11.20	31.01.21	01.02.21	31.03.21
Second interim	01.02.21	30.04.21	04.05.21	30.06.21
Third interim	01.05.21	31.07.21	02.08.21	30.09.21
Final	01.08.21	31.10.21	01.11.21	31.12.21

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

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

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

# Financial statements and notes

## Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.5208	0.2496	0.7704	1.0245
Second interim	0.1821	0.4477	0.6298	0.7625
Third interim	0.5717	0.2879	0.8596	0.7476
Final	0.1824	0.3972	0.5796	0.5769

## Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.2995	0.1702	0.4697	0.7586
Second interim	0.2752	0.0728	0.3480	0.4819
Third interim	0.5600	0.1179	0.6779	0.4549
Final	0.1100	0.1662	0.2762	0.2265

## Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	2.4630	4.6007	7.0637	9.4311
Second interim	2.6675	3.1019	5.7694	6.9780
Third interim	4.0265	3.9351	7.9616	6.8399
Final	1.9347	3.3777	5.3124	5.2056

## Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	2.9986	2.4306	5.4292	7.8554
Second interim	2.2563	1.9888	4.2451	5.4074
Third interim	4.5900	2.3577	6.9477	5.2255
Final	2.2664	1.4270	3.6934	3.2878

# Financial statements and notes

## Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution	
			2021 UK p	2020 UK p
First interim	0.2655	0.2577	0.5232	0.7028
Second interim	0.2359	0.1949	0.4308	0.5184
Third interim	0.3651	0.2341	0.5992	0.5095
Final	0.1911	0.2073	0.3984	0.3839

## Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution	
			2021 UK p	2020 UK p
First interim	0.2291	0.1713	0.4004	0.5576
Second interim	0.2409	0.0615	0.3024	0.3947
Third interim	0.3037	0.1659	0.4696	0.3843
Final	0.1357	0.1312	0.2669	0.2587

## Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution	
			2021 UK p	2020 UK p
First interim	0.2265	0.4828	0.7093	0.9448
Second interim	0.2860	0.2957	0.5817	0.7012
Third interim	0.4783	0.3202	0.7985	0.6874
Final	0.2663	0.2702	0.5365	0.5267

## Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution	
			2021 UK p	2020 UK p
First interim	0.1330	0.3267	0.4597	0.6980
Second interim	0.2078	0.1302	0.3380	0.4638
Third interim	0.2202	0.3837	0.6039	0.4437
Final	0.0805	0.1970	0.2775	0.2502

# Financial statements and notes

## Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.3385	0.4323	0.7708	1.0249
Second interim	0.2559	0.3744	0.6303	0.7629
Third interim	0.2110	0.6491	0.8601	0.7481
Final	0.2069	0.3732	0.5801	0.5774

## Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.2435	0.2273	0.4708	0.7594
Second interim	0.3122	0.0366	0.3488	0.4824
Third interim	0.4799	0.1986	0.6785	0.4553
Final	0.1649	0.1115	0.2764	0.2158

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## Investment objective to 1 February 2021

The fund aims to deliver a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of a composite index comprising two thirds global equities and one third global bonds\*, over any five-year period.

\* as measured by the MSCI ACWI Index and Bloomberg Barclays Global Aggregate GBP Hedged Index respectively.

## Investment objective from 2 February 2021

The fund aims to provide a higher total return (the combination of capital growth and income) net of the ongoing charge figure, than the average return of the IA Mixed Investment 40-85% Shares Sector over any five-year period.

## Investment policy

The fund is a multi-asset fund that invests across a range of asset classes, including equities, fixed income securities, convertibles, cash and near cash. Exposure to these assets may be gained either directly or indirectly via collective investment schemes or derivatives. The fund may also invest indirectly via collective investment schemes or derivatives in other asset classes such as property and gold.

The currency exposure of the fund will be actively managed, seeking to enhance returns, with a minimum of 25% of the fund exposed to sterling and a minimum of 50% in developed market currencies (including sterling).

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

## Investment approach

The fund managers have a flexible top-down approach to the allocation of capital between different types of assets in response to changes in economic conditions

and asset values. This approach combines in-depth research to work out the value of assets over the medium to long term, with analysis of market reactions to events to identify investment opportunities. In particular, the manager seeks to respond when asset prices move away from a reasonable sense of 'fair' long-term value due to market reactions to events.

The fund seeks to manage risk by investing globally across multiple asset classes, sectors, currencies and countries. The fund will typically invest 40-85% of its assets in equities and convertibles, 15-50% in fixed income securities and cash, and up to 10% in other assets. These allocations reflect the net exposure of the portfolio.

The fund will typically take investment positions at index or sector level, but it may also take positions in individual shares or bonds. The fund's investment strategy may involve the use of derivatives to take long or short positions.

## Benchmark to 1 February 2021

Benchmark: 2/3 MSCI ACWI Index, 1/3 Bloomberg Barclays Global Aggregate GBP Hedged Index.

The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The composite 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 does not constrain the fund's portfolio construction.

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

## Benchmark from 2 February 2021

IA Mixed Investment 40-85% shares 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



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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.

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

## Risk profile

The fund invests globally in a broad range of assets, including company shares (equities), fixed income securities (bonds), currencies and other assets such as property shares and convertible bonds. The fund is, therefore, subject to the price volatility of global financial and currency markets. Exposure to the different asset classes may be gained through the use of derivatives.

In association with the use of derivatives, including those instruments not traded through an exchange, collateral is deposited in order to mitigate the risk that a counterparty may default on its obligations or become insolvent.

The fund adopts a flexible approach to the allocation of capital between asset classes in response to changes in economic conditions and the valuation of assets, and the managers will seek to maximise portfolio diversity wherever possible. However, in cases where the managers believe that the opportunities are limited to a few areas, there may be a higher-than-usual concentration of asset or market exposure. Such strategies may result in higher volatility of the fund's short-term performance.

The blend of assets held in the fund is regularly adjusted depending on where the managers see the most value and to manage risks, including liquidity, credit, currency and market risks. The fund's risks are measured and managed as an integral part of the investment process.

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 November 2021, for the year ended 31 October 2021

### Performance against objective

Between 2 November 2020 (the start of the review period) and 1 November 2021, the M&G Episode Growth Fund delivered a positive total return (the combination of income and growth of capital) across all share classes. The fund was ahead of its benchmark<sup>a</sup>, which returned 18.0% in the period under review.

Over five years, the fund has not met its objective of delivering a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than the benchmark, which returned 8.9% pa during this period.

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

<sup>a</sup> Until 2 February 2021 the benchmark was a composite index made up of two thirds global company shares (as measured by the MSCI ACWI Index) and one third global bonds (as measured by the Bloomberg Barclays Global Aggregate GBP Hedged Index). Thereafter it is the IA Mixed Investment 40-85% Shares sector.

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## Performance review

The 12 months under review delivered strongly positive returns for equity (company shares) markets. Initially, investors were encouraged by massive amounts of support from governments and central banks, together with the start of vaccination programmes to prevent COVID-19 and this prompted a continuation of the strong recovery of equities from the lows encountered in March 2020. Investors generally preferred to focus on the continued recovery in the global economy and corporate earnings, rather than any resurgences of the virus and further lockdown restrictions.

Later, investors started to worry about the effect of the strong economic recovery on demand and began to consider when interest rates would have to be raised to combat the threat of strong demand causing prices to rise, leading to spikes in inflation. This was compounded by supply disruption and a big jump in oil and gas prices. Fear that central banks, especially in the US, might have to raise interest rates quicker than they are planning, caused weakness in government bond markets, as well as temporary weakness in equity markets.

(Bonds are loans that are extended by an investor to an issuer – such as a company or government – usually in exchange for regular interest payments. Bonds issued by companies are referred to as 'corporate bonds', while those issued by governments are called 'government bonds'. Bonds are also called fixed income securities.)

Towards the end of the review period, there was some concern about slowing economic growth particularly in China, which was also adversely affected by power cuts and a debt crisis in the property sector. On the whole, however, investor sentiment remained positive, possibly as investors agreed with central banks that rising prices will be 'transitory' – in other words, temporary. At the end of the 12 months, even the news that central banks were beginning to withdraw their 'quantitative easing' programmes of purchasing financial assets, which have done so much to help markets recover from their pandemic-inspired lows, had little effect on share

prices and several stockmarket indices finished the period close to record highs.

The best performing developed market equity indices during the period included the US, UK and Europe, where France was particularly strong. Emerging markets also rose impressively, led by remarkable rallies in Argentina and India. On the other hand, China's problems led its stockmarket to fall and also weighed on its neighbours in Asia. Brazil also lagged.

Against this backdrop, the fund delivered a positive return. The main positive contribution came from exposures to company shares, which we increased during autumn 2020 prior to the boost to global sentiment provided by the discovery of effective vaccines against COVID-19. The strongest positive contributors were exposure to global stock indices, followed by the UK and Europe.

These gains were partly offset by losses from exposure to US long-dated government bonds (Treasuries), while non-mainstream government bonds produced a flat return.

## Investment activities

Following some very strong performance by global stockmarkets at the start of the period, we reversed the tactical (a short-term change made with the expectation of making a gain) equity addition we made less than two weeks earlier, whereby we had added to the fund's US, UK and German equity holdings. This had followed price weakness that we believed was driven by market pessimism rather than a change to fundamentals. It highlighted the magnitude of the price volatility and valuation shifts that were occurring and the very important role that dynamic asset allocation can play in enhancing the returns to a static balanced portfolio.

Early in 2021 we increased our overall equity exposure slightly by adding to our holding of the FTSE 100 Index, which we believed might be expected to rise, given market conditions. We also increased our holding of US government bonds after a sharp rise in yields as we believed that these now represented better value, while offering potential portfolio diversification (the capacity

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for their value to rise in a situation that might drive down the value of other assets held in the portfolio). We gradually reduced this position in the rest of the period as yields fell back. (The yield generally represents the cash flows from a bond as a percentage of the bond's price. Therefore, when yields fall, bond prices increase.)

During the summer, we added a holding in China, on the basis that we believed falls in the prices of Chinese stocks caused by the debt crisis were temporary. Towards the end of the period, we added to our holding of emerging market government bonds via a position in Chile, as we believe they offered attractive yields.

## Outlook

Although there is clearly growing uncertainty about the prospect of higher inflation, which could lead to higher interest rates, we do not yet believe that the investment background is about to change significantly. Although central banks have begun to hint at a withdrawal of policy stimulus measures, they have not yet signalled that interest rates need to be raised quickly in an attempt to curb rising prices. While inflation may well pick up, there are other factors that could mean that central banks do not move rapidly, such as the fragile state of the labour market, particularly as employment support schemes are coming to an end. We also agree with central banks that many of the factors behind the rise in inflation are likely to be temporary.

Overall, we feel that the balance of probability points towards further economic growth, albeit against a background of gradually rising interest rates. In our view, this could encourage equity prices higher, although we must bear in mind that some parts of the equity market are, in our opinion, already fully valued. Accordingly, the fund retains a strong focus on equities, as we believe they represent better value than other asset classes, particularly most bond markets, which continue to offer historically low levels of yield.

Clearly, the current macroeconomic situation remains highly uncertain, but we are confident that we are well positioned to exploit the investment opportunities that could arise in the event of further volatility.

## Craig Simpson & Eric Lonergan

Co-fund managers

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

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

## Investments

## Portfolio statement

Holding	as at 31.10.21 £'000	as at 31.10.21 %	as at 31.10.20 %
<b>Equities</b>	<b>460,958</b>	<b>51.25</b>	<b>45.67</b>
<b>Equities</b>	<b>0</b>	<b>0.00</b>	<b>2.05</b>
<b>Russia</b>	<b>0</b>	<b>0.00</b>	<b>2.05</b>
<b>Equity portfolios</b>	<b>458,191</b>	<b>50.94</b>	<b>46.54</b>
<b>United Kingdom<sup>ab</sup></b>	<b>22,829</b>	<b>2.54</b>	<b>4.44</b>
4,811,954 M&G Smaller Companies Fund	22,829	2.54	
<b>Japan<sup>ab</sup></b>	<b>34,804</b>	<b>3.87</b>	<b>4.16</b>
28,533,738 M&G Japan Fund	17,371	1.93	
2,787,995 M&G Japan Smaller Companies Fund	17,433	1.94	
<b>China</b>	<b>44,003</b>	<b>4.89</b>	<b>0.00</b>
6,528,606 HSBC MSCI China	44,003	4.89	
<b>Asia Pacific<sup>ab</sup></b>	<b>28,543</b>	<b>3.17</b>	<b>3.68<sup>c</sup></b>
1,850,016 M&G Asian Fund	28,543	3.17	
<b>Other</b>	<b>328,012</b>	<b>36.47</b>	<b>34.26<sup>c</sup></b>
4,028,412 iShares Core FTSE 100	28,497	3.17	
3,765,339 iShares Core MSCI World	241,342	26.83	
1,826,190 Vanguard FTSE Developed Europe Index	58,173	6.47	
<b>Equity derivatives</b>	<b>2,767</b>	<b>0.31</b>	<b>(2.92)</b>
<b>Equity index futures</b>	<b>2,767</b>	<b>0.31</b>	<b>(2.92)</b>
(231) Euro BPT Futures Dec 2021	1,205	0.13	
1,544 Euro STOXX 50 Index Dec 2021	625	0.07	
1,787 FTSE 100 Index Dec 2021	2,909	0.32	
307 Hang Seng China Enterprise Index Nov 2021	(479)	(0.05)	
635 US Treasury Ultra Bond Futures Dec 2021	(1,493)	(0.16)	
<b>Fixed income</b>	<b>332,080</b>	<b>36.92</b>	<b>36.25</b>
<b>Fixed income portfolios</b>	<b>10,920</b>	<b>1.21</b>	<b>1.38</b>
<b>Other<sup>ab</sup></b>	<b>10,920</b>	<b>1.21</b>	<b>1.38</b>
1,226,000 M&G (Lux) Emerging Markets Hard Currency Bond Fund Euro Class 'CI' (Accumulation)	10,920	1.21	
<b>Government bonds</b>	<b>321,160</b>	<b>35.71</b>	<b>34.87</b>
<b>United Kingdom</b>	<b>307,980</b>	<b>34.24</b>	<b>34.87</b>
£53,301,166 UK Treasury 0% 08/11/2021	53,300	5.93	
£17,747,200 UK Treasury 0% 20/12/2021	17,745	1.97	

# Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %	as at 31.10.20 %
<b>Fixed income (continued)</b>			
<b>Fixed income portfolios (continued)</b>			
<b>United Kingdom (continued)</b>			
£58,971,000 UK Treasury 0% 29/12/2021	58,960	6.56	
£44,265,000 UK Treasury 0% 31/01/2022	44,250	4.92	
£92,076,000 UK Treasury 0% 07/02/2022	92,055	10.23	
£41,686,205 UK Treasury 0% 21/02/2022	41,670	4.63	
<b>Chile</b>	<b>13,180</b>	<b>1.47</b>	<b>0.00</b>
CLP16,000,000,000 Chile (Republic of) 4.7% 01/09/2030	13,180	1.47	
<b>Currency</b>	<b>(518)</b>	<b>(0.06)</b>	<b>0.27</b>
<b>Forward currency contracts</b>	<b>(518)</b>	<b>(0.06)</b>	<b>0.27</b>
AU\$(16,482,840) Sold for £9,014,159 (expires 21.01.22)	(2)	0.00	
€45,215,000 Bought for £38,306,374 (expires 21.01.22)	(11)	0.00	
SG\$(17,276,535) Sold for £9,322,723 (expires 21.01.22)	16	0.00	
TRY422,713,225 Bought for \$42,717,291 (expires 21.01.22)	(260)	(0.03)	
US\$4,045,145 Bought for TWD112,171,859 (expires 21.01.22)	7	0.00	
US\$8,785,700 Bought for CNY56,593,085 (expires 21.01.22)	1	0.00	
US\$58,836,822 Bought for HKD457,529,445 (expires 21.01.22)	(7)	0.00	
US\$3,763,930 Bought for KRW4,435,903,813 (expires 21.01.22)	(19)	0.00	
US\$9,100,120 Bought for TWD254,057,156 (expires 26.11.21)	(26)	0.00	
US\$72,325,000 Bought for £52,700,226 (expires 21.01.22)	(244)	(0.03)	
US\$(4,913,900) Sold for £3,591,437 (expires 26.11.21)	27	0.00	
<b>Portfolio of investments (notes 2c &amp; 2d on pages 9 and 10)</b>	<b>792,520</b>	<b>88.11</b>	<b>82.19</b>
<b>Net other assets/(liabilities)</b>	<b>106,974</b>	<b>11.89</b>	<b>17.81</b>
<b>Net assets attributable to shareholders</b>	<b>899,494</b>	<b>100.00</b>	<b>100.00</b>

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

<sup>a</sup> All holdings in M&G collective investment schemes are in Sterling Class 'A' (Income) shares unless otherwise stated.

<sup>b</sup> Related parties.

<sup>c</sup> The comparative sector weightings have been re-analysed to reflect changes to the sector classifications.

# 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 chart 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 Investment Funds (4), which is available free of charge either from our website at [www.mandg.co.uk/prospectuses](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

## Fund level performance

Fund net asset value as at	31.10.21 £'000	31.10.20 £'000	31.10.19 £'000
Fund net asset value (NAV)	899,494	780,040	850,720

## 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.

February 1993 = 100, plotted monthly  
Chart date 1 November 2021



Source: Morningstar, Inc. and M&G

\* Income reinvested

Benchmark prior to 10 December 2019 is a composite index comprising 2/3 MSCI ACWI Index and 1/3 Bloomberg Barclays Global Aggregate Index. From 10 December 2019 to 2 February 2021 the Bloomberg Barclays Global Aggregate Index was changed to the GBP Hedged version. Thereafter the benchmark is the IA Mixed Investment 40-85% Shares sector.

# Financial highlights

## Long-term performance by share class

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

Share class	One year 02.11.20 % <sup>a</sup>	Three years 01.11.18 % pa	Five years 01.11.16 % pa	Since launch % pa
<b>Sterling</b>				
Class 'A'	+19.9	+8.3	+7.0	+7.8
Class 'C'	+21.1	+9.6	+8.3	+7.7
Class 'I'	+20.4	+8.9	+7.6	+7.9
Class 'PP'	+20.5	n/a	n/a	+8.1
Class 'R'	+20.1	+8.6	+7.4	+7.7
Class 'X'	+19.9	+8.3	+7.0	+6.4

<sup>a</sup> Not annualised.

## 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 below shows direct portfolio transaction costs paid by the fund before and after that



# Financial highlights

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](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

## Portfolio transaction costs

for the year to 31 October Direct portfolio transaction costs <sup>b</sup>	2021 %	2020 %	2019 %	Average <sup>a</sup> %
Broker commission	0.01	0.04	0.02	0.02
Taxes	0.01	0.01	0.02	0.01
Costs before dilution adjustments	0.02	0.05	0.04	0.03
Dilution adjustments <sup>c</sup>	0.00	0.00	(0.01)	0.00
Total direct portfolio transaction costs	0.02	0.05	0.03	0.03
as at 31 October Indirect portfolio transaction costs	2021 %	2020 %	2019 %	Average <sup>a</sup> %
Average portfolio dealing spread	0.04	0.02	0.07	0.04

<sup>a</sup> Average of first three columns.

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

<sup>c</sup> 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 year are calculated as at 12 November 2021.

## Sterling Class 'A' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	55.17	56.83	54.77
Return before operating charges	11.81	0.08	4.71
Operating charges	(0.72)	(0.78)	(0.93)
Return after operating charges	11.09	(0.70)	3.78
Distributions	(0.72)	(0.96)	(1.72)
Closing NAV	65.54	55.17	56.83
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.02
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.01	0.03	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.02	0.05	0.03
Operating charges <sup>c</sup>	1.15	1.40	1.68
Return after charges	+20.10	-1.23	+6.90
Historic yield	0.73	1.61	3.15
Other information			
Closing NAV (£'000)	231,814	200,442	212,583
Closing NAV (%)	25.77	25.70	24.99
Number of shares	353,692,321	363,342,468	374,084,815
Highest share price (UK p)	66.74	60.69	58.75
Lowest share price (UK p)	55.67	44.20	51.33



# Financial highlights

## Sterling Class 'A' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	83.04	84.07	78.63
Return before operating charges	17.79	0.15	6.80
Operating charges	(1.07)	(1.18)	(1.36)
Return after operating charges	16.72	(1.03)	5.44
Distributions	(0.01)	(0.26)	(1.23)
Retained distributions	0.01	0.26	1.23
Closing NAV	99.76	83.04	84.07
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.05	0.03
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.01	0.05	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.02	0.05	0.03
Operating charges <sup>c</sup>	1.14	1.40	1.68
Return after charges	+20.13	-1.23	+6.92
Historic yield	0.00	0.29	1.54
Other information			
Closing NAV (£'000)	72,710	43,847	53,395
Closing NAV (%)	8.08	5.62	6.28
Number of shares	72,887,326	52,799,836	63,512,148
Highest share price (UK p)	100.95	89.78	85.11
Lowest share price (UK p)	83.80	65.66	73.69

## Sterling Class 'C' Income share performance

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

The share class was launched on 16 June 2011.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	63.05	64.07	60.88
Return before operating charges	13.48	(0.04)	5.09
Operating charges	0.00	0.00	(0.12)
Return after operating charges	13.48	(0.04)	4.97
Distributions	(0.78)	(0.98)	(1.78)
Closing NAV	75.75	63.05	64.07
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.03
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.01	0.03	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.02	0.05	0.03
Operating charges <sup>c</sup>	0.00	0.00	0.21
Return after charges	+21.38	-0.06	+8.16
Historic yield	0.66	1.47	2.92
Other information			
Closing NAV (£'000)	14,839	13,123	13,900
Closing NAV (%)	1.65	1.68	1.63
Number of shares	19,589,991	20,814,944	21,694,183
Highest share price (UK p)	77.02	68.59	65.71
Lowest share price (UK p)	63.63	50.09	57.16

# Financial highlights

## Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	1,381.33	1,415.98	1,354.67
Return before operating charges	296.16	1.49	114.89
Operating charges	(11.32)	(12.58)	(12.62)
Return after operating charges	284.84	(11.09)	102.27
Distributions	(18.04)	(23.56)	(40.96)
Closing NAV	1,648.13	1,381.33	1,415.98
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.24	0.76	0.57
Dilution adjustments <sup>a</sup>	(0.03)	(0.04)	(0.07)
Total direct transaction costs	0.21	0.72	0.50
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.02	0.05	0.03
Operating charges <sup>c</sup>	0.72	0.90	0.92
Return after charges	+20.62	-0.78	+7.55
Historic yield	0.73	1.61	3.04
<b>Other information</b>			
Closing NAV (£'000)	39,223	36,106	40,724
Closing NAV (%)	4.36	4.63	4.79
Number of shares	2,379,868	2,613,826	2,876,060
Highest share price (UK p)	1,677.35	1,513.49	1,458.22
Lowest share price (UK p)	1,394.09	1,103.41	1,270.91

## Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	1,657.94	1,670.54	1,552.94
Return before operating charges	355.84	2.34	132.19
Operating charges	(13.59)	(14.94)	(14.59)
Return after operating charges	342.25	(12.60)	117.60
Distributions	(8.17)	(13.40)	(35.07)
Retained distributions	8.17	13.40	35.07
Closing NAV	2,000.19	1,657.94	1,670.54
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.29	0.90	0.66
Dilution adjustments <sup>a</sup>	(0.04)	(0.05)	(0.08)
Total direct transaction costs	0.25	0.85	0.58
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.02	0.05	0.03
Operating charges <sup>c</sup>	0.72	0.90	0.92
Return after charges	+20.64	-0.75	+7.57
Historic yield	0.06	0.75	2.27
<b>Other information</b>			
Closing NAV (£'000)	48,497	42,567	46,830
Closing NAV (%)	5.39	5.46	5.50
Number of shares	2,424,609	2,567,439	2,803,288
Highest share price (UK p)	2,022.93	1,785.74	1,689.19
Lowest share price (UK p)	1,673.55	1,307.25	1,456.95

# Financial highlights

## Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	100.11	102.37	100.00
Return before operating charges	21.46	0.06	3.26
Operating charges	(0.65)	(0.66)	(0.23)
Return after operating charges	20.81	(0.60)	3.03
Distributions	(1.31)	(1.66)	(0.66)
Closing NAV	119.61	100.11	102.37
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.02	0.05	0.01
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.02	0.05	0.01
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.02	0.05	0.03
Operating charges <sup>c</sup>	0.58	0.65	0.66
Return after charges	+20.79	-0.59	+3.03
Historic yield	0.73	1.56	3.04
<b>Other information</b>			
Closing NAV (£'000)	48	25	24
Closing NAV (%)	0.01	0.00	0.00
Number of shares	39,696	24,503	23,405
Highest share price (UK p)	121.71	109.46	104.00
Lowest share price (UK p)	101.04	79.84	96.80

## Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	100.34	100.91	100.00
Return before operating charges	21.55	0.08	1.32
Operating charges	(0.66)	(0.65)	(0.41)
Return after operating charges	20.89	(0.57)	0.91
Distributions	(0.66)	(1.03)	(1.86)
Retained distributions	0.66	1.03	1.86
Closing NAV	121.23	100.34	100.91
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.02	0.05	0.02
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.02	0.05	0.02
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.02	0.05	0.03
Operating charges <sup>c</sup>	0.58	0.65	0.70
Return after charges	+20.82	-0.56	+0.91
Historic yield	0.19	0.97	2.51
<b>Other information</b>			
Closing NAV (£'000)	460	346	381
Closing NAV (%)	0.05	0.04	0.04
Number of shares	379,740	345,319	377,553
Highest share price (UK p)	122.59	107.91	101.96
Lowest share price (UK p)	101.29	79.02	94.81

# Financial highlights

## Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	135.99	139.74	133.98
Return before operating charges	29.12	0.18	11.41
Operating charges	(1.49)	(1.58)	(1.54)
Return after operating charges	27.63	(1.40)	9.87
Distributions	(1.77)	(2.35)	(4.11)
Closing NAV	161.85	135.99	139.74
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.07	0.06
Dilution adjustments <sup>a</sup>	0.00	0.00	(0.01)
Total direct transaction costs	0.02	0.07	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.02	0.05	0.03
Operating charges <sup>c</sup>	0.97	1.15	1.13
Return after charges	+20.32	-1.00	+7.37
Historic yield	0.73	1.61	3.08
Other information			
Closing NAV (£'000)	8,760	7,111	7,150
Closing NAV (%)	0.97	0.91	0.84
Number of shares	5,412,532	5,229,244	5,116,344
Highest share price (UK p)	164.78	149.31	144.10
Lowest share price (UK p)	137.24	108.79	125.67

## Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	163.39	165.01	153.65
Return before operating charges	35.03	0.26	13.15
Operating charges	(1.80)	(1.88)	(1.79)
Return after operating charges	33.23	(1.62)	11.36
Distributions	(0.34)	(0.91)	(3.20)
Retained distributions	0.34	0.91	3.20
Closing NAV	196.62	163.39	165.01
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.09	0.07
Dilution adjustments <sup>a</sup>	0.00	0.00	(0.01)
Total direct transaction costs	0.03	0.09	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.02	0.05	0.03
Operating charges <sup>c</sup>	0.97	1.15	1.13
Return after charges	+20.34	-0.98	+7.39
Historic yield	0.00	0.52	2.14
Other information			
Closing NAV (£'000)	46,483	37,745	37,795
Closing NAV (%)	5.17	4.84	4.44
Number of shares	23,641,029	23,101,734	22,904,820
Highest share price (UK p)	198.93	176.30	166.95
Lowest share price (UK p)	164.89	129.00	144.12

# Financial highlights

## Sterling Class 'X' Income share performance

The share class was launched on 26 February 1993.

for the year to 31 October	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	55.00	56.66	54.61
Return before operating charges	11.79	0.07	4.70
Operating charges	(0.72)	(0.78)	(0.93)
Return after operating charges	11.07	(0.71)	3.77
Distributions	(0.72)	(0.95)	(1.72)
Closing NAV	65.35	55.00	56.66
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.02
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.01	0.03	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.02	0.05	0.03
Operating charges <sup>c</sup>	1.15	1.40	1.68
Return after charges	+20.13	-1.25	+6.90
Historic yield	0.73	1.61	3.15
Other information			
Closing NAV (£'000)	436,660	398,728	437,938
Closing NAV (%)	48.55	51.12	51.49
Number of shares	668,197,189	724,902,117	772,921,455
Highest share price (UK p)	66.55	60.51	58.57
Lowest share price (UK p)	55.51	44.07	51.18

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

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

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

# Financial statements and notes

## Financial statements

### Statement of total return

for the year to 31 October	Note	2021		2020	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	3		154,623		(12,749)
Revenue	5	9,989		14,266	
Expenses	6	(9,457)		(10,692)	
Net revenue/(expense) before taxation		532		3,574	
Taxation	7	35		(659)	
Net revenue/(expense) after taxation			567		2,915
Total return before distributions			155,190		(9,834)
Distributions	8		(8,465)		(12,351)
Change in net assets attributable to shareholders from investment activities			146,725		(22,185)

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

for the year to 31 October	2021		2020	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>780,040</b>		<b>850,720</b>
Amounts received on issue of shares	108,080		64,382	
Amounts paid on cancellation of shares	(135,687)		(113,654)	
		(27,607)		(49,272)
Dilution adjustments		46		67
Change in net assets attributable to shareholders from investment activities (see above)		146,725		(22,185)
Retained distributions on Accumulation shares		285		705
Unclaimed distributions		5		5
<b>Closing net assets attributable to shareholders</b>		<b>899,494</b>		<b>780,040</b>

# Financial statements and notes

## Financial statements

### Balance sheet

as at 31 October	Note	2021 £'000	2020 £'000
<b>Assets</b>			
<b>Fixed assets</b>			
Investments		795,061	667,993
<b>Current assets</b>			
Debtors	9	1,790	9,323
Cash and bank balances	10	129,212	136,759
<b>Total assets</b>		<b>926,063</b>	<b>814,075</b>
<b>Liabilities</b>			
Investment liabilities		(2,541)	(26,910)
<b>Creditors</b>			
Bank overdrafts		(4,601)	0
Distribution payable		(4,602)	(2,721)
Other creditors	11	(14,825)	(4,404)
<b>Total liabilities</b>		<b>(26,569)</b>	<b>(34,035)</b>
<b>Net assets attributable to shareholders</b>		<b>899,494</b>	<b>780,040</b>

# Financial statements and notes

## Notes to the financial statements

### 1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 9 to 12.

### 2 Distribution policies

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

### 3 Net capital gains/(losses)

for the year to 31 October	2021 £'000	2020 £'000
Non-derivative securities	112,073	(33,468)
Derivative contracts	40,950	23,772
Currency gains/(losses)	414	(4,687)
Management charge rebates taken to capital	1,186	1,585
Transaction charges	0	(1)
Rebate of ongoing charges from underlying funds taken to capital	0	50
<b>Net capital gains/(losses)<sup>a</sup></b>	<b>154,623</b>	<b>(12,749)</b>

<sup>a</sup> Includes realised gains of £59,839,000 and unrealised gains of £93,598,000 (2020: realised gains of £47,828,000 and unrealised losses of £62,211,000). Certain realised gains and losses in the current year were unrealised in the prior year.



# Financial statements and notes

## 4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 53 and 54.

for the year to 31 October	2021 £'000	% of transaction	2020 £'000	% of transaction
<b>a) Purchases</b>				
<b>Equities</b>				
Equities before transaction costs	0		43,340	
Commissions	0	0.00	30	0.07
Taxes	0	0.00	42	0.10
<b>Equities after transaction costs</b>	<b>0</b>		<b>43,412</b>	
<b>Debt securities<sup>a</sup></b>	<b>764,520</b>		<b>877,077</b>	
<b>Collective investment schemes</b>				
Collective investment schemes before transaction costs	126,805		328,213	
Commissions	38	0.03	98	0.03
<b>Collective investment schemes after transaction costs</b>	<b>126,843</b>		<b>328,311</b>	
<b>Total purchases after transaction costs</b>	<b>891,363</b>		<b>1,248,800</b>	
<b>b) Sales</b>				
<b>Equities</b>				
Equities before transaction costs	18,180		234,925	
Commissions	(8)	0.04	(104)	0.04
Taxes	0	0.00	(40)	0.02
<b>Equities after transaction costs</b>	<b>18,172</b>		<b>234,781</b>	
<b>Debt securities<sup>a</sup></b>	<b>715,156</b>		<b>829,138</b>	
<b>Collective investment schemes</b>				
Collective investment schemes before transaction costs	144,686		288,176	
Commissions	(24)	0.02	(64)	0.02
<b>Collective investment schemes after transaction costs</b>	<b>144,662</b>		<b>288,112</b>	
<b>Total sales after transaction costs</b>	<b>877,990</b>		<b>1,352,031</b>	

# Financial statements and notes

	2021 £'000	% of average NAV	2020 £'000	% of average NAV
<b>c) Direct portfolio transaction costs</b>				
<b>Commissions paid</b>				
Equities	8	0.00	134	0.02
Collective investment schemes	62	0.01	162	0.02
Derivatives	25	0.00	23	0.00
<b>Total commissions paid</b>	<b>95</b>	<b>0.01</b>	<b>319</b>	<b>0.04</b>
<b>Taxes paid</b>				
Equities	0	0.00	82	0.01
Derivatives	38	0.00	38	0.00
<b>Total taxes paid</b>	<b>38</b>	<b>0.00</b>	<b>120</b>	<b>0.01</b>
<b>Total direct portfolio transaction costs<sup>b</sup></b>	<b>133</b>	<b>0.01</b>	<b>439</b>	<b>0.05</b>
		%		%
<b>d) Indirect portfolio transaction costs</b>				
Portfolio dealing spread <sup>c</sup>		0.04		0.02

<sup>a</sup> These transaction types do not attract direct portfolio transaction costs.

<sup>b</sup> Costs before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

<sup>c</sup> Average portfolio dealing spread at the balance sheet date.

## 5 Revenue

for the year to 31 October	2021 £'000	2020 £'000
Bank interest	10	25
Derivative revenue	2,601	1,579
Distributions from collective investment schemes: non-taxable	6,786	5,218
Dividends from equity investments: non-taxable	0	1,800
Dividends from equity investments: taxable	(57)	998
Interest on debt securities	(51)	4,046
Management charge rebates	83	84
Rebate of ongoing charges from underlying funds	617	516
<b>Total revenue</b>	<b>9,989</b>	<b>14,266</b>

Revenue includes currency gains/(losses).

# Financial statements and notes

## 6 Expenses

for the year to 31 October	2021 £'000	2020 £'000
<b>Payable to the ACD or associate</b>		
Annual charge	9,402	10,664
<b>Other expenses</b>		
Dividend charges	0	10
Interest payable	55	24
Safe custody charge <sup>a</sup>	0	(6)
	55	28
<b>Total expenses</b>	<b>9,457</b>	<b>10,692</b>

Audit fees for the financial year ending 2021 were £11,000 (2020: £11,000) (including VAT), which are covered by the annual charge.

<sup>a</sup> This amount relates to refunds received in respect of charges to the fund before the single annual charge took effect.

# Financial statements and notes

## 7 Taxation

for the year to 31 October	2021 £'000	2020 £'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Withholding tax	(35)	356
Capital gains tax (India)	0	303
Deferred tax (note 7c)	0	0
<b>Total taxation</b>	<b>(35)</b>	<b>659</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue/(expense) before taxation	532	3,574
Corporation tax at 20%	106	715
<b>Effects of:</b>		
Tax on management and administration charge rebates taken to capital	237	327
Dividends from equity investments: non-taxable	0	(360)
Distributions from collective investment schemes: non-taxable	(1,357)	(1,044)
Current year expenses not utilised	1,013	388
Withholding tax	(35)	356
Withholding tax expensed	1	(26)
Capital gains tax (India)	0	303
<b>Total tax charge (note 7a)</b>	<b>(35)</b>	<b>659</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

The fund has not recognised a deferred tax asset of £5,903,000 (2020: £4,891,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

# Financial statements and notes

## 8 Distributions

for the year to 31 October	2021		2020	
	Inc <sup>a</sup>	Acc <sup>b</sup>	Inc <sup>a</sup>	Acc <sup>b</sup>
Dividend distributions	£'000	£'000	£'000	£'000
First interim	724	0	3,036	192
Second interim	1,028	0	3,466	295
Third interim	1,739	0	2,345	81
Final	4,603	285	2,721	137
Total net distributions	8,379		12,273	
Income deducted on cancellation of shares	(185)		126	
Income received on issue of shares	271		(48)	
<b>Distributions</b>	<b>8,465</b>		<b>12,351</b>	
Net revenue/(expense) per statement of total return	567		2,915	
Expenses offset against capital	7,907		9,161	
Sharing of relief between classes	228		300	
Tax on management and administration charge rebates taken to capital	(237)		(327)	
Capital gains tax offset against capital	0		303	
Undistributed income brought forward	1		0	
Undistributed income carried forward	(1)		(1)	
<b>Distributions</b>	<b>8,465</b>		<b>12,351</b>	

<sup>a</sup> Distributions payable on Income shares.

<sup>b</sup> Retained distributions on Accumulation shares.

## 9 Debtors

as at 31 October	2021	2020
	£'000	£'000
Amounts receivable on issues of shares	1,437	87
Distributions receivable	0	1,489
Futures interest receivable	296	414
Management charge rebates due	37	48
Rebate of ongoing charges from underlying funds	20	15
Sales awaiting settlement	0	7,229
Withholding tax recoverable	0	41
<b>Total debtors</b>	<b>1,790</b>	<b>9,323</b>

# Financial statements and notes

## 10 Cash and bank balances

as at 31 October	2021 £'000	2020 £'000
Amounts held at futures clearing houses and collateral manager	15,863	59,202
Cash held as bank balances	113,349	77,557
<b>Total cash and bank balances</b>	<b>129,212</b>	<b>136,759</b>

## 11 Other creditors

as at 31 October	2021 £'000	2020 £'000
Amounts payable on cancellation of shares	1,325	4,077
Annual charge payable	267	320
Purchases awaiting settlement	13,233	7
<b>Total other creditors</b>	<b>14,825</b>	<b>4,404</b>

## 12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2020: same).

## 13 Shares in issue

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

Share class	Opening 01.11.20	Movements Issued	Cancelled	Closing 31.10.21
Sterling				
Class 'A' Income	363,342,468	6,430,332	(16,080,479)	353,692,321
Class 'A' Accumulation	52,799,836	96,204,020	(76,116,530)	72,887,326
Class 'C' Income	20,814,944	1,198,494	(2,423,447)	19,589,991
Class 'I' Income	2,613,826	106,684	(340,642)	2,379,868
Class 'I' Accumulation	2,567,439	183,673	(326,503)	2,424,609
Class 'PP' Income	24,503	45,727	(30,534)	39,696
Class 'PP' Accumulation	345,319	127,546	(93,125)	379,740
Class 'R' Income	5,229,244	890,712	(707,424)	5,412,532
Class 'R' Accumulation	23,101,734	1,705,092	(1,165,797)	23,641,029
Class 'X' Income	724,902,117	3,216,686	(59,921,614)	668,197,189

# Financial statements and notes

## 14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Annual charge <sup>a</sup> to 14.02.21 %	Annual charge <sup>a</sup> from 15.02.21 %
<b>Sterling</b>		
Class 'A'	1.40	1.05
Class 'C'	0.00	0.00
Class 'I'	0.90	0.65
Class 'PP'	0.65	0.55
Class 'R'	1.15	0.90
Class 'X'	1.40	1.05

<sup>a</sup> The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

## 15 Related parties

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

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

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

During the year, there were transactions in shares in related parties of M&G Securities Limited with a total value of £63,043,000 (2020: £77,401,000).

At the balance sheet date, the fund held shares in related parties of M&G Securities Limited with a value of £97,096,000 (2020: £131,073,000).

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 10.50% (2020: 10.73%) of the fund's shares.

## 16 Events after the balance sheet date

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

## 17 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

# Financial statements and notes

## Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities, highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

## Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

## Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 31 October	Assets 2021	Liabilities 2021	Assets 2020	Liabilities 2020
Basis of valuation	£'000	£'000	£'000	£'000
Level 1	684,785	(1,972)	530,736	(22,802)
Level 2	110,276	(569)	137,257	(4,108)
Level 3	0	0	0	0
	<b>795,061</b>	<b>(2,541)</b>	<b>667,993</b>	<b>(26,910)</b>

In accordance with FRS 102 (22.4a) the shares in issue for each class meet the definition of a puttable instrument as the shareholders have the right to sell the shares back to the issuer. The shares in the fund may be issued and redeemed on any business day at the quoted price. These shares are not traded on an exchange. However, the price is observable and transactions within the fund take place regularly at that price. The shares in issue as detailed in note 13 meet the definition of a level 2 financial instrument 'Valuation techniques using observable market data'.

## 18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 14.

## 19 Market risk sensitivity and exposure

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

The VaR limit set during the financial year to 31 October 2021 was 20% (2020: 20%).

The lowest, highest and average VaR, as well as utilisation of VaR with reference to the limit above, are calculated during the financial years ended 31 October 2021 and 31 October 2020.

for the year to 31 October	2021 % of VaR	2021 Utilisation of VaR <sup>a</sup> 20%	2020 % of VaR	2020 Utilisation of VaR <sup>a</sup> 20%
Lowest	6.46	32.30	5.31	26.55
Highest	12.68	63.40	19.08	95.40
Average	9.07	45.37	11.07	55.34

<sup>a</sup> The VaR on the fund has been divided by its maximum limit.



# Financial statements and notes

## 20 Credit risk

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

The tables below show the exposure to counterparties. Collateral is posted daily, in the form of cash or high-quality government bonds, to minimise this exposure.

as at 31 October 2021	Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch	0	2,767
Barclays Bank	(7)	0
Citigroup	(13)	0
JPMorgan	(38)	0
Morgan Stanley	27	0
Standard Chartered Bank	1	0
UBS	(488)	0
<b>Total</b>	<b>(518)</b>	<b>2,767</b>

as at 31 October 2020	Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch	0	(22,802)
Barclays Bank	36	0
BNP Paribas	985	0
Citigroup	(1,686)	0
Goldman Sachs	1,838	0
JPMorgan	(662)	0
Merrill Lynch	(112)	0
Morgan Stanley	67	0
Royal Bank of Scotland	21	0
National Australia Bank	(277)	0
Standard Chartered Bank	(80)	0
State Street Bank	1,035	0
UBS	911	0
<b>Total</b>	<b>2,076</b>	<b>(22,802)</b>

# Financial statements and notes

## 21 Leverage risk

Funds using VaR approaches are required to disclose the level of leverage employed during the financial reporting period.

Derivatives can be used by the fund to generate market exposure to investments exceeding the net asset value. As a result of this exposure, the size of any positive or negative movement in markets may have a more significant effect on the net asset value of the fund.

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 31 October 2021 and 31 October 2020 are disclosed in the table below.

for the year to 31 October	2021 <sup>a</sup> £'000	2021 <sup>a</sup> % <sup>b</sup>	2020 <sup>a</sup> £'000	2020 <sup>a</sup> % <sup>b</sup>
Lowest	615,382	68	1,377,574	172
Highest	1,481,743	177	3,352,795	418
Average	846,560	97	1,857,893	230

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

<sup>b</sup> Expressed as a percentage over fund valuation.

## 22 Dividend distribution tables

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

### Quarterly distribution periods

	Start	End	Xd	Payment
First interim	01.11.20	31.01.21	01.02.21	31.03.21
Second interim	01.02.21	30.04.21	04.05.21	30.06.21
Third interim	01.05.21	31.07.21	02.08.21	30.09.21
Final	01.08.21	31.10.21	01.11.21	31.12.21

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

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

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

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## Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.0340	0.0280	0.0620	0.2467
Second interim	0.0450	0.0447	0.0897	0.2849
Third interim	0.0830	0.0708	0.1538	0.1949
Final	0.2780	0.1347	0.4127	0.2297

## Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.0000	0.0000	0.0000	0.0679
Second interim	0.0000	0.0000	0.0000	0.1552
Third interim	0.0000	0.0000	0.0000	0.0009
Final	0.0059	0.0000	0.0059	0.0376

## Sterling Class 'C' Income shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.0198	0.0385	0.0583	0.2491
Second interim	0.0710	0.0178	0.0888	0.2944
Third interim	0.1637	0.0000	0.1637	0.2037
Final	0.2881	0.1771	0.4652	0.2344

## Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.9398	0.6147	1.5545	5.9720
Second interim	1.2317	1.0173	2.2490	6.9438
Third interim	2.3720	1.4913	3.8633	4.9754
Final	6.4023	3.9672	10.3695	5.6706

# Financial statements and notes

## Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.0000	0.0000	0.0000	3.4334
Second interim	0.0000	0.0000	0.0000	4.9171
Third interim	0.0000	0.0000	0.0000	2.1340
Final	7.2281	0.9405	8.1686	2.9182

## Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.1139	0.0000	0.1139	0.4191
Second interim	0.1634	0.0000	0.1634	0.4901
Third interim	0.2799	0.0000	0.2799	0.3489
Final	0.7528	0.0000	0.7528	0.3977

## Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.0000	0.0000	0.0000	0.2588
Second interim	0.0000	0.0000	0.0000	0.3432
Third interim	0.0073	0.0626	0.0699	0.1931
Final	0.4821	0.1054	0.5875	0.2335

## Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.1218	0.0312	0.1530	0.6064
Second interim	0.1088	0.1124	0.2212	0.7014
Third interim	0.1853	0.1945	0.3798	0.4799
Final	0.8350	0.1834	1.0184	0.5660

# Financial statements and notes

## Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.0000	0.0000	0.0000	0.2343
Second interim	0.0000	0.0000	0.0000	0.3950
Third interim	0.0000	0.0000	0.0000	0.1042
Final	0.3400	0.0000	0.3400	0.1795

## Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.0238	0.0381	0.0619	0.2459
Second interim	0.0447	0.0447	0.0894	0.2842
Third interim	0.0473	0.1060	0.1533	0.1942
Final	0.2434	0.1681	0.4115	0.2290

# Authorised Corporate Director's Report

## Investment objective to 1 February 2021

The fund aims to deliver a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of a composite index comprising 85% global equities and 15% global bonds\*, over any five-year period.

\* as measured by the MSCI ACWI Index and Bloomberg Barclays Global Aggregate GBP Hedged Index, respectively.

## Investment objective from 2 February 2021

The fund aims to provide a higher total return (the combination of capital growth and income) net of the ongoing charge figure, than the average return of the IA Flexible Investment Sector over any five-year period.

## Investment policy

The fund is a multi-asset fund that invests at least 70% of its assets in other collective investment schemes in order to gain exposure to assets from anywhere in the world, including equities, fixed income, convertibles, cash, or near cash. The fund may also invest directly in these assets.

In aggregate, the fund will invest at least 70% of its assets in equities, either directly or via collective investment schemes.

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

## Investment approach

The fund manager's investment views are mainly implemented by investing in other funds. This will typically be via M&G's own funds, but the fund may also invest in funds managed by other companies where appropriate in order to best reflect the fund manager's investment views.

The fund manager has a flexible top-down approach to the allocation of capital between different types of

assets in response to changes in economic conditions and asset values. This approach combines in-depth research to work out the value of assets over the medium to long term, with analysis of market reactions to events to identify investment opportunities. In particular, the fund manager seeks to respond when asset prices move away from a reasonable sense of 'fair' long-term value due to the market's reaction to events.

## Benchmark to 1 February 2021

Benchmark: 85% MSCI ACWI Index, 15% Bloomberg Barclays Global Aggregate GBP Hedged Index.

The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The composite 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 does not constrain the fund's portfolio construction.

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

## Benchmark from 2 February 2021

IA Flexible Investment 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.

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

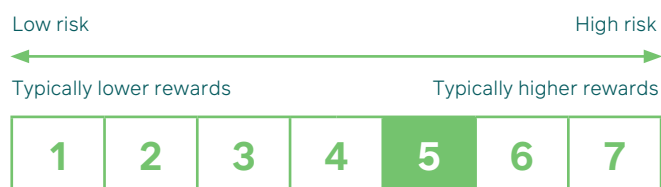
# Authorised Corporate Director's Report

## Risk profile

The fund is exposed to company shares directly and through other funds that invest in company shares. It 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.

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.

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 November 2021, for year ended 31 October 2021

### Performance against objective

Between 2 November 2020 (the start of the review period) and 1 November 2021, the M&G Managed Growth Fund delivered a positive total return (the combination of capital growth and income) across all share classes, well ahead of its target benchmark, which is the IA Flexible Investment Sector average. The benchmark returned 20.8% over this period.<sup>a</sup>

Over five years, the fund has delivered a positive total return across all share classes, but has not met its objective of delivering a higher total return, net of the ongoing charge figure, than that of its benchmark. The benchmark returned 11.5% pa over five years.

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.

<sup>a</sup> Prior to 1 September 2018 the benchmark was the FTSE World Index. From 1 September 2018 it was a composite index comprising 85% MSCI ACWI Index and 15% Bloomberg Barclays Global Aggregate Index. From 9 December 2019 to 2 February 2021 the Bloomberg Barclays Global Aggregate Index was changed to the GBP Hedged version. Thereafter the benchmark is the IA Flexible Investment Sector average.

### Performance review

The 12 months under review delivered strongly positive returns for equity (company shares) markets. Initially, investors were encouraged by massive amounts of support from governments and central banks, together with the start of vaccination programmes to treat COVID-19 and this prompted a continuation of the strong recovery of equities from the lows encountered in March 2020. Investors generally preferred to focus on the continued recovery in the global economy and corporate earnings, rather than any resurgences of the virus and further lockdown restrictions.

Later, investors started to worry about the effect of the strong economic recovery on demand and began to consider when interest rates would have to be raised to combat the threat of higher prices causing inflation. This was compounded by supply disruption and a big spike in oil & gas prices. Fear that central banks, especially in the US, might have to raise interest rates quicker than they are planning, caused weakness in government bond markets, as well as temporary weakness in equity markets.

(Bonds are loans that are extended by an investor to an issuer – such as a company or government – usually in exchange for regular interest payments. Bonds issued by companies are referred to as 'corporate bonds', while those issued by governments are called 'government bonds'. Bonds are also called fixed income securities.)

# Authorised Corporate Director's Report

Towards the end of the review period, there was some concern about slowing economic growth particularly in China, which was also adversely affected by power cuts and a debt crisis in the property sector. On the whole, however, investor sentiment remained positive, possibly as investors agreed with central banks that rising prices will be 'transitory' – in other words, temporary. At the end of the 12 months, even the news that central banks were beginning to withdraw their 'quantitative easing' programmes of purchasing financial assets, which have done so much to help markets recover from their pandemic-inspired lows, had little effect on share prices and several stockmarket indices finished the period close to record highs.

The best performing developed market equity indices during the period included the US, UK and Europe, where France was particularly strong. Emerging markets also rose impressively, led by remarkable rallies in Argentina and India. On the other hand, China's problems led its stockmarket to fall and also weighed on its neighbours in Asia. Brazil also lagged.

In terms of sectors, the best performers included oil & gas producers, helped by the massive rise in oil & gas prices, financial groups and technology businesses. By contrast, utilities and telecoms trailed.

Against this generally positive background, our preference for holding equities proved beneficial and the fund delivered a strongly positive return. As is to be expected at a time when investor sentiment was so strong, the good performance was driven by our holdings of equity funds, particularly the M&G Global Sustain Paris Aligned Fund (formerly M&G Global Select Fund), M&G North American Value Fund, M&G (Lux) Pan European Sustain Paris Aligned Fund (formerly M&G (Lux) Pan European Select Fund) and M&G Japan Fund. All these funds added considerable value.

However, the largest contribution was generated by a stake in a fund that invests in US financial businesses. Companies such as banks performed very strongly during the review period, not only as they are seen as beneficiaries of stronger economic growth but they are also helped by higher yields in the bond markets, which

tend to support their profits. (Bond yields represent the present value of the bonds' cash flows as a percentage of their prices, and move inversely to bond prices.) When bond yields rise, bank stocks generally gain as this is seen as a sign that they can charge higher interest rates for the loans they offer.

Drilling down into the individual holdings of each fund in which we have stakes, our holdings of shares in financial, industrial, and technology companies added the most value.

## Investment activities

Following the very strong performance of equity markets, which was reflected in many of the fund's holdings, we reduced exposure to several of the best performing equity funds in February 2021. This included the M&G (Lux) Pan European Select (now the M&G (Lux) Pan European Sustain Paris Aligned Fund), M&G Global Select (now the M&G Global Sustain Paris Aligned Fund), M&G Global Themes, M&G North American Value, M&G (Lux) European Strategic Value and M&G Global Emerging Markets funds. We also scaled back the holding of the US financials fund.

At the same time, we added a significant position in a fund that invests in longer-dated US Treasury bonds. The rationale behind the switch was to make the portfolio more balanced. The fund will always be more than 70% invested in equities so returns will be primarily driven by the behaviour of equity markets. However, after the rallies in equities that had taken place previously, valuations had, in our opinion, become less attractive so we thought it prudent to reduce the risk in the portfolio by scaling back across a diversified range of sectors, countries and investment styles. The aim of the position was to offer potential diversification if a negative economic surprise had challenged the portfolio's equity positions. A more balanced portfolio would mean we could respond if volatility emerges in future.

In the event, even though financial markets did not experience the falls that we were trying to insure against, the bond position performed reasonably well as investors seemed to be reassured that inflation



# Authorised Corporate Director's Report

would not be a problem over the longer term. Following the rally in bond prices towards the end of the review period, we closed the position in the US Treasury fund. We reinvested in areas of the equity market that we thought looked attractively valued. We rebuilt our position in the US financials fund, since we feel that financial groups are likely to perform well against a background of rising interest rates, and also introduced a stake in the M&G UK Select Fund, as the UK stockmarket has underperformed relative to other countries.

In terms of underlying holdings, the main change arising from the rebalancing of the portfolio resulted in an increase in the portfolio's exposure to financial companies. Following changes in some of the underlying multi asset funds, principally the M&G (Lux) Episode Macro Fund, the portfolio's main exposure to the bond markets is a small short position in US Treasuries with a short time to maturity. A 'short' position makes money if the price of the asset held falls, rather than rises as in the case of traditional investments. The multi asset managers take the view that the growing probability that US interest rates could increase is likely to be reflected in lower prices for short-dated US government bonds, so have established a position designed to benefit from such a move.

## Outlook

Although there is clearly growing uncertainty about the prospect of higher inflation, which could lead to higher interest rates, we do not yet believe that the investment background is about to change significantly. Although central banks have begun to hint at a withdrawal of policy stimulus measures, they have not yet signalled that interest rates need to be raised quickly in an attempt to curb rising prices. It seems to us that the most likely scenario is a gradual normalisation of the interest rate environment, with yields on shorter-dated bonds rising over the next 12-18 months but without the moves being reflected in longer-dated bonds. While inflation may well pick up, there are other factors that could mean that central banks do not move rapidly, such as the fragile state of the labour market, particularly as employment support schemes are

coming to an end. We also agree with central banks that many of the factors behind the rise in inflation are likely to be temporary.

Overall, we feel that the balance of probability points towards further economic growth, albeit against a background of gradually rising interest rates. In our view, this could encourage equity prices higher, although we must bear in mind that some parts of the equity market are, in our opinion, already fully valued.

Accordingly, the fund retains its focus on equities, as we believe they represent better value than other asset classes, particularly most bond markets, which continue to offer historically low levels of yield.

Clearly, the current macroeconomic situation remains highly uncertain, but we are confident that the managers of the funds in which we invest have a clear framework for dealing with such an environment. We also believe they have the experience and ability to exploit the investment opportunities that could arise in the event of further volatility.

## David Fishwick

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 31.10.21 £'000	as at 31.10.21 %	as at 31.10.20 %
<b>Equities</b>		<b>902,139</b>	<b>100.13</b>	<b>99.65</b>
<b>Equity portfolios</b>		<b>902,139</b>	<b>100.13</b>	<b>99.65</b>
<b>United Kingdom<sup>ab</sup></b>		<b>78,146</b>	<b>8.67</b>	<b>5.07</b>
7,047,967	M&G Positive Impact Fund Sterling Class 'I' (Accumulation)	11,427	1.27	
28,231,285	M&G Recovery Fund Sterling Class 'C' (Income)	37,124	4.12	
904,440	M&G UK Select Fund	29,595	3.28	
<b>United States</b>		<b>226,690</b>	<b>25.16</b>	<b>22.15</b>
513,695	Invesco Financials S&P US Select Sector ETF	111,229	12.35	
1,293,203	M&G North American Dividend Fund <sup>ab</sup>	37,303	4.14	
51,525,065	M&G North American Value Fund <sup>ab</sup>	78,158	8.67	
<b>Japan<sup>ab</sup></b>		<b>77,870</b>	<b>8.64</b>	<b>8.96</b>
127,906,897	M&G Japan Fund	77,870	8.64	
<b>Asia Pacific<sup>ab</sup></b>		<b>52,513</b>	<b>5.83</b>	<b>6.23</b>
3,403,675	M&G Asian Fund	52,513	5.83	
<b>Other<sup>ab</sup></b>		<b>466,920</b>	<b>51.83</b>	<b>57.24</b>
8,464,959	M&G (Lux) Episode Macro Fund Sterling Class 'SI-H' (Accumulation)	89,900	9.98	
3,923,748	M&G (Lux) European Strategic Value Fund Euro Class 'C' (Accumulation)	39,135	4.34	
1,861,939	M&G (Lux) Global Target Return Fund Euro Class 'CI' (Accumulation)	16,814	1.87	
3,599,180	M&G (Lux) Pan European Select Fund Euro Class 'A' (Accumulation)	81,698	9.07	
864,440	M&G (Lux) Sustainable Allocation Fund Euro Class 'CI' (Accumulation)	9,171	1.02	
23,805,362	M&G Global Emerging Markets Fund	66,657	7.40	
11,677,691	M&G Global Strategic Value Fund Sterling Class 'I' (Accumulation)	25,301	2.81	
17,511,603	M&G Global Sustain Paris Aligned Fund	102,904	11.42	
2,785,868	M&G Global Themes Fund	35,340	3.92	
<b>Currency</b>		<b>610</b>	<b>0.07</b>	<b>0.01</b>
<b>Forward currency contracts</b>		<b>610</b>	<b>0.07</b>	<b>0.01</b>
AU\$(12,014,327)	Sold for £6,570,412 (expires 21.01.22)	(1)	0.00	
CHF(11,308,120)	Sold for £8,981,947 (expires 21.01.22)	(44)	0.00	
DKK(183,505,867)	Sold for £20,893,965 (expires 21.01.22)	0	0.00	
€(33,015,778)	Sold for £27,971,132 (expires 21.01.22)	8	0.00	

# Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %	as at 31.10.20 %
<b>Currency (continued)</b>			
<b>Forward currency contracts (continued)</b>			
¥(5,980,268,675) Sold for £38,355,901 (expires 21.01.22)	182	0.02	
US\$(137,818,739) Sold for £100,422,796 (expires 21.01.22)	465	0.05	
<b>Portfolio of investments (notes 2c &amp; 2d on pages 9 and 10)</b>	<b>902,749</b>	<b>100.20</b>	<b>99.66</b>
<b>Net other assets/(liabilities)</b>	<b>(1,802)</b>	<b>(0.20)</b>	<b>0.34</b>
<b>Net assets attributable to shareholders</b>	<b>900,947</b>	<b>100.00</b>	<b>100.00</b>

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

<sup>a</sup> All holdings in M&G collective investment schemes are in Sterling Class 'A' (Income) shares unless otherwise stated.

<sup>b</sup> Related party.

# Investments

## Top portfolio transactions for the year to 31 October 2021

Purchases	£'000
iShares USD Treasury Bond 20+yr	85,590
Invesco Financials S&P US Select Sector ETF	33,515
M&G Select Fund Sterling Class "A" (Income) <sup>ab</sup>	29,721
M&G Global Select Fund Sterling Class 'A' (Income) <sup>ab</sup>	23,806
M&G Global Strategic Value Fund Sterling Class 'A' (Accumulation) <sup>ab</sup>	22,702
M&G Positive Impact Fund Sterling Class 'I' (Accumulation) <sup>ab</sup>	18
<b>Total purchases</b>	<b>195,352</b>

Largest sales	£'000
iShares USD Treasury Bond 20+yr	89,992
Invesco Financials S&P US Select Sector ETF	24,650
M&G Global Strategic Value Fund Euro Class 'C' (Accumulation) <sup>ab</sup>	23,633
M&G Global Select Fund Sterling Class 'A' (Income) <sup>ab</sup>	20,777
M&G (Lux) Pan European Select Fund Euro Class 'A' (Accumulation) <sup>ab</sup>	19,165
M&G Global Themes Fund Sterling Class 'A' (Income) <sup>ab</sup>	12,737
M&G North American Value Fund Sterling Class 'A' (Income) <sup>ab</sup>	11,222
M&G (Lux) European Strategic Value Fund Euro Class 'C' (Accumulation) <sup>ab</sup>	7,857
M&G Global Emerging Markets Fund Sterling Class 'A' (Income) <sup>ab</sup>	8,546
M&G Japan Fund Sterling Class 'A' (Income) <sup>ab</sup>	4,286
Other sales	(191)
<b>Total sales</b>	<b>222,674</b>

a All holdings in M&G collective investment schemes are in Sterling Class 'A' (Income) shares unless otherwise stated.

b Related party.

# 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 chart 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 Investment Funds (4), which is available free of charge either from our website at [www.mandg.co.uk/prospectuses](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

## Fund level performance

Fund net asset value as at	31.10.21 £'000	31.10.20 £'000	31.10.19 £'000
Fund net asset value (NAV)	900,947	725,555	818,294

## 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.

October 1994 = 100, plotted monthly  
Chart date 1 November 2021



Source: Morningstar, Inc. and M&G

\* Income reinvested

\*\*The benchmark prior to 1 September 2018 was the FTSE World Index. From 1 September 2018 it was a composite index comprising 85% MSCI ACWI Index and 15% Bloomberg Barclays Global Aggregate Index. From 9 December 2019 to 2 February 2021 the Bloomberg Barclays Global Aggregate Index was changed to the GBP Hedged version. Thereafter the benchmark is the IA Flexible Investment Sector average.

# Financial highlights

## Long-term performance by share class

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

Share class	One year 02.11.20 % <sup>a</sup>	Three years 01.11.18 % pa	Five years 01.11.16 % pa	Since launch % pa
<b>Sterling</b>				
Class 'A'	+31.7	+9.3	+8.5	+9.8
Class 'C'	+33.2	+10.5	+9.5	+15.1
Class 'I'	+32.3	+9.7	+8.8	+8.8
Class 'PP'	+32.4	n/a	n/a	+9.7
Class 'R'	+32.2	+9.5	+8.6	+8.6
Class 'X'	+31.7	+9.2	+8.3	+7.5

<sup>a</sup> Not annualised.

## 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 below shows direct portfolio transaction costs paid by the fund before and after that

# Financial highlights

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](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

## Portfolio transaction costs

for the year to 31 October	2021	2020	2019	Average <sup>a</sup>
Direct portfolio transaction costs <sup>b</sup>	%	%	%	%
Broker commission	0.01	0.00	0.00	0.00
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.01	0.00	0.00	0.00
Dilution adjustments <sup>c</sup>	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.00	0.00	0.00
as at 31 October	2021	2020	2019	Average <sup>a</sup>
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.02	0.04	0.01	0.02

<sup>a</sup> Average of first three columns.

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

<sup>c</sup> 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 year are calculated as at 12 November 2021.

## Sterling Class 'A' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 October	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	97.96	109.25	104.63
Return before operating charges	33.36	(7.48)	8.49
Operating charges	(1.38)	(1.44)	(1.71)
Return after operating charges	31.98	(8.92)	6.78
Distributions	(2.22)	(2.37)	(2.16)
Closing NAV	127.72	97.96	109.25
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.01	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.00	0.00
Operating charges <sup>c</sup>	1.15	1.40	1.64
Return after charges	+32.65	-8.16	+6.48
Historic yield	1.76	2.20	2.03
Other information			
Closing NAV (£'000)	87,680	66,703	74,641
Closing NAV (%)	9.73	9.19	9.12
Number of shares	68,648,307	68,093,463	68,320,016
Highest share price (UK p)	130.30	116.05	113.40
Lowest share price (UK p)	99.37	82.70	96.39

# Financial highlights

## Sterling Class 'A' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	116.31	126.61	118.70
Return before operating charges	39.65	(8.62)	9.84
Operating charges	(1.64)	(1.68)	(1.93)
Return after operating charges	38.01	(10.30)	7.91
Distributions	(1.00)	(1.25)	(0.84)
Retained distributions	1.00	1.25	0.84
Closing NAV	154.32	116.31	126.61
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.01	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.00	0.00
Operating charges <sup>c</sup>	1.15	1.40	1.64
Return after charges	+32.68	-8.14	+6.66
Historic yield	0.84	1.01	0.66
Other information			
Closing NAV (£'000)	52,653	43,090	50,986
Closing NAV (%)	5.84	5.94	6.23
Number of shares	34,119,927	37,047,557	40,269,806
Highest share price (UK p)	155.65	134.51	129.52
Lowest share price (UK p)	118.12	95.89	109.38

## Sterling Class 'C' Income share performance

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

The share class was launched on 21 June 2012.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	103.58	113.81	107.60
Return before operating charges	35.35	(7.83)	8.47
Operating charges	0.00	0.00	(0.15)
Return after operating charges	35.35	(7.83)	8.32
Distributions	(2.55)	(2.40)	(2.11)
Closing NAV	136.38	103.58	113.81
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.01	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.00	0.00
Operating charges <sup>c</sup>	0.00	0.00	0.17
Return after charges	+34.13	-6.88	+7.73
Historic yield	1.67	2.08	1.86
Other information			
Closing NAV (£'000)	167,349	137,065	129,564
Closing NAV (%)	18.58	18.89	15.83
Number of shares	122,710,435	132,322,233	113,839,830
Highest share price (UK p)	139.02	121.19	117.75
Lowest share price (UK p)	104.79	86.52	99.31



# Financial highlights

## Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	1,427.95	1,583.68	1,507.01
Return before operating charges	486.64	(108.52)	120.60
Operating charges	(12.64)	(13.49)	(14.20)
Return after operating charges	474.00	(122.01)	106.40
Distributions	(32.47)	(33.72)	(29.73)
Closing NAV	1,869.48	1,427.95	1,583.68
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.15	0.00	0.01
Dilution adjustments <sup>a</sup>	(0.01)	0.00	(0.01)
Total direct transaction costs	0.14	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.00	0.00
Operating charges <sup>c</sup>	0.72	0.90	0.96
Return after charges	+33.19	-7.70	+7.06
Historic yield	1.69	2.12	1.88
Other information			
Closing NAV (£'000)	50,931	41,865	51,391
Closing NAV (%)	5.65	5.77	6.28
Number of shares	2,724,349	2,931,783	3,245,060
Highest share price (UK p)	1,905.59	1,683.64	1,641.80
Lowest share price (UK p)	1,446.94	1,200.36	1,389.63

## Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	1,626.06	1,761.01	1,644.60
Return before operating charges	554.18	(119.88)	131.95
Operating charges	(14.42)	(15.07)	(15.54)
Return after operating charges	539.76	(134.95)	116.41
Distributions	(24.15)	(23.44)	(18.95)
Retained distributions	24.15	23.44	18.95
Closing NAV	2,165.82	1,626.06	1,761.01
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.17	0.00	0.01
Dilution adjustments <sup>a</sup>	(0.01)	0.00	(0.01)
Total direct transaction costs	0.16	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.00	0.00
Operating charges <sup>c</sup>	0.72	0.90	0.96
Return after charges	+33.19	-7.66	+7.08
Historic yield	1.09	1.31	1.06
Other information			
Closing NAV (£'000)	74,910	60,932	73,927
Closing NAV (%)	8.31	8.40	9.03
Number of shares	3,458,727	3,747,180	4,197,964
Highest share price (UK p)	2,179.62	1,872.18	1,800.39
Lowest share price (UK p)	1,646.80	1,334.78	1,516.41

# Financial highlights

## Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	90.95	100.68	100.00
Return before operating charges	30.93	(6.90)	2.36
Operating charges	(0.65)	(0.71)	(0.20)
Return after operating charges	30.28	(7.61)	2.16
Distributions	(2.05)	(2.12)	(1.48)
Closing NAV	119.18	90.95	100.68
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.01	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.00	0.00
Operating charges <sup>c</sup>	0.58	0.75	0.75
Return after charges	+33.29	-7.56	+2.16
Historic yield	1.68	2.09	1.88
Other information			
Closing NAV (£'000)	79	18	20
Closing NAV (%)	0.01	0.00	0.00
Number of shares	66,000	20,000	20,000
Highest share price (UK p)	121.49	107.07	102.88
Lowest share price (UK p)	92.13	76.35	97.49

## Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	94.69	102.41	100.00
Return before operating charges	32.24	(7.00)	2.86
Operating charges	(0.69)	(0.72)	(0.45)
Return after operating charges	31.55	(7.72)	2.41
Distributions	(1.58)	(1.51)	(1.05)
Retained distributions	1.58	1.51	1.05
Closing NAV	126.24	94.69	102.41
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.01	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.00	0.00
Operating charges <sup>c</sup>	0.59	0.75	0.80
Return after charges	+33.32	-7.54	+2.41
Historic yield	1.19	1.45	1.21
Other information			
Closing NAV (£'000)	451	187	141
Closing NAV (%)	0.05	0.03	0.02
Number of shares	357,121	197,663	138,018
Highest share price (UK p)	127.04	108.91	104.67
Lowest share price (UK p)	95.89	77.67	96.44

# Financial highlights

## Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	141.39	157.30	150.06
Return before operating charges	48.16	(10.79)	12.07
Operating charges	(1.68)	(1.71)	(1.80)
Return after operating charges	46.48	(12.50)	10.27
Distributions	(3.21)	(3.41)	(3.03)
Closing NAV	184.66	141.39	157.30
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.01	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.00	0.00
Operating charges <sup>c</sup>	0.97	1.15	1.21
Return after charges	+32.87	-7.95	+6.84
Historic yield	1.74	2.17	1.92
Other information			
Closing NAV (£'000)	5,848	4,497	4,594
Closing NAV (%)	0.65	0.62	0.56
Number of shares	3,166,532	3,180,873	2,920,820
Highest share price (UK p)	188.28	167.15	163.19
Lowest share price (UK p)	143.35	119.13	138.33

## Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	159.78	173.49	162.35
Return before operating charges	54.47	(11.82)	13.09
Operating charges	(1.91)	(1.89)	(1.95)
Return after operating charges	52.56	(13.71)	11.14
Distributions	(1.74)	(1.89)	(1.45)
Retained distributions	1.74	1.89	1.45
Closing NAV	212.34	159.78	173.49
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.02	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.00	0.00
Operating charges <sup>c</sup>	0.97	1.15	1.21
Return after charges	+32.90	-7.90	+6.86
Historic yield	0.96	1.08	0.83
Other information			
Closing NAV (£'000)	50,748	37,194	40,235
Closing NAV (%)	5.63	5.13	4.92
Number of shares	23,899,673	23,277,690	23,191,252
Highest share price (UK p)	214.14	184.36	177.46
Lowest share price (UK p)	161.91	131.40	149.65

# Financial highlights

## Sterling Class 'X' Income share performance

The share class was launched on 28 October 1994.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	97.44	108.77	104.22
Return before operating charges	33.19	(7.45)	8.50
Operating charges	(1.37)	(1.44)	(1.71)
Return after operating charges	31.82	(8.89)	6.79
Distributions	(2.21)	(2.44)	(2.24)
Closing NAV	127.05	97.44	108.77
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.01	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.00	0.00
Operating charges <sup>c</sup>	1.15	1.40	1.64
Return after charges	+32.66	-8.17	+6.52
Historic yield	1.76	2.29	2.05
Other information			
Closing NAV (£'000)	410,298	334,004	392,795
Closing NAV (%)	45.55	46.03	48.01
Number of shares	322,930,052	342,768,627	361,123,855
Highest share price (UK p)	129.62	115.54	112.96
Lowest share price (UK p)	98.87	82.35	96.02

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

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

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

# Financial statements and notes

## Financial statements

### Statement of total return

for the year to 31 October	Note	2021		2020	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	3		227,659		(69,718)
Revenue	5	15,805		17,746	
Expenses	6	(7,493)		(8,234)	
Net revenue/(expense) before taxation		8,312		9,512	
Taxation	7	0		0	
Net revenue/(expense) after taxation			8,312		9,512
Total return before distributions			235,971		(60,206)
Distributions	8		(14,663)		(16,236)
Change in net assets attributable to shareholders from investment activities			221,308		(76,442)

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

for the year to 31 October	2021		2020	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>725,555</b>		<b>818,294</b>
Amounts received on issue of shares	30,185		56,649	
Amounts paid on cancellation of shares	(77,712)		(74,774)	
		(47,527)		(18,125)
Dilution adjustments		11		24
Change in net assets attributable to shareholders from investment activities (see above)		221,308		(76,442)
Retained distributions on Accumulation shares		1,597		1,801
Unclaimed distributions		3		3
<b>Closing net assets attributable to shareholders</b>		<b>900,947</b>		<b>725,555</b>

# Financial statements and notes

## Financial statements

### Balance sheet

as at 31 October	Note	2021 £'000	2020 £'000
<b>Assets</b>			
<b>Fixed assets</b>			
Investments		902,794	723,967
<b>Current assets</b>			
Debtors	9	1,901	1,468
Cash and bank balances	10	6,491	11,855
<b>Total assets</b>		<b>911,186</b>	<b>737,290</b>
<b>Liabilities</b>			
Investment liabilities		(45)	(896)
<b>Creditors</b>			
Distribution payable		(9,299)	(9,567)
Other creditors	11	(895)	(1,272)
<b>Total liabilities</b>		<b>(10,239)</b>	<b>(11,735)</b>
<b>Net assets attributable to shareholders</b>		<b>900,947</b>	<b>725,555</b>

# Financial statements and notes

## Notes to the financial statements

### 1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 9 to 12.

### 2 Distribution policies

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

### 3 Net capital gains/(losses)

for the year to 31 October	2021 £'000	2020 £'000
Non-derivative securities	207,105	(69,736)
Derivative contracts	14,470	(5,675)
Currency gains/(losses)	575	92
Management charge rebates taken to capital	5,391	5,502
Rebate of ongoing charges from underlying funds taken to capital	118	99
<b>Net capital gains/(losses)<sup>a</sup></b>	<b>227,659</b>	<b>(69,718)</b>

<sup>a</sup> Includes realised gains of £64,635,000 and unrealised gains of £157,515,000 (2020: realised gains of £16,115,000 and unrealised losses of £91,434,000). Certain realised gains and losses in the current year were unrealised in the prior year.

# Financial statements and notes

## 4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 84 and 85.

for the year to 31 October	2021 £'000	% of transaction	2020 £'000	% of transaction
<b>a) Purchases</b>				
<b>Collective investment schemes</b>				
Collective investment schemes before transaction costs	195,312		84,104	
Commissions	40	0.02	0	0.00
<b>Collective investment schemes after transaction costs</b>	<b>195,352</b>		<b>84,104</b>	
<b>b) Sales</b>				
<b>Collective investment schemes</b>				
Collective investment schemes before transaction costs	222,708		97,854	
Commissions	(35)	0.02	(1)	0.00
<b>Collective investment schemes after transaction costs</b>	<b>222,673</b>		<b>97,853</b>	
	2021 £'000	% of average NAV	2020 £'000	% of average NAV
<b>c) Direct portfolio transaction costs</b>				
<b>Commissions paid</b>				
Collective investment schemes	75	0.01	1	0.00
<b>Total commissions paid</b>	<b>75</b>	<b>0.01</b>	<b>1</b>	<b>0.00</b>
<b>Taxes paid</b>				
<b>Total direct portfolio transaction costs<sup>a</sup></b>	<b>75</b>	<b>0.01</b>	<b>1</b>	<b>0.00</b>
		%		%
<b>d) Indirect portfolio transaction costs</b>				
Portfolio dealing spread <sup>b</sup>		0.02		0.04

<sup>a</sup> Costs before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

<sup>b</sup> Average portfolio dealing spread at the balance sheet date.



# Financial statements and notes

## 5 Revenue

for the year to 31 October	2021 £'000	2020 £'000
Bank interest	7	10
Distributions from collective investment schemes: non-taxable	11,012	13,889
Distributions from collective investment schemes: taxable	749	0
Dividends from equity investments: non-taxable	0	9
Dividends from equity investments: taxable	9	0
Management charge rebates	4,003	3,838
Rebate of ongoing charges from underlying funds	25	0
<b>Total revenue</b>	<b>15,805</b>	<b>17,746</b>

Revenue includes currency gains/(losses).

## 6 Expenses

for the year to 31 October	2021 £'000	2020 £'000
<b>Payable to the ACD or associate</b>		
Annual charge	7,480	8,220
<b>Other expenses</b>		
Interest payable	13	15
Safe custody charge <sup>a</sup>	0	(1)
	13	14
<b>Total expenses</b>	<b>7,493</b>	<b>8,234</b>

Audit fees for the financial year ending 2021 were £11,000 (2020: £9,000) (including VAT), which are covered by the annual charge.

<sup>a</sup> This amount relates to refunds received in respect of charges to the fund before the single annual charge took effect.

# Financial statements and notes

## 7 Taxation

for the year to 31 October	2021 £'000	2020 £'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Deferred tax (note 7c)	0	0
<b>Total taxation</b>	<b>0</b>	<b>0</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue/(expense) before taxation	8,312	9,512
Corporation tax at 20%	1,662	1,903
<b>Effects of:</b>		
Tax on management and administration charge rebates taken to capital	1,102	1,120
Dividends from equity investments: non-taxable	0	(2)
Distributions from collective investment schemes: non-taxable	(2,202)	(2,778)
Current year expenses not utilised	(678)	(125)
Prior year adjustment to expenses not utilised	116	0
Offshore realised/unrealised gains from capital	0	(118)
<b>Total tax charge (note 7a)</b>	<b>0</b>	<b>0</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

The fund has not recognised a deferred tax asset of £2,783,000 (2020: £3,460,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

# Financial statements and notes

## 8 Distributions

for the year to 31 October	2021		2020	
	Inc <sup>a</sup>	Acc <sup>b</sup>	Inc <sup>a</sup>	Acc <sup>b</sup>
Dividend distributions	£'000	£'000	£'000	£'000
Interim	3,575	139	4,809	326
Final	9,300	1,458	9,567	1,475
Total net distributions	14,472		16,177	
Income deducted on cancellation of shares	261		374	
Income received on issue of shares	(70)		(315)	
<b>Distributions</b>	<b>14,663</b>		<b>16,236</b>	
Net revenue/(expense) per statement of total return	8,312		9,512	
Expenses offset against capital	5,931		6,522	
Tax on management and administration charge rebates taken to capital	281		202	
Undistributed income brought forward	139		0	
<b>Distributions</b>	<b>14,663</b>		<b>16,236</b>	

<sup>a</sup> Distributions payable on Income shares.

<sup>b</sup> Retained distributions on Accumulation shares.

## 9 Debtors

as at 31 October	2021 £'000	2020 £'000
Amounts receivable on issues of shares	191	184
Dividends receivable	880	1,005
Management charge rebates due	293	276
Rebate of ongoing charges from underlying funds	5	3
Sales awaiting settlement	532	0
<b>Total debtors</b>	<b>1,901</b>	<b>1,468</b>

## 10 Cash and bank balances

as at 31 October	2021 £'000	2020 £'000
Amounts held at futures clearing houses and collateral manager	0	1,546
Cash held as bank balances	6,491	10,309
<b>Total cash and bank balances</b>	<b>6,491</b>	<b>11,855</b>

# Financial statements and notes

## 11 Other creditors

as at 31 October	2021 £'000	2020 £'000
Amounts payable on cancellation of shares	678	365
Annual charge payable	217	241
Purchases awaiting settlement	0	666
<b>Total other creditors</b>	<b>895</b>	<b>1,272</b>

## 12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2020: same).

## 13 Shares in issue

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

Share class	Opening 01.11.20	Issued	Movements Cancelled	Closing 31.10.21
<b>Sterling</b>				
Class 'A' Income	68,093,463	4,490,343	(3,935,499)	68,648,307
Class 'A' Accumulation	37,047,557	539,969	(3,467,599)	34,119,927
Class 'C' Income	132,322,233	5,457,769	(15,069,567)	122,710,435
Class 'I' Income	2,931,783	113,146	(320,580)	2,724,349
Class 'I' Accumulation	3,747,180	183,822	(472,275)	3,458,727
Class 'PP' Income	20,000	46,000	0	66,000
Class 'PP' Accumulation	197,663	160,798	(1,340)	357,121
Class 'R' Income	3,180,873	528,329	(542,670)	3,166,532
Class 'R' Accumulation	23,277,690	2,089,810	(1,467,827)	23,899,673
Class 'X' Income	342,768,627	5,381,744	(25,220,319)	322,930,052

# Financial statements and notes

## 14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Annual charge <sup>a</sup> to 14.02.21 %	Annual charge <sup>a</sup> from 15.02.21 %
<b>Sterling</b>		
Class 'A'	1.40	1.05
Class 'C'	0.00	0.00
Class 'I'	0.90	0.65
Class 'PP'	0.75	0.55
Class 'R'	1.15	0.90
Class 'X'	1.40	1.05

<sup>a</sup> The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

## 15 Related parties

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

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

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

During the year, there were transactions in shares in related parties of M&G Securities Limited with a total value of £187,650,000 (2020: £181,544,000).

At the balance sheet date, the fund held shares in related parties of M&G Securities Limited with a value of £790,910,000 (2020: £659,591,000).

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 22.54% (2020: 23.16%) of the fund's shares.

## 16 Events after the balance sheet date

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

## 17 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

# Financial statements and notes

## Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities, highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

## Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

## Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 31 October	Assets	Liabilities	Assets	Liabilities
Basis of valuation	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
Level 1	111,229	0	63,442	0
Level 2	791,565	(45)	660,525	(896)
Level 3	0	0	0	0
	<b>902,794</b>	<b>(45)</b>	<b>723,967</b>	<b>(896)</b>

In accordance with FRS 102 (22.4a) the shares in issue for each class meet the definition of a puttable instrument as the shareholders have the right to sell the shares back to the issuer. The shares in the fund may be issued and redeemed on any business day at the quoted price. These shares are not traded on an exchange. However, the price is observable and transactions within the fund take place regularly at that price. The shares in issue as detailed in note 13 meet the definition of a level 2 financial instrument 'Valuation techniques using observable market data'.

## 18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 14.

## 19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by £ 45,137,000 (2020: £36,154,000). A five per cent decrease would have an equal and opposite effect.

## 20 Currency risk sensitivity and exposure

Currency risk is not considered significant for the fund as the currency exposure does not have a material impact on net assets and is therefore not disclosed.

## 21 Interest rate risk sensitivity and exposure

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

## 22 Credit risk

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

# Financial statements and notes

The tables below show the exposure to counterparties. Collateral is posted daily, in the form of cash or high-quality government bonds, to minimise this exposure.

as at 31 October 2021	Forward currency contracts £'000
Citigroup	7
JPMorgan	138
UBS	466
<b>Total</b>	<b>611</b>

as at 31 October 2020	Forward currency contracts £'000
BNP Paribas	22
Citigroup	323
JPMorgan	(384)
Merrill Lynch	(1)
Morgan Stanley	174
State Street Bank	(172)
UBS	76
<b>Total</b>	<b>38</b>

## 23 Dividend distribution tables

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

### Semi-annual distribution periods

	Start	End	Xd	Payment
Interim	01.11.20	30.04.21	04.05.21	30.06.21
Final	01.05.21	31.10.21	01.11.21	31.12.21

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

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

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

# Financial statements and notes

## Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Interim	0.3029	0.3127	0.6156	0.7763
Final	0.9709	0.6339	1.6048	1.5934

## Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Interim	0.0039	0.0000	0.0039	0.1339
Final	0.1575	0.8359	0.9934	1.1136

## Sterling Class 'C' Income shares

Ordinary distributions for the year to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Interim	0.4793	0.1163	0.5956	0.7725
Final	1.0597	0.8979	1.9576	1.6233

## Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Interim	5.6833	2.7319	8.4152	11.0275
Final	15.9713	8.0856	24.0569	22.6947

## Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Interim	1.0483	1.8039	2.8522	5.0719
Final	14.6587	6.6354	21.2941	18.3669



# Financial statements and notes

## Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
Interim	0.0000	0.5221	0.5221	0.6863
Final	1.5254	0.0000	1.5254	1.4289

## Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
Interim	0.1493	0.0865	0.2358	0.3673
Final	1.2952	0.0447	1.3399	1.1429

## Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
Interim	0.4060	0.4674	0.8734	1.1183
Final	1.2346	1.0994	2.3340	2.2963

## Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
Interim	0.0814	0.0716	0.1530	0.2961
Final	0.8000	0.7823	1.5823	1.5987

## Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
Interim	0.5362	0.1032	0.6394	0.8042
Final	1.2571	0.3114	1.5685	1.6324

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## Investment objective up to 30 June 2021

The fund aims to provide a total return (the combination of capital growth and income) of 4 to 8% per annum over any five-year period, net of the ongoing charges figure. The fund aims to provide this return while considering environmental, social and governance (ESG) factors.

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

## Investment objective from 1 July 2021

The fund aims to provide a total return (the combination of capital growth and income) of 4 to 8% per annum over any five-year period, net of the ongoing charges figure, while applying ESG criteria and/or impact criteria.

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

## Investment policy to 30 June 2021

The fund is a multi-asset fund that invests across a range of asset classes, including equities, fixed income securities, convertibles, cash and near cash. Exposure to these assets may be gained either directly or indirectly, via collective investment schemes or derivatives. The fund may also invest indirectly in other asset classes such as property and gold.

The fund invests in assets that meet the fund manager's ESG criteria or that have a positive societal impact, through addressing the world's major social and environmental challenges. Between 10% and 30% of the portfolio is invested in positive impact assets. All selected securities meet the fund manager's

assessment of ESG or impact criteria through the use of third party ESG information and/or proprietary analysis.

In addition, the fund aims to exclude securities issued by:

- Companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour rights, the environment and anti-corruption; and
- Companies involved in the production of tobacco, alcohol, adult entertainment, controversial weapons, thermal coal, or the provision of gambling services.

Indirect investments are not subject to the same ESG restrictions as securities held directly. The fund manager will assess the suitability of such investments relative to the fund's investment objective. If a derivative does not satisfy the fund's ESG requirements, the fund may only invest via the instrument to take advantage of short-term market movements.

The currency exposure of the fund will be actively managed, seeking to enhance returns, with a minimum of 70% of the fund exposed to sterling.

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

## Investment policy from 1 July 2021

The fund is a multi-asset fund that typically invests directly across a range of asset classes, including equities, fixed income securities, convertibles, cash and near cash. Exposure to these assets may also be gained indirectly, via collective investment schemes (including funds managed by M&G) or derivatives. The fund may also invest indirectly in other asset classes such as property and gold.

The fund will typically invest 20-60% of its assets in equities and convertibles, 20-80% in fixed income

# Authorised Corporate Director's Report

securities or cash, and up to 20% in other assets. These allocations reflect the net exposure of the portfolio.

The fund invests in assets that meet the ESG criteria and/or impact criteria. This is achieved through the use of M&G's proprietary analysis and/or third party ESG information. Typically, the fund holds 20%-60% of its net asset value in positive impact assets. It always holds at least 20% of its net asset value in positive impact assets.

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

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

References to "assessed" above mean assessment in accordance with the ESG criteria and impact criteria document as referenced in the ESG Information section below. Further information on the exclusions applicable to the fund can be found in this document.

Collective investment schemes and derivatives may be subject to different ESG Criteria and/or Impact Criteria than securities held directly. The fund manager will assess the suitability of such instruments relative to the fund's investment objective. If a derivative does not satisfy the ESG criteria and/or impact criteria, the fund may only invest via the instrument to take advantage of short-term market movements and to hedge currency exposures. It may also not be practicable to perform ESG analysis on cash and near cash to the same standards as other securities held directly.

The currency exposure of the fund will be actively managed, seeking to enhance returns, with a minimum of 70% of the fund exposed to sterling.

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

## Investment approach to 30 June 2021

The fund's approach to sustainable investment is through flexible asset allocation, whilst investing in securities issued by companies or governments that uphold high standards of environmental, social and governance behaviour. In addition, the fund maintains a core holding of assets that have a positive societal impact through addressing the world's major social and environmental challenges.

The fund manager has a flexible top-down approach to the allocation of capital between different types of assets in response to changes in economic conditions and asset values. This approach combines in-depth research to work out the value of assets over the medium to long term, with analysis of market reactions to events to identify investment opportunities. In particular, the fund manager seeks to respond when asset prices move away from a reasonable sense of 'fair' long-term value due to market reactions to events.

The fund seeks to manage risk by investing globally across multiple asset classes, sectors, currencies and countries. The fund will typically invest 20-60% of its assets in equities and convertibles, 20-80% in fixed income securities or cash, and up to 20% in other assets. These allocations reflect the net exposure of the portfolio. The fund's annualised volatility is expected to be between 4% and 7%, over any five-year period.

## Investment approach from 1 July 2021

The fund's approach to sustainable investment is through flexible asset allocation, whilst investing in securities issued by companies or governments that

# Authorised Corporate Director's Report

uphold high standards of environmental, social and governance behaviour as set out in the ESG Criteria. In addition, the fund maintains a core holding of assets that have a positive societal impact through addressing the world's major social and environmental challenges as set out in the impact criteria.

The fund manager has a flexible top-down approach to the allocation of capital between different types of assets in response to changes in economic conditions and asset values. This approach combines in-depth research to work out the value of assets over the medium to long term, with analysis of market reactions to events to identify investment opportunities. In particular, the fund manager seeks to respond when asset prices move away from a reasonable sense of 'fair' long-term value due to market reactions to events.

The fund seeks to manage risk by investing globally across multiple asset classes, sectors, currencies and countries. The fund's annualised volatility is expected to be between 4% and 7%, over any five-year period.

## ESG information

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

- ESG Criteria and Impact Criteria: in the document titled "M&G Sustainable Multi Asset Fund - ESG criteria and impact criteria" which includes the fund's exclusions approach.
- Periodic reporting about the fund's non-financial characteristics.

## Benchmark

Benchmark: None.

The fund is actively managed and it has no benchmark. Investors can assess the performance of the fund by its objective to provide a total return of 4 to 8% per annum over any five-year period. The fund's annual report for each financial year will include details of the fund's performance in relation to its objective.

## Risk profile

The fund invests globally in a broad range of assets, whilst considering environmental, social and governance (ESG) factors. The fund's investments can include company shares (equities), fixed income securities (bonds), currencies and other assets such as property shares and convertible bonds. The fund is, therefore, subject to the price volatility of global financial and currency markets.

The fund's approach to investment is through flexible asset allocation, implemented by investing in securities of companies or governments that uphold high standards of ESG or positive impact behaviour. The fund allocates capital between different types of assets in response to changes in economic conditions and the valuation of assets. The manager will seek to build a highly diversified portfolio wherever possible.

The blend of assets held in the fund is regularly adjusted, depending on where the fund manager sees the most value, and to manage risks, including liquidity, credit, currency and market risks. The fund's risk is measured and managed as an integral part of the investment process.

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.

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## Investment review

As at 1 November 2021, for the year ended 31 October 2021

### Performance against objective

Between 2 November 2020 (the start of the review period) and 1 November 2021, the M&G Sustainable Multi Asset Fund delivered a positive total return (the combination of income and growth of capital) across all its share classes.

It is not possible to assess the fund's performance against its objective over five years because the fund was only launched on 14 February 2019.

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

### Performance review

The 12 months under review delivered strongly positive returns for equity (company shares) markets. Initially, investors were encouraged by massive amounts of support from governments and central banks, together with the start of vaccination programmes to prevent COVID-19, and this prompted a continuation of the strong recovery of equities from the lows encountered in March 2020. Investors generally preferred to focus on the continued recovery in the global economy and corporate earnings, rather than any resurgences of the virus and further lockdown restrictions.

Later, investors started to worry about the effect of the strong economic recovery on demand and began to consider when interest rates would have to be raised to combat the threat of higher prices causing inflation. This was compounded by supply disruption and a big spike in oil and gas prices. Fear that central banks, especially in the US, might have to raise interest rates quicker than they have been planning, caused weakness in government bond markets, as well as temporary weakness in equity markets.

(Bonds are loans that are extended by an investor to an issuer – such as a company or government – usually in exchange for regular interest payments. Bonds issued by companies are referred to as 'corporate bonds', while

those issued by governments are called 'government bonds'. Bonds are also called fixed income securities.)

Towards the end of the review period, there was some concern about slowing economic growth particularly in China, which was also adversely affected by power cuts and a debt crisis in the property sector. On the whole, however, investor sentiment remained positive, possibly as investors agreed with central banks that rising prices will be 'transitory' – in other words, temporary. At the end of the 12 months, even the news that central banks were beginning to withdraw their 'quantitative easing' programmes of purchasing financial assets, which have done so much to help markets recover from their pandemic-inspired lows, had little effect on share prices and several stockmarket indices finished the period close to record highs.

The best-performing developed market equity indices during the period included the US, UK and Europe, where France was particularly strong. Emerging markets also rose impressively, led by remarkable rallies in Argentina and India. On the other hand, China's problems led its stockmarket to fall and also weighed on its neighbours in Asia. Brazil also lagged.

The fund has maintained a diverse range of holdings within its positive impact asset bucket. At the end of the reporting period, just over 30% of the fund was allocated to positive impact investments. These ranged across all six impact areas we have identified, with a focus on those contributing on climate action, and social inclusion. We expect that this proportion will increase over time, as since 1 July 2021 the typical range for positive impact holdings has widened to between 20% and 60% of the fund's net asset value (NAV).

Meanwhile, the larger positive ESG tilt portion of the fund has been maintained with an average MSCI ESG score of between 6 and 7 during the review period, which equates to an MSCI ESG rating of A. The positive ESG tilt screening criteria require corporates to be rated BBB or higher, and governments to be rated BB or above, to be eligible for inclusion in the fund.

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## Investment activities

We maintained a preference for equities over bonds throughout the review period. The equity holding finished the period only slightly lower than at the beginning. However it was temporarily reduced more significantly towards the middle of the period, closer to the neutral position, following the longer period of strong performance in equity markets.

Within the fund's bond holdings, we added to the holding of US Treasuries, which we believe offer attractive value given how we view the world economy, and introduced a holding in Portuguese government bonds, again based on the value we felt they represented. We reduced these two holdings in July as prices rose, as we believed they offered less value than previously. At the same time we increased the fund's equity holding. We maintained holdings in selected emerging market governments, including South Africa, Mexico and Peru, adding Chilean government bonds towards the end of the period. We believe they represent attractive value, part of which is their currencies, which we consider to be generally undervalued and enhance the opportunity those markets present.

We continued our regular process of engaging with companies worldwide, as part of our sustainable approach to investing. Through meetings with management and attending Annual General Meetings as shareholders, we seek to use our voice and votes to encourage those companies to act in a way that best supports the fund's positive impact goals.

## Outlook

Markets face uncertainty about the strength and longevity of the economic recovery while COVID-19 has still to be beaten. This presents risks to both stock and bond markets. We aim to continue managing a diversified portfolio across asset classes, seeking to achieve returns within the permitted risk tolerance. We will seek only assets that meet our ESG and impact criteria, focusing on strong candidates in the positive ESG tilt section of the fund and building the positive impact section with assets seeking to address the world's ongoing social and environmental challenges.

As many major economies have emerged from long periods of lockdown supported by extensive stimulus from many governments and central banks, market focus has increasingly turned to the effects of that stimulus coming to an end and potential rises in interest rates. As has been the case in recent months, there is likely to be further market turbulence as investors consider the potential effects on inflation and asset prices, both in the short and longer term.

## Maria Municchi

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 31.10.21 £'000	as at 31.10.21 %	as at 31.10.20 %
<b>Equities</b>	<b>12,680</b>	<b>50.61</b>	<b>50.98</b>
<b>United Kingdom</b>	<b>1,633</b>	<b>6.52</b>	<b>4.84</b>
<b>UK equities</b>	<b>1,633</b>	<b>6.52</b>	<b>4.84</b>
10,832 Bank of Georgia	162	0.65	
34,008 DS Smith	130	0.52	
214,602 Greencoat UK Wind	305	1.22	
237,732 Home REIT	270	1.08	
41,435 Legal & General	120	0.48	
89,406 Marks & Spencer	164	0.65	
141,915 Octopus Renewables Infrastructure Trust	155	0.62	
13,675 Segro REIT	176	0.70	
14,264 WPP	151	0.60	
<b>Belgium</b>	<b>101</b>	<b>0.40</b>	<b>0.36</b>
<b>Belgian equities</b>	<b>101</b>	<b>0.40</b>	<b>0.36</b>
1,480 KBC	101	0.40	
<b>Denmark</b>	<b>615</b>	<b>2.45</b>	<b>1.95</b>
<b>Danish equities</b>	<b>615</b>	<b>2.45</b>	<b>1.95</b>
448 ALK-Abelló	142	0.57	
2,187 Novo Nordisk	171	0.68	
1,414 Ørsted	146	0.58	
473 ROCKWOOL International	156	0.62	
<b>France</b>	<b>861</b>	<b>3.44</b>	<b>2.81</b>
<b>French equities</b>	<b>861</b>	<b>3.44</b>	<b>2.81</b>
2,977 BNP Paribas	146	0.58	
1,574 Capgemini	266	1.06	
3,442 Danone	163	0.65	
256 Kering	139	0.56	
1,187 Schneider Electric	147	0.59	
<b>Germany</b>	<b>523</b>	<b>2.09</b>	<b>1.37</b>
<b>German equities</b>	<b>523</b>	<b>2.09</b>	<b>1.37</b>
1,869 Daimler	134	0.53	
2,001 Fresenius Medical Care	98	0.39	

# Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %	as at 31.10.20 %
<b>Equities (continued)</b>			
<b>Germany (continued)</b>			
<b>German equities (continued)</b>			
550 Münchener Rückversicherungs-Gesellschaft	119	0.48	
1,651 SAP	172	0.69	
<b>Guernsey</b>	<b>307</b>	<b>1.23</b>	<b>0.90</b>
<b>Guernsey equities</b>	<b>307</b>	<b>1.23</b>	<b>0.90</b>
231,764 Renewables Infrastructure	307	1.23	
<b>Ireland</b>	<b>294</b>	<b>1.17</b>	<b>1.16</b>
<b>Irish equities</b>	<b>294</b>	<b>1.17</b>	<b>1.16</b>
312,145 Greencoat Renewables <sup>a</sup>	294	1.17	
<b>Italy</b>	<b>488</b>	<b>1.95</b>	<b>1.55</b>
<b>Italian equities</b>	<b>488</b>	<b>1.95</b>	<b>1.55</b>
7,320 Assicurazioni Generali	117	0.47	
17,535 Autogrill	101	0.40	
21,396 Enel	130	0.52	
68,221 Intesa Sanpaolo	140	0.56	
<b>Netherlands</b>	<b>164</b>	<b>0.65</b>	<b>0.53</b>
<b>Dutch equities</b>	<b>164</b>	<b>0.65</b>	<b>0.53</b>
14,840 ING	164	0.65	
<b>Spain</b>	<b>725</b>	<b>2.89</b>	<b>2.62</b>
<b>Spanish equities</b>	<b>725</b>	<b>2.89</b>	<b>2.62</b>
2,825 Amadeus IT	137	0.55	
33,502 Banco Bilbao Vizcaya Argentaria	169	0.67	
53,621 Banco Santander	146	0.58	
5,676 Grifols	95	0.38	
4,439 Industria de Diseno Textil	115	0.46	
19,774 Telefónica	63	0.25	
<b>United States</b>	<b>4,468</b>	<b>17.83</b>	<b>17.77</b>
<b>US equities</b>	<b>4,468</b>	<b>17.83</b>	<b>17.77</b>
1,539 Agilent Technologies	174	0.69	
111 Alphabet	235	0.94	
1,207 American Express	153	0.61	



## Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %	as at 31.10.20 %
<b>Equities (continued)</b>			
<b>United States (continued)</b>			
<b>US equities (continued)</b>			
2,645 Apple	293	1.17	
2,712 Ball	181	0.72	
3,940 Bank of New York Mellon	170	0.68	
276 BlackRock	187	0.75	
1,177 Bright Horizons Family Solutions	139	0.56	
6,663 Hannon Armstrong Sustainable Infrastructure Capital REIT	295	1.18	
635 Home Depot	171	0.68	
3,148 Johnson Controls International	168	0.67	
9,058 KeyCorp	154	0.61	
405 Lam Research	166	0.66	
1,334 Microsoft	314	1.25	
1,551 NVIDIA	281	1.12	
1,044 PNC Financial Services	161	0.64	
1,773 Quest Diagnostics	187	0.75	
1,480 Republic Services	139	0.56	
885 SolarEdge Technologies	226	0.90	
1,054 Texas Instruments	144	0.58	
655 UnitedHealth	216	0.86	
708 Visa	108	0.43	
2,169 Xylem	206	0.82	
<b>Canada</b>	<b>172</b>	<b>0.69</b>	<b>0.00</b>
<b>Canadian equities</b>	<b>172</b>	<b>0.69</b>	<b>0.00</b>
7,736 Boralex	172	0.69	
<b>Brazil</b>	<b>118</b>	<b>0.47</b>	<b>0.38</b>
<b>Brazilian equities</b>	<b>118</b>	<b>0.47</b>	<b>0.38</b>
361,641 Cogna Educacao	118	0.47	
<b>Japan</b>	<b>750</b>	<b>2.99</b>	<b>8.62</b>
<b>Japanese equities</b>	<b>750</b>	<b>2.99</b>	<b>8.62</b>
4,180 Daiwa House Industry	100	0.40	
4,361 Honda Motor	93	0.37	

# Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %	as at 31.10.20 %
<b>Equities (continued)</b>			
<b>Japan (continued)</b>			
<b>Japanese equities (continued)</b>			
2,570 Horiba	122	0.49	
1,757 Murata Manufacturing	97	0.39	
15,419 Obayashi	94	0.37	
11,065 Panasonic	98	0.39	
7,155 Sekisui Chemical	85	0.34	
1,796 West Japan Railway	61	0.24	
<b>Australia</b>	<b>125</b>	<b>0.50</b>	<b>0.38</b>
<b>Australian equities</b>	<b>125</b>	<b>0.50</b>	<b>0.38</b>
22,822 Brambles	125	0.50	
<b>Hong Kong</b>	<b>325</b>	<b>1.30</b>	<b>1.48</b>
<b>Hong Kong equities</b>	<b>325</b>	<b>1.30</b>	<b>1.48</b>
12,152 AIA	100	0.40	
45,500 Kerry Properties	93	0.37	
168,000 Lenovo	132	0.53	
<b>India</b>	<b>122</b>	<b>0.49</b>	<b>0.60</b>
<b>Indian equities</b>	<b>122</b>	<b>0.49</b>	<b>0.60</b>
2,260 HDFC Bank ADR	122	0.49	
<b>South Korea</b>	<b>245</b>	<b>0.98</b>	<b>0.89</b>
<b>South Korean equities</b>	<b>245</b>	<b>0.98</b>	<b>0.89</b>
4,325 LG	245	0.98	
<b>Taiwan</b>	<b>530</b>	<b>2.12</b>	<b>2.39</b>
<b>Taiwanese equities</b>	<b>530</b>	<b>2.12</b>	<b>2.39</b>
51,000 ASE Technology	133	0.53	
54,616 Cathay Financial	83	0.33	
209,167 E.Sun Financial	145	0.58	
11,000 Taiwan Semiconductor Manufacturing	169	0.68	
<b>South Africa</b>	<b>114</b>	<b>0.45</b>	<b>0.38</b>
<b>South African equities</b>	<b>114</b>	<b>0.45</b>	<b>0.38</b>
38,547 Sanlam	114	0.45	

# Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %	as at 31.10.20 %
<b>Fixed income</b>	<b>11,313</b>	<b>45.15</b>	<b>46.36</b>
<b>United Kingdom</b>	<b>871</b>	<b>3.47</b>	<b>8.91</b>
<b>Government bonds</b>	<b>784</b>	<b>3.13</b>	<b>8.27</b>
£784,000 UK Treasury 0% 29/12/2021	784	3.13	
<b>Investment grade corporate bonds</b>	<b>87</b>	<b>0.34</b>	<b>0.64</b>
€100,000 Vodafone 0.9% 24/11/2026	87	0.34	
<b>France</b>	<b>172</b>	<b>0.69</b>	<b>1.52</b>
<b>Investment grade corporate bonds</b>	<b>90</b>	<b>0.36</b>	<b>1.02</b>
US\$115,000 Électricité de France 3.625% 13/10/2025	90	0.36	
<b>Below investment grade corporate bonds</b>	<b>82</b>	<b>0.33</b>	<b>0.50</b>
€100,000 Casino Guichard Perrachon 4.498% 07/03/2024	82	0.33	
<b>Germany</b>	<b>90</b>	<b>0.36</b>	<b>0.45</b>
<b>Investment grade corporate bonds</b>	<b>90</b>	<b>0.36</b>	<b>0.45</b>
US\$124,000 KFW 2% 30/11/2021	90	0.36	
<b>Portugal</b>	<b>789</b>	<b>3.15</b>	<b>0.66</b>
<b>Government bonds</b>	<b>699</b>	<b>2.79</b>	<b>0.00</b>
€897,499 Portugal (Republic of) 1% 12/04/2052	699	2.79	
<b>Investment grade corporate bonds</b>	<b>90</b>	<b>0.36</b>	<b>0.66</b>
€100,000 EDP - Energias de Portugal 1.625% 15/04/2027	90	0.36	
<b>Sweden</b>	<b>82</b>	<b>0.33</b>	<b>0.53</b>
<b>Below investment grade corporate bonds</b>	<b>82</b>	<b>0.33</b>	<b>0.53</b>
€100,000 Intrum 3% 15/09/2027	82	0.33	
<b>United States</b>	<b>6,021</b>	<b>24.03</b>	<b>24.93</b>
<b>Government bonds</b>	<b>4,156</b>	<b>16.59</b>	<b>16.21</b>
US\$4,769,600 US Treasury 3% 15/02/2048	4,156	16.59	
<b>Investment grade corporate bonds</b>	<b>1,698</b>	<b>6.78</b>	<b>6.48</b>
US\$121,000 Apple 2.85% 23/02/2023	90	0.36	
US\$119,000 HCA 5% 15/03/2024	94	0.38	
US\$671,000 Inter-American Development Bank 0.875% 03/04/2025	486	1.94	
IDR1,820,000,000 Inter-American Development Bank 5.5% 07/02/2023	94	0.38	
IDR8,460,000,000 Inter-American Development Bank 7.875% 14/03/2023	451	1.80	

## Investments

## Portfolio statement (continued)

Holding		as at 31.10.21 £'000	as at 31.10.21 %	as at 31.10.20 %
<b>Fixed income (continued)</b>				
<b>United States (continued)</b>				
<b>Investment grade corporate bonds (continued)</b>				
BRL4,350,000	International Bank for Reconstruction & Development 0% 30/01/2024	427	1.70	
US\$78,000	Xylem 2.25% 30/01/2031	56	0.22	
<b>Below investment grade corporate bonds</b>		<b>167</b>	<b>0.66</b>	<b>2.24</b>
US\$81,000	DaVita 3.75% 15/02/2031	56	0.22	
US\$73,000	Hanesbrands 4.625% 15/05/2024	55	0.22	
US\$72,000	KB Home 4.8% 15/11/2029	56	0.22	
<b>Chile</b>		<b>991</b>	<b>3.95</b>	<b>1.50</b>
<b>Government bonds</b>		<b>991</b>	<b>3.95</b>	<b>1.50</b>
CLP750,000,000	Chile (Republic of) 5% 01/10/2028	636	2.54	
€442,000	Chile (Republic of) 1.25% 29/01/2040	355	1.41	
<b>Colombia</b>		<b>579</b>	<b>2.31</b>	<b>1.55</b>
<b>Government bonds</b>		<b>579</b>	<b>2.31</b>	<b>1.55</b>
COP3,224,200,000	Colombia (Republic of) 7% 26/03/2031	579	2.31	
<b>Mexico</b>		<b>566</b>	<b>2.26</b>	<b>2.18</b>
<b>Government bonds</b>		<b>566</b>	<b>2.26</b>	<b>2.18</b>
MXN15,188,100	Mexico (United Mexican States) 8.5% 18/11/2038	566	2.26	
<b>Peru</b>		<b>503</b>	<b>2.01</b>	<b>1.64</b>
<b>Government bonds</b>		<b>503</b>	<b>2.01</b>	<b>1.64</b>
PEN2,580,000	Peru (Republic of) 6.95% 12/08/2031	503	2.01	
<b>South Africa</b>		<b>542</b>	<b>2.16</b>	<b>1.95</b>
<b>Government bonds</b>		<b>542</b>	<b>2.16</b>	<b>1.95</b>
ZAR16,664,764	South Africa (Republic of) 6.25% 31/03/2036	542	2.16	
<b>Cayman Islands</b>		<b>107</b>	<b>0.43</b>	<b>0.54</b>
<b>Investment grade corporate bonds</b>		<b>107</b>	<b>0.43</b>	<b>0.54</b>
US\$132,000	Fibria Overseas Finance 5.5% 17/01/2027	107	0.43	
<b>Currency</b>		<b>41</b>	<b>0.16</b>	<b>(0.21)</b>
<b>Forward currency contracts</b>		<b>41</b>	<b>0.16</b>	<b>(0.21)</b>
CA\$(185,548)	Sold for £108,892 (expires 21.01.22)	0	0.00	
DKK(5,031,895)	Sold for £572,931 (expires 21.01.22)	0	0.00	

# Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %	as at 31.10.20 %
Currency (continued)			
Forward currency contracts (continued)			
€(5,336,255) Sold for £4,520,902 (expires 21.01.22)	1	0.00	
¥58,244,685 Bought for £373,566 (expires 21.01.22)	(2)	(0.01)	
US\$707,426 Bought for TWD19,749,909 (expires 26.11.21)	(2)	(0.01)	
US\$(13,089,851) Sold for £9,537,621 (expires 21.01.22)	44	0.18	
<b>Total portfolio (notes 2c &amp; 2d on pages 9 and 10)</b>	<b>24,034</b>	<b>95.92</b>	<b>97.13</b>
<b>Net other assets/(liabilities)</b>	<b>1,023</b>	<b>4.08</b>	<b>2.87</b>
<b>Net assets attributable to shareholders</b>	<b>25,057</b>	<b>100.00</b>	<b>100.00</b>

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

<sup>a</sup> AIM quoted.

# Financial highlights

## Fund performance

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

The following chart 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 Investment Funds (4), which is available free of charge either from our website at [www.mandg.co.uk/prospectuses](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

## Fund level performance

Fund net asset value as at	31.10.21 £'000	31.10.20 £'000	31.10.19 £'000
Fund net asset value (NAV)	25,057	14,747	12,080

## 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.

February 2019 = 100, plotted monthly  
Chart date 1 November 2021



Source: Morningstar, Inc. and M&G

\* Income reinvested

## Long-term performance by share class

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

Share class	One year 02.11.20 % <sup>a</sup>	Three years 01.11.18 % pa	Five years 01.11.16 % pa	Since launch % pa
<b>Sterling</b>				
Class 'A'	+17.6	n/a	n/a	+8.1
Class 'I'	+18.0	n/a	n/a	+8.6
Class 'L'	+18.2	n/a	n/a	+8.8
Class 'PP'	+18.1	n/a	n/a	+8.2
Class 'R'	+17.8	n/a	n/a	+8.3

<sup>a</sup> Not annualised.

## 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.

# Financial highlights

- **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 below 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](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

## Portfolio transaction costs

for the year to 31 October	2021	2020	2019	Average <sup>a</sup>
Direct portfolio transaction costs <sup>b</sup>	%	%	%	%
Broker commission	0.01	0.01	0.04	0.02
Taxes	0.03	0.01	0.08	0.04
Costs before dilution adjustments	0.04	0.02	0.12	0.06
Dilution adjustments <sup>c</sup>	(0.03)	(0.02)	(0.12)	(0.06)
Total direct portfolio transaction costs	0.01	0.00	0.00	0.00
as at 31 October	2021	2020	2019	Average <sup>a</sup>
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.22	0.24	0.13	0.20

<sup>a</sup> Average of first three columns.

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

<sup>c</sup> 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.

# Financial highlights

Historic yields for the current year are calculated as at 12 November 2021.

## Sterling Class 'A' Income share performance

The share class was launched on 20 February 2019.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	99.13	105.57	100.00
Return before operating charges	18.13	(2.60)	9.24
Operating charges	(1.20)	(1.24)	(1.11)
Return after operating charges	16.93	(3.84)	8.13
Distributions	(2.69)	(2.60)	(2.56)
Closing NAV	113.37	99.13	105.57
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.02	0.08
Dilution adjustments <sup>a</sup>	(0.03)	(0.02)	(0.08)
Total direct transaction costs	0.01	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.00	0.00
Operating charges <sup>c</sup>	1.09	1.24	1.44
Return after charges	+17.08	-3.64	+8.13
Historic yield	2.31	2.47	3.24
Other information			
Closing NAV (£'000)	1,070	500	94
Closing NAV (%)	4.27	3.39	0.78
Number of shares	943,691	504,845	88,880
Highest share price (UK p)	115.71	110.42	107.12
Lowest share price (UK p)	99.75	86.76	99.17

## Sterling Class 'A' Accumulation share performance

The share class was launched on 20 February 2019.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	104.26	108.19	100.00
Return before operating charges	19.17	(2.63)	9.30
Operating charges	(1.28)	(1.30)	(1.11)
Return after operating charges	17.89	(3.93)	8.19
Distributions	(1.56)	(1.36)	(1.59)
Retained distributions	1.56	1.36	1.59
Closing NAV	122.15	104.26	108.19
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.02	0.08
Dilution adjustments <sup>a</sup>	(0.03)	(0.02)	(0.08)
Total direct transaction costs	0.01	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.00	0.00
Operating charges <sup>c</sup>	1.09	1.25	1.43
Return after charges	+17.16	-3.63	+8.19
Historic yield	1.24	1.24	1.77
Other information			
Closing NAV (£'000)	126	48	43
Closing NAV (%)	0.50	0.33	0.36
Number of shares	103,449	45,914	40,271
Highest share price (UK p)	123.81	113.71	108.92
Lowest share price (UK p)	104.92	89.34	99.17



# Financial highlights

## Sterling Class 'I' Income share performance

The share class was launched on 20 February 2019.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	100.06	106.03	100.00
Return before operating charges	18.26	(2.71)	9.13
Operating charges	(0.75)	(0.75)	(0.61)
Return after operating charges	17.51	(3.46)	8.52
Distributions	(2.63)	(2.51)	(2.49)
Closing NAV	114.94	100.06	106.03
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.04	0.02	0.08
Dilution adjustments <sup>a</sup>	(0.03)	(0.02)	(0.08)
Total direct transaction costs	0.01	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.01	0.00	0.00
Operating charges <sup>c</sup>	0.67	0.74	0.82
Return after charges	+17.50	-3.26	+8.52
Historic yield	2.22	2.37	3.22
<b>Other information</b>			
Closing NAV (£'000)	1,743	827	207
Closing NAV (%)	6.95	5.60	1.71
Number of shares	1,516,158	825,993	195,127
Highest share price (UK p)	117.22	111.07	107.56
Lowest share price (UK p)	100.70	87.30	99.19

## Sterling Class 'I' Accumulation share performance

The share class was launched on 20 February 2019.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	105.08	108.59	100.00
Return before operating charges	19.25	(2.73)	9.21
Operating charges	(0.79)	(0.78)	(0.62)
Return after operating charges	18.46	(3.51)	8.59
Distributions	(1.98)	(1.80)	(1.97)
Retained distributions	1.98	1.80	1.97
Closing NAV	123.54	105.08	108.59
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.05	0.02	0.09
Dilution adjustments <sup>a</sup>	(0.03)	(0.02)	(0.09)
Total direct transaction costs	0.02	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.01	0.00	0.00
Operating charges <sup>c</sup>	0.66	0.75	0.82
Return after charges	+17.57	-3.23	+8.59
Historic yield	1.56	1.62	2.45
<b>Other information</b>			
Closing NAV (£'000)	6,102	1,364	431
Closing NAV (%)	24.35	9.25	3.57
Number of shares	4,939,225	1,297,852	396,896
Highest share price (UK p)	125.15	114.27	109.32
Lowest share price (UK p)	105.76	89.82	99.19

# Financial highlights

## Sterling Class 'L' Income share performance

The share class was launched on 20 February 2019.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	100.49	106.22	100.00
Return before operating charges	18.30	(2.75)	9.14
Operating charges	(0.52)	(0.51)	(0.46)
Return after operating charges	17.78	(3.26)	8.68
Distributions	(2.59)	(2.47)	(2.46)
Closing NAV	115.68	100.49	106.22
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.02	0.08
Dilution adjustments <sup>a</sup>	(0.03)	(0.02)	(0.08)
Total direct transaction costs	0.01	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.00	0.00
Operating charges <sup>c</sup>	0.46	0.50	0.57
Return after charges	+17.69	-3.07	+8.68
Historic yield	2.18	2.32	3.22
Other information			
Closing NAV (£'000)	24	21	22
Closing NAV (%)	0.10	0.14	0.18
Number of shares	20,700	20,700	20,700
Highest share price (UK p)	117.93	111.35	107.74
Lowest share price (UK p)	101.14	87.53	99.20

## Sterling Class 'L' Accumulation share performance

The share class was launched on 20 February 2019.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	105.42	108.73	100.00
Return before operating charges	19.28	(2.78)	9.25
Operating charges	(0.55)	(0.53)	(0.52)
Return after operating charges	18.73	(3.31)	8.73
Distributions	(2.19)	(2.02)	(2.12)
Retained distributions	2.19	2.02	2.12
Closing NAV	124.15	105.42	108.73
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.02	0.08
Dilution adjustments <sup>a</sup>	(0.03)	(0.02)	(0.08)
Total direct transaction costs	0.02	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.01	0.00	0.00
Operating charges <sup>c</sup>	0.46	0.50	0.60
Return after charges	+17.77	-3.04	+8.73
Historic yield	1.71	1.81	2.67
Other information			
Closing NAV (£'000)	13,567	10,883	10,974
Closing NAV (%)	54.15	73.80	90.85
Number of shares	10,928,592	10,323,625	10,092,332
Highest share price (UK p)	125.74	114.50	109.47
Lowest share price (UK p)	106.10	90.01	99.20

# Financial highlights

## Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	97.67	103.29	100.00
Return before operating charges	17.80	(2.67)	4.21
Operating charges	(0.60)	(0.53)	(0.16)
Return after operating charges	17.20	(3.20)	4.05
Distributions	(2.54)	(2.42)	(0.76)
Closing NAV	112.33	97.67	103.29
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.04	0.02	0.03
Dilution adjustments <sup>a</sup>	(0.03)	(0.02)	(0.03)
Total direct transaction costs	0.01	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.01	0.00	0.00
Operating charges	0.55	0.54	0.55
Return after charges	+17.61	-3.10	+4.05
Historic yield	2.20	2.33	3.22
<b>Other information</b>			
Closing NAV (£'000)	288	180	21
Closing NAV (%)	1.15	1.22	0.17
Number of shares	256,266	184,341	20,000
Highest share price (UK p)	114.55	108.27	104.75
Lowest share price (UK p)	98.30	85.11	99.11

## Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	102.92	106.17	100.00
Return before operating charges	18.80	(2.69)	6.57
Operating charges	(0.63)	(0.56)	(0.40)
Return after operating charges	18.17	(3.25)	6.17
Distributions	(2.06)	(1.93)	(2.04)
Retained distributions	2.06	1.93	2.04
Closing NAV	121.09	102.92	106.17
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.04	0.02	0.07
Dilution adjustments <sup>a</sup>	(0.03)	(0.02)	(0.07)
Total direct transaction costs	0.01	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.01	0.00	0.00
Operating charges <sup>c</sup>	0.55	0.54	0.61
Return after charges	+17.65	-3.06	+6.17
Historic yield	1.65	1.77	2.63
<b>Other information</b>			
Closing NAV (£'000)	834	373	51
Closing NAV (%)	3.33	2.53	0.42
Number of shares	688,422	362,089	47,891
Highest share price (UK p)	122.66	111.78	106.88
Lowest share price (UK p)	103.55	87.87	98.41

# Financial highlights

## Sterling Class 'R' Income share performance

The share class was launched on 20 February 2019.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	99.64	105.85	100.00
Return before operating charges	18.22	(2.64)	9.16
Operating charges	(1.02)	(1.01)	(0.79)
Return after operating charges	17.20	(3.65)	8.37
Distributions	(2.67)	(2.56)	(2.52)
Closing NAV	114.17	99.64	105.85
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.04	0.02	0.08
Dilution adjustments <sup>a</sup>	(0.03)	(0.02)	(0.08)
Total direct transaction costs	0.01	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.01	0.00	0.00
Operating charges <sup>c</sup>	0.92	0.99	1.06
Return after charges	+17.26	-3.45	+8.37
Historic yield	2.27	2.42	3.23
<b>Other information</b>			
Closing NAV (£'000)	266	143	56
Closing NAV (%)	1.06	0.97	0.46
Number of shares	232,915	143,782	52,573
Highest share price (UK p)	116.49	110.80	107.39
Lowest share price (UK p)	100.28	87.07	99.18

## Sterling Class 'R' Accumulation share performance

The share class was launched on 20 February 2019.

for the year to 31 October Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	104.73	108.50	100.00
Return before operating charges	19.22	(2.73)	9.33
Operating charges	(1.08)	(1.04)	(0.83)
Return after operating charges	18.14	(3.77)	8.50
Distributions	(1.73)	(1.59)	(1.83)
Retained distributions	1.73	1.59	1.83
Closing NAV	122.87	104.73	108.50
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.04	0.02	0.08
Dilution adjustments <sup>a</sup>	(0.03)	(0.02)	(0.08)
Total direct transaction costs	0.01	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.01	0.00	0.00
Operating charges <sup>c</sup>	0.92	0.99	1.10
Return after charges	+17.32	-3.47	+8.50
Historic yield	1.37	1.43	2.22
<b>Other information</b>			
Closing NAV (£'000)	1,037	408	181
Closing NAV (%)	4.14	2.77	1.50
Number of shares	844,098	389,543	167,195
Highest share price (UK p)	124.52	114.06	109.18
Lowest share price (UK p)	105.39	89.63	99.18

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

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

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

# Financial statements and notes

## Financial statements

### Statement of total return

		2021		2020	
for the year to 31 October	Note	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	3		2,534		(613)
Revenue	5	532		367	
Expenses	6	(115)		(75)	
Net revenue/(expense) before taxation		417		292	
Taxation	7	(56)		(42)	
Net revenue/(expense) after taxation			361		250
Total return before distributions			2,895		(363)
Distributions	8		(381)		(259)
Change in net assets attributable to shareholders from investment activities			2,514		(622)

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

for the year to 31 October	2021		2020	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>14,747</b>		<b>12,080</b>
Amounts received on issue of shares	8,237		3,237	
Amounts paid on cancellation of shares	(789)		(189)	
		7,448		3,048
Dilution adjustments		13		6
Change in net assets attributable to shareholders from investment activities (see above)		2,514		(622)
Retained distributions on Accumulation shares		335		235
<b>Closing net assets attributable to shareholders</b>		<b>25,057</b>		<b>14,747</b>

# Financial statements and notes

## Financial statements

### Balance sheet

as at 31 October	Note	2021 £'000	2020 £'000
<b>Assets</b>			
<b>Fixed assets</b>			
Investments		24,038	14,377
<b>Current assets</b>			
Debtors	9	345	145
Cash and bank balances	10	746	311
<b>Total assets</b>		<b>25,129</b>	<b>14,833</b>
<b>Liabilities</b>			
Investment liabilities		(4)	(53)
<b>Creditors</b>			
Bank overdrafts		(5)	0
Distribution payable		(23)	(10)
Other creditors	11	(40)	(23)
<b>Total liabilities</b>		<b>(72)</b>	<b>(86)</b>
<b>Net assets attributable to shareholders</b>		<b>25,057</b>	<b>14,747</b>

# Financial statements and notes

## Notes to the financial statements

### 1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 9 to 12.

### 2 Distribution policies

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

### 3 Net capital gains/(losses)

for the year to 31 October	2021 £'000	2020 £'000
Non-derivative securities	1,915	(433)
Derivative contracts	547	(187)
Currency gains/(losses)	72	7
<b>Net capital gains/(losses)<sup>a</sup></b>	<b>2,534</b>	<b>(613)</b>

<sup>a</sup> Includes realised gains of £944,000 and unrealised gains of £1,590,000 (2020: realised gains of £643,000 and unrealised losses of £1,256,000). Certain realised gains and losses in the current year were unrealised in the prior year.

# Financial statements and notes

## 4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 116 and 117.

for the year to 31 October	2021 £'000	% of transaction	2020 £'000	% of transaction
<b>a) Purchases</b>				
<b>Equities</b>				
Equities before transaction costs	4,567		2,583	
Commissions	1	0.02	1	0.04
Taxes	5	0.11	2	0.08
<b>Equities after transaction costs</b>	<b>4,573</b>		<b>2,586</b>	
<b>Debt securities<sup>a</sup></b>	<b>11,193</b>		<b>6,540</b>	
<b>Collective investment schemes</b>				
Collective investment schemes before transaction costs	307		53	
Taxes	1	0.20	0	0.00
<b>Collective investment schemes after transaction costs</b>	<b>308</b>		<b>53</b>	
<b>Other transaction types</b>				
Corporate actions	31		0	
<b>Total purchases after transaction costs</b>	<b>16,105</b>		<b>9,179</b>	
<b>b) Sales</b>				
<b>Equities</b>				
Equities before transaction costs	2,492		997	
Commissions	(1)	0.02	0	0.00
<b>Equities after transaction costs</b>	<b>2,491</b>		<b>997</b>	
<b>Debt securities</b>	<b>5,772</b>		<b>4,359</b>	
<b>Collective investment schemes</b>	<b>0</b>		<b>217</b>	
<b>Other transaction types</b>				
Corporate actions	97		0	
<b>Total sales after transaction costs</b>	<b>8,360</b>		<b>5,573</b>	



# Financial statements and notes

	2021 £'000	% of average NAV	2020 £'000	% of average NAV
<b>c) Direct portfolio transaction costs</b>				
<b>Commissions paid</b>				
Equities	2	0.01	1	0.01
<b>Taxes paid</b>				
Equities	5	0.03	2	0.01
Collective investment schemes	1	0.00	0	0.00
<b>Total taxes paid</b>	<b>6</b>	<b>0.03</b>	<b>2</b>	<b>0.01</b>
<b>Total direct portfolio transaction costs<sup>b</sup></b>	<b>8</b>	<b>0.04</b>	<b>3</b>	<b>0.02</b>
		%		%
<b>d) Indirect portfolio transaction costs</b>				
Portfolio dealing spread <sup>c</sup>		0.22		0.24

<sup>a</sup> These transaction types do not attract direct portfolio transaction costs.

<sup>b</sup> Costs before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

<sup>c</sup> Average portfolio dealing spread at the balance sheet date.

## 5 Revenue

for the year to 31 October	2021 £'000	2020 £'000
Derivative revenue	0	(2)
Distributions from collective investment schemes: property income dividends	0	1
Dividends from equity investments: non-taxable	234	178
Dividends from equity investments: taxable	0	3
Interest on debt securities	293	184
Property distribution: non-taxable	2	0
Property distribution: taxable	3	0
Stock dividends	0	3
<b>Total revenue</b>	<b>532</b>	<b>367</b>

Revenue includes currency gains/(losses).

# Financial statements and notes

## 6 Expenses

for the year to 31 October	2021 £'000	2020 £'000
<b>Payable to the ACD or associate</b>		
Annual charge	114	76
<b>Other expenses</b>		
Interest payable	1	0
Safe custody charge <sup>a</sup>	0	(1)
	1	(1)
<b>Total expenses</b>	<b>115</b>	<b>75</b>

Audit fees for the financial year ending 2021 were £11,000 (2020: £8,000) (including VAT), which are covered by the annual charge.

<sup>a</sup> This amount relates to refunds received in respect of charges to the fund before the single annual charge took effect.

## 7 Taxation

for the year to 31 October	2021 £'000	2020 £'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	36	22
Withholding tax	23	21
Double taxation relief	(3)	(1)
Deferred tax (note 7c)	0	0
<b>Total taxation</b>	<b>56</b>	<b>42</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue/(expense) before taxation	417	292
Corporation tax at 20%	83	58
<b>Effects of:</b>		
Dividends from equity investments: non-taxable	(47)	(36)
Total double taxation relief	(3)	(1)
Withholding tax	23	21
<b>Total tax charge (note 7a)</b>	<b>56</b>	<b>42</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

The fund has not recognised a deferred tax asset in the current financial year (2020: same).

# Financial statements and notes

## 8 Distributions

for the year to 31 October	2021		2020	
	Inc <sup>a</sup>	Acc <sup>b</sup>	Inc <sup>a</sup>	Acc <sup>b</sup>
Dividend distributions	£'000	£'000	£'000	£'000
First interim	10	47	3	39
Second interim	14	76	11	77
Third interim	18	98	9	59
Final	23	114	10	60
Total net distributions		400		268
Income deducted on cancellation of shares		2		1
Income received on issue of shares		(21)		(10)
<b>Distributions</b>		<b>381</b>		<b>259</b>
Net revenue/(expense) per statement of total return		361		250
Expenses offset against capital		20		9
<b>Distributions</b>		<b>381</b>		<b>259</b>

<sup>a</sup> Distributions payable on Income shares.

<sup>b</sup> Retained distributions on Accumulation shares.

## 9 Debtors

as at 31 October	2021	2020
	£'000	£'000
Amounts receivable on issues of shares	195	54
Debt security interest receivable	121	62
Dividends receivable	20	23
Withholding tax recoverable	9	6
<b>Total debtors</b>	<b>345</b>	<b>145</b>

## 10 Cash and bank balances

as at 31 October	2021	2020
	£'000	£'000
Cash held as bank balances	746	311
<b>Total cash and bank balances</b>	<b>746</b>	<b>311</b>

# Financial statements and notes

## 11 Other creditors

as at 31 October	2021 £'000	2020 £'000
Amounts payable on cancellation of shares	2	0
Annual charge payable	5	2
Corporation tax payable	33	21
<b>Total other creditors</b>	<b>40</b>	<b>23</b>

## 12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2020: same).

## 13 Shares in issue

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

Share class	Opening 01.11.20	Issued	Movements Cancelled	Closing 31.10.21
<b>Sterling</b>				
Class 'A' Income	504,845	518,678	(79,832)	943,691
Class 'A' Accumulation	45,914	65,541	(8,006)	103,449
Class 'I' Income	825,993	796,179	(106,014)	1,516,158
Class 'I' Accumulation	1,297,852	3,959,071	(317,698)	4,939,225
Class 'L' Income	20,700	0	0	20,700
Class 'L' Accumulation	10,323,625	614,324	(9,357)	10,928,592
Class 'PP' Income	184,341	76,925	(5,000)	256,266
Class 'PP' Accumulation	362,089	408,376	(82,043)	688,422
Class 'R' Income	143,782	119,733	(30,600)	232,915
Class 'R' Accumulation	389,543	490,512	(35,957)	844,098

# Financial statements and notes

## 14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Annual charge <sup>a</sup> to 14.02.21 %	Annual charge <sup>a</sup> from 15.02.21 %
<b>Sterling</b>		
Class 'A'	1.25	1.05
Class 'I'	0.75	0.65
Class 'L'	0.50	0.45
Class 'PP'	0.55	0.55
Class 'R'	1.00	0.90

<sup>a</sup> The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

## 15 Related parties

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

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

During the year, there were transactions in shares in related parties of M&G Securities Limited with a total value of £nil (2020: £217,000).

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 50.79% (2020: 71.45%) of the fund's shares.

## 16 Events after the balance sheet date

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

## 17 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

### Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities, highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

### Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

# Financial statements and notes

## Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 31 October	Assets 2021 £'000	Liabilities 2021 £'000	Assets 2020 £'000	Liabilities 2020 £'000
Basis of valuation				
Level 1	17,620	0	11,120	0
Level 2	6,418	(4)	3,257	(53)
Level 3	0	0	0	0
	<b>24,038</b>	<b>(4)</b>	<b>14,377</b>	<b>(53)</b>

In accordance with FRS 102 (22.4a) the shares in issue for each class meet the definition of a puttable instrument as the shareholders have the right to sell the shares back to the issuer. The shares in the fund may be issued and redeemed on any business day at the quoted price. These shares are not traded on an exchange. However, the price is observable and transactions within the fund take place regularly at that price. The shares in issue as detailed in note 13 meet the definition of a level 2 financial instrument 'Valuation techniques using observable market data'.

## 18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 14.

## 19 Market risk sensitivity and exposure

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

The VaR limit set during the financial year to 31 October 2021 was 12% (2020: 12%).

The lowest, highest and average VaR, as well as utilisation of VaR with reference to the limit above, are calculated during the financial years ended 31 October 2021 and 31 October 2020 .

for the year to 31 October	2021 % of VaR	2021 Utilisation of VaR <sup>a</sup> 12%	2020 % of VaR	2020 Utilisation of VaR <sup>a</sup> 12%
Lowest	5.62	46.83	3.66	30.50
Highest	9.91	82.58	14.30 <sup>b</sup>	119.17
Average	7.33	61.11	8.93	74.44

<sup>a</sup> The VaR on the fund has been divided by its maximum limit.

<sup>b</sup> Due to market volatility caused by the COVID-19 pandemic there was a passive breach on the internally set upper VaR limit. The volatility was more abrupt than the 2008-09 crisis on which these limits were initially modelled. The VaR levels on all funds remained below the regulatory upper VaR limit and are being monitored with increased oversight.

# Financial statements and notes

## 20 Credit risk

The fund is exposed to credit risk both through the credit quality of the investments it holds and through the derivative positions with counterparties. The table below shows the credit quality of the investments held in the portfolio.

as at 31 October	2021 £'000	2020 £'000
Investment grade securities	9,264	6,180
Below investment grade securities	1,452	655
Other investments	13,318	7,489
<b>Total</b>	<b>24,034</b>	<b>14,324</b>

The tables below show the exposure to counterparties. Collateral is posted daily, in the form of cash or high-quality government bonds, to minimise this exposure.

as at 31 October 2021	Forward currency contracts £'000
Citigroup	1
HSBC	1
JPMorgan	(4)
UBS	43
<b>Total</b>	<b>41</b>

as at 31 October 2020	Forward currency contracts £'000
BNP Paribas	(21)
Citigroup	18
JPMorgan	(11)
Merrill Lynch	8
Royal Bank of Scotland	(3)
National Australia Bank	1
Standard Chartered Bank	(14)
State Street Bank	2
UBS	(11)
<b>Total</b>	<b>(31)</b>

# Financial statements and notes

## 21 Leverage risk

Funds using VaR approaches are required to disclose the level of leverage employed during the financial reporting period.

Derivatives can be used by the fund to generate market exposure to investments exceeding the net asset value. As a result of this exposure, the size of any positive or negative movement in markets may have a more significant effect on the net asset value of the fund.

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 31 October 2021 and 31 October 2020 are disclosed in the table below.

for the year to 31 October	2021 <sup>a</sup> £'000	2021 <sup>a</sup> % <sup>b</sup>	2020 <sup>a</sup> £'000	2020 <sup>a</sup> % <sup>b</sup>
Lowest	10,972	63	20,577	145
Highest	46,906	209	46,738	366
Average	15,224	75	23,965	180

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

<sup>b</sup> Expressed as a percentage over fund valuation.

## 22 Dividend distribution tables

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

### Quarterly distribution periods

	Start	End	Xd	Payment
First interim	01.11.20	31.01.21	01.02.21	31.03.21
Second interim	01.02.21	30.04.21	04.05.21	30.06.21
Third interim	01.05.21	31.07.21	02.08.21	30.09.21
Final	01.08.21	31.10.21	01.11.21	31.12.21

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

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

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



# Financial statements and notes

## Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.1530	0.3678	0.5208	0.5228
Second interim	0.3516	0.2913	0.6429	0.8082
Third interim	0.3936	0.3470	0.7406	0.6321
Final	0.4734	0.3118	0.7852	0.6348

## Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.0516	0.1472	0.1988	0.1918
Second interim	0.2178	0.1502	0.3680	0.5156
Third interim	0.0569	0.4206	0.4775	0.3334
Final	0.3246	0.1880	0.5126	0.3214

## Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.1716	0.3276	0.4992	0.4982
Second interim	0.3238	0.3033	0.6271	0.7877
Third interim	0.3125	0.4145	0.7270	0.6116
Final	0.3014	0.4709	0.7723	0.6137

## Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.1279	0.1852	0.3131	0.3046
Second interim	0.1503	0.3179	0.4682	0.6215
Third interim	0.2225	0.3539	0.5764	0.4398
Final	0.3110	0.3084	0.6194	0.4362

# Financial statements and notes

## Sterling Class 'L' Income shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.4874	0.0000	0.4874	0.4879
Second interim	0.6186	0.0000	0.6186	0.7781
Third interim	0.7214	0.0000	0.7214	0.5998
Final	0.7642	0.0000	0.7642	0.6043

## Sterling Class 'L' Accumulation shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.1115	0.2560	0.3675	0.3591
Second interim	0.1685	0.3497	0.5182	0.6729
Third interim	0.2410	0.3861	0.6271	0.4929
Final	0.2626	0.4104	0.6730	0.4907

## Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.4778	0.0000	0.4778	0.4787
Second interim	0.2547	0.3518	0.6065	0.7611
Third interim	0.7050	0.0000	0.7050	0.5868
Final	0.4129	0.3361	0.7490	0.5894

## Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.2113	0.1386	0.3499	0.3420
Second interim	0.3024	0.1831	0.4855	0.6471
Third interim	0.0477	0.5416	0.5893	0.4710
Final	0.4067	0.2251	0.6318	0.4700

# Financial statements and notes

## Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.1453	0.3654	0.5107	0.5106
Second interim	0.0656	0.5722	0.6378	0.8003
Third interim	0.3777	0.3595	0.7372	0.6223
Final	0.3113	0.4707	0.7820	0.6247

## Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 October	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.1420	0.1147	0.2567	0.2497
Second interim	0.2007	0.2077	0.4084	0.5696
Third interim	0.2632	0.2485	0.5117	0.3870
Final	0.3546	0.1990	0.5536	0.3805

# Authorised Corporate Director's Report

## Investment objective

The fund has two aims:

- To limit the average volatility to 12% per annum over any five-year period while providing a total return (the combination of capital growth and income) over that period; and
- To invest in assets which meet the fund's preferred ESG standards and/or those that provide a positive societal impact through addressing the world's major social and environmental challenges.

## Investment policy

The fund invests globally across a range of asset classes, including equities and equity-related securities, fixed income securities, cash and near cash. Exposure to these assets is typically gained directly, but may also be gained indirectly, via funds (including funds managed by M&G) or derivatives. The fund may also invest to a limited extent indirectly in other asset classes such as property and gold.

Typically, the fund holds 20-60% of its net asset value in equities and equity related securities, but there is no obligation on the fund manager to hold a particular level of equity exposure.

The fund aims to exclude securities issued by:

- Companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour rights, the environment and anti-corruption;
- Companies involved in the production of tobacco, alcohol, adult entertainment, controversial weapons, thermal coal, or the provision of gambling services;
- Companies that derive more than 10% of their revenue from the distribution of tobacco, unconventional oil and gas extraction, and the production or distribution of other weapons;

- Conventional oil and gas extraction companies that derive less than 40% of their revenue from activities related to natural gas extraction or renewable energy sources; and
- Electricity utilities companies that derive more than 10% of their power production from coal, more than 30% from oil and gas, or nuclear fuel sources. However, the fund may hold companies that have a clear business model of accelerating the transition to low-carbon power production, up to a maximum total limit of 5% of the fund's net asset value.

Where the fund invests directly, these investments meet the fund's ESG criteria or impact criteria:

- The ESG criteria are designed to consider key ESG risks and identify companies and governments which meet preferred standards of ESG behaviour.
- The impact criteria are designed to identify investments that have a positive societal impact. Typically, the fund holds 20%-50% of its net asset value in positive impact assets. It always holds at least 20% of its net asset value in positive impact assets and there is no cap on the level of positive impact exposure.

Further information on M&G's approach to ESG standards and exclusions and impact criteria can be found on the M&G website: <https://www.mandg.com/dam/investments/common/gb/en/documents/funds-literature/fund-specific-files/mandg-sustainable-multi-asset-funds-esg-policy-and-process.pdf>

Indirect investments are not subject to the same ESG and/or impact restrictions as securities held directly. The fund manager will assess the suitability of such investments relative to the fund's non-financial objective. For further details please see the M&G website.

The only investments that are not subject to assessment relative to the fund's non-financial objective are: the use of derivatives to take advantage of short-term market movements and to hedge currency exposures, and cash.

# Authorised Corporate Director's Report

The currency exposure of the fund will be actively managed, seeking to enhance returns, with a minimum of 70% of the fund exposed to sterling.

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

## Investment approach

The fund's approach to sustainable investment is to invest in securities issued by companies or governments that uphold high standards of ESG behaviour, as assessed using the fund's ESG criteria. In addition, the fund maintains a core holding of assets that have a positive societal impact, as assessed using the fund's impact criteria. As part of the investment process, the fund manager considers the long-term sustainability of assets, including carbon intensity and climate adaptability.

The fund manager's assessment of ESG criteria and impact criteria relies upon the use of third-party ESG information and/or proprietary analysis. Further information on M&G's approach to ESG standards and exclusions and impact criteria can be found on the M&G website.

Volatility is managed by using research to estimate the variation in value and risk of different types of assets. The fund seeks to manage volatility and risk through flexible asset allocation, by investing globally across multiple asset classes, sectors, currencies and countries, in response to changes in economic conditions and asset values. This approach combines research to work out the anticipated value of assets over the medium to long term, with analysis of market reactions to events to identify investment opportunities.

The fund's volatility management objective may limit potential gains as well as losses.

## Benchmark

Benchmark: IA Mixed Investment 20-60% shares sector.

The benchmark is a comparator for the fund's financial objective against which the fund's financial performance can be measured. The sector has been chosen as the fund's benchmark as it reflects the financial aspects of the fund's investment policy. The comparator benchmark 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 within the constraints set by the fund's objective and investment policy.

An annual ESG and positive impact review to provide an assessment of the non-financial objective of the fund will be made available on the M&G website.

## Risk profile

The fund invests globally in a broad range of assets, including company shares (equities), fixed income securities (bonds), cash, near cash, currencies and other assets such as property shares and gold. The fund is, therefore, subject to the price volatility of global financial and currency markets. The fund's approach to sustainable investment is through flexible asset allocation, implemented by investing in securities of companies or governments that uphold high standards of ESG or positive impact behaviour. The fund allocates capital between different types of assets in response to changes in economic conditions and the valuation of assets. The manager will seek to build a highly diversified portfolio wherever possible. The blend of assets held in the fund is regularly adjusted, depending on where the fund manager sees the most value, and to manage risks, including liquidity, credit, currency and market risks. The fund's risks are measured and managed as an integral part of the investment process with the aim to limit the average volatility to 12% per annum over any five-year period.

# Authorised Corporate Director's Report

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 November 2021, for the period from 8 December 2020 to 31 October 2021

The M&G Sustainable Multi Asset Balanced Fund was launched on 8 December 2020. As the fund has not yet operated for a full 12-month period, performance cannot be shown.

### Volatility against objective

It is not yet possible to measure the fund's volatility against its five-year volatility objective because the fund was only launched on 8 December 2020. Volatility over a shorter period is not reflective of the fund's objective and may sit outside the volatility limit that is set out in the fund's investment objective.

The fund primarily holds a combination of equities (company shares) and bonds (loans in the form of debt securities). Bonds may be government bonds, those issued by governments, or corporate bonds, those issued by companies. Any bond held may have a credit rating that is either investment grade or below, also known as high yield. The government bonds held by the fund may include some that are issued by emerging market governments. The fund may also hold bonds

issued by supranational or quasi-government institutions, an example of which would be the International Bank for Reconstruction and Development, the World Bank's investment arm.

The fund may also hold sustainable bonds such as green bonds or social bonds (bonds where the proceeds of their sale are dedicated to sustainable activities or to support positive social outcomes), as well as green infrastructure assets. It may hold convertible bonds, which are bonds that may be converted into a prescribed number of company shares at the holder's discretion, and may also hold collective investment vehicles, such as other funds, as well as cash and derivatives.

The fund is invested with two objectives: 1) limiting the average volatility of returns to below 12% per annum on a rolling five-year basis, while achieving a total return (the combination of income and capital growth) and 2) investing in assets which meet the fund's preferred environmental, social and governance (ESG) standards and/or those that provide a positive societal impact through addressing the world's major social and environmental challenges. These objectives influence the allocation to and selection of the different asset classes, such as equities and bonds. A rigorous evaluation process that assesses the sector a business participates in, as well as the ESG characteristics of the company or government is used to identify individual candidate securities for investment within the positive ESG tilt part of the fund. Their risk/return characteristics will then be considered to determine whether they may be appropriate for investment.

In addition to ESG-screened securities, the fund also has a dedicated core allocation to assets (stocks, bonds or funds) that are expected to deliver a positive impact towards achieving one or more of the United Nations' Sustainable Development Goals (SDGs). (While we support the UN SDGs, we are not associated with the UN and our funds are not endorsed by them.)

At the end of October, the fund had a large allocation to bonds, both mainstream government bonds and corporate bonds. The government bond holdings were

# Authorised Corporate Director's Report

primarily US Treasuries, but they also included Australian and Portuguese government bonds and a small selection of emerging market government bonds. The corporate bond allocation included a number of sustainable bonds. The proportion of the fund held in well-diversified global equities was slightly larger than the bond allocation and included baskets of US and European banks and a basket of US technology stocks. The fund also held some infrastructure investments, particularly relating to renewable energy.

The fund has maintained a diverse range of holdings within the positive impact assets within a typical range of 20%-50% of the fund's net asset value. These are spread across all the six impact areas we have identified, with a focus on those contributing on climate action and social inclusion. We expect that this proportion will increase over time.

Meanwhile, the larger positive ESG tilt portion of the fund has been maintained with an average MSCI ESG score of between 6-7 during the review period, which equates to a rating of A. The positive ESG tilt screening criteria require corporations to be rated BBB or higher, and governments to be rated BB or above, to be eligible for inclusion in the fund.

## Investment activities

We continued our regular process of engaging with companies worldwide, as part of our sustainable approach to investing. Through meetings with management and attending Annual General Meetings as shareholders, we seek to use our voice and votes to encourage those companies to act in a way that best supports the fund's positive impact goals.

## Outlook

Markets face uncertainty about the strength and longevity of the economic recovery while COVID-19 has still to be beaten. This presents risks to both stock and bond markets. We aim to continue managing a diversified portfolio across asset classes, seeking to achieve returns within the permitted risk tolerance. We will seek only assets that meet our ESG and impact criteria, focusing on strong candidates in the positive ESG tilt section of the fund and building the positive

impact section with assets seeking to address the world's ongoing social and environmental challenges.

As many major economies have emerged from long periods of lockdown supported by extensive stimulus from many governments and central banks, market focus has increasingly turned to the effects of that stimulus coming to an end and potential rises in interest rates. As has been the case in recent months, there is likely to be further market turbulence as investors consider the potential effects on inflation and asset prices, both in the short and longer term.

## Maria Municchi

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 31.10.21 £'000	as at 31.10.21 %
<b>Equities</b>	<b>10,735</b>	<b>48.09</b>
<b>United Kingdom</b>	<b>1,423</b>	<b>6.38</b>
<b>UK equities</b>	<b>1,423</b>	<b>6.38</b>
7,315 Bank of Georgia	110	0.49
30,323 DS Smith	116	0.52
188,007 Greencoat UK Wind	267	1.20
192,380 Home REIT	218	0.98
38,159 Legal & General	111	0.50
72,457 Marks & Spencer	133	0.60
233,838 Octopus Renewables Infrastructure Trust	255	1.14
8,122 Segro REIT	105	0.47
10,276 WPP	108	0.48
<b>Belgium</b>	<b>120</b>	<b>0.54</b>
<b>Belgian equities</b>	<b>120</b>	<b>0.54</b>
1,762 KBC	120	0.54
<b>Denmark</b>	<b>386</b>	<b>1.73</b>
<b>Danish equities</b>	<b>386</b>	<b>1.73</b>
1,673 Novo Nordisk	131	0.59
1,188 Ørsted	123	0.55
402 ROCKWOOL International	132	0.59
<b>France</b>	<b>700</b>	<b>3.14</b>
<b>French equities</b>	<b>700</b>	<b>3.14</b>
2,308 BNP Paribas	113	0.51
807 Capgemini	136	0.61
9,979 Crédit Agricole	110	0.49
2,313 Danone	109	0.49
200 Kering	109	0.49
993 Schneider Electric	123	0.55
<b>Germany</b>	<b>458</b>	<b>2.05</b>
<b>German equities</b>	<b>458</b>	<b>2.05</b>
663 Allianz	113	0.51
1,554 Bayerische Motoren Werke	114	0.51



# Investments

## Portfolio statement (continued)

Holding		as at 31.10.21 £'000	as at 31.10.21 %
<b>Equities (continued)</b>			
<b>Germany (continued)</b>			
<b>German equities (continued)</b>			
2,180	Fresenius Medical Care	106	0.47
1,198	SAP	125	0.56
<b>Guernsey</b>		<b>264</b>	<b>1.18</b>
<b>Guernsey equities</b>		<b>264</b>	<b>1.18</b>
199,493	Renewables Infrastructure	264	1.18
<b>Ireland</b>		<b>211</b>	<b>0.95</b>
<b>Irish equities</b>		<b>211</b>	<b>0.95</b>
223,404	Greencoat Renewables <sup>a</sup>	211	0.95
<b>Italy</b>		<b>454</b>	<b>2.03</b>
<b>Italian equities</b>		<b>454</b>	<b>2.03</b>
6,857	Assicurazioni Generali	110	0.49
19,969	Enel	122	0.55
51,575	Intesa Sanpaolo	106	0.47
21,074	Terna	116	0.52
<b>Netherlands</b>		<b>121</b>	<b>0.54</b>
<b>Dutch equities</b>		<b>121</b>	<b>0.54</b>
10,953	ING	121	0.54
<b>Spain</b>		<b>533</b>	<b>2.39</b>
<b>Spanish equities</b>		<b>533</b>	<b>2.39</b>
2,089	Amadeus IT	101	0.45
22,360	Banco Bilbao Vizcaya Argentaria	113	0.51
6,962	Grifols	116	0.52
4,047	Industria de Diseno Textil	105	0.47
30,857	Telefónica	98	0.44
<b>United States</b>		<b>3,713</b>	<b>16.63</b>
<b>US equities</b>		<b>3,713</b>	<b>16.63</b>
1,219	Agilent Technologies	138	0.62
52	Alphabet	110	0.49
783	American Express	99	0.44
2,326	AMERISAFE	101	0.45

## Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %
<b>Equities (continued)</b>		
<b>United States (continued)</b>		
<b>US equities (continued)</b>		
971 Apple	107	0.48
1,985 Ball	132	0.59
2,674 Bank of New York Mellon	115	0.51
183 BlackRock	124	0.56
939 Bright Horizons Family Solutions	111	0.50
1,576 CBRE	120	0.54
2,013 Comerica	125	0.56
3,001 Hannon Armstrong Sustainable Infrastructure Capital REIT	133	0.60
406 Home Depot	109	0.49
312 Illumina	94	0.42
2,483 Johnson Controls International	132	0.59
2,053 Kellogg	92	0.41
6,921 KeyCorp	118	0.53
292 Lam Research	120	0.54
473 Microsoft	111	0.50
999 NVIDIA	181	0.81
3,998 ON Semiconductor	137	0.61
728 PNC Financial Services	112	0.50
946 Procter & Gamble	98	0.44
1,235 Quest Diagnostics	131	0.59
1,194 Republic Services	112	0.50
685 SolarEdge Technologies	175	0.78
704 Texas Instruments	96	0.43
272 Thermo Fisher Scientific	122	0.55
420 UnitedHealth	139	0.62
545 Visa	83	0.37
1,430 Xylem	136	0.61
<b>Canada</b>	<b>129</b>	<b>0.58</b>
<b>Canadian equities</b>	<b>129</b>	<b>0.58</b>
5,791 Boralex	129	0.58

# Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %
<b>Equities (continued)</b>		
<b>Brazil</b>	<b>189</b>	<b>0.85</b>
<b>Brazilian equities</b>	<b>189</b>	<b>0.85</b>
63,941 AES Brasil Energia	91	0.41
299,664 Cogna Educacao	98	0.44
<b>Japan</b>	<b>590</b>	<b>2.64</b>
<b>Japanese equities</b>	<b>590</b>	<b>2.64</b>
3,800 Dai-ichi Life	58	0.26
2,200 Daiwa House Industry	53	0.24
2,500 Honda Motor	53	0.24
2,500 Horiba	118	0.53
64 Japan Metropolitan Fund REIT	42	0.19
1,000 Murata Manufacturing	55	0.24
8,000 Obayashi	49	0.22
5,700 Panasonic	51	0.23
4,700 Sekisui Chemical	56	0.25
1,600 West Japan Railway	55	0.24
<b>Australia</b>	<b>232</b>	<b>1.04</b>
<b>Australian equities</b>	<b>232</b>	<b>1.04</b>
20,291 Brambles	112	0.50
997 Cochlear	120	0.54
<b>Hong Kong</b>	<b>329</b>	<b>1.47</b>
<b>Hong Kong equities</b>	<b>329</b>	<b>1.47</b>
14,000 AIA	115	0.51
130,000 Lenovo	103	0.46
57,200 Swire Properties	111	0.50
<b>India</b>	<b>110</b>	<b>0.49</b>
<b>Indian equities</b>	<b>110</b>	<b>0.49</b>
2,048 HDFC Bank ADR	110	0.49
<b>South Korea</b>	<b>221</b>	<b>0.99</b>
<b>South Korean equities</b>	<b>221</b>	<b>0.99</b>
4,256 Hankook Tire & Technology	109	0.49
1,980 LG	112	0.50

# Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %
<b>Equities (continued)</b>		
<b>Taiwan</b>	<b>444</b>	<b>1.99</b>
<b>Taiwanese equities</b>	<b>444</b>	<b>1.99</b>
42,000 ASE Technology	109	0.49
75,000 Cathay Financial	113	0.51
164,027 E.Sun Financial	114	0.51
7,000 Taiwan Semiconductor Manufacturing	108	0.48
<b>South Africa</b>	<b>108</b>	<b>0.48</b>
<b>South African equities</b>	<b>108</b>	<b>0.48</b>
36,237 Sanlam	108	0.48
<b>Fixed income</b>	<b>9,841</b>	<b>44.08</b>
<b>United Kingdom</b>	<b>667</b>	<b>2.99</b>
<b>Government bonds</b>	<b>580</b>	<b>2.60</b>
£580,000 UK Treasury 0% 29/12/2021	580	2.60
<b>Below investment grade corporate bonds</b>	<b>87</b>	<b>0.39</b>
€100,000 Vodafone 0.9% 24/11/2026	87	0.39
<b>France</b>	<b>246</b>	<b>1.10</b>
<b>Below investment grade corporate bonds</b>	<b>246</b>	<b>1.10</b>
US\$95,000 Électricité de France 3.625% 13/10/2025	74	0.33
€98,000 Renault 1% 28/11/2025	82	0.37
€100,000 Unibail-Rodamco-Westfield 2.5% 26/02/2024	90	0.40
<b>Germany</b>	<b>156</b>	<b>0.70</b>
<b>Investment grade corporate bonds</b>	<b>75</b>	<b>0.34</b>
£75,000 Kreditanstalt fuer Wiederaufbau 0.875% 15/09/2026	75	0.34
<b>Below investment grade corporate bonds</b>	<b>81</b>	<b>0.36</b>
€94,000 Daimler 0.75% 10/09/2030	81	0.36
<b>Luxembourg</b>	<b>613</b>	<b>2.74</b>
<b>Investment grade corporate bonds</b>	<b>613</b>	<b>2.74</b>
£617,000 European Investment Bank 0.75% 15/11/2024	613	2.74
<b>Portugal</b>	<b>428</b>	<b>1.92</b>
<b>Government bonds</b>	<b>338</b>	<b>1.52</b>
€434,795 Portugal (Republic of) 1% 12/04/2052	338	1.52

## Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %
<b>Fixed income (continued)</b>		
<b>Portugal (continued)</b>		
<b>Below investment grade corporate bonds</b>	<b>90</b>	<b>0.40</b>
€100,000 EDP - Energias de Portugal 1.625% 15/04/2027	90	0.40
<b>United States</b>	<b>5,463</b>	<b>24.47</b>
<b>Government bonds</b>	<b>3,609</b>	<b>16.17</b>
US\$4,142,300 US Treasury 3% 15/02/2048	3,609	16.17
<b>Investment grade corporate bonds</b>	<b>1,312</b>	<b>5.87</b>
US\$109,000 Apple 2.85% 23/02/2023	81	0.36
IDR2,870,000,000 Inter-American Development Bank 5.5% 07/02/2023	148	0.66
BRL1,480,000 International Bank for Reconstruction & Development 0% 30/01/2024	145	0.65
£414,000 International Bank for Reconstruction & Development 0.5% 24/07/2023	412	1.84
US\$525,000 International Bank for Reconstruction & Development 0.875% 14/05/2030	359	1.61
US\$125,000 Prologis 1.25% 15/10/2030	84	0.38
US\$114,000 Toyota Motor Credit 2.15% 13/02/2030	83	0.37
<b>Below investment grade corporate bonds</b>	<b>542</b>	<b>2.43</b>
US\$91,000 Boston Properties 4.5% 01/12/2028	75	0.34
US\$110,000 DaVita 3.75% 15/02/2031	76	0.34
US\$100,000 Hanesbrands 4.625% 15/05/2024	76	0.34
US\$94,000 HCA 5% 15/03/2024	74	0.33
US\$106,000 KB Home 4.8% 15/11/2029	83	0.37
US\$101,000 TEGNA 5% 15/09/2029	74	0.33
US\$116,000 Xylem 2.25% 30/01/2031	84	0.38
<b>Chile</b>	<b>535</b>	<b>2.40</b>
<b>Government bonds</b>	<b>535</b>	<b>2.40</b>
€249,000 Chile (Republic of) 1.25% 29/01/2040	200	0.90
CLP395,000,000 Chile (Republic of) 5% 01/10/2028	335	1.50
<b>Colombia</b>	<b>406</b>	<b>1.82</b>
<b>Government bonds</b>	<b>406</b>	<b>1.82</b>
COP2,258,700,000 Colombia (Republic of) 7% 26/03/2031	406	1.82
<b>Mexico</b>	<b>175</b>	<b>0.78</b>
<b>Government bonds</b>	<b>175</b>	<b>0.78</b>
MXN4,709,100 Mexico (United Mexican States) 8.5% 18/11/2038	175	0.78

# Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %
<b>Fixed income (continued)</b>		
<b>Peru</b>	<b>203</b>	<b>0.91</b>
<b>Government bonds</b>	<b>203</b>	<b>0.91</b>
PEN1,040,000 Peru (Republic of) 6.95% 12/08/2031	203	0.91
<b>Australia</b>	<b>706</b>	<b>3.16</b>
<b>Government bonds</b>	<b>706</b>	<b>3.16</b>
AU\$1,214,000 Australia (Commonwealth of) 2.75% 21/06/2035	706	3.16
<b>South Africa</b>	<b>163</b>	<b>0.73</b>
<b>Government bonds</b>	<b>163</b>	<b>0.73</b>
ZAR5,017,163 South Africa (Republic of) 6.25% 31/03/2036	163	0.73
<b>Cayman Islands</b>	<b>80</b>	<b>0.36</b>
<b>Below investment grade corporate bonds</b>	<b>80</b>	<b>0.36</b>
US\$99,000 Fibria Overseas Finance 5.5% 17/01/2027	80	0.36
<b>Currency</b>	<b>38</b>	<b>0.17</b>
<b>Forward currency contracts</b>	<b>38</b>	<b>0.17</b>
AU\$(1,726,340) Sold for £944,103 (expires 21.01.22)	0	0.00
CA\$(121,074) Sold for £71,054 (expires 21.01.22)	0	0.00
DKK(3,006,315) Sold for £342,299 (expires 21.01.22)	0	0.00
€(4,184,935) Sold for £3,545,498 (expires 21.01.22)	1	0.00
HK\$(3,144,436) Sold for £294,550 (expires 21.01.22)	1	0.00
US\$257,654 Bought for KRW303,573,188 (expires 21.01.22)	(1)	0.00
US\$652,464 Bought for TWD18,223,684 (expires 26.11.21)	(2)	(0.01)
US\$(11,795,819) Sold for £8,594,860 (expires 21.01.22)	39	0.18
<b>Portfolio of investments (notes 2c &amp; 2d on pages 9 and 10)</b>	<b>20,614</b>	<b>92.34</b>
<b>Net other assets/(liabilities)</b>	<b>1,711</b>	<b>7.66</b>
<b>Net assets attributable to shareholders</b>	<b>22,325</b>	<b>100.00</b>

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

<sup>a</sup> AIM quoted.

# Financial highlights

## Fund performance

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

The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (4), which is available free of charge either from our website at [www.mandg.co.uk/prospectuses](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

## Fund level performance

Fund net asset value as at	31.10.21 £'000
Fund net asset value (NAV)	22,325

## Performance since launch

As the fund has not yet operated for a 12 month period, the performance since launch graph and long-term performance figures have not been calculated.

## 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

# Financial highlights

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 below 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](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

## Portfolio transaction costs

for the period to 31 October Direct portfolio transaction costs <sup>a</sup>	2021 %
Broker commission	0.02
Taxes	0.06
Costs before dilution adjustments	0.08
Dilution adjustments <sup>b</sup>	(0.03)
Total direct portfolio transaction costs	0.05
as at 31 October Indirect portfolio transaction costs	2021 %
Average portfolio dealing spread	0.23

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

<sup>b</sup> 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 year are calculated as at 12 November 2021.

## Sterling Class 'A' Income share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	6.97
Operating charges	(0.97)
Return after operating charges	6.00
Distributions	(1.76)
Closing NAV	104.24
Direct transaction costs	UK p
Costs before dilution adjustments	0.07
Dilution adjustments <sup>a</sup>	(0.03)
Total direct transaction costs	0.04
Performance and charges	%
Direct portfolio transaction costs <sup>b</sup>	0.05
Operating charges	1.05
Return after charges	+6.00
Historic yield	0.00
Other information	
Closing NAV (£'000)	1,232
Closing NAV (%)	5.52
Number of shares	1,181,490
Highest share price (UK p)	106.35
Lowest share price (UK p)	98.58



# Financial highlights

## Sterling Class 'A' Accumulation share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	7.00
Operating charges	(0.97)
Return after operating charges	6.03
Distributions	(0.84)
Retained distributions	0.84
Closing NAV	106.03
Direct transaction costs	UK p
Costs before dilution adjustments	0.07
Dilution adjustments <sup>a</sup>	(0.03)
Total direct transaction costs	0.04
Performance and charges	%
Direct portfolio transaction costs <sup>b</sup>	0.05
Operating charges	1.05
Return after charges	+6.03
Historic yield	0.00
Other information	
Closing NAV (£'000)	100
Closing NAV (%)	0.45
Number of shares	94,122
Highest share price (UK p)	107.63
Lowest share price (UK p)	98.75

## Sterling Class 'I' Income share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	6.90
Operating charges	(0.59)
Return after operating charges	6.31
Distributions	(1.73)
Closing NAV	104.58
Direct transaction costs	UK p
Costs before dilution adjustments	0.07
Dilution adjustments <sup>a</sup>	(0.03)
Total direct transaction costs	0.04
Performance and charges	%
Direct portfolio transaction costs <sup>b</sup>	0.05
Operating charges	0.65
Return after charges	+6.31
Historic yield	0.00
Other information	
Closing NAV (£'000)	163
Closing NAV (%)	0.73
Number of shares	155,875
Highest share price (UK p)	106.64
Lowest share price (UK p)	98.66

# Financial highlights

## Sterling Class 'I' Accumulation share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	6.95
Operating charges	(0.60)
Return after operating charges	6.35
Distributions	(1.14)
Retained distributions	1.14
Closing NAV	106.35
Direct transaction costs	UK p
Costs before dilution adjustments	0.07
Dilution adjustments <sup>a</sup>	(0.03)
Total direct transaction costs	0.04
Performance and charges	%
Direct portfolio transaction costs <sup>b</sup>	0.05
Operating charges	0.65
Return after charges	+6.35
Historic yield	0.00
Other information	
Closing NAV (£'000)	1,197
Closing NAV (%)	5.36
Number of shares	1,125,782
Highest share price (UK p)	107.89
Lowest share price (UK p)	98.82

## Sterling Class 'L' Accumulation share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	6.91
Operating charges	(0.42)
Return after operating charges	6.49
Distributions	(1.29)
Retained distributions	1.29
Closing NAV	106.49
Direct transaction costs	UK p
Costs before dilution adjustments	0.07
Dilution adjustments <sup>a</sup>	(0.03)
Total direct transaction costs	0.04
Performance and charges	%
Direct portfolio transaction costs <sup>b</sup>	0.05
Operating charges	0.45
Return after charges	+6.49
Historic yield	0.00
Other information	
Closing NAV (£'000)	14,931
Closing NAV (%)	66.88
Number of shares	14,020,040
Highest share price (UK p)	108.01
Lowest share price (UK p)	98.86

# Financial highlights

## Sterling Class 'PP' Income share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	6.89
Operating charges	(0.51)
Return after operating charges	6.38
Distributions	(1.71)
Closing NAV	104.67
<b>Direct transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.07
Dilution adjustments <sup>a</sup>	(0.03)
Total direct transaction costs	0.04
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.05
Operating charges	0.55
Return after charges	+6.38
Historic yield	0.00
<b>Other information</b>	
Closing NAV (£'000)	21
Closing NAV (%)	0.09
Number of shares	20,060
Highest share price (UK p)	106.71
Lowest share price (UK p)	98.68

## Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	6.92
Operating charges	(0.49)
Return after operating charges	6.43
Distributions	(1.21)
Retained distributions	1.21
Closing NAV	106.43
<b>Direct transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.07
Dilution adjustments <sup>a</sup>	(0.03)
Total direct transaction costs	0.04
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.05
Operating charges	0.55
Return after charges	+6.43
Historic yield	0.00
<b>Other information</b>	
Closing NAV (£'000)	3,534
Closing NAV (%)	15.83
Number of shares	3,320,741
Highest share price (UK p)	107.95
Lowest share price (UK p)	98.84

# Financial highlights

## Sterling Class 'R' Income share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	6.94
Operating charges	(0.83)
Return after operating charges	6.11
Distributions	(1.76)
Closing NAV	104.35
<b>Direct transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.07
Dilution adjustments <sup>a</sup>	(0.03)
Total direct transaction costs	0.04
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.05
Operating charges	0.90
Return after charges	+6.11
Historic yield	0.00
<b>Other information</b>	
Closing NAV (£'000)	189
Closing NAV (%)	0.85
Number of shares	181,160
Highest share price (UK p)	106.45
Lowest share price (UK p)	98.61

## Sterling Class 'R' Accumulation share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	6.97
Operating charges	(0.83)
Return after operating charges	6.14
Distributions	(0.95)
Retained distributions	0.95
Closing NAV	106.14
<b>Direct transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.07
Dilution adjustments <sup>a</sup>	(0.03)
Total direct transaction costs	0.04
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.05
Operating charges	0.90
Return after charges	+6.14
Historic yield	0.00
<b>Other information</b>	
Closing NAV (£'000)	958
Closing NAV (%)	4.29
Number of shares	903,007
Highest share price (UK p)	107.73
Lowest share price (UK p)	98.77

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

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

# Financial statements and notes

## Financial statements

### Statement of total return

for the period to 31 October	Note	2021	
		£'000	£'000
Income			
Net capital gains/(losses)	3		856
Revenue	5	314	
Expenses	6	(77)	
Net revenue/(expense) before taxation		237	
Taxation	7	(27)	
Net revenue/(expense) after taxation			210
Total return before distributions			1,066
Distributions	8		(218)
Change in net assets attributable to shareholders from investment activities			848

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

for the period to 31 October	2021	
	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>0</b>
Amounts received on issue of shares	21,347	
Amounts paid on cancellation of shares	(95)	
		21,252
Dilution adjustments		13
Change in net assets attributable to shareholders from investment activities (see above)		848
Retained distributions on Accumulation shares		212
<b>Closing net assets attributable to shareholders</b>		<b>22,325</b>

# Financial statements and notes

## Financial statements

### Balance sheet

as at 31 October	Note	2021 £'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments		20,617
<b>Current assets</b>		
Debtors	9	194
Cash and bank balances	10	1,568
<b>Total assets</b>		<b>22,379</b>
<b>Liabilities</b>		
Investment liabilities		(3)
<b>Creditors</b>		
Distribution payable		(8)
Other creditors	11	(43)
<b>Total liabilities</b>		<b>(54)</b>
<b>Net assets attributable to shareholders</b>		<b>22,325</b>

# Financial statements and notes

## Notes to the financial statements

### 1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 9 to 12.

### 2 Distribution policy

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

### 3 Net capital gains/(losses)

for the period to 31 October	2021 £'000
Non-derivative securities	400
Derivative contracts	283
Currency gains/(losses)	173
<b>Net capital gains/(losses)<sup>a</sup></b>	<b>856</b>

<sup>a</sup> Includes realised gains of £465,000 and unrealised gains of £391,000.

# Financial statements and notes

## 4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 149 and 150.

for the period to 31 October	2021 £'000	% of transaction
<b>a) Purchases</b>		
<b>Equities</b>		
Equities before transaction costs	9,781	
Commissions	2	0.03
Taxes	8	0.08
<b>Equities after transaction costs</b>	<b>9,791</b>	
<b>Debt securities<sup>a</sup></b>	<b>13,155</b>	
<b>Collective investment schemes</b>		
Collective investment schemes before transaction costs	498	
Taxes	1	0.24
<b>Collective investment schemes after transaction costs</b>	<b>499</b>	
<b>Other transaction types</b>		
Corporate actions	7	
<b>Total purchases after transaction costs</b>	<b>23,452</b>	
<b>b) Sales</b>		
<b>Equities</b>	<b>613</b>	
<b>Debt securities</b>	<b>2,617</b>	
<b>Total sales</b>	<b>3,230</b>	
	2021 £'000	% of average NAV
<b>c) Direct portfolio transaction costs</b>		
<b>Commissions paid</b>		
Equities	3	0.02
<b>Total commissions paid</b>	<b>3</b>	<b>0.02</b>
<b>Taxes paid</b>		
Equities	8	0.05
Collective investment schemes	1	0.01
<b>Total taxes paid</b>	<b>9</b>	<b>0.06</b>
<b>Total direct portfolio transaction costs<sup>b</sup></b>	<b>12</b>	<b>0.08</b>
		<b>%</b>
<b>d) Indirect portfolio transaction costs</b>		
Portfolio dealing spread		0.23

<sup>a</sup> These transaction types do not attract direct portfolio transaction costs.

<sup>b</sup> Costs before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.



# Financial statements and notes

## 5 Revenue

for the period to 31 October	2021 £'000
Dividends from equity investments: non-taxable	175
Dividends from equity investments: taxable	1
Interest on debt securities	133
Property distribution: non-taxable	1
Property distribution: taxable	4
<b>Total revenue</b>	<b>314</b>

Revenue includes currency gains/(losses).

## 6 Expenses

for the period to 31 October	2021 £'000
<b>Payable to the ACD or associate</b>	
Annual charge	77
<b>Total expenses</b>	<b>77</b>

Audit fees for the financial period ending 2021 were £12,000 (including VAT), which are covered by the annual charge.

# Financial statements and notes

## 7 Taxation

for the period to 31 October	2021 £'000
<b>a) Analysis of charge in the period</b>	
Corporation tax	12
Withholding tax	17
Double taxation relief	(2)
Deferred tax (note 7c)	0
<b>Total taxation</b>	<b>27</b>
<b>b) Factors affecting taxation charge for the period</b>	
Net revenue/(expense) before taxation	237
Corporation tax at 20%	47
<b>Effects of:</b>	
Dividends from equity investments: non-taxable	(35)
Double taxation relief	(2)
Withholding tax	17
<b>Total tax charge (note 7a)</b>	<b>27</b>
<b>c) Provision for deferred taxation</b>	
Provision at the start of the period	0
Deferred tax in profit and loss account (note 7a)	0
<b>Provision at the end of the period</b>	<b>0</b>

The fund has not recognised a deferred tax asset in the current financial period.

# Financial statements and notes

## 8 Distributions

for the period to 31 October	2021	
	Inc <sup>a</sup>	Acc <sup>b</sup>
Dividend distributions	£'000	£'000
First interim	0	14
Second interim	5	51
Third interim	8	71
Final	8	76
Total net distributions		233
Income received on issue of shares		(15)
<b>Distributions</b>		<b>218</b>
Net revenue/(expense) per statement of total return		210
Expenses offset against capital		8
<b>Distributions</b>		<b>218</b>

<sup>a</sup> Distributions payable on Income shares.

<sup>b</sup> Retained distributions on Accumulation shares.

## 9 Debtors

as at 31 October	2021 £'000
Amounts receivable on issues of shares	97
Debt security interest receivable	82
Dividends receivable	13
Withholding tax recoverable	2
<b>Total debtors</b>	<b>194</b>

## 10 Cash and bank balances

as at 31 October	2021 £'000
Cash held as bank balances	1,568
<b>Total cash and bank balances</b>	<b>1,568</b>

# Financial statements and notes

## 11 Other creditors

as at 31 October	2021 £'000
Amounts payable on cancellation of shares	24
Annual charge payable	3
Corporation tax payable	10
Purchases awaiting settlement	6
<b>Total other creditors</b>	<b>43</b>

## 12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date.

## 13 Shares in issue

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

Share class	Opening 08.12.20	Issued	Movements Cancelled	Closing 31.10.21
<b>Sterling</b>				
Class 'A' Income	0	1,181,490	0	1,181,490
Class 'A' Accumulation	0	94,122	0	94,122
Class 'I' Income	0	160,684	(4,809)	155,875
Class 'I' Accumulation	0	1,148,815	(23,033)	1,125,782
Class 'L' Accumulation	0	14,020,040	0	14,020,040
Class 'PP' Income	0	20,060	0	20,060
Class 'PP' Accumulation	0	3,320,741	0	3,320,741
Class 'R' Income	0	222,802	(41,642)	181,160
Class 'R' Accumulation	0	924,552	(21,545)	903,007

# Financial statements and notes

## 14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Annual charge <sup>a</sup> %
<b>Sterling</b>	
Class 'A'	1.05
Class 'I'	0.65
Class 'L'	0.45
Class 'PP'	0.55
Class 'R'	0.90

<sup>a</sup> The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

## 15 Related parties

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

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

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

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 66.66% of the fund's shares.

## 16 Events after the balance sheet date

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

## 17 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

### Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities, highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

### Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

# Financial statements and notes

## Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 31 October	Assets 2021 £'000	Liabilities 2021 £'000
Basis of valuation		
Level 1	14,923	0
Level 2	5,694	(3)
Level 3	0	0
	<b>20,617</b>	<b>(3)</b>

In accordance with FRS 102 (22.4a) the shares in issue for each class meet the definition of a puttable instrument as the shareholders have the right to sell the shares back to the issuer. The shares in the fund may be issued and redeemed on any business day at the quoted price. These shares are not traded on an exchange. However, the price is observable and transactions within the fund take place regularly at that price. The shares in issue as detailed in note 13 meet the definition of a level 2 financial instrument 'Valuation techniques using observable market data'.

## 18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 14.

## 19 Market risk sensitivity and exposure

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

The VaR limit set during the financial period to 31 October 2021 was 20%.

The lowest, highest and average VaR, as well as utilisation of VaR with reference to the limit above, are calculated during the financial period ended 31 October 2021.

for the period to 31 October	2021 % of VaR	2021 Utilisation of VaR <sup>a</sup> 20%
Lowest	5.27	26.35
Highest	8.95	44.75
Average	6.63	33.13

<sup>a</sup> The VaR on the fund has been divided by its maximum limit.

# Financial statements and notes

## 20 Credit risk

The fund is exposed to credit risk both through the credit quality of the investments it holds and through the derivative positions with counterparties. The table below shows the credit quality of the investments held in the portfolio.

as at 31 October	2021 £'000
Investment grade securities	8,881
Below investment grade securities	960
Other investments	10,773
<b>Total</b>	<b>20,614</b>

The table below shows the exposure to counterparties. Collateral is posted daily, in the form of cash or high-quality government bonds, to minimise this exposure.

as at 31 October 2021	Forward currency contracts £'000
Citigroup	1
Goldman Sachs	(1)
HSBC	(1)
JPMorgan	(1)
State Street Bank	1
UBS	39
<b>Total</b>	<b>38</b>

## 21 Leverage risk

Funds using VaR approaches are required to disclose the level of leverage employed during the financial reporting period.

Derivatives can be used by the fund to generate market exposure to investments exceeding the net asset value. As a result of this exposure, the size of any positive or negative movement in markets may have a more significant effect on the net asset value of the fund.

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial period ended 31 October 2021 is disclosed in the table below.

for the period to 31 October	2021 <sup>a</sup> £'000	2021 <sup>a</sup> % <sup>b</sup>
Lowest	9,929	67
Highest	43,760	221
Average	13,725	80

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

<sup>b</sup> Expressed as a percentage over fund valuation.

# Financial statements and notes

## 22 Dividend distribution tables

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

### Quarterly distribution periods

	Start	End	Xd	Payment
First interim	08.12.20	31.01.21	01.02.21	31.03.21
Second interim	01.02.21	30.04.21	04.05.21	30.06.21
Third interim	01.05.21	31.07.21	02.08.21	30.09.21
Final	01.08.21	31.10.21	01.11.21	31.12.21

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

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

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

### Sterling Class 'A' Income shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.0118	0.1555	0.1673
Second interim	0.2183	0.2514	0.4697
Third interim	0.2088	0.3791	0.5879
Final	0.2434	0.2917	0.5351

### Sterling Class 'A' Accumulation shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.0000	0.0303	0.0303
Second interim	0.1334	0.0839	0.2173
Third interim	0.3272	0.0000	0.3272
Final	0.2640	0.0000	0.2640



# Financial statements and notes

## Sterling Class 'I' Income shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.0099	0.1558	0.1657
Second interim	0.3410	0.1164	0.4574
Third interim	0.1471	0.4286	0.5757
Final	0.1425	0.3863	0.5288

## Sterling Class 'I' Accumulation shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.0502	0.0245	0.0747
Second interim	0.1769	0.1203	0.2972
Third interim	0.1863	0.2241	0.4104
Final	0.2703	0.0879	0.3582

## Sterling Class 'L' Accumulation shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.0961	0.0000	0.0961
Second interim	0.3369	0.0000	0.3369
Third interim	0.4519	0.0000	0.4519
Final	0.4036	0.0000	0.4036

## Sterling Class 'PP' Income shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.1628	0.0000	0.1628
Second interim	0.0000	0.4519	0.4519
Third interim	0.1377	0.4314	0.5691
Final	0.1704	0.3521	0.5225

# Financial statements and notes

## Sterling Class 'PP' Accumulation shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.0859	0.0000	0.0859
Second interim	0.1147	0.2019	0.3166
Third interim	0.1802	0.2509	0.4311
Final	0.1115	0.2680	0.3795

## Sterling Class 'R' Income shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.0359	0.1308	0.1667
Second interim	0.1680	0.3019	0.4699
Third interim	0.4761	0.1109	0.5870
Final	0.3953	0.1410	0.5363

## Sterling Class 'R' Accumulation shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.0050	0.0413	0.0463
Second interim	0.1127	0.1347	0.2474
Third interim	0.1145	0.2440	0.3585
Final	0.1619	0.1374	0.2993

# Authorised Corporate Director's Report

## Investment objective

The fund has two aims:

- To limit the average volatility to 9% per annum over any five-year period while providing a total return (the combination of capital growth and income) over that period; and
- To invest in assets which meet the fund's preferred ESG standards and/or those that provide a positive societal impact through addressing the world's major social and environmental challenges.

## Investment policy

The fund invests globally across a range of asset classes, including equities and equity-related securities, fixed income securities, cash and near cash. Exposure to these assets is typically gained directly, but may also be gained indirectly, via funds (including funds managed by M&G) or derivatives. The fund may also invest to a limited extent indirectly in other asset classes such as property and gold.

Typically, the fund holds 0-35% of its net asset value in equities and equity-related securities, but there is no obligation on the fund manager to hold a particular level of equity exposure.

The fund aims to exclude securities issued by:

- Companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour rights, the environment and anti-corruption;
- Companies involved in the production of tobacco, alcohol, adult entertainment, controversial weapons, thermal coal, or the provision of gambling services;
- Companies that derive more than 10% of their revenue from the distribution of tobacco, unconventional oil and gas extraction, and the production or distribution of other weapons;

- Conventional oil and gas extraction companies that derive less than 40% of their revenue from activities related to natural gas extraction or renewable energy sources; and
- Electricity utilities companies that derive more than 10% of their power production from coal, more than 30% from oil and gas, or nuclear fuel sources. However, the fund may hold companies that have a clear business model of accelerating the transition to low-carbon power production, up to a maximum total limit of 5% of the fund's net asset value.

Where the fund invests directly, these investments meet the fund's ESG criteria or impact criteria:

- The ESG criteria are designed to consider key ESG risks and identify companies and governments which meet preferred standards of ESG behaviour.
- The impact criteria are designed to identify investments that have a positive societal impact. Typically, the fund holds 20%-50% of its net asset value in positive impact assets. It always holds at least 20% of its net asset value in positive impact assets and there is no cap on the level of positive impact exposure.

Further information on M&G's approach to ESG standards and exclusions and impact criteria can be found on the M&G website:  
<https://www.mandg.com/dam/investments/common/gb/en/documents/funds-literature/funds-specific-files/mandg-sustainable-multi-asset-funds-esg-policy-and-process.pdf>

Indirect investments are not subject to the same ESG and/or impact restrictions as securities held directly. The fund manager will assess the suitability of such investments relative to the fund's non-financial objective. For further details please see the M&G website.

The only investments that are not subject to assessment relative to the fund's non-financial objective are: the use of derivatives to take advantage of short-term market movements and to hedge currency exposures, and cash.

# Authorised Corporate Director's Report

The currency exposure of the fund will be actively managed, seeking to enhance returns, with a minimum of 70% of the fund exposed to sterling.

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

## Investment approach

The fund's approach to sustainable investment is to invest in securities issued by companies or governments that uphold high standards of ESG behaviour, as assessed using the fund's ESG criteria. In addition, the fund maintains a core holding of assets that have a positive societal impact, as assessed using the fund's impact criteria. As part of the investment process, the fund manager considers the long-term sustainability of assets, including carbon intensity and climate adaptability.

The fund manager's assessment of ESG criteria and impact criteria relies upon the use of third-party ESG information and/or proprietary analysis. Further information on M&G's approach to ESG standards and exclusions and impact criteria can be found on the M&G website.

Volatility is managed by using research to estimate the variation in value and risk of different types of assets. The fund seeks to manage volatility and risk through flexible asset allocation, by investing globally across multiple asset classes, sectors, currencies and countries, in response to changes in economic conditions and asset values. This approach combines research to work out the anticipated value of assets over the medium to long term, with analysis of market reactions to events to identify investment opportunities.

The fund's volatility management objective may limit potential gains as well as losses.

## Benchmark

Benchmark: IA Mixed Investment 0-35% Shares Sector.

The benchmark is a comparator for the fund's financial objective against which the fund's financial performance can be measured. The sector has been chosen as the fund's benchmark as it reflects the financial aspects of the fund's investment policy. The comparator benchmark 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 within the constraints set by the fund's objective and investment policy.

An annual ESG and positive impact review to provide an assessment of the non-financial objective of the fund will be made available on the M&G website.

## Risk profile

The fund invests globally in a broad range of assets, including company shares (equities), fixed income securities (bonds), cash, near cash, currencies and other assets such as property shares and gold. The fund is, therefore, subject to the price volatility of global financial and currency markets. The fund's approach to sustainable investment is through flexible asset allocation, implemented by investing in securities of companies or governments that uphold high standards of ESG or positive impact behaviour. The fund allocates capital between different types of assets in response to changes in economic conditions and the valuation of assets. The manager will seek to build a highly diversified portfolio wherever possible. The blend of assets held in the fund is regularly adjusted, depending on where the fund manager sees the most value, and to manage risks, including liquidity, credit, currency and market risks. The fund's risks are measured and managed as an integral part of the investment process with the aim to limit the average volatility to 9% per annum over any five-year period.

# Authorised Corporate Director's Report

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 November 2021, for the period from 8 December 2020 to 31 October 2021

The M&G Sustainable Multi Asset Cautious Fund was launched on 8 December 2020. As the fund has not yet operated for a full 12-month period, performance cannot be shown.

### Volatility against objective

It is not yet possible to measure the fund's volatility against its five-year volatility objective because the fund was only launched on 8 December 2020. Volatility over a shorter period is not reflective of the fund's objective and may sit outside the volatility limit that is set out in the fund's investment objective.

The fund primarily holds a combination of equities (company shares) and bonds (loans in the form of debt securities). Bonds may be government bonds, those issued by governments, or corporate bonds, those issued by companies. Any bond held may have a credit rating that is either investment grade or below, also known as high yield. The government bonds held by the fund may include some that are issued by emerging market governments. The fund may also hold bonds

issued by supranational or quasi-government institutions, an example of which would be the International Bank for Reconstruction and Development, the World Bank's investment arm.

The fund may also hold sustainable bonds such as green bonds or social bonds, (bonds where the proceeds of their sale are dedicated to sustainable activities or to support positive social outcomes), as well as green infrastructure assets. It may hold convertible bonds, which are bonds that may be converted into a prescribed number of company shares at the holder's discretion, and may also hold collective investment vehicles, such as other funds, as well as cash and derivatives.

The fund is invested with two objectives: 1) limiting the average volatility of returns to below 9% per annum on a rolling five-year basis, while achieving a total return (the combination of income and capital growth) and 2) investing in assets which meet the fund's preferred environmental, social and governance (ESG) standards and/or those that provide a positive societal impact through addressing the world's major social and environmental challenges. These objectives influence the allocation to and selection of the different asset classes, such as equities and bonds. A rigorous evaluation process that assesses the sector a business participates in, as well as the ESG characteristics of the company or government is used to identify individual candidate securities for investment within the positive ESG tilt part of the fund. Their risk/return characteristics will then be considered to determine whether they may be appropriate for investment.

In addition to ESG-screened securities, the fund also has a dedicated core allocation to assets (stocks, bonds or funds) that are expected to deliver a positive impact towards achieving one or more of the United Nations' Sustainable Development Goals (SDGs). (While we support the UN SDGs, we are not associated with the UN and our funds are not endorsed by them.)

At the end of October, the fund's largest allocation was to bonds, both mainstream government bonds and corporate bonds. The government bond holdings were

# Authorised Corporate Director's Report

primarily US Treasuries, but they also included Australian and Portuguese government bonds. The corporate bond allocation included a number of sustainable bonds. The smaller proportion of the fund held in well-diversified global equities included allocations to baskets of US and European banks and to a basket of US technology stocks. The fund also held some infrastructure investments, particularly relating to renewable energy.

The fund has maintained a diverse range of holdings within the positive impact assets within a typical range of 20%-50% of the fund's net asset value. These are spread across all the six impact areas we have identified, with a focus on those contributing on climate action, and social inclusion. We expect that this proportion will increase over time.

Meanwhile, the larger positive ESG tilt portion of the fund has been maintained with an average MSCI ESG score of between 6-7 during the review period, which equates to a rating of A. The positive ESG tilt screening criteria require corporations to be rated BBB or higher, and governments to be rated BB or above, to be eligible for inclusion in the fund.

## Investment activities

We continued our regular process of engaging with companies worldwide, as part of our sustainable approach to investing. Through meetings with management and attending Annual General Meetings as shareholders, we seek to use our voice and votes to encourage those companies to act in a way that best supports the fund's positive impact goals.

## Outlook

Markets face uncertainty about the strength and longevity of the economic recovery while COVID-19 has still to be beaten. This presents risks to both stock and bond markets. We aim to continue managing a diversified portfolio across asset classes, seeking to achieve returns within the permitted risk tolerance. We will seek only assets that meet our ESG and impact criteria, focusing on strong candidates in the positive ESG tilt section of the fund and building the positive

impact section with assets seeking to address the world's ongoing social and environmental challenges.

As many major economies have emerged from long periods of lockdown supported by extensive stimulus from many governments and central banks, market focus has increasingly turned to the effects of that stimulus coming to an end and potential rises in interest rates. As has been the case in recent months, there is likely to be further market turbulence as investors consider the potential effects on inflation and asset prices, both in the short and longer term.

## Maria Municchi

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 31.10.21 £'000	as at 31.10.21 %
<b>Equities</b>	<b>5,138</b>	<b>30.85</b>
<b>United Kingdom</b>	<b>882</b>	<b>5.30</b>
<b>UK equities</b>	<b>882</b>	<b>5.30</b>
3,569 Bank of Georgia	54	0.32
15,510 DS Smith	59	0.35
130,896 Greencoat UK Wind	186	1.12
140,208 Home REIT	159	0.96
15,964 Legal & General	46	0.28
30,884 Marks & Spencer	57	0.34
201,024 Octopus Renewables Infrastructure Trust	220	1.32
4,141 Segro REIT	53	0.32
4,542 WPP	48	0.29
<b>Belgium</b>	<b>50</b>	<b>0.30</b>
<b>Belgian equities</b>	<b>50</b>	<b>0.30</b>
737 KBC	50	0.30
<b>Denmark</b>	<b>190</b>	<b>1.14</b>
<b>Danish equities</b>	<b>190</b>	<b>1.14</b>
829 Novo Nordisk	65	0.39
606 Ørsted	62	0.37
191 ROCKWOOL International	63	0.38
<b>France</b>	<b>297</b>	<b>1.78</b>
<b>French equities</b>	<b>297</b>	<b>1.78</b>
965 BNP Paribas	47	0.28
345 Capgemini	58	0.35
4,175 Crédit Agricole	46	0.27
804 Danone	38	0.23
73 Kering	40	0.24
549 Schneider Electric	68	0.41
<b>Germany</b>	<b>158</b>	<b>0.95</b>
<b>German equities</b>	<b>158</b>	<b>0.95</b>
231 Allianz	39	0.23
566 Bayerische Motoren Werke	41	0.25

## Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %
<b>Equities (continued)</b>		
<b>Germany (continued)</b>		
<b>German equities (continued)</b>		
694 Fresenius Medical Care	34	0.20
418 SAP	44	0.27
<b>Guernsey</b>	<b>195</b>	<b>1.17</b>
<b>Guernsey equities</b>	<b>195</b>	<b>1.17</b>
147,310 Renewables Infrastructure	195	1.17
<b>Ireland</b>	<b>165</b>	<b>0.99</b>
<b>Irish equities</b>	<b>165</b>	<b>0.99</b>
175,122 Greencoat Renewables <sup>a</sup>	165	0.99
<b>Italy</b>	<b>180</b>	<b>1.08</b>
<b>Italian equities</b>	<b>180</b>	<b>1.08</b>
2,868 Assicurazioni Generali	46	0.28
8,110 Enel	50	0.30
21,576 Intesa Sanpaolo	44	0.26
7,255 Terna	40	0.24
<b>Netherlands</b>	<b>51</b>	<b>0.31</b>
<b>Dutch equities</b>	<b>51</b>	<b>0.31</b>
4,582 ING	51	0.31
<b>Spain</b>	<b>227</b>	<b>1.36</b>
<b>Spanish equities</b>	<b>227</b>	<b>1.36</b>
874 Amadeus IT	42	0.25
9,354 Banco Bilbao Vizcaya Argentaria	47	0.28
3,132 Grifols	53	0.32
1,693 Industria de Diseno Textil	44	0.26
12,909 Telefónica	41	0.25
<b>United States</b>	<b>1,748</b>	<b>10.50</b>
<b>US equities</b>	<b>1,748</b>	<b>10.50</b>
594 Agilent Technologies	67	0.40
23 Alphabet	49	0.29
335 American Express	42	0.25
1,334 AMERISAFE	58	0.35



## Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %
<b>Equities (continued)</b>		
<b>United States (continued)</b>		
<b>US equities (continued)</b>		
392 Apple	43	0.26
1,042 Ball	69	0.42
1,160 Bank of New York Mellon	50	0.30
78 BlackRock	53	0.32
515 Bright Horizons Family Solutions	61	0.37
627 CBRE	48	0.29
873 Comerica	54	0.32
1,332 Hannon Armstrong Sustainable Infrastructure Capital REIT	59	0.35
158 Home Depot	43	0.26
193 Illumina	58	0.35
1,410 Johnson Controls International	75	0.45
891 Kellogg	40	0.24
3,003 KeyCorp	51	0.31
114 Lam Research	47	0.28
194 Microsoft	46	0.28
409 NVIDIA	74	0.45
2,192 ON Semiconductor	75	0.45
316 PNC Financial Services	49	0.29
411 Procter & Gamble	42	0.25
663 Quest Diagnostics	70	0.42
694 Republic Services	65	0.39
359 SolarEdge Technologies	92	0.55
305 Texas Instruments	42	0.25
149 Thermo Fisher Scientific	67	0.40
216 UnitedHealth	71	0.43
236 Visa	36	0.22
550 Xylem	52	0.31
<b>Canada</b>	<b>66</b>	<b>0.40</b>
<b>Canadian equities</b>	<b>66</b>	<b>0.40</b>
2,988 Boralex	66	0.40

# Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %
<b>Equities (continued)</b>		
<b>Brazil</b>	<b>94</b>	<b>0.56</b>
<b>Brazilian equities</b>	<b>94</b>	<b>0.56</b>
38,876 AES Brasil Energia	55	0.33
118,809 Cogna Educacao	39	0.23
<b>Japan</b>	<b>237</b>	<b>1.42</b>
<b>Japanese equities</b>	<b>237</b>	<b>1.42</b>
1,600 Dai-ichi Life	24	0.15
1,000 Daiwa House Industry	24	0.15
900 Honda Motor	19	0.11
1,200 Horiba	57	0.34
28 Japan Metropolitan Fund REIT	19	0.11
300 Murata Manufacturing	17	0.10
3,500 Obayashi	21	0.13
2,500 Panasonic	22	0.13
1,700 Sekisui Chemical	20	0.12
400 West Japan Railway	14	0.08
<b>Australia</b>	<b>114</b>	<b>0.68</b>
<b>Australian equities</b>	<b>114</b>	<b>0.68</b>
11,155 Brambles	61	0.36
441 Cochlear	53	0.32
<b>Hong Kong</b>	<b>134</b>	<b>0.80</b>
<b>Hong Kong equities</b>	<b>134</b>	<b>0.80</b>
6,400 AIA	53	0.32
56,000 Lenovo	44	0.26
19,200 Swire Properties	37	0.22
<b>India</b>	<b>61</b>	<b>0.37</b>
<b>Indian equities</b>	<b>61</b>	<b>0.37</b>
1,122 HDFC Bank ADR	61	0.37
<b>South Korea</b>	<b>73</b>	<b>0.44</b>
<b>South Korean equities</b>	<b>73</b>	<b>0.44</b>
1,355 Hankook Tire & Technology	35	0.21
677 LG	38	0.23

## Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %
<b>Equities (continued)</b>		
<b>Taiwan</b>	<b>159</b>	<b>0.96</b>
<b>Taiwanese equities</b>	<b>159</b>	<b>0.96</b>
19,000 ASE Technology	49	0.30
29,000 Cathay Financial	44	0.26
49,872 E.Sun Financial	35	0.21
2,000 Taiwan Semiconductor Manufacturing	31	0.19
<b>South Africa</b>	<b>57</b>	<b>0.34</b>
<b>South African equities</b>	<b>57</b>	<b>0.34</b>
19,341 Sanlam	57	0.34
<b>Fixed income</b>	<b>11,174</b>	<b>67.10</b>
<b>United Kingdom</b>	<b>982</b>	<b>5.90</b>
<b>Government bonds</b>	<b>853</b>	<b>5.12</b>
£853,000 UK Treasury 0% 29/12/2021	853	5.12
<b>Below investment grade corporate bonds</b>	<b>129</b>	<b>0.78</b>
€148,000 Vodafone 0.9% 24/11/2026	129	0.78
<b>France</b>	<b>333</b>	<b>2.00</b>
<b>Below investment grade corporate bonds</b>	<b>333</b>	<b>2.00</b>
US\$134,000 Électricité de France 3.625% 13/10/2025	105	0.63
€120,000 Renault 1% 28/11/2025	101	0.61
€142,000 Unibail-Rodamco-Westfield 2.5% 26/02/2024	127	0.76
<b>Germany</b>	<b>219</b>	<b>1.31</b>
<b>Investment grade corporate bonds</b>	<b>108</b>	<b>0.65</b>
£109,000 Kreditanstalt fuer Wiederaufbau 0.875% 15/09/2026	108	0.65
<b>Below investment grade corporate bonds</b>	<b>111</b>	<b>0.66</b>
€129,000 Daimler 0.75% 10/09/2030	111	0.66
<b>Luxembourg</b>	<b>745</b>	<b>4.47</b>
<b>Investment grade corporate bonds</b>	<b>745</b>	<b>4.47</b>
£751,000 European Investment Bank 0.75% 15/11/2024	745	4.47
<b>Portugal</b>	<b>516</b>	<b>3.10</b>
<b>Government bonds</b>	<b>426</b>	<b>2.56</b>
€546,808 Portugal (Republic of) 1% 12/04/2052	426	2.56

## Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %
<b>Fixed income (continued)</b>		
<b>Portugal (continued)</b>		
<b>Below investment grade corporate bonds</b>	<b>90</b>	<b>0.54</b>
€100,000 EDP - Energias de Portugal 1.625% 15/04/2027	90	0.54
<b>United States</b>	<b>5,910</b>	<b>35.49</b>
<b>Government bonds</b>	<b>3,666</b>	<b>22.01</b>
US\$4,207,800 US Treasury 3% 15/02/2048	3,666	22.01
<b>Investment grade corporate bonds</b>	<b>1,501</b>	<b>9.02</b>
US\$143,000 Apple 2.85% 23/02/2023	106	0.64
IDR2,820,000,000 Inter-American Development Bank 5.5% 07/02/2023	146	0.88
BRL1,380,000 International Bank for Reconstruction & Development 0% 30/01/2024	136	0.82
£456,000 International Bank for Reconstruction & Development 0.5% 24/07/2023	454	2.73
US\$631,000 International Bank for Reconstruction & Development 0.875% 14/05/2030	431	2.59
US\$171,000 Prologis 1.25% 15/10/2030	114	0.68
US\$156,000 Toyota Motor Credit 2.15% 13/02/2030	114	0.68
<b>Below investment grade corporate bonds</b>	<b>743</b>	<b>4.46</b>
US\$136,000 Boston Properties 4.5% 01/12/2028	112	0.67
US\$152,000 DaVita 3.75% 15/02/2031	105	0.63
US\$135,000 Hanesbrands 4.625% 15/05/2024	102	0.61
US\$125,000 HCA 5% 15/03/2024	99	0.60
US\$137,000 KB Home 4.8% 15/11/2029	107	0.64
US\$140,000 TEGNA 5% 15/09/2029	103	0.62
US\$159,000 Xylem 2.25% 30/01/2031	115	0.69
<b>Chile</b>	<b>603</b>	<b>3.62</b>
<b>Government bonds</b>	<b>603</b>	<b>3.62</b>
€223,000 Chile (Republic of) 1.25% 29/01/2040	179	1.07
CLP500,000,000 Chile (Republic of) 5% 01/10/2028	424	2.55
<b>Colombia</b>	<b>386</b>	<b>2.32</b>
<b>Government bonds</b>	<b>386</b>	<b>2.32</b>
COP2,151,000,000 Colombia (Republic of) 7% 26/03/2031	386	2.32
<b>Mexico</b>	<b>214</b>	<b>1.28</b>
<b>Government bonds</b>	<b>214</b>	<b>1.28</b>
MXN5,753,000 Mexico (United Mexican States) 8.5% 18/11/2038	214	1.28

## Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %
<b>Fixed income (continued)</b>		
<b>Peru</b>	<b>248</b>	<b>1.49</b>
<b>Government bonds</b>	<b>248</b>	<b>1.49</b>
PEN1,271,000 Peru (Republic of) 6.95% 12/08/2031	248	1.49
<b>Australia</b>	<b>702</b>	<b>4.22</b>
<b>Government bonds</b>	<b>702</b>	<b>4.22</b>
AU\$1,207,000 Australia (Commonwealth of) 2.75% 21/06/2035	702	4.22
<b>South Africa</b>	<b>210</b>	<b>1.26</b>
<b>Government bonds</b>	<b>210</b>	<b>1.26</b>
ZAR6,453,261 South Africa (Republic of) 6.25% 31/03/2036	210	1.26
<b>Cayman Islands</b>	<b>106</b>	<b>0.64</b>
<b>Below investment grade corporate bonds</b>	<b>106</b>	<b>0.64</b>
US\$130,000 Fibria Overseas Finance 5.5% 17/01/2027	106	0.64
<b>Currency</b>	<b>32</b>	<b>0.19</b>
<b>Forward currency contracts</b>	<b>32</b>	<b>0.19</b>
AU\$(1,614,147) Sold for £882,747 (expires 21.01.22)	0	0.00
CA\$(72,635) Sold for £42,627 (expires 21.01.22)	0	0.00
DKK(1,599,034) Sold for £182,066 (expires 21.01.22)	0	0.00
€(2,671,976) Sold for £2,263,711 (expires 21.01.22)	1	0.01
HK\$(1,481,594) Sold for £138,786 (expires 21.01.22)	1	0.01
US\$110,933 Bought for KRW130,703,502 (expires 21.01.22)	(1)	(0.01)
US\$209,942 Bought for TWD5,861,166 (expires 26.11.21)	(1)	(0.01)
US\$(9,654,040) Sold for £7,034,217 (expires 21.01.22)	32	0.19
<b>Portfolio of investments (notes 2c &amp; 2d on pages 9 and 10)</b>	<b>16,344</b>	<b>98.14</b>
<b>Net other assets/(liabilities)</b>	<b>309</b>	<b>1.86</b>
<b>Net assets attributable to shareholders</b>	<b>16,653</b>	<b>100.00</b>

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

<sup>a</sup> AIM quoted.

# Financial highlights

## Fund performance

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

The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (4), which is available free of charge either from our website at [www.mandg.co.uk/prospectuses](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

## Fund level performance

Fund net asset value as at	31.10.21 £'000
Fund net asset value (NAV)	16,653

## Performance since launch

As the fund has not yet operated for a 12 month period, the performance since launch graph and long-term performance figures have not been calculated.

## 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

# Financial highlights

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 below 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](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

## Portfolio transaction costs

for the period to 31 October Direct portfolio transaction costs <sup>a</sup>	2021 %
Broker commission	0.01
Taxes	0.04
Costs before dilution adjustments	0.05
Dilution adjustments <sup>b</sup>	(0.01)
Total direct portfolio transaction costs	0.04
as at 31 October Indirect portfolio transaction costs	2021 %
Average portfolio dealing spread	0.27

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

<sup>b</sup> 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 12 November 2021.

## Sterling Class 'A' Income share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	1.54
Operating charges	(0.93)
Return after operating charges	0.61
Distributions	(1.67)
Closing NAV	98.94
Direct transaction costs	UK p
Costs before dilution adjustments	0.04
Dilution adjustments <sup>a</sup>	(0.01)
Total direct transaction costs	0.03
Performance and charges	%
Direct portfolio transaction costs <sup>b</sup>	0.04
Operating charges	1.05
Return after charges	+0.61
Historic yield	0.00
Other information	
Closing NAV (£'000)	345
Closing NAV (%)	2.07
Number of shares	348,300
Highest share price (UK p)	101.56
Lowest share price (UK p)	95.73

# Financial highlights

## Sterling Class 'A' Accumulation share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	1.55
Operating charges	(0.94)
Return after operating charges	0.61
Distributions	(0.74)
Retained distributions	0.74
Closing NAV	100.61
Direct transaction costs	UK p
Costs before dilution adjustments	0.04
Dilution adjustments <sup>a</sup>	(0.01)
Total direct transaction costs	0.03
Performance and charges	%
Direct portfolio transaction costs <sup>b</sup>	0.04
Operating charges	1.05
Return after charges	+0.61
Historic yield	0.00
Other information	
Closing NAV (£'000)	46
Closing NAV (%)	0.28
Number of shares	45,695
Highest share price (UK p)	102.76
Lowest share price (UK p)	95.90

## Sterling Class 'I' Income share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	1.47
Operating charges	(0.58)
Return after operating charges	0.89
Distributions	(1.60)
Closing NAV	99.29
Direct transaction costs	UK p
Costs before dilution adjustments	0.04
Dilution adjustments <sup>a</sup>	(0.01)
Total direct transaction costs	0.03
Performance and charges	%
Direct portfolio transaction costs <sup>b</sup>	0.04
Operating charges	0.65
Return after charges	+0.89
Historic yield	0.00
Other information	
Closing NAV (£'000)	20
Closing NAV (%)	0.12
Number of shares	20,030
Highest share price (UK p)	101.85
Lowest share price (UK p)	95.82



# Financial highlights

## Sterling Class 'I' Accumulation share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	1.48
Operating charges	(0.58)
Return after operating charges	0.90
Distributions	(1.03)
Retained distributions	1.03
Closing NAV	100.90
Direct transaction costs	UK p
Costs before dilution adjustments	0.04
Dilution adjustments <sup>a</sup>	(0.01)
Total direct transaction costs	0.03
Performance and charges	%
Direct portfolio transaction costs <sup>b</sup>	0.04
Operating charges	0.65
Return after charges	+0.90
Historic yield	0.00
Other information	
Closing NAV (£'000)	305
Closing NAV (%)	1.83
Number of shares	302,429
Highest share price (UK p)	103.00
Lowest share price (UK p)	95.99

## Sterling Class 'L' Accumulation share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	1.45
Operating charges	(0.40)
Return after operating charges	1.05
Distributions	(1.18)
Retained distributions	1.18
Closing NAV	101.05
Direct transaction costs	UK p
Costs before dilution adjustments	0.04
Dilution adjustments <sup>a</sup>	(0.01)
Total direct transaction costs	0.03
Performance and charges	%
Direct portfolio transaction costs <sup>b</sup>	0.04
Operating charges	0.45
Return after charges	+1.05
Historic yield	0.00
Other information	
Closing NAV (£'000)	14,168
Closing NAV (%)	85.08
Number of shares	14,020,040
Highest share price (UK p)	103.13
Lowest share price (UK p)	96.03

# Financial highlights

## Sterling Class 'PP' Income share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	1.45
Operating charges	(0.49)
Return after operating charges	0.96
Distributions	(1.58)
Closing NAV	99.38
<b>Direct transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.04
Dilution adjustments <sup>a</sup>	(0.01)
Total direct transaction costs	0.03
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.04
Operating charges	0.55
Return after charges	+0.96
Historic yield	0.00
<b>Other information</b>	
Closing NAV (£'000)	20
Closing NAV (%)	0.12
Number of shares	20,060
Highest share price (UK p)	101.92
Lowest share price (UK p)	95.85

## Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	1.45
Operating charges	(0.47)
Return after operating charges	0.98
Distributions	(1.10)
Retained distributions	1.10
Closing NAV	100.98
<b>Direct transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.04
Dilution adjustments <sup>a</sup>	(0.01)
Total direct transaction costs	0.03
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.04
Operating charges	0.55
Return after charges	+0.98
Historic yield	0.00
<b>Other information</b>	
Closing NAV (£'000)	1,543
Closing NAV (%)	9.26
Number of shares	1,527,770
Highest share price (UK p)	103.06
Lowest share price (UK p)	96.01

# Financial highlights

## Sterling Class 'R' Income share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	1.51
Operating charges	(0.79)
Return after operating charges	0.72
Distributions	(1.65)
Closing NAV	99.07
<b>Direct transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.04
Dilution adjustments <sup>a</sup>	(0.01)
Total direct transaction costs	0.03
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.04
Operating charges	0.90
Return after charges	+0.72
Historic yield	0.00
<b>Other information</b>	
Closing NAV (£'000)	71
Closing NAV (%)	0.42
Number of shares	71,297
Highest share price (UK p)	101.66
Lowest share price (UK p)	95.76

## Sterling Class 'R' Accumulation share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	1.53
Operating charges	(0.80)
Return after operating charges	0.73
Distributions	(0.86)
Retained distributions	0.86
Closing NAV	100.73
<b>Direct transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.04
Dilution adjustments <sup>a</sup>	(0.01)
Total direct transaction costs	0.03
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.04
Operating charges	0.90
Return after charges	+0.73
Historic yield	0.00
<b>Other information</b>	
Closing NAV (£'000)	136
Closing NAV (%)	0.82
Number of shares	135,434
Highest share price (UK p)	102.85
Lowest share price (UK p)	95.93

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

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

# Financial statements and notes

## Financial statements

### Statement of total return

for the period to 31 October	Note	2021	
		£'000	£'000
<b>Income</b>			
Net capital gains/(losses)	3		(17)
Revenue	5	262	
Expenses	6	(61)	
Net revenue/(expense) before taxation		201	
Taxation	7	(28)	
Net revenue/(expense) after taxation			173
<b>Total return before distributions</b>			<b>156</b>
Distributions	8		(175)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(19)</b>

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

for the period to 31 October	2021	
	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>0</b>
Amounts received on issue of shares	16,494	
Amounts paid on cancellation of shares	0	
		16,494
Dilution adjustments		4
Change in net assets attributable to shareholders from investment activities (see above)		(19)
Retained distributions on Accumulation shares		174
<b>Closing net assets attributable to shareholders</b>		<b>16,653</b>

# Financial statements and notes

## Financial statements

### Balance sheet

as at 31 October	Note	2021 £'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments		16,346
<b>Current assets</b>		
Debtors	9	142
Cash and bank balances	10	222
<b>Total assets</b>		<b>16,710</b>
<b>Liabilities</b>		
Investment liabilities		(2)
<b>Creditors</b>		
Bank overdrafts		(32)
Distribution payable		(2)
Other creditors	11	(21)
<b>Total liabilities</b>		<b>(57)</b>
<b>Net assets attributable to shareholders</b>		<b>16,653</b>

# Financial statements and notes

## Notes to the financial statements

### 1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 9 to 12.

### 2 Distribution policies

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

### 3 Net capital gains/(losses)

for the period to 31 October	2021 £'000
Non-derivative securities	(395)
Derivative contracts	225
Currency gains/(losses)	153
<b>Net capital gains/(losses)<sup>a</sup></b>	<b>(17)</b>

<sup>a</sup> Includes realised gains of £331,000 and unrealised losses of £348,000.

# Financial statements and notes

## 4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 180 and 181.

for the period to 31 October	2021 £'000	% of transaction
<b>a) Purchases</b>		
<b>Equities</b>		
Equities before transaction costs	4,623	
Commissions	1	0.02
Taxes	4	0.09
<b>Equities after transaction costs</b>	<b>4,628</b>	
<b>Debt securities<sup>a</sup></b>	<b>13,919</b>	
<b>Collective investment schemes</b>		
Collective investment schemes before transaction costs	357	
Taxes	1	0.28
<b>Collective investment schemes after transaction costs</b>	<b>358</b>	
<b>Other transaction types</b>		
Corporate actions	3	
<b>Total purchases after transaction costs</b>	<b>18,908</b>	
<b>b) Sales</b>		
<b>Equities</b>	<b>335</b>	
<b>Debt securities</b>	<b>1,805</b>	
<b>Total sales</b>	<b>2,140</b>	
	2021 £'000	% of average NAV
<b>c) Direct portfolio transaction costs</b>		
<b>Commissions paid</b>		
Equities	1	0.01
<b>Total commissions paid</b>	<b>1</b>	<b>0.01</b>
<b>Taxes paid</b>		
Equities	4	0.03
Collective investment schemes	1	0.01
<b>Total taxes paid</b>	<b>5</b>	<b>0.04</b>
<b>Total direct portfolio transaction costs<sup>b</sup></b>	<b>6</b>	<b>0.05</b>

# Financial statements and notes

	%
<b>d) Indirect portfolio transaction costs</b>	
Portfolio dealing spread <sup>c</sup>	0.27

<sup>a</sup> These transaction types do not attract direct portfolio transaction costs.

<sup>b</sup> Costs before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

<sup>c</sup> Average portfolio dealing spread at the balance sheet date.

## 5 Revenue

for the period to 31 October	2021 £'000
Dividends from equity investments: non-taxable	94
Dividends from equity investments: taxable	1
Interest on debt securities	164
Property distribution: non-taxable	1
Property distribution: taxable	2
<b>Total revenue</b>	<b>262</b>

Revenue includes currency gains/(losses).

## 6 Expenses

for the period to 31 October	2021 £'000
<b>Payable to the ACD or associate</b>	
Annual charge	61
<b>Total expenses</b>	<b>61</b>

Audit fees for the financial period ending 2021 were £12,000 (including VAT), which are covered by the annual charge.



# Financial statements and notes

## 7 Taxation

for the period to 31 October	2021 £'000
<b>a) Analysis of charge in the period</b>	
Corporation tax	21
Withholding tax	9
Current double taxation relief	(2)
Deferred tax (note 7c)	0
<b>Total taxation</b>	<b>28</b>
<b>b) Factors affecting taxation charge for the period</b>	
Net revenue/(expense) before taxation	201
Corporation tax at 20%	40
<b>Effects of:</b>	
Dividends from equity investments: non-taxable	(19)
Total double taxation relief	(2)
Withholding tax	9
<b>Total tax charge (note 7a)</b>	<b>28</b>
<b>c) Provision for deferred taxation</b>	
Provision at the start of the year	0
Deferred tax in profit and loss account (note 7a)	0
<b>Provision at the end of the year</b>	<b>0</b>

The fund has not recognised a deferred tax asset in the current financial period.

# Financial statements and notes

## 8 Distributions

for the period to 31 October	2021	
	Inc <sup>a</sup>	Acc <sup>b</sup>
Ordinary distributions	£'000	£'000
First interim	0	15
Second interim	2	47
Third interim	2	55
Final	2	57
Total net distributions		180
Income received on issue of shares		(5)
<b>Distributions</b>		<b>175</b>
Net revenue/(expense) per statement of total return		173
Expenses offset against capital		2
<b>Distributions</b>		<b>175</b>

<sup>a</sup> Distributions payable on Income shares.

<sup>b</sup> Retained distributions on Accumulation shares.

## 9 Debtors

as at 31 October	2021 £'000
Amounts receivable on issues of shares	45
Debt security interest receivable	90
Dividends receivable	6
Withholding tax recoverable	1
<b>Total debtors</b>	<b>142</b>

## 10 Cash and bank balances

as at 31 October	2021 £'000
Cash held as bank balances	222
<b>Total cash and bank balances</b>	<b>222</b>

## 11 Other creditors

as at 31 October	2021 £'000
Annual charge payable	2
Corporation tax payable	19
<b>Total other creditors</b>	<b>21</b>

# Financial statements and notes

## 12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2020: same).

## 13 Shares in issue

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

Share class	Opening 08.12.20	Movements Issued	Cancelled	Closing 31.10.21
<b>Sterling</b>				
Class 'A' Income	0	348,300	0	348,300
Class 'A' Accumulation	0	45,695	0	45,695
Class 'I' Income	0	20,030	0	20,030
Class 'I' Accumulation	0	302,429	0	302,429
Class 'L' Accumulation	0	14,020,040	0	14,020,040
Class 'PP' Income	0	20,060	0	20,060
Class 'PP' Accumulation	0	1,527,770	0	1,527,770
Class 'R' Income	0	71,297	0	71,297
Class 'R' Accumulation	0	135,434	0	135,434

## 14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Annual charge <sup>a</sup> %
<b>Sterling</b>	
Class 'A'	1.05
Class 'I'	0.65
Class 'L'	0.45
Class 'PP'	0.55
Class 'R'	0.90

<sup>a</sup> The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

## 15 Related parties

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

# Financial statements and notes

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

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

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 84.89% of the fund's shares.

## 16 Events after the balance sheet date

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

## 17 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

### Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities, highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

### Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

### Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 31 October	Assets 2021 £'000	Liabilities 2021 £'000
Basis of valuation		
Level 1	9,658	0
Level 2	6,688	(2)
Level 3	0	0
	<b>16,346</b>	<b>(2)</b>

In accordance with FRS 102 (22.4a) the shares in issue for each class meet the definition of a puttable instrument as the shareholders have the right to sell the shares back to the issuer. The shares in the fund may be issued and redeemed on any business day at the quoted price. These shares are not traded on an exchange. However, the price is observable and transactions within the fund take place regularly at that price. The shares in issue as detailed in note 13 meet the definition of a level 2 financial instrument 'Valuation techniques using observable market data'.

## 18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 14.

# Financial statements and notes

## 19 Market risk sensitivity and exposure

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

The VaR limit set during the financial period to 31 October 2021 was 20%.

The lowest, highest and average VaR, as well as utilisation of VaR with reference to the limit above, are calculated during the financial period ended 31 October 2021.

for the period to 31 October	2021 % of VaR	2021 Utilisation of VaR <sup>a</sup> 20%
Lowest	4.18	20.90
Highest	6.45	32.25
Average	5.18	25.89

<sup>a</sup> The VaR on the fund has been divided by its maximum limit.

## 20 Credit risk

The fund is exposed to credit risk both through the credit quality of the investments it holds and through the derivative positions with counterparties. The table below shows the credit quality of the investments held in the portfolio.

as at 31 October	2021 £'000
Investment grade securities	10,060
Below investment grade securities	1,114
Other investments	5,170
<b>Total</b>	<b>16,344</b>

The tables below show the exposure to counterparties. Collateral is posted daily, in the form of cash or high-quality government bonds, to minimise this exposure.

as at 31 October 2021	Forward currency contracts £'000
Citigroup	1
Goldman Sachs	(1)
JPMorgan	(1)
State Street Bank	1
UBS	32
<b>Total</b>	<b>32</b>

# Financial statements and notes

## 21 Leverage risk

Funds using VaR approaches are required to disclose the level of leverage employed during the financial reporting period.

Derivatives can be used by the fund to generate market exposure to investments exceeding the net asset value. As a result of this exposure, the size of any positive or negative movement in markets may have a more significant effect on the net asset value of the fund.

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial period ended 31 October 2021 is disclosed in the table below.

for the period to 31 October	2021 <sup>a</sup> £'000	2021 <sup>a</sup> % <sup>b</sup>
Lowest	9,318	66
Highest	32,636	223
Average	11,368	77

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

<sup>b</sup> Expressed as a percentage over fund valuation.

## 22 Dividend distribution tables

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

### Quarterly distribution periods

	Start	End	Xd	Payment
First interim	08.12.20	31.01.21	01.02.21	31.03.21
Second interim	01.02.21	30.04.21	04.05.21	30.06.21
Third interim	01.05.21	31.07.21	02.08.21	30.09.21
Final	01.08.21	31.10.21	01.11.21	31.12.21

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

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

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

# Financial statements and notes

## Sterling Class 'A' Income shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.1795	0.0000	0.1795
Second interim	0.1791	0.2868	0.4659
Third interim	0.2863	0.2359	0.5222
Final	0.1851	0.3165	0.5016

## Sterling Class 'A' Accumulation shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.0351	0.0000	0.0351
Second interim	0.0945	0.1169	0.2114
Third interim	0.2633	0.0000	0.2633
Final	0.1431	0.0918	0.2349

## Sterling Class 'I' Income shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.0545	0.1168	0.1713
Second interim	0.4044	0.0398	0.4442
Third interim	0.5005	0.0000	0.5005
Final	0.4817	0.0000	0.4817

## Sterling Class 'I' Accumulation shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.0504	0.0297	0.0801
Second interim	0.1001	0.1892	0.2893
Third interim	0.1115	0.2339	0.3454
Final	0.0659	0.2524	0.3183

# Financial statements and notes

## Sterling Class 'L' Accumulation shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.1032	0.0000	0.1032
Second interim	0.3289	0.0000	0.3289
Third interim	0.3857	0.0000	0.3857
Final	0.3624	0.0000	0.3624

## Sterling Class 'PP' Income shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.1687	0.0000	0.1687
Second interim	0.4394	0.0000	0.4394
Third interim	0.4950	0.0000	0.4950
Final	0.4769	0.0000	0.4769

## Sterling Class 'PP' Accumulation shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.0928	0.0000	0.0928
Second interim	0.1135	0.1957	0.3092
Third interim	0.3632	0.0000	0.3632
Final	0.1083	0.2298	0.3381

## Sterling Class 'R' Income shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.0116	0.1676	0.1792
Second interim	0.3360	0.1229	0.4589
Third interim	0.2134	0.3021	0.5155
Final	0.1181	0.3771	0.4952



# Financial statements and notes

## Sterling Class 'R' Accumulation shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.0237	0.0297	0.0534
Second interim	0.0944	0.1480	0.2424
Third interim	0.1108	0.1859	0.2967
Final	0.1170	0.1494	0.2664

# Authorised Corporate Director's Report

## Investment objective

The fund has two aims:

- To limit the average volatility to 17% per annum over any five-year period while providing a total return (the combination of capital growth and income) over that period; and
- To invest in assets which meet the fund's preferred ESG standards and/or those that provide a positive societal impact through addressing the world's major social and environmental challenges.

## Investment policy

The fund invests globally across a range of asset classes, including equities and equity-related securities, fixed income securities, cash and near cash. Exposure to these assets is typically gained directly, but may also be gained indirectly, via funds (including funds managed by M&G) or derivatives. The fund may also invest to a limited extent indirectly in other asset classes such as property and gold.

Typically, the fund holds 55-100% of its net asset value in equities and equity-related securities, but there is no obligation on the fund manager to hold a particular level of equity exposure.

The fund aims to exclude securities issued by:

- Companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour rights, the environment and anti-corruption;
- Companies involved in the production of tobacco, alcohol, adult entertainment, controversial weapons, thermal coal, or the provision of gambling services;
- Companies that derive more than 10% of their revenue from the distribution of tobacco, unconventional oil and gas extraction, and the production or distribution of other weapons;

- Conventional oil and gas extraction companies that derive less than 40% of their revenue from activities related to natural gas extraction or renewable energy sources; and
- Electricity utilities companies that derive more than 10% of their power production from coal, more than 30% from oil and gas, or nuclear fuel sources. However, the fund may hold companies that have a clear business model of accelerating the transition to low-carbon power production, up to a maximum total limit of 5% of the fund's net asset value.

Where the fund invests directly, these investments meet the fund's ESG criteria or impact criteria:

- The ESG criteria are designed to consider key ESG risks and identify companies and governments which meet preferred standards of ESG behaviour.
- The impact criteria are designed to identify investments that have a positive societal impact. Typically, the fund holds 20%-50% of its net asset value in positive impact assets. It always holds at least 20% of its net asset value in positive impact assets and there is no cap on the level of positive impact exposure.

Further information on M&G's approach to ESG standards and exclusions and impact criteria can be found on the M&G website: <https://www.mandg.com/dam/investments/common/gb/en/documents/funds-literature/fund-specific-files/mandg-sustainable-multi-asset-funds-esg-policy-and-process.pdf>

Indirect investments are not subject to the same ESG and/or impact restrictions as securities held directly. The fund manager will assess the suitability of such investments relative to the fund's non-financial objective. For further details please see the M&G website.

The only investments that are not subject to assessment relative to the fund's non-financial objective are: the use of derivatives to take advantage of short-term market movements and to hedge currency exposures, and cash.

# Authorised Corporate Director's Report

The currency exposure of the fund will be actively managed, seeking to enhance returns, with a minimum of 70% of the fund exposed to sterling.

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

## Investment approach

The fund's approach to sustainable investment is to invest in securities issued by companies or governments that uphold high standards of ESG behaviour, as assessed using the fund's ESG criteria. In addition, the fund maintains a core holding of assets that have a positive societal impact, as assessed using the fund's impact criteria. As part of the investment process, the fund manager considers the long-term sustainability of assets, including carbon intensity and climate adaptability.

The fund manager's assessment of ESG criteria and impact criteria relies upon the use of third-party ESG information and/or proprietary analysis. Further information on M&G's approach to ESG standards and exclusions and impact criteria can be found on the M&G website.

Volatility is managed by using research to estimate the variation in value and risk of different types of assets. The fund seeks to manage volatility and risk through flexible asset allocation, by investing globally across multiple asset classes, sectors, currencies and countries, in response to changes in economic conditions and asset values. This approach combines research to work out the anticipated value of assets over the medium to long term, with analysis of market reactions to events to identify investment opportunities.

The fund's volatility management objective may limit potential gains as well as losses.

## Benchmark

Benchmark: IA Flexible Investment Sector.

The benchmark is a comparator for the fund's financial objective against which the fund's financial performance can be measured. The sector has been chosen as the fund's benchmark as it reflects the financial aspects of the fund's investment policy. The comparator benchmark 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 within the constraints set by the fund's objective and investment policy.

An annual ESG and positive impact review to provide an assessment of the non-financial objective of the fund will be made available on the M&G website.

## Risk profile

The fund invests globally in a broad range of assets, including company shares (equities), fixed income securities (bonds), cash, near cash, currencies and other assets such as property shares and gold. The fund is, therefore, subject to the price volatility of global financial and currency markets. The fund's approach to sustainable investment is through flexible asset allocation, implemented by investing in securities of companies or governments that uphold high standards of ESG or positive impact behaviour. The fund allocates capital between different types of assets in response to changes in economic conditions and the valuation of assets. The manager will seek to build a highly diversified portfolio wherever possible. The blend of assets held in the fund is regularly adjusted, depending on where the fund manager sees the most value, and to manage risks, including liquidity, credit, currency and market risks. The fund's risks are measured and managed as an integral part of the investment process with the aim to limit the average volatility to 17% per annum over any five-year period.

# Authorised Corporate Director's Report

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 simulated historical data and may not be a reliable indication of the future risk profile of this share class. This share class is categorised in risk class 4 because its simulated net asset value has shown medium rises and falls in value historically.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has changed during this period. From 8 December 2020 to 13 June 2021 the risk number was 5.

## Investment review

As at 1 November 2021, for the period from 8 December 2020 to 31 October 2021

The M&G Sustainable Multi Asset Growth Fund was launched on 8 December 2020. As the fund has not yet operated for a full 12-month period, performance cannot be shown.

### Volatility against objective

It is not yet possible to measure the fund's volatility against its five-year volatility objective because the fund was only launched on 8 December 2020. Volatility over a shorter period is not reflective of the fund's objective and may sit outside the volatility limit that is set out in the fund's investment objective.

The fund primarily holds a combination of equities (company shares) and bonds (loans in the form of debt securities). Bonds may be government bonds, those issued by governments, or corporate bonds, those issued by companies. Any bond held may have a credit rating that is either investment grade or below, also

known as high yield. The government bonds held by the fund may include some that are issued by emerging market governments. The fund may also hold bonds issued by supranational or quasi-government institutions, an example of which would be the International Bank for Reconstruction and Development, the World Bank's investment arm.

The fund may also hold sustainable bonds such as green bonds or social bonds, (bonds where the proceeds of their sale are dedicated to sustainable activities or to support positive social outcomes), as well as green infrastructure assets. It may hold convertible bonds, which are bonds that may be converted into a prescribed number of company shares at the holder's discretion, and may also hold collective investment vehicles, such as other funds, as well as cash and derivatives.

The fund is invested with two objectives: 1) limiting the average volatility of returns to below 17% per annum on a rolling five-year basis, while achieving a total return (the combination of income and capital growth) and 2) investing in assets which meet the fund's preferred environmental, social and governance (ESG) standards and/or those that provide a positive societal impact through addressing the world's major social and environmental challenges. These objectives influence the allocation to and selection of the different asset classes, such as equities and bonds. A rigorous evaluation process that assesses the sector a business participates in, as well as the ESG characteristics of the company or government is used to identify individual candidate securities for investment within the positive ESG tilt part of the fund. Their risk/return characteristics will then be considered to determine whether they may be appropriate for investment.

In addition to ESG-screened securities, the fund also has a dedicated core allocation to assets (stocks, bonds or funds) that are expected to deliver a positive impact towards achieving one or more of the United Nations Sustainable Development Goals (SDGs). While we support the UN SDGs, we are not associated with the UN and our funds are not endorsed by them.

# Authorised Corporate Director's Report

At the end of October, the fund's largest allocation was to well-diversified equities, which included allocations to baskets of US and European banks and to a basket of US technology stocks. Within the smaller bond allocation, the fund held both mainstream government bonds and corporate bonds. The government bond holdings were primarily US Treasuries, but they also included Australian and Portuguese government bonds and a small selection of emerging market government bonds. The corporate bond allocation included a number of sustainable bonds. The fund also held some infrastructure investments, particularly relating to renewable energy.

The fund has maintained a diverse range of holdings within the positive impact assets within a typical range of 20%-50% of the fund's net asset value. These are spread across all the six impact areas we have identified, with a focus on those contributing on climate action and social inclusion. We expect that this proportion will increase over time.

Meanwhile, the larger positive ESG tilt portion of the fund has been maintained with an average MSCI ESG score of between 6-7 during the review period, which equates to a rating of A. The positive ESG tilt screening criteria require corporations to be rated BBB or higher, and governments to be rated BB or above, to be eligible for inclusion in the fund.

## Investment activities

We continued our regular process of engaging with companies worldwide, as part of our sustainable approach to investing. Through meetings with management and attending Annual General Meetings as shareholders, we seek to use our voice and votes to encourage those companies to act in a way that best supports the fund's positive impact goals.

## Outlook

Markets face uncertainty about the strength and longevity of the economic recovery while COVID-19 has still to be beaten. This presents risks to both stock and bond markets. We aim to continue managing a diversified portfolio across asset classes, seeking to achieve returns within the permitted risk tolerance. We

will seek only assets that meet our ESG and impact criteria, focusing on strong candidates in the positive ESG tilt section of the fund and building the positive impact section with assets seeking to address the world's ongoing social and environmental challenges.

As many major economies have emerged from long periods of lockdown supported by extensive stimulus from many governments and central banks, market focus has increasingly turned to the effects of that stimulus coming to an end and potential rises in interest rates. As has been the case in recent months, there is likely to be further market turbulence as investors consider the potential effects on inflation and asset prices, both in the short and longer term.

## Maria Municchi

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 31.10.21 £'000	as at 31.10.21 %
<b>Equities</b>	<b>14,567</b>	<b>74.38</b>
<b>United Kingdom</b>	<b>1,693</b>	<b>8.64</b>
<b>UK equities</b>	<b>1,693</b>	<b>8.64</b>
11,128 Bank of Georgia	167	0.85
45,108 DS Smith	173	0.89
150,858 Greencoat UK Wind	214	1.09
165,900 Home REIT	188	0.96
55,463 Legal & General	161	0.82
107,300 Marks & Spencer	196	1.00
218,903 Octopus Renewables Infrastructure Trust	239	1.22
14,906 Segro REIT	192	0.98
15,407 WPP	163	0.83
<b>Belgium</b>	<b>175</b>	<b>0.89</b>
<b>Belgian equities</b>	<b>175</b>	<b>0.89</b>
2,561 KBC	175	0.89
<b>Denmark</b>	<b>567</b>	<b>2.90</b>
<b>Danish equities</b>	<b>567</b>	<b>2.90</b>
2,700 Novo Nordisk	211	1.08
1,647 Ørsted	170	0.87
565 ROCKWOOL International	186	0.95
<b>France</b>	<b>1,007</b>	<b>5.14</b>
<b>French equities</b>	<b>1,007</b>	<b>5.14</b>
3,354 BNP Paribas	164	0.84
1,141 Capgemini	193	0.98
14,504 Crédit Agricole	160	0.82
2,792 Danone	132	0.67
295 Kering	161	0.82
1,595 Schneider Electric	197	1.01
<b>Germany</b>	<b>549</b>	<b>2.80</b>
<b>German equities</b>	<b>549</b>	<b>2.80</b>
803 Allianz	136	0.69
1,839 Bayerische Motoren Werke	135	0.69

# Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %
<b>Equities (continued)</b>		
<b>Germany (continued)</b>		
<b>German equities (continued)</b>		
2,412 Fresenius Medical Care	118	0.60
1,533 SAP	160	0.82
<b>Guernsey</b>	<b>228</b>	<b>1.17</b>
<b>Guernsey equities</b>	<b>228</b>	<b>1.17</b>
172,618 Renewables Infrastructure	228	1.17
<b>Ireland</b>	<b>189</b>	<b>0.97</b>
<b>Irish equities</b>	<b>189</b>	<b>0.97</b>
200,292 Greencoat Renewables <sup>a</sup>	189	0.97
<b>Italy</b>	<b>617</b>	<b>3.15</b>
<b>Italian equities</b>	<b>617</b>	<b>3.15</b>
9,966 Assicurazioni Generali	159	0.81
26,949 Enel	164	0.84
74,962 Intesa Sanpaolo	155	0.79
25,207 Terna	139	0.71
<b>Netherlands</b>	<b>176</b>	<b>0.90</b>
<b>Dutch equities</b>	<b>176</b>	<b>0.90</b>
15,920 ING	176	0.90
<b>Spain</b>	<b>754</b>	<b>3.85</b>
<b>Spanish equities</b>	<b>754</b>	<b>3.85</b>
3,036 Amadeus IT	147	0.75
32,499 Banco Bilbao Vizcaya Argentaria	164	0.84
8,834 Grifols	148	0.76
5,882 Industria de Diseno Textil	153	0.78
44,849 Telefónica	142	0.72
<b>United States</b>	<b>5,504</b>	<b>28.10</b>
<b>US equities</b>	<b>5,504</b>	<b>28.10</b>
1,697 Agilent Technologies	192	0.98
79 Alphabet	167	0.85
1,097 American Express	139	0.71
3,804 AMERISAFE	164	0.84

# Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %
<b>Equities (continued)</b>		
<b>United States (continued)</b>		
<b>US equities (continued)</b>		
1,335 Apple	148	0.76
2,983 Ball	199	1.02
3,935 Bank of New York Mellon	170	0.87
263 BlackRock	179	0.91
1,374 Bright Horizons Family Solutions	163	0.83
2,249 CBRE	171	0.87
2,963 Comerica	184	0.94
4,707 Hannon Armstrong Sustainable Infrastructure Capital REIT	208	1.06
598 Home Depot	161	0.82
601 Illumina	180	0.92
3,892 Johnson Controls International	207	1.06
3,021 Kellogg	135	0.69
10,185 KeyCorp	174	0.89
398 Lam Research	163	0.83
634 Microsoft	149	0.76
1,456 NVIDIA	263	1.34
6,087 ON Semiconductor	208	1.06
1,071 PNC Financial Services	166	0.85
1,393 Procter & Gamble	144	0.74
1,855 Quest Diagnostics	196	1.00
1,934 Republic Services	182	0.93
1,031 SolarEdge Technologies	263	1.34
1,036 Texas Instruments	141	0.72
394 Thermo Fisher Scientific	177	0.90
631 UnitedHealth	209	1.07
756 Visa	115	0.59
1,962 Xylem	187	0.95
<b>Canada</b>	<b>190</b>	<b>0.97</b>
<b>Canadian equities</b>	<b>190</b>	<b>0.97</b>
8,572 Boralex	190	0.97



# Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %
<b>Equities (continued)</b>		
<b>Brazil</b>	<b>275</b>	<b>1.40</b>
<b>Brazilian equities</b>	<b>275</b>	<b>1.40</b>
112,921 AES Brasil Energia	161	0.82
349,620 Cogna Educacao	114	0.58
<b>Japan</b>	<b>782</b>	<b>3.99</b>
<b>Japanese equities</b>	<b>782</b>	<b>3.99</b>
5,500 Dai-ichi Life	84	0.43
2,900 Daiwa House Industry	69	0.35
3,100 Honda Motor	66	0.34
3,400 Horiba	161	0.82
93 Japan Metropolitan Fund REIT	62	0.31
1,200 Murata Manufacturing	66	0.34
11,600 Obayashi	71	0.36
8,300 Panasonic	74	0.38
5,700 Sekisui Chemical	68	0.35
1,800 West Japan Railway	61	0.31
<b>Australia</b>	<b>315</b>	<b>1.61</b>
<b>Australian equities</b>	<b>315</b>	<b>1.61</b>
30,821 Brambles	169	0.86
1,211 Cochlear	146	0.75
<b>Hong Kong</b>	<b>424</b>	<b>2.17</b>
<b>Hong Kong equities</b>	<b>424</b>	<b>2.17</b>
17,800 AIA	146	0.75
192,000 Lenovo	152	0.78
65,000 Swire Properties	126	0.64
<b>India</b>	<b>168</b>	<b>0.86</b>
<b>Indian equities</b>	<b>168</b>	<b>0.86</b>
3,117 HDFC Bank ADR	168	0.86
<b>South Korea</b>	<b>245</b>	<b>1.25</b>
<b>South Korean equities</b>	<b>245</b>	<b>1.25</b>
4,538 Hankook Tire & Technology	117	0.60
2,269 LG	128	0.65

# Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %
<b>Equities (continued)</b>		
<b>Taiwan</b>	<b>547</b>	<b>2.79</b>
<b>Taiwanese equities</b>	<b>547</b>	<b>2.79</b>
61,000 ASE Technology	159	0.81
94,000 Cathay Financial	142	0.72
177,205 E.Sun Financial	123	0.63
8,000 Taiwan Semiconductor Manufacturing	123	0.63
<b>South Africa</b>	<b>162</b>	<b>0.83</b>
<b>South African equities</b>	<b>162</b>	<b>0.83</b>
54,552 Sanlam	162	0.83
<b>Fixed income</b>	<b>4,350</b>	<b>22.21</b>
<b>United Kingdom</b>	<b>329</b>	<b>1.68</b>
<b>Government bonds</b>	<b>242</b>	<b>1.24</b>
£242,000 UK Treasury 0% 29/12/2021	242	1.24
<b>Below investment grade corporate bonds</b>	<b>87</b>	<b>0.44</b>
€100,000 Vodafone 0.9% 24/11/2026	87	0.44
<b>France</b>	<b>169</b>	<b>0.86</b>
<b>Below investment grade corporate bonds</b>	<b>169</b>	<b>0.86</b>
US\$48,000 Électricité de France 3.625% 13/10/2025	37	0.19
€50,000 Renault 1% 28/11/2025	42	0.21
€100,000 Unibail-Rodamco-Westfield 2.5% 26/02/2024	90	0.46
<b>Germany</b>	<b>74</b>	<b>0.38</b>
<b>Investment grade corporate bonds</b>	<b>34</b>	<b>0.17</b>
£34,000 Kreditanstalt fuer Wiederaufbau 0.875% 15/09/2026	34	0.17
<b>Below investment grade corporate bonds</b>	<b>40</b>	<b>0.21</b>
€47,000 Daimler 0.75% 10/09/2030	40	0.21
<b>Luxembourg</b>	<b>180</b>	<b>0.92</b>
<b>Investment grade corporate bonds</b>	<b>180</b>	<b>0.92</b>
£181,000 European Investment Bank 0.75% 15/11/2024	180	0.92
<b>Portugal</b>	<b>173</b>	<b>0.88</b>
<b>Government bonds</b>	<b>83</b>	<b>0.42</b>
€106,403 Portugal (Republic of) 1% 12/04/2052	83	0.42

# Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %
<b>Fixed income (continued)</b>		
<b>Portugal (continued)</b>		
<b>Below investment grade corporate bonds</b>	<b>90</b>	<b>0.46</b>
€100,000 EDP - Energias de Portugal 1.625% 15/04/2027	90	0.46
<b>United States</b>	<b>2,621</b>	<b>13.38</b>
<b>Government bonds</b>	<b>1,931</b>	<b>9.86</b>
US\$2,216,100 US Treasury 3% 15/02/2048	1,931	9.86
<b>Investment grade corporate bonds</b>	<b>424</b>	<b>2.16</b>
US\$51,000 Apple 2.85% 23/02/2023	38	0.19
IDR1,210,000,000 Inter-American Development Bank 5.5% 07/02/2023	63	0.32
BRL650,000 International Bank for Reconstruction & Development 0% 30/01/2024	64	0.33
£184,000 International Bank for Reconstruction & Development 0.5% 24/07/2023	183	0.94
US\$57,000 Prologis 1.25% 15/10/2030	38	0.19
US\$53,000 Toyota Motor Credit 2.15% 13/02/2030	38	0.19
<b>Below investment grade corporate bonds</b>	<b>266</b>	<b>1.36</b>
US\$46,000 Boston Properties 4.5% 01/12/2028	38	0.19
US\$56,000 DaVita 3.75% 15/02/2031	39	0.20
US\$51,000 Hanesbrands 4.625% 15/05/2024	39	0.20
US\$47,000 HCA 5% 15/03/2024	37	0.19
US\$49,000 KB Home 4.8% 15/11/2029	38	0.20
US\$51,000 TEGNA 5% 15/09/2029	37	0.19
US\$53,000 Xylem 2.25% 30/01/2031	38	0.19
<b>Chile</b>	<b>258</b>	<b>1.32</b>
<b>Government bonds</b>	<b>258</b>	<b>1.32</b>
€100,000 Chile (Republic of) 1.25% 29/01/2040	80	0.41
CLP210,000,000 Chile (Republic of) 5% 01/10/2028	178	0.91
<b>Colombia</b>	<b>181</b>	<b>0.93</b>
<b>Government bonds</b>	<b>181</b>	<b>0.93</b>
COP1,006,700,000 Colombia (Republic of) 7% 26/03/2031	181	0.93
<b>Mexico</b>	<b>62</b>	<b>0.32</b>
<b>Government bonds</b>	<b>62</b>	<b>0.32</b>
MXN1,650,500 Mexico (United Mexican States) 8.5% 18/11/2038	62	0.32

# Investments

## Portfolio statement (continued)

Holding	as at 31.10.21 £'000	as at 31.10.21 %
<b>Fixed income (continued)</b>		
<b>Peru</b>	<b>80</b>	<b>0.41</b>
<b>Government bonds</b>	<b>80</b>	<b>0.41</b>
PEN409,000 Peru (Republic of) 6.95% 12/08/2031	80	0.41
<b>Australia</b>	<b>122</b>	<b>0.62</b>
<b>Government bonds</b>	<b>122</b>	<b>0.62</b>
AU\$210,000 Australia (Commonwealth of) 2.75% 21/06/2035	122	0.62
<b>South Africa</b>	<b>63</b>	<b>0.32</b>
<b>Government bonds</b>	<b>63</b>	<b>0.32</b>
ZAR1,920,618 South Africa (Republic of) 6.25% 31/03/2036	63	0.32
<b>Cayman Islands</b>	<b>38</b>	<b>0.19</b>
<b>Below investment grade corporate bonds</b>	<b>38</b>	<b>0.19</b>
US\$47,000 Fibria Overseas Finance 5.5% 17/01/2027	38	0.19
<b>Currency</b>	<b>36</b>	<b>0.18</b>
<b>Forward currency contracts</b>	<b>36</b>	<b>0.18</b>
AU\$(829,778) Sold for £453,790 (expires 21.01.22)	0	0.00
CA\$(256,793) Sold for £150,704 (expires 21.01.22)	0	0.00
DKK(4,640,341) Sold for £528,349 (expires 21.01.22)	0	0.00
€(4,635,199) Sold for £3,926,963 (expires 21.01.22)	1	0.01
HK\$(4,672,553) Sold for £437,694 (expires 21.01.22)	2	0.01
¥(9,617,400) Sold for £61,684 (expires 21.01.22)	0	0.00
US\$799,298 Bought for TWD22,280,241 (expires 26.11.21)	(1)	(0.01)
US\$375,093 Bought for KRW441,942,229 (expires 21.01.22)	(2)	(0.01)
US\$(10,926,633) Sold for £7,961,467 (expires 21.01.22)	36	0.18
<b>Portfolio of investments (notes 2c &amp; 2d on pages 9 and 10)</b>	<b>18,953</b>	<b>96.77</b>
<b>Net other assets/(liabilities)</b>	<b>633</b>	<b>3.23</b>
<b>Net assets attributable to shareholders</b>	<b>19,586</b>	<b>100.00</b>

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

<sup>a</sup> AIM quoted.

# Financial highlights

## Fund performance

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

The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (4), which is available free of charge either from our website at [www.mandg.co.uk/prospectuses](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

## Fund level performance

Fund net asset value as at	31.10.21 £'000
Fund net asset value (NAV)	19,586

## Performance since launch

As the fund has not yet operated for a 12 month period, the performance since launch graph and long-term performance figures have not been calculated.

## 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

# Financial highlights

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 below 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](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

## Portfolio transaction costs

for the period to 31 October Direct portfolio transaction costs <sup>a</sup>	2021 %
Broker commission	0.02
Taxes	0.08
Costs before dilution adjustments	0.10
Dilution adjustments <sup>b</sup>	(0.02)
Total direct portfolio transaction costs	0.08
as at 31 October Indirect portfolio transaction costs	2021 %
Average portfolio dealing spread	0.16

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

<sup>b</sup> 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 prices (used for dealing purposes)

as the balance sheet date due to accounting and valuation adjustments.

Historic yields for the current period are calculated as at 12 November 2021.

## Sterling Class 'A' Income share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	13.23
Operating charges	(0.59)
Return after operating charges	12.64
Distributions	(1.90)
Closing NAV	110.74
Direct transaction costs	UK p
Costs before dilution adjustments	0.06
Dilution adjustments <sup>a</sup>	(0.01)
Total direct transaction costs	0.05
Performance and charges	%
Direct portfolio transaction costs <sup>b</sup>	0.08
Operating charges	1.05
Return after charges	+12.64
Historic yield	0.00
Other information	
Closing NAV (£'000)	716
Closing NAV (%)	3.66
Number of shares	646,865
Highest share price (UK p)	112.38
Lowest share price (UK p)	99.66

# Financial highlights

## Sterling Class 'A' Accumulation share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	12.99
Operating charges	(0.30)
Return after operating charges	12.69
Distributions	(0.91)
Retained distributions	0.91
Closing NAV	112.69
Direct transaction costs	UK p
Costs before dilution adjustments	0.03
Dilution adjustments <sup>a</sup>	(0.01)
Total direct transaction costs	0.02
Performance and charges	%
Direct portfolio transaction costs <sup>b</sup>	0.08
Operating charges	1.05
Return after charges	+12.69
Historic yield	0.00
Other information	
Closing NAV (£'000)	30
Closing NAV (%)	0.15
Number of shares	26,728
Highest share price (UK p)	113.76
Lowest share price (UK p)	99.66

## Sterling Class 'I' Income share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	13.30
Operating charges	(0.27)
Return after operating charges	13.03
Distributions	(1.90)
Closing NAV	111.13
Direct transaction costs	UK p
Costs before dilution adjustments	0.04
Dilution adjustments <sup>a</sup>	(0.01)
Total direct transaction costs	0.03
Performance and charges	%
Direct portfolio transaction costs <sup>b</sup>	0.08
Operating charges	0.65
Return after charges	+13.03
Historic yield	0.00
Other information	
Closing NAV (£'000)	27
Closing NAV (%)	0.14
Number of shares	23,941
Highest share price (UK p)	112.71
Lowest share price (UK p)	99.67

# Financial highlights

## Sterling Class 'I' Accumulation share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	13.77
Operating charges	(0.67)
Return after operating charges	13.10
Distributions	(1.29)
Retained distributions	1.29
Closing NAV	113.10
Direct transaction costs	UK p
Costs before dilution adjustments	0.10
Dilution adjustments <sup>a</sup>	(0.02)
Total direct transaction costs	0.08
Performance and charges	%
Direct portfolio transaction costs <sup>b</sup>	0.08
Operating charges	0.65
Return after charges	+13.10
Historic yield	0.00
Other information	
Closing NAV (£'000)	1,216
Closing NAV (%)	6.21
Number of shares	1,075,573
Highest share price (UK p)	114.08
Lowest share price (UK p)	99.67

## Sterling Class 'L' Accumulation share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	13.72
Operating charges	(0.43)
Return after operating charges	13.29
Distributions	(1.48)
Retained distributions	1.48
Closing NAV	113.29
Direct transaction costs	UK p
Costs before dilution adjustments	0.10
Dilution adjustments <sup>a</sup>	(0.02)
Total direct transaction costs	0.08
Performance and charges	%
Direct portfolio transaction costs <sup>b</sup>	0.08
Operating charges	0.45
Return after charges	+13.29
Historic yield	0.00
Other information	
Closing NAV (£'000)	15,884
Closing NAV (%)	81.10
Number of shares	14,020,040
Highest share price (UK p)	114.24
Lowest share price (UK p)	99.68



# Financial highlights

## Sterling Class 'PP' Income share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	13.66
Operating charges	(0.53)
Return after operating charges	13.13
Distributions	(1.90)
Closing NAV	111.23
<b>Direct transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.10
Dilution adjustments <sup>a</sup>	(0.02)
Total direct transaction costs	0.08
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.08
Operating charges	0.55
Return after charges	+13.13
Historic yield	0.00
<b>Other information</b>	
Closing NAV (£'000)	22
Closing NAV (%)	0.10
Number of shares	20,060
Highest share price (UK p)	112.79
Lowest share price (UK p)	99.68

## Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	13.31
Operating charges	(0.11)
Return after operating charges	13.20
Distributions	(1.39)
Retained distributions	1.39
Closing NAV	113.20
<b>Direct transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.02
Dilution adjustments <sup>a</sup>	0.00
Total direct transaction costs	0.02
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.08
Operating charges	0.55
Return after charges	+13.20
Historic yield	0.00
<b>Other information</b>	
Closing NAV (£'000)	863
Closing NAV (%)	4.41
Number of shares	762,230
Highest share price (UK p)	114.16
Lowest share price (UK p)	99.68

# Financial highlights

## Sterling Class 'R' Income share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	13.13
Operating charges	(0.35)
Return after operating charges	12.78
Distributions	(1.90)
Closing NAV	110.88
<b>Direct transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.04
Dilution adjustments <sup>a</sup>	(0.01)
Total direct transaction costs	0.03
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.08
Operating charges	0.90
Return after charges	+12.78
Historic yield	0.00
<b>Other information</b>	
Closing NAV (£'000)	101
Closing NAV (%)	0.52
Number of shares	91,180
Highest share price (UK p)	112.51
Lowest share price (UK p)	99.66

## Sterling Class 'R' Accumulation share performance

The share class was launched on 8 December 2020.

for the period to 31 October Change in NAV per share	2021 UK p
Opening NAV	100.00
Return before operating charges	13.43
Operating charges	(0.59)
Return after operating charges	12.84
Distributions	(1.06)
Retained distributions	1.06
Closing NAV	112.84
<b>Direct transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.07
Dilution adjustments <sup>a</sup>	(0.01)
Total direct transaction costs	0.06
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.08
Operating charges	0.90
Return after charges	+12.84
Historic yield	0.00
<b>Other information</b>	
Closing NAV (£'000)	727
Closing NAV (%)	3.71
Number of shares	644,088
Highest share price (UK p)	113.88
Lowest share price (UK p)	99.66

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

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

# Financial statements and notes

## Financial statements

### Statement of total return

for the period to 31 October	Note	2021	
		£'000	£'000
Income			
Net capital gains/(losses)	3		1,832
Revenue	5	328	
Expenses	6	(73)	
Net revenue/(expense) before taxation		255	
Taxation	7	(25)	
Net revenue/(expense) after taxation			230
Total return before distributions			2,062
Distributions	8		(235)
Change in net assets attributable to shareholders from investment activities			1,827

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

for the period to 31 October	2021	
	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>0</b>
Amounts received on issue of shares	17,592	
Amounts paid on cancellation of shares	(69)	
		17,523
Dilution adjustments		7
Change in net assets attributable to shareholders from investment activities (see above)		1,827
Retained distributions on Accumulation shares		229
<b>Closing net assets attributable to shareholders</b>		<b>19,586</b>

# Financial statements and notes

## Financial statements

### Balance sheet

as at 31 October	Note	2021 £'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments		18,956
<b>Current assets</b>		
Debtors	9	141
Cash and bank balances	10	532
<b>Total assets</b>		<b>19,629</b>
<b>Liabilities</b>		
Investment liabilities		(3)
<b>Creditors</b>		
Bank overdrafts		(16)
Distribution payable		(5)
Other creditors	11	(19)
<b>Total liabilities</b>		<b>(43)</b>
<b>Net assets attributable to shareholders</b>		<b>19,586</b>

# Financial statements and notes

## Notes to the financial statements

### 1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 9 to 12.

### 2 Distribution policies

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

### 3 Net capital gains/(losses)

for the period to 31 October	2021 £'000
Non-derivative securities	1,294
Derivative contracts	354
Currency gains/(losses)	184
<b>Net capital gains/(losses)<sup>a</sup></b>	<b>1,832</b>

<sup>a</sup> Includes realised gains of £614,000 and unrealised gains of £1,218,000.

# Financial statements and notes

## 4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 211 and 212.

for the period to 31 October	2021 £'000	% of transaction
<b>a) Purchases</b>		
<b>Equities</b>		
Equities before transaction costs	13,475	
Commissions	4	0.03
Taxes	10	0.08
<b>Equities after transaction costs</b>	<b>13,489</b>	
<b>Debt securities<sup>a</sup></b>	<b>7,026</b>	
<b>Collective investment schemes</b>		
Collective investment schemes before transaction costs	415	
Taxes	1	0.23
<b>Collective investment schemes after transaction costs</b>	<b>416</b>	
<b>Other transaction types</b>		
Corporate actions	11	
<b>Total purchases after transaction costs</b>	<b>20,931</b>	
<b>b) Sales</b>		
<b>Equities</b>	<b>958</b>	
<b>Debt securities<sup>a</sup></b>	<b>2,322</b>	
<b>Total sales</b>	<b>3,280</b>	
	2021 £'000	% of average NAV
<b>c) Direct portfolio transaction costs</b>		
<b>Commissions paid</b>		
Equities	4	0.02
<b>Taxes paid</b>		
Equities	10	0.07
Collective investment schemes	1	0.01
<b>Total taxes paid</b>	<b>11</b>	<b>0.08</b>
<b>Total direct portfolio transaction costs<sup>b</sup></b>	<b>15</b>	<b>0.10</b>
		%
<b>d) Indirect portfolio transaction costs</b>		
Portfolio dealing spread		0.16

<sup>a</sup> These transaction types do not attract direct portfolio transaction costs.

<sup>b</sup> Costs before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

# Financial statements and notes

## 5 Revenue

for the period to 31 October	2021 £'000
Dividends from equity investments: non-taxable	255
Interest on debt securities	65
Property distribution: non-taxable	2
Property distribution: taxable	6
<b>Total revenue</b>	<b>328</b>

Revenue includes currency gains/(losses).

## 6 Expenses

for the period to 31 October	2021 £'000
<b>Payable to the ACD or associate</b>	
Annual charge	73
<b>Total expenses</b>	<b>73</b>

Audit fees for the period were £12,000 (including VAT), which are covered by the annual charge.

# Financial statements and notes

## 7 Taxation

for the period to 31 October	2021 £'000
<b>a) Analysis of charge in the period</b>	
Corporation tax	0
Withholding tax	25
Deferred tax (note 7c)	0
<b>Total taxation</b>	<b>25</b>
<b>b) Factors affecting taxation charge for the period</b>	
Net revenue/(expense) before taxation	255
Corporation tax at 20%	51
<b>Effects of:</b>	
Dividends from equity investments: non-taxable	(52)
Current year expenses not utilised	1
Withholding tax	25
<b>Total tax charge (note 7a)</b>	<b>25</b>
<b>c) Provision for deferred taxation</b>	
Provision at the start of the period	0
Deferred tax in profit and loss account (note 7a)	0
<b>Provision at the end of the period</b>	<b>0</b>

The fund has not recognised a deferred tax asset of £1,000 arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

## 8 Distributions

for the period to 31 October	2021	
Ordinary distributions	Inc <sup>a</sup> £'000	Acc <sup>b</sup> £'000
First interim	0	12
Second interim	3	56
Third interim	5	84
Final	5	77
<b>Total net distributions</b>	<b>242</b>	
Income received on issue of shares		(7)
<b>Distributions</b>		<b>235</b>
Net revenue/(expense) per statement of total return	230	
Expenses offset against capital		5
<b>Distributions</b>		<b>235</b>

<sup>a</sup> Distributions payable on Income shares.

<sup>b</sup> Retained distributions on Accumulation shares.



# Financial statements and notes

## 9 Debtors

as at 31 October	2021 £'000
Amounts receivable on issues of shares	82
Debt security interest receivable	35
Dividends receivable	20
Withholding tax recoverable	4
<b>Total debtors</b>	<b>141</b>

## 10 Cash and bank balances

as at 31 October	2021 £'000
Cash held as bank balances	532
<b>Total cash and bank balances</b>	<b>532</b>

## 11 Other creditors

as at 31 October	2021 £'000
Amounts payable on cancellation of shares	16
Annual charge payable	3
<b>Total other creditors</b>	<b>19</b>

## 12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date.

# Financial statements and notes

## 13 Shares in issue

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

Share class	Opening 08.12.20	Movements Issued	Cancelled	Closing 31.10.21
<b>Sterling</b>				
Class 'A' Income	0	646,865	0	646,865
Class 'A' Accumulation	0	26,728	0	26,728
Class 'I' Income	0	23,941	0	23,941
Class 'I' Accumulation	0	1,081,837	(6,264)	1,075,573
Class 'L' Accumulation	0	14,020,040	0	14,020,040
Class 'PP' Income	0	20,060	0	20,060
Class 'PP' Accumulation	0	762,230	0	762,230
Class 'R' Income	0	124,230	(33,050)	91,180
Class 'R' Accumulation	0	668,517	(24,429)	644,088

## 14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Annual charge <sup>a</sup> %
<b>Sterling</b>	
Class 'A'	1.05
Class 'I'	0.65
Class 'L'	0.45
Class 'PP'	0.55
Class 'R'	0.90

<sup>a</sup> The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

## 15 Related parties

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

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

# Financial statements and notes

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

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 80.87% of the fund's shares.

## 16 Events after the balance sheet date

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

## 17 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

### Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities, highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

### Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

### Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 31 October	Assets 2021	Liabilities 2021
Basis of valuation	£'000	£'000
Level 1	16,740	0
Level 2	2,216	(3)
Level 3	0	0
	<b>18,956</b>	<b>(3)</b>

In accordance with FRS 102 (22.4a) the shares in issue for each class meet the definition of a puttable instrument as the shareholders have the right to sell the shares back to the issuer. The shares in the fund may be issued and redeemed on any business day at the quoted price. These shares are not traded on an exchange. However, the price is observable and transactions within the fund take place regularly at that price. The shares in issue as detailed in note 13 meet the definition of a level 2 financial instrument 'Valuation techniques using observable market data'.

## 18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 14.

## 19 Market risk sensitivity and exposure

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

The VaR limit set during the financial period to 31 October 2021 was 20%.

# Financial statements and notes

The lowest, highest and average VaR, as well as utilisation of VaR with reference to the limit above, are calculated during the financial period ended 31 October 2021.

for the period to 31 October	2021 % of VaR	2021 Utilisation of VaR <sup>a</sup> 20%
Lowest	7.35	36.75
Highest	12.53	62.65
Average	9.16	45.80

<sup>a</sup> The VaR on the fund has been divided by its maximum limit.

## 20 Credit risk

The fund is exposed to credit risk both through the credit quality of the investments it holds and through the derivative positions with counterparties. The table below shows the credit quality of the investments held in the portfolio.

as at 31 October	2021 £'000
Investment grade securities	3,911
Below investment grade securities	439
Other investments	14,603
<b>Total</b>	<b>18,953</b>

## 21 Leverage risk

Funds using VaR approaches are required to disclose the level of leverage employed during the financial reporting period.

Derivatives can be used by the fund to generate market exposure to investments exceeding the net asset value. As a result of this exposure, the size of any positive or negative movement in markets may have a more significant effect on the net asset value of the fund.

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial period ended 31 October 2021 is disclosed in the table below.

for the period to 31 October	2021 <sup>a</sup> £'000	2021 <sup>a</sup> % <sup>b</sup>
Lowest	10,645	75
Highest	43,432	232
Average	14,778	87

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

<sup>b</sup> Expressed as a percentage over fund valuation.

# Financial statements and notes

## 22 Dividend distribution tables

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

### Quarterly distribution periods

	Start	End	Xd	Payment
First interim	08.12.20	31.01.21	01.02.21	31.03.21
Second interim	01.02.21	30.04.21	04.05.21	30.06.21
Third interim	01.05.21	31.07.21	02.08.21	30.09.21
Final	01.08.21	31.10.21	01.11.21	31.12.21

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

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

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

### Sterling Class 'A' Income shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.1508	0.0000	0.1508
Second interim	0.2348	0.2492	0.4840
Third interim	0.2045	0.4618	0.6663
Final	0.2855	0.3121	0.5976

### Sterling Class 'A' Accumulation shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.0032	0.0000	0.0032
Second interim	0.0632	0.1530	0.2162
Third interim	0.2570	0.1380	0.3950
Final	0.1993	0.0982	0.2975

# Financial statements and notes

## Sterling Class 'I' Income shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.0829	0.0679	0.1508
Second interim	0.1282	0.3560	0.4842
Third interim	0.6662	0.0000	0.6662
Final	0.1650	0.4355	0.6005

## Sterling Class 'I' Accumulation shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.0212	0.0372	0.0584
Second interim	0.2236	0.0946	0.3182
Third interim	0.1127	0.3848	0.4975
Final	0.2752	0.1441	0.4193

## Sterling Class 'L' Accumulation shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.0852	0.0000	0.0852
Second interim	0.3697	0.0000	0.3697
Third interim	0.5503	0.0000	0.5503
Final	0.4786	0.0000	0.4786

## Sterling Class 'PP' Income shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.1507	0.0000	0.1507
Second interim	0.4846	0.0000	0.4846
Third interim	0.6665	0.0000	0.6665
Final	0.6000	0.0000	0.6000

# Financial statements and notes

## Sterling Class 'PP' Accumulation shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.0736	0.0000	0.0736
Second interim	0.3448	0.0000	0.3448
Third interim	0.2308	0.2925	0.5233
Final	0.1325	0.3176	0.4501

## Sterling Class 'R' Income shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.0140	0.1363	0.1503
Second interim	0.0899	0.3939	0.4838
Third interim	0.1532	0.5149	0.6681
Final	0.4090	0.1900	0.5990

## Sterling Class 'R' Accumulation shares

Ordinary distributions for the period to 31 October	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p
First interim	0.0000	0.0230	0.0230
Second interim	0.1371	0.1169	0.2540
Third interim	0.1694	0.2622	0.4316
Final	0.1856	0.1611	0.3467

# Other regulatory disclosures

## Alternative Investment Fund Managers Directive (AIFMD)

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

### Leverage

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

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

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

Therefore as at 31 October 2021 the total amount of leverage is as follows:

#### Gross method:

M&G Episode Allocation Fund 214%  
M&G Episode Growth Fund 139%  
M&G Sustainable Multi Asset Fund 157%  
M&G Managed Growth Fund 122%  
M&G Sustainable Multi Asset Balanced Fund 158%  
M&G Sustainable Multi Asset Cautious Fund 160%  
M&G Sustainable Multi Asset Growth Fund 173%

#### Commitment method:

M&G Episode Allocation Fund 156%  
M&G Episode Growth Fund 154%  
M&G Sustainable Multi Asset Fund 101%  
M&G Managed Growth Fund 108%  
M&G Sustainable Multi Asset Balanced Fund 100%  
M&G Sustainable Multi Asset Cautious Fund 100%  
M&G Sustainable Multi Asset Growth Fund 100%

## Special arrangements

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

The fund had no assets subject to special arrangements for the period ending 31 October 2021.

## Remuneration

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

The remuneration policy is designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of employees is in line with the risk policies and objectives of the alternative investment funds managed by the AIFM. Further details of the remuneration policy can be found here: <https://www.mandgplc.com/our-business/mandg-investments/mandg-investments-business-policies>. The remuneration policy and its implementation is reviewed on an annual basis, or more frequently where required, and is approved by the M&G plc Board Remuneration Committee.

The AIFM is required under the AIFMD to make quantitative disclosures of remuneration. These disclosures are made in line with M&G's interpretation of currently available guidance on quantitative remuneration disclosures. As market or regulatory guidance evolves, M&G may consider it appropriate to make changes to the way in which quantitative disclosures are calculated.

The 'Identified Staff' of M&G Securities Limited are those who could have a material impact on the risk profile of M&G Securities Limited or the AIFs it manages (including M&G Investment Funds (4)) and generally includes senior management, risk takers and control functions. 'Identified Staff' typically provide both AIFMD and non-AIFMD related services and have



# Other regulatory disclosures

a number of areas of responsibility. Therefore, only the portion of remuneration for those individuals' services which may be attributable to the AIFM is included in the remuneration figures disclosed. Accordingly the figures are not representative of any individual's actual remuneration.

The amounts shown below reflect payments made in respect of the financial year 1 January 2020 to 31 December 2020.

	Fixed Remuneration £000	Variable Remuneration (incl. carried interest) £000	Total £000
Senior Management	335	701	1,036
Other Identified Staff	438	1,321	1,759

## 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.





