

M&G Investment Funds (1)

**Interim Long Report and unaudited Financial Statements
for the six months ended 28 February 2022**

Contents

Authorised Corporate Director's Report.....	1
Directors' statement	4
Financial statements and notes	5
Authorised Corporate Director's Reports, including the financial highlights and financial statements and notes for:	
M&G Asian Fund	6
M&G European Index Tracker Fund	26
M&G European Select Fund (closed)	54
M&G European Sustain Paris Aligned Fund.....	69
M&G Global Sustain Paris Aligned Fund	88
M&G Global Themes Fund	108
M&G Japan Fund	130
M&G Japan Smaller Companies Fund	149
M&G North American Dividend Fund	169
M&G North American Value Fund	191
M&G Pan European Select Smaller Companies Fund (closed)	211
Other regulatory disclosures	225
Glossary.....	226

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (1) presents its Interim Long Report and unaudited Financial Statements for the six months ended 28 February 2022.

The unaudited financial statements of M&G Investment Funds (1) and the investment report and unaudited 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 (1) is an umbrella Open-Ended Investment Company (OEIC) and contains 11 sub-funds, hereinafter referred to as 'funds' in the rest of this report. Each fund is a UK UCITS (Undertakings for Collective Investment in Transferable Securities) scheme as defined in the Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA). This OEIC is an Investment Company with Variable Capital (ICVC) incorporated under the Open-Ended Investment Companies Regulations 2001. It is authorised and regulated by the FCA under the Financial Services and Markets Act 2000.

The Company was authorised on 6 June 2001 and was launched on 1 November 2001, following the conversion of a series of authorised unit trusts.

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

As at 28 February 2022, 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 Asian Fund

David Perrett

M&G European Index Tracker Fund

Nigel Booth

M&G European Select Fund (closed)

Richard Halle

M&G European Sustain Paris Aligned Fund

John William Olsen

M&G Global Sustain Paris Aligned Fund

John William Olsen

M&G Global Themes Fund

Alex Araujo

M&G Japan Fund

Carl Vine

M&G Japan Smaller Companies Fund

Carl Vine

M&G North American Dividend Fund

John Weavers

M&G North American Value Fund

Daniel White

M&G Pan European Select Smaller Companies Fund (closed)

Michael Oliveros

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)

Authorised Corporate Director's Report

Directors of the ACD

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

Investment manager

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

Registrar

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

Depository

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

Independent auditor

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

Annual value assessment

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

Important information

At the shareholder meeting on 20 October 2021, mergers of the M&G European Select Fund and M&G Pan European Select Smaller Companies Fund into the M&G European Sustain Paris Aligned Fund were approved by shareholders. The effective date of the mergers was 10 December 2021. As a result of these mergers, the financial statements of the merged funds for the period to 28 February 2022 have been prepared on a break-up basis. Termination of the M&G European Select Fund and M&G Pan European Select Smaller Companies Fund will be completed once all of the assets and liabilities have been settled.

On 2 September 2021 Sterling Class 'PP' Income share class and Sterling class 'PP' Accumulation share class was launched on M&G European Sustain Paris Aligned Fund and M&G Global Sustain Paris Aligned Fund.

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

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

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

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

Authorised Corporate Director's Report

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

Investor information

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

Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

Customer services and administration for non-UK clients:

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

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

Telephone: +352 2605 9944
Email: csmandg@rbc.com

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

German information agent:

M&G Luxembourg S.A.,
mainBuilding, Taunusanlage 19, 60325 Frankfurt am
Main, Germany

Swiss paying agent and representative:

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

Authorised Corporate Director's Report

Authorised Corporate Director's Responsibilities

The Authorised Corporate Director (ACD) is required to prepare annual and interim long reports for the Company. The ACD must ensure that the financial statements, contained in this report, for each of the funds are prepared in accordance with the Investment Association Statement of Recommended Practice for Financial Statements of UK Authorised Funds (SORP) and UK Financial Reporting Standards, and give a true and fair view of the net revenue or expenses and net capital gains or losses for the accounting period, and the financial position at the end of that period. The ACD is required to keep proper accounting records, and to manage the Company in accordance with the Collective Investment Schemes sourcebook, as issued (and amended) by the FCA, the Instrument of Incorporation and the Prospectus, and to take reasonable steps for the prevention and detection of fraud or other irregularities. Additionally, the ACD is responsible for preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Company or its funds will continue in operation. For reasons stated in the ACD's report and Notes to the financial statements on page 5, the financial statements of M&G European Select Fund and M&G Pan European Select Smaller Companies Fund have been prepared on a break-up basis as the funds are no longer a going concern.

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
12 April 2022

Financial statements and notes

The financial statements for M&G Investment Funds (1) comprise the individual financial statements for each fund and the notes below.

Notes to the financial statements

Accounting policies

There are no material events that have been identified that may cast significant doubt on the Company's ability to continue as a going concern for at least the next twelve months from the date these financial statements are authorised for issue. The ACD believes that the Company has adequate resources to continue in operational existence for the foreseeable future and, following consideration of the impact of COVID-19 they continue to adopt the going concern basis in preparing the financial statements. The ACD has made an assessment of 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 interim financial statements have been prepared on the same basis as the audited financial statements for the year ended 31 August 2021. They are prepared, with the exception of M&G European Select Fund and M&G Pan European Select Smaller Companies Fund, under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014 and amended in June 2017.

Authorised Corporate Director's Report

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the MSCI AC Asia Pacific ex Japan Index over any five-year period.

Investment policy

At least 80% of the fund is invested directly in equity securities and equity-related securities of companies across any sectors and market capitalisations that are incorporated, domiciled, or do most of their business in the Asia Pacific region (excluding Japan).

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

The fund may also hold cash and near cash for liquidity purposes.

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

The fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies.

The investment approach identifies shares of Asia Pacific ex Japan companies which, in the fund manager's opinion at the time of investment, are undervalued.

When analysing a company, the fund manager focuses on three key factors: return on capital, valuations and corporate governance.

The fund manager believes that company-specific factors, in particular their profitability (which is measured in terms of return on capital), drive share prices over the long term.

Benchmark

Benchmark: MSCI AC Asia Pacific ex Japan Index.

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

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

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

Risk profile

The fund invests in shares of companies throughout Asia (excluding Japan), or companies that conduct the majority of their business activities in these countries. It is, therefore, subject to the price volatility of the Asian stockmarket and the performance of individual issuers. The fund may also be influenced by developments in the broader global stockmarket and is subject to fluctuations in currency exchange rates.

Asia (ex Japan) is a region that is regarded as having emerging economies. Hence, the fund's focus on Asia may result in greater volatility compared to a fund that invests mainly in the securities of companies in developed countries. The reasons for this greater volatility include: the financial infrastructure in emerging markets is typically less mature, the regulatory systems and disclosure standards are less developed, and adverse market and political circumstances are more likely to occur in these markets. Diversification across countries, industries and market capitalisation is therefore key in managing liquidity and default risks as well as reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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 March 2022, for the six months ended 28 February 2022

Performance against objective

Between 1 September 2021 (the start of the review period) and 1 March 2022, the M&G Asian Fund delivered a negative total return (the combination of income and growth of capital) across all its sterling share classes. Fund performance was comfortably ahead of the fund's benchmark, the MSCI AC Asia Pacific ex Japan Index, which fell by -6.6% over the same period under review.

Over five years, the fund generated an annualised positive total return across its sterling share classes, but lagged its benchmark, which returned 6.3% pa over this period. Therefore, the fund did not meet the objective over its specified timeframe of 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.

Performance review

It was a challenging six-month period for stockmarkets around the world as they faced a combination of

headwinds – growing inflationary pressures and the prospect of higher interest rates, ongoing COVID-19 concerns and towards the end of February 2022, Russia's invasion of neighbouring Ukraine.

Over the review period, the MSCI AC Asia Pacific ex Japan Index recorded a negative return in sterling terms and lagged the MSCI ACWI Index. Performance was mainly held back by falls in the Chinese and South Korean stockmarkets.

China represents around one third of the regional index by market capitalisation. Sentiment was adversely affected by several factors: China's (and Hong Kong's) strict "zero-COVID" approach to controlling the spread of the coronavirus, which has hurt economic growth; tighter regulation of internet names and a crackdown on the leverage of real estate developers. South Korea was not helped by the poor performance of some large-cap technology and auto manufacturing names.

Stockmarkets that outperformed the regional index included Australia and Indonesia (both resource-rich countries), India and Taiwan. Taiwan's performance was supported by its largest constituent Taiwan Semiconductor Manufacturing Company (TSMC), which the fund holds. TSMC represents around 45% of Taiwan's weighting in the regional index and its share price was broadly flat over the review period.

In terms of sectors, energy and materials outperformed, boosted by higher oil and commodity prices, respectively. Unsurprisingly, given the fall in stockmarkets, defensive sectors, including consumer staples, telecommunication services and utilities also outperformed, although the healthcare sector was a notable negative outlier. Fast-growing companies, such as those in the healthcare sector, were adversely affected by the prospect of rising interest rates. Some high growth companies from the technology sector were also affected.

Other sectors that lagged the market included consumer discretionary and media (sectors which include several large internet-related names which have been adversely affected by developments in China).

Authorised Corporate Director's Report

Against this backdrop, the fund recorded a negative return, but outperformed its benchmark, the MSCI AC Asia Pacific ex Japan Index.

Relative performance was driven by sector allocation and stockpicking. In particular, above-benchmark positions in in-favour sectors energy and financials and below-benchmark positions in poorly performing sectors including healthcare and consumer discretionary were beneficial. Meanwhile, stockpicking added value across a broad range of sectors.

In the energy sector, holdings in Cenovus Energy and Woodside Petroleum were key contributors to relative performance. Canada-based integrated energy company Cenovus Energy reported strong operating performance during the review period. The company is generating strong cashflow, enabling it to reduce net debt. Cenovus also announced a share buyback programme and a doubling of its dividend.

Woodside Petroleum is an Australia-based natural gas producer and we are attracted by its undemanding valuation and the secular growth story for gas within Asia as the region migrates from more polluting and emission-heavy forms of energy.

In the technology sector, semiconductor manufacturer South Korea's SK Hynix added value. SK Hynix reported solid earnings, on the back of robust demand for memory chips and rising prices. The company is also doing an excellent job of migrating to the highest levels of technology know-how in the industry.

Transport-related stocks also featured prominently amongst the fund's top contributors, including COSCO Shipping Ports and Pacific Basin Shipping. China's COSCO operates terminals and handles the transportation and storage of containers, while Pacific Basin is an international dry bulk shipping company. Both companies should benefit from increased trade and economic growth, in our view.

Bank shares outperformed, benefiting from the prospect of higher interest rates, which can improve profitability. Names that aided relative performance

included Thailand's Kasikornbank and Bangkok Bank, Indonesia's Bank Mandiri and Singapore's DBS Group. The Thai names also benefited from the country's transition from a "zero-COVID" strategy to "living with COVID-19" as it reopened to tourists. This should aid the economy.

However, HDFC, a leading blue chip Indian financial holding company, detracted value. Despite this, we believe HDFC has the capacity to grow strongly as a result of structural change in its industry. HDFC has stakes in leading banks and insurance companies throughout India, as well as operating a best-in-class mortgage company.

Other holdings that held back performance were casualties of China's intention to tighten the regulation of internet companies; names included Zhihu, a question and answer website and Autohome.

Autohome is the leading online destination for automobile consumers in China. Its shares sold off in response to a slowdown in new car launches in China, caused by chip shortages, which we believe is a short-term issue. We took advantage of its weak share price to add to the fund's position.

In the healthcare sector, biopharmaceutical company Hutchmed (China) was caught up in the pervading weak sentiment. The company has been listed for many years and has built a strong drug pipeline that is starting to generate revenues. Hutchmed's US and UK listings have left it as something of an 'orphan' stock and it trades at a material discount to its Chinese peers.

Another holding that hurt relative returns was VTech Holdings. Hong Kong-listed electronic learning toys company VTech slipped following the announcement of a profit warning by management. The company's profit margins are coming under pressure from a combination of increased costs, including electronic component prices (due to worldwide shortages) and increased shipping costs. At the same time sales are under pressure, due to the lack of components and delays in shipments of the company's products to customers.

Authorised Corporate Director's Report

Investment activities

We aim to identify significant dislocations between the price and what we consider to be the value of a stock, which we can exploit and where we believe we have a greater perspective than other investors. In our opinion, our edge does not come from better forecasting, but rather from the superior pricing of risk.

Our strategy utilises independent, proprietary research to identify and extensively research opportunities across a universe of more than 300 Asia ex-Japan stocks, which has been carefully refined over many years. We deliberately concentrate our efforts around a pre-defined universe of companies.

We tend to make longer-term investments, although returns may be enhanced by opportunistic positioning where merited by the risk/reward opportunity. The desire is for portfolio returns to be driven by our stockpicking ability, rather than the portfolio's exposure to be dominated by one or two specific investment styles. We also pay close attention to the portfolio's below-benchmark positions. The performance gap between the portfolio and the benchmark index over time is affected not just by what we invest in, but also what we do not.

Early in the review period, we established a position in Kerry Properties. Kerry is a chronically undervalued real estate company, in our view, with a portfolio of high quality investment properties in Hong Kong and mainland China; it also has logistics exposure. When we initiated the position, its share price was at a discount of more than 50% to net asset value. The company has been taking measures to reduce this discount by selling non-core assets and more recently by paying a special dividend and instigating a share buy-back programme. We see the benefits of ownership as particularly compelling at current valuation levels.

We also grew a position in Hainan Meilan airport. The airport on Hainan (the main holiday destination in China) has recently been expanded. Shares in Hainan Meilan airport have been weak due to the impact of COVID-19 on holiday travel, but we believe that longer

term the airport will benefit from a structural increase in rising domestic travel and a shift to promote domestic duty-free sales.

In the second half of the review period we established positions in Brambles and Miniso. Brambles is an Australian logistics player with a dominant position in the retail industry. When the company's shares sold off, we took the opportunity to invest at an attractive entry level, given the company's digital strategy, which we think has the potential to materially improve capital and operating efficiency.

Miniso is a discount retailer which is growing rapidly in China and outside its domestic market. Miniso's advanced logistics capability offers a tremendous competitive advantage in a sector where operating cost competitiveness is critical to success.

We also established a position in Dongyue, a specialist, Chinese environmental play, which provides a key component for solar and electric vehicle manufacturers. Given very strong structural demand, we expect Dongyue to enjoy robust profit growth and we used a sharp sell-off, tied to a general rise in the market risk premium, to build a position in the name.

Positions that were closed during the review period included QBE Insurance and China Resources Power. We sold QBE into strength, as its share price recovered in response to higher insurance rates and hopes of higher interest rates. We understand the near-term positive cyclical outlook for QBE, but remain more concerned about the longer-term structural outlook for the insurer.

We closed the fund's position in China Resources Power in early 2022; the holding more than tripled in value in 2021. The original rationale for our investment was that the market was overlooking the company's commitment and success in transitioning away from being a coal power operator, towards being much more focused on renewable energy. Through 2021, the market became increasingly aware of this positive development and as a result China Resources Power's valuation became less attractive.

Authorised Corporate Director's Report

We exited positions in Greatview and GT Capital, primarily because we saw better opportunities to deploy the capital elsewhere in the region. We also sold Daqo, a polysilicon producer. While we see strong structural demand for solar panels, we believe new planned polysilicon capacity will drive down future industry profits materially.

Outlook

Our strategy remains the same, which is to construct a portfolio of esoteric, bottom-up stock opportunities where we believe we have a superior perspective on risk pricing. As an example, Kerry Properties is a name that we have followed for many years, across a number of different property cycles in Hong Kong. We believe we have a useful perspective in valuing the stock and understanding what has driven sentiment over these periods.

Autohome is a newer name to us, but we like the business characteristics and the moat it has built and we do believe we have useful experience in navigating China risk “episodes”. Both Kerry Properties and Autohome are good examples of esoteric names that should be able to plough their own furrow over the coming two to three years.

As we mentioned in our previous annual report, we have used pockets of China weakness to judiciously add positions in existing core names and also new names where we see proven business models, deep moats and strong balance sheets and where we feel valuations are attractive. While we have added pockets of China exposure, it remains the case that portfolio risk is dominated by bottom-up esoteric, stock-specific risk and we remain vigilant to not having one theme or correlated trend dominating overall portfolio risk.

We are also cognisant of the geopolitical pressures that are affecting global markets at present. Direct economic impact on our portfolio companies is limited, but indirect impacts on consumers and companies from higher input costs and inflation will likely dampen economic activity as 2022 progresses, with this headwind only partially offset by a gradual reopening of the region after COVID-19.

From a market perspective, typically such episodes, often characterised by sharp swings in sentiment, offer opportunities for stockpickers. That said, at times like this we are mindful to focus the vast majority of our portfolio on blue-chip, liquid stocks so we are in a position to move quickly to take advantage of any opportunities, should they arise.

David Perrett

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 28.02.22 \$'000	as at 28.02.22 %	as at 31.08.21 %
Equities		224,440	99.65	101.75
United States		0	0.00	0.51
Canada		2,558	1.14	1.05
138,824	Cenovus Energy	2,070	0.92	
49,178	Cenovus Energy Warrants 01/01/2026	488	0.22	
Australia		26,636	11.83	10.30
440,962	Amcor	5,043	2.24	
166,043	Australia & New Zealand Banking	3,115	1.38	
143,204	BHP	4,820	2.14	
123,693	BlueScope Steel	1,806	0.80	
230,883	Brambles	1,649	0.73	
7,752	CSL	1,454	0.65	
914,023	Mesoblast	719	0.32	
206,485	National Australia Bank	4,301	1.91	
384,948	Stockland REIT	1,145	0.51	
125,618	Woodside Petroleum	2,584	1.15	
China		50,563	22.45	23.24
395,876	Alibaba	5,226	2.32	
78,633	Autohome ADR	2,332	1.03	
8,848	Baidu ADR	1,336	0.59	
1,679,800	Baoshan Iron & Steel	1,920	0.85	
6,002,000	CGN Power	1,690	0.75	
8,690,000	China Construction Bank	6,508	2.89	
1,630,000	China Telecom	624	0.28	
1,305,000	Dongyue	1,882	0.84	
1,895,000	GF Securities	2,831	1.26	
546,000	Hainan Meilan International Airport	1,507	0.67	
1,206,400	Huatai Securities	1,968	0.87	
55,814	Huazhu ADR	2,288	1.02	
72,769	JD.com	2,577	1.14	
32,567	JD.com ADR	2,319	1.03	
83,637	KE ADR	1,580	0.70	
38,100	Meituan	833	0.37	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 \$'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
China (continued)			
149,525 MINISO ADR	1,274	0.57	
223,000 Ping An Insurance Group Company of China	1,715	0.76	
4,097,000 Sinopec Engineering	1,949	0.86	
1,335,000 TravelSky Technology	2,513	1.12	
1,226,000 Weichai Power	2,070	0.92	
2,330,400 Yangzijiang Shipbuilding	2,369	1.05	
23,758 Zai Lab ADR	1,252	0.56	
Hong Kong	26,135	11.60	13.57
430,800 AIA	4,471	1.98	
193,000 China Mobile	1,300	0.58	
1,120,000 China Unicom Hong Kong	592	0.26	
306,850 CK Hutchison	2,149	0.95	
257,500 HUTCHMED ^a	1,408	0.63	
46,047 HUTCHMED ADR	1,230	0.55	
698,000 Kerry Properties	1,913	0.85	
384,000 Sun Hung Kai Properties	4,460	1.98	
160,300 Tencent	8,612	3.82	
India	16,561	7.35	7.53
46,266 Cartrade Tech	330	0.15	
187,374 Housing Development Finance	5,869	2.60	
390,416 ICICI Bank	3,847	1.71	
138,044 Reliance Industries	4,315	1.91	
117,820 Tech Mahindra	2,200	0.98	
Indonesia	3,765	1.67	1.24
7,025,700 Bank Mandiri	3,765	1.67	
Philippines	0	0.00	0.98
Singapore	15,121	6.71	6.09
173,086 DBS	4,312	1.91	
10,728,468 Ezion Warrants 16/04/2023 ^b	0	0.00	
2,692,600 Genting Singapore	1,527	0.68	
3,844,800 Japfa	1,671	0.74	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 \$'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Singapore (continued)			
6,010,200 NetLink NBN Trust	4,228	1.88	
651,800 SATS	1,901	0.84	
400,000 Vertex Technology Acquisition	1,482	0.66	
South Korea	33,086	14.69	13.99
75,435 Hana Financial	3,052	1.36	
69,267 KB Financial	3,433	1.52	
6,724 NAVER	1,776	0.79	
222,436 Samsung Electronics	13,339	5.92	
13,373 Samsung Fire & Marine Insurance	2,113	0.94	
31,574 Shinhan Financial	1,025	0.46	
47,379 SK Hynix	4,867	2.16	
26,326 SK Square	1,220	0.54	
49,789 SK Telecom	2,261	1.00	
Taiwan	25,687	11.40	11.05
287,220 Delta Electronics	2,520	1.12	
361,000 Hon Hai Precision Industry	1,326	0.59	
47,000 MediaTek	1,811	0.80	
847,000 Taiwan Cement	1,429	0.63	
802,178 Taiwan Semiconductor Manufacturing	17,254	7.66	
1,523,000 Yuanta Financial	1,347	0.60	
Thailand	5,157	2.29	2.28
609,900 Bangkok Bank	2,604	1.16	
511,900 Kasikornbank	2,553	1.13	
Bermuda	18,390	8.17	9.92
237,000 CK Infrastructure	1,471	0.66	
6,664,255 COSCO SHIPPING Ports	5,456	2.42	
14,105,000 Pacific Basin Shipping	7,475	3.32	
10,688,000 Sinopec Kantons	3,988	1.77	
Israel	781	0.35	0.00
121,826 Arbe Robotics	781	0.35	
Portfolio of investments	224,440	99.65	101.75

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 \$'000	as at 28.02.22 %	as at 31.08.21 %
Cash equivalents	748	0.33	0.37
'AAA' rated money market funds^c	748	0.33	0.37
748,000 Northern Trust Global Fund - US dollar	748	0.33	
Total portfolio	225,188	99.98	102.12
Net other assets/(liabilities)	50	0.02	(2.12)
Net assets attributable to shareholders	225,238	100.00	100.00

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

^a AIM quoted.

^b Suspended.

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

Investments

Top ten portfolio transactions for the six months to
28 February 2022

Largest purchases	\$'000
Hainan Meilan International Airport	1,887
Zai Lab ADR	1,847
Kerry Properties	1,832
BlueScope Steel	1,814
Brambles	1,731
Dongyue	1,706
Baoshan Iron & Steel	1,668
Genting Singapore	1,603
Vertez Technolody Acquisition	1,501
MINISO ADR	1,495
Other purchases	13,255
Total purchases	30,339

Largest sales	\$'000
China Resources Power	3,519
Pacific Basin Shipping	2,968
GT Capital	2,414
Vtech	2,250
Far East Horizon	1,934
Cenovus Energy	1,831
Greatview Aseptic Packaging	1,719
Chongqing Rural Commercial Bank	1,696
HollySys Automation Technologies	1,407
HK inno N	1,247
Other sales	15,910
Total sales	36,895

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

Financial highlights

Fund performance

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

The following 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 (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value as at	28.02.22	31.08.21	31.08.20
	\$'000	\$'000	\$'000
Fund net asset value (NAV)	225,238	241,065	191,438

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.

August 1996 = 100, plotted monthly
Chart date 1 March 2022



Source: Morningstar, Inc. and M&G

* Income reinvested

Prior to 30 June 2011 the benchmark was the MSCI AC Far East Ex Japan Index. Thereafter it is the MSCI AC Asia Pacific ex Japan Index.

When the fund's objective changed, the comparator benchmark of the fund also changed, and to make a fair comparison the chart above shows performance since the fund's change of objective.

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	Six months 01.09.21 % ^a	Three years 01.03.19 % pa	Five years 01.03.17 % pa	Since launch % pa
Sterling				
Class 'A'	-2.9	+6.2	+4.2	+8.7
Class 'I'	-2.7	+6.7	+4.8	+8.3
Class 'R'	-2.8	+6.5	+4.5	+8.0
Class 'X'	-2.9	+6.2	+4.2	+13.2

^a 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 following table 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 or by calling M&G Customer Relations.

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 28.02.22 %	Year to 31.08.21 %	Year to 31.08.20 %	Average ^a %
Broker commission	0.05	0.06	0.09	0.07
Taxes	0.06	0.07	0.14	0.09
Costs before dilution adjustments	0.11	0.13	0.23	0.16
Dilution adjustments ^c	(0.01)	(0.02)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.10	0.11	0.21	0.14
as at Indirect portfolio transaction costs	28.02.22 %	31.08.21 %	31.08.20 %	Average ^a %
Average portfolio dealing spread	0.22	0.28	0.22	0.24

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

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

Historic yields for the current period are calculated as at 11 March 2022.

Sterling Class 'A' Income share performance

The share class was launched on 14 September 1973.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	1,558.37	1,272.93	1,364.88
Return before operating charges	(34.94)	346.24	(36.69)
Operating charges	(10.35)	(21.15)	(18.97)
Return after operating charges	(45.29)	325.09	(55.66)
Distributions	n/a	(39.65)	(36.29)
Closing NAV	1,513.08	1,558.37	1,272.93
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.80	1.96	3.00
Dilution adjustments ^a	(0.05)	(0.34)	(0.20)
Total direct transaction costs	0.75	1.62	2.80
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.10	0.11	0.21
Operating charges ^c	1.35	1.39	1.45
Return after charges	-2.91	+25.54	-4.08
Historic yield	2.76	2.51	2.87
Other information			
Closing NAV (\$'000)	129,837	138,377	115,793
Closing NAV (%)	57.64	57.40	60.49
Number of shares	6,406,363	6,448,963	6,837,704
Highest share price (UK p)	1,592.73	1,616.52	1,469.16
Lowest share price (UK p)	1,495.50	1,257.08	1,046.84

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 14 September 1973.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	2,800.44	2,230.99	2,325.87
Return before operating charges	(63.20)	606.50	(62.57)
Operating charges	(18.59)	(37.05)	(32.31)
Return after operating charges	(81.79)	569.45	(94.88)
Distributions	n/a	(32.81)	(30.94)
Retained distributions	n/a	32.81	30.94
Closing NAV	2,718.65	2,800.44	2,230.99
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.44	3.43	5.11
Dilution adjustments ^a	(0.08)	(0.60)	(0.34)
Total direct transaction costs	1.36	2.83	4.77
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.10	0.11	0.21
Operating charges ^c	1.35	1.39	1.45
Return after charges	-2.92	+25.52	-4.08
Historic yield	1.27	1.16	1.40
Other information			
Closing NAV (\$'000)	17,253	19,060	16,313
Closing NAV (%)	7.66	7.91	8.52
Number of shares	473,799	494,299	549,629
Highest share price (UK p)	2,861.79	2,832.85	2,503.54
Lowest share price (UK p)	2,687.08	2,202.95	1,783.87

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	1,816.37	1,476.96	1,575.67
Return before operating charges	(40.79)	402.36	(42.35)
Operating charges	(8.50)	(16.82)	(14.35)
Return after operating charges	(49.29)	385.54	(56.70)
Distributions	n/a	(46.13)	(42.01)
Closing NAV	1,767.08	1,816.37	1,476.96
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.94	2.29	3.47
Dilution adjustments ^a	(0.05)	(0.40)	(0.23)
Total direct transaction costs	0.89	1.89	3.24
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.10	0.11	0.21
Operating charges ^c	0.95	0.95	0.95
Return after charges	-2.71	+26.10	-3.60
Historic yield	2.75	2.51	2.86
Other information			
Closing NAV (\$'000)	22,144	23,443	12,379
Closing NAV (%)	9.83	9.72	6.47
Number of shares	935,554	937,354	630,023
Highest share price (UK p)	1,858.45	1,880.04	1,699.38
Lowest share price (UK p)	1,746.47	1,458.70	1,211.93

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	2,196.01	1,741.45	1,806.50
Return before operating charges	(49.68)	474.39	(48.62)
Operating charges	(10.27)	(19.83)	(16.43)
Return after operating charges	(59.95)	454.56	(65.05)
Distributions	n/a	(34.81)	(32.38)
Retained distributions	n/a	34.81	32.38
Closing NAV	2,136.06	2,196.01	1,741.45
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.13	2.69	3.97
Dilution adjustments ^a	(0.07)	(0.47)	(0.26)
Total direct transaction costs	1.06	2.22	3.71
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.10	0.11	0.21
Operating charges ^c	0.95	0.95	0.95
Return after charges	-2.73	+26.10	-3.60
Historic yield	1.72	1.57	1.87
Other information			
Closing NAV (\$'000)	35,251	37,531	28,515
Closing NAV (%)	15.65	15.57	14.89
Number of shares	1,232,043	1,241,243	1,230,845
Highest share price (UK p)	2,246.35	2,216.46	1,948.29
Lowest share price (UK p)	2,110.99	1,719.73	1,389.45

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	179.15	146.04	156.20
Return before operating charges	(4.02)	39.76	(4.20)
Operating charges	(1.06)	(2.10)	(1.80)
Return after operating charges	(5.08)	37.66	(6.00)
Distributions	n/a	(4.55)	(4.16)
Closing NAV	174.07	179.15	146.04
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.23	0.34
Dilution adjustments ^a	(0.01)	(0.04)	(0.02)
Total direct transaction costs	0.08	0.19	0.32
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.10	0.11	0.21
Operating charges ^c	1.20	1.20	1.20
Return after charges	-2.84	+25.79	-3.84
Historic yield	2.76	2.51	2.87
Other information			
Closing NAV (\$'000)	1,228	1,304	880
Closing NAV (%)	0.55	0.54	0.46
Number of shares	526,666	528,666	452,687
Highest share price (UK p)	183.18	185.68	168.30
Lowest share price (UK p)	172.05	144.23	119.97

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	214.74	170.73	177.55
Return before operating charges	(4.85)	46.46	(4.78)
Operating charges	(1.27)	(2.45)	(2.04)
Return after operating charges	(6.12)	44.01	(6.82)
Distributions	n/a	(2.90)	(2.77)
Retained distributions	n/a	2.90	2.77
Closing NAV	208.62	214.74	170.73
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.11	0.26	0.39
Dilution adjustments ^a	(0.01)	(0.05)	(0.03)
Total direct transaction costs	0.10	0.21	0.36
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.10	0.11	0.21
Operating charges ^c	1.20	1.20	1.20
Return after charges	-2.85	+25.78	-3.84
Historic yield	1.47	1.34	1.64
Other information			
Closing NAV (\$'000)	10,431	11,216	8,761
Closing NAV (%)	4.63	4.65	4.58
Number of shares	3,733,007	3,793,375	3,857,130
Highest share price (UK p)	219.53	217.05	191.30
Lowest share price (UK p)	206.19	168.60	136.37

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	1,556.27	1,271.21	1,363.03
Return before operating charges	(34.90)	345.77	(36.64)
Operating charges	(10.34)	(21.11)	(18.94)
Return after operating charges	(45.24)	324.66	(55.58)
Distributions	n/a	(39.60)	(36.24)
Closing NAV	1,511.03	1,556.27	1,271.21
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.80	1.95	3.00
Dilution adjustments ^a	(0.05)	(0.34)	(0.20)
Total direct transaction costs	0.75	1.61	2.80
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.10	0.11	0.21
Operating charges ^c	1.35	1.39	1.45
Return after charges	-2.91	+25.54	-4.08
Historic yield	2.76	2.51	2.87
Other information			
Closing NAV (\$'000)	6,432	7,091	6,326
Closing NAV (%)	2.86	2.94	3.30
Number of shares	317,811	330,911	374,059
Highest share price (UK p)	1,590.58	1,614.34	1,467.18
Lowest share price (UK p)	1,493.48	1,255.38	1,045.42

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	2,774.22	2,210.11	2,304.11
Return before operating charges	(62.60)	600.83	(61.91)
Operating charges	(18.42)	(36.72)	(32.09)
Return after operating charges	(81.02)	564.11	(94.00)
Distributions	n/a	(32.50)	(30.65)
Retained distributions	n/a	32.50	30.65
Closing NAV	2,693.20	2,774.22	2,210.11
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.43	3.40	5.08
Dilution adjustments ^a	(0.08)	(0.59)	(0.33)
Total direct transaction costs	1.35	2.81	4.75
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.10	0.11	0.21
Operating charges ^c	1.35	1.39	1.45
Return after charges	-2.92	+25.52	-4.08
Historic yield	1.27	1.16	1.40
Other information			
Closing NAV (\$'000)	2,662	3,043	2,471
Closing NAV (%)	1.18	1.26	1.29
Number of shares	73,783	79,683	84,050
Highest share price (UK p)	2,835.00	2,806.34	2,480.11
Lowest share price (UK p)	2,661.93	2,182.34	1,767.17

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2022		2021	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains/(losses)		(14,281)		53,476
Revenue	2,850		2,041	
Expenses	(1,447)		(1,090)	
Net revenue/(expense) before taxation	1,403		951	
Taxation	(348)		(399)	
Net revenue/(expense) after taxation		1,055		552
Total return before equalisation		(13,226)		54,028
Equalisation		(17)		(61)
Change in net assets attributable to shareholders from investment activities		(13,243)		53,967

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2022		2021	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		241,065		191,438
Amounts received on issue of shares	2,656		1,838	
Amounts paid on cancellation of shares	(5,253)		(11,145)	
		(2,597)		(9,307)
Dilution adjustments		12		32
Change in net assets attributable to shareholders from investment activities (see above)		(13,243)		53,967
Unclaimed distributions		1		0
Closing net assets attributable to shareholders		225,238		236,130

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

Financial statements and notes

Financial statements

Balance sheet

as at	28 February 2022 \$'000	31 August 2021 \$'000
Assets		
Fixed assets		
Investments	224,440	245,274
Current assets		
Debtors	2,024	1,223
Cash and bank balances	838	1,345
Cash equivalents	748	900
Total assets	228,050	248,742
Liabilities		
Creditors		
Distribution payable	0	(4,330)
Other creditors	(2,812)	(2,933)
Deferred tax provision	0	(414)
Total liabilities	(2,812)	(7,677)
Net assets attributable to shareholders	225,238	241,065

Financial statements and notes

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

Authorised Corporate Director's Report

Investment objective

The fund aims to track the performance of the FTSE World Europe ex UK Index, gross of the ongoing charge figure (OCF).

The return received by shareholders will be reduced by the effects of charges.

Investment policy

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

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

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

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

Investment approach

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

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

Using a stratified sampling method may affect the fund's ability to track the index. There are many factors which do not affect the Index, but do impact on the fund's performance, such as transaction costs, expenses and illiquidity of any security. Cash flows, including income and distributions, into and out of the fund may also have an impact on performance as the fund rebalances, due to the dealing spreads and broker

commission incurred. In addition, the Index constituents are not fixed, it rebalances quarterly, and it may take time for the fund to reflect any changes.

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

The tracking error between the performance of the fund (gross of OCF) and that of the Index is anticipated to be up to 0.5% per annum under normal circumstances.

Benchmark

Benchmark: FTSE World Europe ex UK Index.

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

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

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

Risk profile

The fund is designed to track the performance of the FTSE World Europe ex UK Index, which represents a broad spread of European company shares. Its performance, therefore, reflects the price volatility of the European stockmarket and the performance of individual companies. The fund will typically hold around 450 stocks, including the largest 100 stocks in the index, as well as a selection of the remaining smaller stocks to ensure that the fund's market capitalisation and industry weights are in line with the index. The fund's risks are measured and managed as an integral part of the investment process.

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 March 2022, for the six months ended 28 February 2022

Performance against objective

The M&G European Index Tracker Fund is designed to track the FTSE World Europe ex UK Index. Between 1 September 2021 (the start of the review period) and 1 March 2022, the fund's Sterling Class 'A' shares returned -11.1%. Meanwhile, the FTSE World Europe ex UK Index returned -11.2%, in sterling terms.

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

Performance review

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

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

Fund charges – The fees we charge for managing the fund, as well as the costs incurred when we buy and sell underlying investments, will mean the fund's return

after charges is below that of the index (which does not reflect the costs of investing).

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

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

The M&G European Index Tracker Fund tracks the performance of the FTSE World Europe ex UK Index using a technique called 'stratified sampling', which is a two-part strategy. Firstly, the portfolio contains the largest European companies in the index in the same proportion as the index. Secondly, we hold shares in some of the remaining companies listed in the index in such a way as to reflect the characteristics of the index. In our opinion, using this method of tracking the index is the best way of minimising the fund's dealing costs and therefore represents good value for shareholders. As the fund is designed to track the index, its overall performance can largely be explained by market developments over the period under review.

It was a volatile period for European stockmarkets and further afield over the six months under review, which saw the outbreak of war in the European continent and ensuing loss of life and huge human suffering.

Investor sentiment was initially buffeted by developments in the ongoing COVID-19 pandemic and corresponding expectations for the global economic recovery. The prospect of rising inflation also unsettled market observers. At first viewed as a short-term factor, higher inflation in many countries was increasingly considered to be more persistent, raising the prospect of interest rate hikes. Towards the end of the period, growing geopolitical tension and hostilities in Ukraine sent stockmarkets down sharply.

The period began on a nervous note, with concerns about slowing economic growth and rising inflation

Authorised Corporate Director's Report

weighing on sentiment. Continued supply-chain disruptions as global economies reopened added to the unease, with shortages leading to higher prices.

Despite these concerns, stockmarkets rallied in October, with company shares supported by healthy corporate earnings. However, the emergence of the highly virulent Omicron strain of COVID-19 in November unsettled investors due to fears of further restrictions and the potential impact on economic growth. Many countries imposed renewed travel restrictions and other measures as a result. Towards the end of the year, investors' fears regarding the Omicron strain appeared to ease and European stockmarkets ended the year on a positive note.

The upbeat mood was short-lived, however, as investors speculated that the US would raise interest rates sooner than expected seeking to curb stubborn inflation. The Bank of England had already increased rates in December. The European Central Bank (ECB) initially took the view that tighter measures could delay the region's economic recovery, but more recently conceded that the outlook for inflation had deteriorated. In particular, higher energy prices are causing anxiety.

Geopolitical concerns featured at the start of 2022, with increasing tensions between the West and Russia over Ukraine leading to uncertainty and adding to the disquiet. Towards the end of the period under review, the crisis escalated dramatically with Russian forces entering Ukraine and the subsequent imposition of economic sanctions and other measures against Russia by the West and other countries.

Turning to the eurozone economy, growth slowed in the fourth quarter of 2021, compared with the previous three-month period. Economic activity was held back by renewed restrictions due to the emergence of the Omicron variant as well as ongoing supply-chain disruptions. A large proportion of the population in the region has now been vaccinated and some measures have been eased. Meanwhile, the annual inflation rate in the region was 5.9% in February 2022, compared with 0.9% a year earlier, and up from 5.1% the previous

month. The increase was driven by higher prices for energy and to a lesser extent food and other factors. The latest figure is significantly higher than the ECB's target level of 2%.

In terms of sectors, energy was the standout performer over the six months, bolstered by high and rising prices. Technology and industrials were among the weakest sectors, due to concerns about slower economic growth, while financials, utilities and consumer goods fared relatively well overall in a falling market.

Investment activities

There were various corporate actions during the period. For example, Universal Music Group was spun out of French mass media business Vivendi and we subsequently received shares in the former. Similarly, we received shares in German firm Daimler Truck, which was spun out of German parent company Daimler. In another corporate action, Swedish home appliance manufacturer Electrolux returned capital to shareholders.

Elsewhere, German property firm Deutsche Wohnen, French water and waste business Suez and Swedish grocery retailer ICA Gruppen were taken over by German real estate company Vonovia, French water and waste company Veolia and Sweden's Murgroņa respectively. We tendered our stock to the acquiring companies.

We also received an offer from HoldCo II for our stake in French telecommunications services firm Iliad – we elected to sell our stock in the market before completion of the offer and subsequent deletion of the stock from the index.

There were a large number of new additions to the Index in September 2021 and holdings in a number of these companies were added to the portfolio. Specific examples included Dutch online food ordering and delivery firm Just Eat Takeaway, Dutch business BE Semiconductor Industries, Swedish cooling technology company Beijer, digital services and technology firm Reply, which is headquartered in Italy, Valmet, a Finnish developer and supplier of technologies for the paper,

Authorised Corporate Director's Report

pulp and energy industries, Italian water pump and hydraulic company Interpump and Danish beverage firm Royal Unibrew.

New holdings were also started in existing index names, telecommunications infrastructure company Infstrutture Wireless Italiane and Italian energy and water company A2A.

In contrast, some stocks left the index and we subsequently sold the holdings. Examples include French mass market retail group Casino Guichard-Perrachon, Spanish elevator maker Zardoya Otis, French engineering and technology company Technip Energies (all in September 2021) and Spanish insurance firm Linea Directa Aseguradora (December 2021).

In other disposals, we sold French-American oil and gas firm TechnipFMC, which changed its nationality to the US, rendering it ineligible for inclusion in the index and thus the portfolio.

Outlook

Despite encouraging signs for the region's economy early in the year, the Ukraine/Russia hostilities and subsequent sanctions and other measures against Russia are likely to lead to higher energy costs, financial uncertainty and reduced trade with one of the eurozone's key trading partners. These in turn are expected to weigh on economic activity. In the near term, surging energy prices are likely to drive up already high inflation further.

Some eurozone countries, including Germany, rely heavily on Russian energy supplies, which may prove challenging in the current environment. Meanwhile, global supply chains are coming under more pressure too due to the conflict.

The economic outlook has become much more uncertain as a result of recent events, which have complicated the ECB's policy approach as it seeks to address both persistent high inflation and an anticipated slowdown in economic activity.

The implications of the conflict for the European economy and stockmarket and further afield are unclear and considerable stockmarket volatility is to be expected, at least in the near term.

Nigel Booth

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 28.02.22 €'000	as at 28.02.22 %	as at 31.08.21 %
Equities	101,266	99.08	99.60
Austria	485	0.47	0.49
2,500 ams	34	0.03	
950 Andritz	37	0.04	
4,185 Erste Group Bank	136	0.13	
2,214 OMV	93	0.09	
1,956 Raiffeisen Bank International	29	0.03	
1,652 Telekom Austria	12	0.01	
800 Verbund	82	0.08	
2,113 Voestalpine	62	0.06	
Belgium	2,090	2.05	1.97
411 Ackermans & van Haaren	69	0.07	
2,708 Ageas	116	0.11	
11,877 Anheuser-Busch InBev	667	0.65	
674 Argenx	170	0.17	
1,707 Bruxelles Lambert	156	0.15	
500 Colruyt	18	0.02	
400 Elia	50	0.05	
670 Galapagos	40	0.04	
3,983 KBC	257	0.25	
2,246 Proximus	40	0.04	
150 Sofina	51	0.05	
1,008 Solvay	98	0.10	
757 Telenet	23	0.02	
1,751 UCB	169	0.17	
3,078 Umicore	112	0.11	
1,530 Warehouses De Pauw REIT	54	0.05	
Czech Republic	131	0.13	0.10
1,745 CEZ	59	0.06	
1,318 Komerční banka	47	0.05	
7,000 Moneta Money Bank	25	0.02	
Denmark	5,202	5.09	5.18
137 A.P. Møller – Mærsk	390	0.38	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 €'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Denmark (continued)			
2,000 Ambu	32	0.03	
1,474 Carlsberg	188	0.18	
1,642 Chr. Hansen	106	0.10	
1,892 Coloplast	250	0.25	
9,139 Danske Bank	137	0.13	
1,500 Demant	56	0.06	
2,780 DSV	457	0.45	
842 Genmab	253	0.25	
1,900 GN Store Nord	89	0.09	
22,482 Novo Nordisk	2,044	2.00	
2,720 Novozymes	157	0.15	
2,649 Ørsted	294	0.29	
1,374 Pandora	125	0.12	
350 Royal Unibrew	34	0.03	
650 SimCorp	50	0.05	
5,054 Tryg	102	0.10	
14,990 Vestas Wind Systems	438	0.43	
Finland	2,783	2.72	2.83
2,250 Elisa	111	0.11	
6,514 Fortum	120	0.12	
1,713 Huhtamaki	56	0.05	
4,156 Kesko	108	0.11	
3,300 Kojamo	68	0.07	
5,804 Kone	301	0.29	
7,727 Metso Outotec	58	0.06	
5,850 Nestlé	194	0.19	
81,609 Nokia	388	0.38	
1,479 Nokian Renkaat	24	0.02	
49,751 Nordea Bank	482	0.47	
1,554 Orion	65	0.06	
7,378 Sampo	310	0.30	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 €'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Finland (continued)			
8,332 Stora Enso	141	0.14	
7,746 UPM-Kymmene	240	0.23	
1,200 Valmet	37	0.04	
8,213 Wartsila	80	0.08	
France	21,909	21.44	21.12
3,142 Accor	95	0.09	
443 Aéroports de Paris	55	0.05	
101 Air Liquide	15	0.01	
6,379 Air Liquide (prime de fidélité 2012)	932	0.91	
7,853 Airbus	872	0.85	
3,695 Alstom	82	0.08	
800 Amundi	49	0.05	
1,006 Arkema	116	0.11	
1,477 Atos	47	0.05	
26,901 AXA	638	0.62	
686 BioMérieux	66	0.06	
15,304 BNP Paribas	792	0.78	
10,298 Bolloré	46	0.05	
3,057 Bouygues	97	0.10	
3,850 Bureau Veritas	99	0.10	
2,196 Capgemini	415	0.41	
9,175 Carrefour	163	0.16	
2,656 CNP Assurances	58	0.06	
502 Covivio REIT	36	0.04	
17,845 Crédit Agricole	203	0.20	
8,428 Danone	454	0.44	
340 Dassault Aviation	46	0.05	
9,240 Dassault Systemes	396	0.39	
3,812 Edenred	155	0.15	
4,955 EDF	39	0.04	
3,522 EDF (prime de fidélité 2017)	28	0.03	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 €'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
France (continued)			
1,065 Eiffage	96	0.09	
149 ENGIE	2	0.00	
22,798 ENGIE (prime de fidélité regd)	320	0.31	
4,059 EssilorLuxottica	626	0.61	
627 Eurazeo	42	0.04	
1,138 Euronext	91	0.09	
1,879 Faurecia	62	0.06	
760 Gecina REIT	86	0.08	
6,041 Getlink	87	0.09	
425 Hermès International	514	0.50	
903 Imerys	34	0.03	
587 Ipsen	61	0.06	
1,052 Kering	648	0.63	
3,192 Klepierre REIT	80	0.08	
26 L'Oréal	9	0.01	
3,416 L'Oréal (prime de fidélité 2012)	1,186	1.16	
1,000 La Française des Jeux	37	0.04	
3,730 Legrand	313	0.31	
3,506 LVMH	2,244	2.20	
2,486 Michelin	298	0.29	
27,516 Orange	298	0.29	
693 Orpea	25	0.02	
2,985 Pernod Ricard	577	0.56	
1,180 Plastic Omnium	22	0.02	
3,325 Publicis	196	0.19	
250 Rémy Cointreau	42	0.04	
2,277 Renault	62	0.06	
5,263 Rexel	101	0.10	
1,768 Rubis	49	0.05	
4,935 Safran	551	0.54	
7,002 Saint-Gobain	380	0.37	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 €'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
France (continued)			
15,207 Sanofi	1,410	1.38	
340 Sartorius Stedim Biotech	118	0.12	
7,516 Schneider Electric	1,028	1.01	
1,961 SCOR	58	0.06	
353 SEB	45	0.04	
10,589 Société Générale	269	0.26	
1,500 Sodexo (prime de fidélité regd)	112	0.11	
300 SOITEC	43	0.04	
9,108 STMicroelectronics	338	0.33	
779 Teleperformance	257	0.25	
1,357 Thales	140	0.14	
34,093 TotalEnergies	1,553	1.52	
1,264 Ubisoft Entertainment	60	0.06	
3,748 Valeo	72	0.07	
9,278 Veolia Environnement	289	0.28	
6,864 Vinci	641	0.63	
11,402 Vivendi	127	0.12	
621 Wendel	56	0.06	
3,469 Worldline	160	0.16	
Germany	17,650	17.27	18.36
2,736 adidas	572	0.56	
5,777 Allianz	1,159	1.13	
19,287 Aroundtown	105	0.10	
1,500 Auto1	18	0.02	
13,250 BASF	758	0.74	
13,915 Bayer	713	0.70	
5,061 Bayerische Motoren Werke	424	0.41	
159 Bayerische Motoren Werke Preference Shares	11	0.01	
900 Bechtle	41	0.04	
1,509 Beiersdorf	135	0.13	
2,285 Brenntag	170	0.17	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 €'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Germany (continued)			
500 Carl Zeiss Meditec	69	0.07	
17,101 Commerzbank	129	0.13	
1,614 Continental	121	0.12	
2,443 Covestro	113	0.11	
800 CTS Eventim	50	0.05	
5,761 Daimler Truck	154	0.15	
2,600 Delivery Hero	120	0.12	
28,489 Deutsche Bank	309	0.30	
2,616 Deutsche Börse	398	0.39	
8,356 Deutsche Lufthansa	57	0.06	
13,949 Deutsche Post	618	0.60	
46,782 Deutsche Telekom	738	0.72	
29,907 E.ON	356	0.35	
2,417 Evonik Industries	65	0.06	
2,300 Evotec	59	0.06	
665 Fraport	40	0.04	
5,791 Fresenius	180	0.18	
3,077 Fresenius Medical Care	176	0.17	
374 FUCHS PETROLUB	10	0.01	
1,397 FUCHS PETROLUB Preference Shares	49	0.05	
2,659 GEA	103	0.10	
937 Hannover Rueck	154	0.15	
2,160 HeidelbergCement	121	0.12	
2,255 HelloFresh	107	0.10	
3,780 Henkel Preference Shares	268	0.26	
228 HOCHTIEF	14	0.01	
18,593 Infineon Technologies	559	0.55	
1,101 KION	78	0.08	
1,000 Knorr-Bremse	79	0.08	
1,244 LANXESS	54	0.05	
1,019 LEG Immobilien	117	0.11	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 €'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Germany (continued)			
11,523 Mercedes-Benz (former Daimler)	787	0.77	
1,856 Merck	331	0.32	
4,029 METRO	34	0.03	
801 MTU Aero Engines	173	0.17	
1,990 Münchener Rückversicherungs-Gesellschaft	487	0.48	
600 Nemetschek	47	0.05	
2,294 Porsche Automobil Preference Shares	201	0.20	
2,425 ProSiebenSat.1 Media	29	0.03	
1,400 Puma	111	0.11	
3,315 QIAGEN	149	0.15	
70 Rational	45	0.04	
500 Rheinmetall	66	0.06	
570 RTL	28	0.03	
8,772 RWE	358	0.35	
15,645 SAP	1,568	1.53	
425 Sartorius Preference Shares	168	0.16	
1,286 Scout24	67	0.07	
10,597 Siemens	1,325	1.30	
5,703 Siemens Energy	121	0.12	
4,000 Siemens Healthineers	227	0.22	
1,842 Symrise	198	0.19	
2,100 TeamViewer	29	0.03	
11,445 Telefónica Deutschland	28	0.03	
7,236 thyssenkrupp	68	0.07	
1,672 Uniper	47	0.05	
2,146 United Internet	65	0.06	
322 Vitesco Technologies	12	0.01	
1,120 Volkswagen	261	0.25	
1,853 Volkswagen Preference Shares	326	0.32	
11,167 Vonovia	521	0.51	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 €'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Germany (continued)			
220 Wacker Chemie	29	0.03	
3,067 Zalando	173	0.17	
Greece	274	0.27	0.21
26,395 Alpha Services and Holdings	32	0.03	
3,141 FF ^a	0	0.00	
2,568 Hellenic Petroleum	18	0.02	
4,617 Hellenic Telecommunications Organization	83	0.08	
1,807 JUMBO	23	0.02	
12,171 National Bank of Greece	40	0.04	
3,851 OPAP	49	0.05	
3,500 Public Power	29	0.03	
Hungary	194	0.19	0.24
5,015 MOL Hungarian Oil & Gas	33	0.03	
3,463 OTP Bank	123	0.12	
2,103 Richter Gedeon	38	0.04	
Ireland	476	0.47	0.52
12,064 AIB	27	0.03	
3,306 Glanbia	41	0.04	
16,490 Irish Bank Resolution ^a	0	0.00	
2,117 Kerry	223	0.22	
2,161 Kingspan	185	0.18	
Italy	4,838	4.73	4.31
25,000 A2A	40	0.04	
1,500 Amplifon	57	0.06	
17,930 Assicurazioni Generali	314	0.31	
7,115 Atlantia	116	0.11	
5,215 Banca Mediolanum	38	0.04	
1,563 Buzzi Unicem	26	0.02	
13,834 CNH Industrial	172	0.17	
1,000 De' Longhi	28	0.03	
400 DiaSorin	53	0.05	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 €'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Italy (continued)			
112,838 Enel	734	0.72	
35,310 Eni	482	0.47	
1,658 EXOR	110	0.11	
1,717 Ferrari	323	0.32	
8,187 FincoBank	120	0.12	
12,000 Hera	41	0.04	
5,000 Infrastrutture Wireless Italiane	46	0.04	
700 Interpump	34	0.03	
233,912 Intesa Sanpaolo	539	0.53	
6,526 Italgas	37	0.04	
2,766 Iveco	20	0.02	
5,096 Leonardo	41	0.04	
7,809 Mediobanca	72	0.07	
2,934 Moncler	153	0.15	
8,300 Nexi	101	0.10	
7,706 Pirelli	37	0.04	
5,000 Poste Italiane	50	0.05	
3,982 Prysmian	118	0.11	
1,519 Recordati Industria Chimica e Farmaceutica	67	0.06	
300 Reply	44	0.04	
32,632 Snam	161	0.16	
145,178 Telecom Italia	54	0.05	
119,508 Telecom Italia Savings Shares	44	0.04	
6,165 Tenaris	71	0.07	
22,884 Terna	165	0.16	
29,754 UniCredit	330	0.32	
Luxembourg	154	0.15	0.18
1,700 Eurofins Scientific	154	0.15	
Netherlands	9,735	9.52	10.32
1,400 Aalberts	67	0.06	
6,736 ABN AMRO Bank	79	0.08	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 €'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Netherlands (continued)			
404 Adyen	740	0.72	
26,816 Aegon	117	0.11	
2,788 Akzo Nobel	234	0.23	
8,391 ArcelorMittal	227	0.22	
634 ASM International	178	0.17	
5,533 ASML	3,176	3.11	
1,816 ASR Nederland	69	0.07	
1,000 Besi	73	0.07	
7,000 Davide Campari-Milano	67	0.07	
2,393 DSM	395	0.39	
1,281 Heineken	92	0.09	
3,750 Heineken (Amsterdam listing)	336	0.33	
700 IMCD	101	0.10	
55,452 ING	566	0.55	
1,000 JDE Peet's	29	0.03	
2,450 Just Eat Takeaway.com	84	0.08	
13,356 Koninklijke Ahold Delhaize	361	0.35	
50,352 KPN	153	0.15	
4,280 NN	182	0.18	
13,256 Philips	398	0.39	
12,351 Prosus	659	0.64	
1,718 Randstad	102	0.10	
2,000 Signify	88	0.09	
27,917 Stellantis	442	0.43	
2,010 Unibail-Rodamco-Westfield REIT	133	0.13	
11,402 Universal Music	224	0.22	
1,161 Vopak	37	0.04	
3,619 Wolters Kluwer	326	0.32	
Norway	1,587	1.55	1.36
3,076 Adevinta	28	0.03	
14,396 DNB Bank	281	0.28	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 €'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Norway (continued)			
14,355 Equinor	406	0.40	
2,895 Gjensidige Forsikring	63	0.06	
3,200 Leroy Seafood	25	0.02	
6,327 Mowi	143	0.14	
16,352 Norsk Hydro	138	0.14	
11,741 Orkla	96	0.09	
2,000 Scatec	25	0.02	
1,051 Schibsted 'A' Shares	26	0.03	
2,013 Schibsted 'B' Shares	45	0.04	
9,431 Telenor	121	0.12	
1,600 TOMRA Systems	66	0.06	
2,771 Yara International	124	0.12	
Poland	565	0.55	0.65
5,200 Allegro	34	0.03	
2,120 Bank Polska Kasa Opieki	53	0.05	
1,096 CD Projekt	39	0.04	
3,000 InPost	16	0.02	
2,335 KGHM Polska Miedź	80	0.08	
22 LPP	42	0.04	
35,447 PGNiG	42	0.04	
4,617 PKN Orlen	69	0.07	
12,046 PKO Bank Polski	104	0.10	
8,031 PZU	54	0.05	
480 Santander Bank Polska	32	0.03	
Portugal	320	0.31	0.29
40,008 EDP - Energias de Portugal	173	0.17	
7,816 Galp Energia	76	0.07	
3,706 Jerónimo Martins	71	0.07	
Spain	5,024	4.92	4.79
455 Acciona	68	0.07	
3,382 ACS Actividades de Construcción y Servicios	72	0.07	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 €'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Spain (continued)			
982 Aena	141	0.14	
5,929 Amadeus IT	350	0.34	
92,783 Banco Bilbao Vizcaya Argentaria	481	0.47	
243,821 Banco Santander	717	0.70	
10,644 Bankinter	54	0.05	
62,061 CaixaBank	182	0.18	
8,776 Cellnex Telecom	364	0.36	
3,000 EDP Renovaveis	64	0.06	
3,071 Enagas	57	0.06	
4,860 Endesa	95	0.09	
6,912 Ferrovial	167	0.16	
4,553 Grifols	74	0.07	
85,585 Iberdrola	858	0.84	
15,278 Inditex	350	0.34	
4,000 Inmobiliaria Colonial Socimi REIT	30	0.03	
17,345 Mapfre	30	0.03	
6,730 Merlin Properties REIT	67	0.07	
3,556 Naturgy Energy	84	0.08	
6,497 Red Electrica	114	0.11	
18,195 Repsol	212	0.21	
2,967 Siemens Gamesa Renewable Energy	60	0.06	
77,911 Telefónica	333	0.33	
Sweden	6,887	6.74	7.45
4,229 Alfa Laval	120	0.12	
12,963 Assa Abloy	301	0.29	
13,702 Atlas Copco	623	0.61	
3,400 Beijer Ref	45	0.04	
3,522 Boliden	139	0.14	
3,900 Castellum	76	0.07	
3,232 Electrolux	51	0.05	
5,000 Elekta	38	0.04	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 €'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Sweden (continued)			
14,068 Epiroc	238	0.23	
3,800 EQT	110	0.11	
44,116 Ericsson	367	0.36	
8,821 Essity	203	0.20	
2,050 Evolution	205	0.20	
1,410 Fastighets Balder	77	0.08	
3,000 Getinge	104	0.10	
12,773 Hennes & Mauritz	186	0.18	
25,851 Hexagon	305	0.30	
800 Holmen	35	0.03	
6,957 Husqvarna	73	0.07	
5,442 Industrivarden	133	0.13	
4,000 Indutrade	77	0.08	
1,571 Investment AB Latour	39	0.04	
34,032 Investor	608	0.59	
3,580 Kinnevik	79	0.08	
1,098 L E Lundbergföretagen	47	0.05	
3,000 Lifco	60	0.06	
2,765 Lundin Energy	90	0.09	
16,000 Nibe Industrier	125	0.12	
1,500 Saab	40	0.04	
2,000 Sagax	48	0.05	
15,783 Sandvik	303	0.30	
4,722 Securitas	49	0.05	
6,000 Sinch	44	0.04	
21,045 Skandinaviska Enskilda Banken	207	0.20	
5,626 Skanska	111	0.11	
5,877 SKF	95	0.09	
8,611 Svenska Cellulosa	127	0.12	
21,799 Svenska Handelsbanken	182	0.18	
3,046 Sweco	37	0.04	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 €'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Sweden (continued)			
14,053 Swedbank	199	0.19	
22,230 Swedish Match	144	0.14	
2,900 Swedish Orphan Biovitrum	52	0.05	
7,139 Tele2	84	0.08	
38,719 Telia	129	0.13	
3,888 Trelleborg	68	0.07	
24,495 Volvo	414	0.40	
Switzerland	20,613	20.17	18.87
24,716 ABB	734	0.72	
2,189 Adecco	91	0.09	
6,415 Alcon	441	0.43	
676 Baloise	100	0.10	
330 Banque Cantonale Vaudoise	25	0.02	
51 Barry Callebaut	104	0.10	
2,660 Clariant	42	0.04	
35,107 Credit Suisse	258	0.25	
101 EMS-Chemie	89	0.09	
7,170 Financière Richemont	847	0.83	
15,422 Financière Richemont Warrants 22/11/2023	11	0.01	
286 Flughafen Zurich	45	0.04	
515 Geberit	301	0.29	
60 Georg Fischer	65	0.06	
132 Givaudan	487	0.48	
480 Helvetia	52	0.05	
7,393 Holcim	324	0.32	
3,014 Julius Baer	152	0.15	
701 Kuehne + Nagel International	170	0.17	
3 Lindt & Sprüngli	298	0.29	
2,128 Logitech International	140	0.14	
1,051 Lonza	650	0.64	
384 Medmix	13	0.01	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 €'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Switzerland (continued)			
39,068 Nestlé	4,491	4.39	
29,384 Novartis	2,292	2.24	
297 Partners	355	0.35	
738 PSP Swiss Property	85	0.08	
10,151 Roche	3,445	3.37	
873 Schindler	172	0.17	
88 SGS	225	0.22	
4,500 SIG Combibloc	89	0.09	
1,988 Sika	587	0.57	
774 Sonova	265	0.26	
157 Straumann	219	0.21	
384 Sulzer	29	0.03	
488 Swatch	133	0.13	
463 Swiss Life	248	0.24	
1,112 Swiss Prime Site	97	0.10	
3,859 Swiss Re	325	0.32	
359 Swisscom	192	0.19	
150 Tecan	58	0.06	
830 Temenos	73	0.07	
46,169 UBS	735	0.72	
300 VAT	100	0.10	
696 Vifor Pharma	109	0.11	
2,100 Zurich Insurance	850	0.83	
Türkiye	349	0.34	0.36
26,709 Akbank	12	0.01	
7,086 Anadolu Efes Biracılık Ve Malt Sanayii	11	0.01	
8,110 BİM Birleşik Mağazalar	38	0.04	
12,653 Enka İnşaat ve Sanayi	10	0.01	
25,696 Ereğli Demir ve Çelik Fabrikaları	52	0.05	
2,369 Ford Otomotiv Sanayi	42	0.04	
24,329 Hacı Ömer Sabancı	24	0.02	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 €'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Türkiye (continued)			
11,764 Koç	24	0.02	
1,105 Tofaş Türk Otomobil Fabrikası	6	0.01	
2,754 Tüpraş	34	0.03	
2,099 Türk Hava Yolları	4	0.00	
19,783 Turkcell İletişim Hizmetleri	26	0.03	
34,312 Türkiye Garanti Bankası	25	0.03	
31,496 Türkiye İş Bankası	16	0.02	
26,528 Türkiye Şişe ve Cam Fabrikaları	21	0.02	
18,551 Türkiye Vakıflar Bankası	4	0.00	
Equity derivatives	(28)	(0.03)	0.01
Equity futures contracts	(28)	(0.03)	0.01
9 Euro Stoxx 50 March 2022	(28)	(0.03)	
Portfolio of investments	101,238	99.05	99.61
Cash equivalents	145	0.14	0.27
'AAA' rated money market funds^b	145	0.14	0.27
121,000 Northern Trust Global Fund - Sterling	145	0.14	
Total portfolio	101,383	99.19	99.88
Net other assets/(liabilities)	828	0.81	0.12
Net assets attributable to shareholders	102,211	100.00	100.00

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

^a Delisted.

^b Uncommitted surplus cash is placed into 'AAA' rated money market funds with the aim of reducing counterparty risk.

Investments

Top ten portfolio transactions for the six months to
28 February 2022

Largest purchases	€'000
Just Eat Takeaway.com	180
Vonovia	116
Cellnex Telecom	86
Besi	79
Beijer Ref	62
Infrastrutture Wireless Italiane	53
Reply	52
A2A	46
Nexi	45
Valmet	44
Other purchases	833
Total purchases	1,596

Largest sales	€'000
Deutsche Wohnen	266
Suez	110
ASML	95
Nestlé (Switzerland listing)	89
ICA Gruppen	66
Siemens	59
Novartis	59
Roche	58
Sartorius Preference Shares	57
Novo Nordisk	52
Other sales	890
Total sales	1,801

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

Financial highlights

Fund performance

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

The following 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 (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Index tracking

The tracking difference between the fund's investment return and that of the FTSE World Europe ex UK Index for the 12 month period ending 28 February 2022 was -0.32% (28 February 2021: -0.15%). The investment returns are calculated gross of fees using end of day pricing in order to be comparable with the index.

The historic tracking error of the investment return of the fund relative to the FTSE World Europe ex UK Index for the period ending 28 February 2022 was 0.22% (28 February 2021: 0.24%), which falls within the predicted tracking error range of 0.00% to 0.50%. Historic tracking error is a measure of the monthly volatility of the investment returns relative to the index over a 36 month period.

The differences are due to the fund not fully replicating the FTSE World Europe ex UK Index.

Long-term performance by share class

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period. Calculated on a price to price basis with income reinvested. Please refer to

'Specific share class performance' tables for the share class launch dates.

Fund net asset value as at	28.02.22 €'000	31.08.21 €'000	31.08.20 €'000
Fund net asset value (NAV)	102,211	110,192	88,253

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.

January 2000 = 100, plotted monthly
Chart date 1 March 2022



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	Six months 01.09.21 % ^a	Three years 01.03.19 % pa	Five years 01.03.17 % pa	Since launch % pa
Sterling				
Class 'A'	-11.1	+7.3	+5.7	+5.0
Class 'I'	-11.0	n/a	n/a	+5.9

^a 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 following table shows direct portfolio transaction costs paid by the fund before and after that part of the dilution adjustment relating to direct portfolio transaction costs. To give an indication of the indirect portfolio dealing costs the table also shows the average portfolio dealing spread.

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

Financial highlights

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 28.02.22 %	Year to 31.08.21 %	Year to 31.08.20 %	Average ^a %
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.00	0.00	0.00	0.00
Dilution adjustments ^c	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00	0.00
as at Indirect portfolio transaction costs	28.02.22 %	31.08.21 %	31.08.20 %	Average ^a %
Average portfolio dealing spread	0.05	0.05	0.05	0.05

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

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

Historic yields for the current period are calculated as at 11 March 2022.

Sterling Class 'A' Income share performance

The share class was launched on 31 January 2000.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	102.86	83.14	85.12
Return before operating charges	(9.83)	22.11	0.52
Operating charges	(0.25)	(0.47)	(0.41)
Return after operating charges	(10.08)	21.64	0.11
Distributions	n/a	(1.92)	(2.09)
Closing NAV	92.78	102.86	83.14
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.50	0.50	0.50
Return after charges	-9.80	+26.03	+0.13
Historic yield	2.12	1.87	2.03
Other information			
Closing NAV (€'000)	40,598	44,190	34,172
Closing NAV (%)	39.72	40.10	38.72
Number of shares	36,584,208	36,926,600	36,780,458
Highest share price (UK p)	106.25	105.05	89.97
Lowest share price (UK p)	90.85	78.85	62.90

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 31 January 2000.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	163.36	129.63	129.58
Return before operating charges	(15.62)	34.46	0.68
Operating charges	(0.40)	(0.73)	(0.63)
Return after operating charges	(16.02)	33.73	0.05
Distributions	n/a	(2.27)	(2.53)
Retained distributions	n/a	2.27	2.53
Closing NAV	147.34	163.36	129.63
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.50	0.50	0.50
Return after charges	-9.81	+26.02	+0.04
Historic yield	1.58	1.39	1.49
Other information			
Closing NAV (€'000)	52,648	57,637	46,320
Closing NAV (%)	51.51	52.31	52.49
Number of shares	29,876,379	30,325,871	31,973,789
Highest share price (UK p)	168.72	163.78	136.94
Lowest share price (UK p)	144.26	122.44	95.73

Sterling Class 'I' Accumulation share performance

The share class was launched on 6 December 2019.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	127.09	101.37	100.00
Return before operating charges	(12.16)	26.01	1.54
Operating charges	(0.15)	(0.29)	(0.17)
Return after operating charges	(12.31)	25.72	1.37
Distributions	n/a	(2.05)	(2.14)
Retained distributions	n/a	2.05	2.14
Closing NAV	114.78	127.09	101.37
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.25	0.25	0.25
Return after charges	-9.69	+25.37	+1.37
Historic yield	1.83	1.62	1.66
Other information			
Closing NAV (€'000)	8,965	8,365	4,486
Closing NAV (%)	8.77	7.59	5.08
Number of shares	6,531,199	5,656,604	3,960,039
Highest share price (UK p)	131.32	127.41	106.13
Lowest share price (UK p)	112.37	95.05	74.21

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2022		2021	
	€'000	€'000	€'000	€'000
Income				
Net capital gains/(losses)		(8,343)		9,131
Revenue	609		462	
Expenses	(262)		(223)	
Net revenue/(expense) before taxation	347		239	
Taxation	(47)		(16)	
Net revenue/(expense) after taxation		300		223
Total return before equalisation		(8,043)		9,354
Equalisation		0		(4)
Change in net assets attributable to shareholders from investment activities		(8,043)		9,350

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2022		2021	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		110,192		88,253
Amounts received on issue of shares	3,152		2,507	
Amounts paid on cancellation of shares	(3,093)		(6,856)	
		59		(4,349)
Dilution adjustments		3		5
Change in net assets attributable to shareholders from investment activities (see above)		(8,043)		9,350
Closing net assets attributable to shareholders		102,211		93,259

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

Financial statements and notes

Financial statements

Balance sheet

as at	28 February 2022 €'000	31 August 2021 €'000
Assets		
Fixed assets		
Investments	101,266	109,763
Current assets		
Debtors	757	785
Cash and bank balances	283	302
Cash equivalents	145	300
Total assets	102,451	111,150
Liabilities		
Investment liabilities	(28)	0
Creditors		
Distribution payable	0	(825)
Other creditors	(212)	(133)
Total liabilities	(240)	(958)
Net assets attributable to shareholders	102,211	110,192

Financial statements and notes

Notes to the financial statements

Accounting policies

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

Distribution policy

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

Authorised Corporate Director's Report

Important information

Following shareholder approval on 20 October 2021, the M&G European Select Fund and M&G Pan European Select Smaller Companies Fund were merged into M&G European Sustain Paris Aligned Fund on 10 December 2021 and are no longer available for investment. The merged funds will be formally terminated when all their outstanding assets and liabilities have been settled.

Investment objective up to 10 December 2021

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

Investment policy up to 10 December 2021

At least 80% of the fund is invested directly in equity securities and equity-related securities of companies across any sectors and market capitalisations that are incorporated, domiciled, listed or do most of their business in Europe (excluding the United Kingdom).

The fund usually holds a concentrated portfolio of fewer than 50 companies.

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

The fund may also hold cash and near cash for liquidity purposes.

Derivatives may be used for efficient portfolio management and hedging.

Investment approach up to 10 December 2021

The fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies.

The investment approach seeks to identify European (ex UK) companies that have sustainable competitive advantages leading to high return on invested capital. Each company's strategy around capital allocation is central to the investment process.

The fund manager focuses on companies which recognise the importance of dividends, which in turn instils capital discipline and ensures that the highest returning growth projects are prioritised.

Rising cashflow, and over time, rising dividends, for the fund's holdings are expected to drive the long-term total return of the fund.

Benchmark up to 10 December 2021

Benchmark: FTSE World Europe ex UK Index.

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

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

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

Risk profile up to 10 December 2021

The fund invests in the shares of companies listed in Europe and is, therefore, subject to the price volatility of the European stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on European (ex UK) companies with sustainable competitive advantages, which have the opportunity to reinvest their capital at high rates of

Authorised Corporate Director's Report

return, and some of these stocks could potentially experience a degree of illiquidity in times of market distress. The fund is a concentrated portfolio, but is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. The fund also invests in the shares of smaller companies, which can be more unpredictable and difficult to buy and sell. Diversification across countries, industries and market capitalisation is therefore 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 March 2022, for the period ended 10 December 2021

Performance against objective

Between 1 September 2021 (the start of the review period) and 10 December 2021, when the fund closed, the sterling share classes of the M&G European Select Fund delivered a positive total return (the combination of income and growth of capital).

All share classes produced returns that were ahead of the benchmark index, the FTSE World Europe ex UK Index, which delivered 0.0% in the time period.

Over five years, which includes a period before Richard Halle's appointment as fund manager in July 2019, all of the fund's share classes have delivered positive returns, but trailed the benchmark, which rose 9.6% pa in sterling. Therefore, the fund did not meet its objective to provide a combination of capital growth and income, net of the ongoing charge figure, that is higher than the FTSE World Europe ex UK Index over any five-year period.

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

Performance review

European stockmarkets were turbulent in the review period as worries about inflation and the Omicron variant of coronavirus weighed on investor risk appetite. The period got off to a weak start, as concerns about rising inflation and the possibility that interest rates might rise sooner than expected rattled markets in September. Although persistent high inflation remained a worry, share prices rebounded to reach record highs in mid-November, buoyed in part by robust corporate earnings. However, these gains were quickly erased when the discovery of the highly transmissible Omicron variant of coronavirus sparked sharp falls in global stockmarkets.

From a sector perspective, energy was the stand-out performer, supported by higher oil prices. Financials rose amid expectations that higher interest rates might boost their profits, while the consumer discretionary and consumer staples sectors also outperformed the broader market. In contrast, real estate, communication services (which includes telecommunications firms), and information technology were notable laggards.

Against this background, the fund delivered a small positive return, ahead of the benchmark index. As oil prices rose, French oil firm TotalEnergies was a leading contributor to relative performance. Investors also welcomed TotalEnergies' plan to buy back US\$1.5 billion of shares and focus its future investment on renewable energy and natural gas as it aims to become a leading player in the energy transition.

Authorised Corporate Director's Report

German home improvements firm Hornbach was a notable contributor too. The company has performed well during the COVID-19 pandemic as demand for DIY has increased and during the period Hornbach reported record sales and earnings.

In financials, our holdings in Austrian bank Erste Group Bank and Belgium-based firm KBC Group also added value.

In contrast, our holding in Luxembourg-based stainless steelmaker Aperam was a drag on relative performance. The stock was hurt by concerns about the Omicron variant's potential negative impact on economic growth. Aperam lost ground despite reporting robust quarterly results and a positive outlook. Italian cement maker Buzzi Unicem was another notable detractor in the materials sector.

Elsewhere, German car maker Volkswagen and Swedish security services firm Securitas were laggards. Securitas's business is connected to the travel and events industries and investors were worried about the potential impact of Omicron and new COVID-19 restrictions.

Investment activities

During the review period, we made a number of changes to the portfolio. We invested in Danish pharmaceutical company Novo Nordisk, which is focused on developing treatments for chronic diseases including diabetes. Besides producing insulin, Novo has shown an interest in expanding its research into blood disease and cardiovascular treatments.

French energy management company Schneider Electric also joined the portfolio. The company provides solutions for homes, buildings and data centres that help improve energy efficiency and therefore reduce their carbon footprint.

We also started a position in French industrial group Legrand, which is a leading producer of electrical products such as switches, thermostats and cable management systems.

In contrast, we sold out entire stakes in French oil company TotalEnergies, Swiss pharmaceutical firms Novartis and Roche and Belgium-based drug maker UCB.

Richard Halle

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.

Please refer to the 'Important Information' section within the ACD's report on page 2 for details of the fund merger and planned termination of this fund.

Investments

Portfolio statement

The fund had no holdings as at the end of the period.

Top ten portfolio transactions for the period to 10 December 2021.

Largest purchases	€'000
Novo Nordisk	10,045
Schneider Electric	8,450
Legrand	6,215
Akzo Nobel	6,022
DSV	6,006
ING	5,332
Kuehne + Nagel International	4,980
Scout24	4,855
CTS Eventim	4,396
Amadeus IT	4,336
Other purchases	52,535
Total purchases	113,172

Largest sales	€'000
TotalEnergies	8,344
Novartis	8,097
Roche	7,146
UCB	6,795
Koninklijke Ahold Delhaize	6,375
Siemens	6,136
Erste Group Bank	5,897
KBC	5,603
UPM-Kymmene	5,513
Securitas	4,929
Other sales	95,979
Total sales	160,814

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

Financial highlights

Fund performance

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

The following charts and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value as at	28.02.22	31.08.21	31.08.20
	€'000	€'000	€'000
Fund net asset value (NAV)	0	168,910	145,205

Performance since launch

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

July 1972 = 100, plotted monthly
Chart date 10 December 2021



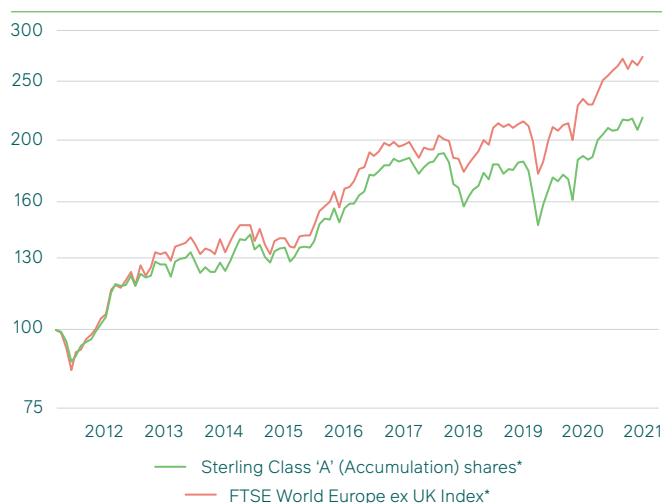
Source: Morningstar, Inc. and M&G

* Income reinvested

Ten-year performance

Please note that the comparator benchmark's total return is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.

Ten years = 1 September 2011, plotted monthly
Chart date 10 December 2021



Source: Morningstar, Inc. and M&G

* Income reinvested

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 to 10 December 2021 when the fund closed. 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	From 01.09.21 % ^a	From 01.03.19 % pa	From 01.03.17 % pa	Since launch % pa
Sterling				
Class 'A'	+0.4	+9.5	+6.4	+9.2
Class 'I'	+0.5	+10.0	+7.1	+10.1
Class 'PP'	+0.6	n/a	n/a	+9.1
Class 'R'	+0.5	+9.7	+6.8	+9.9
Class 'X'	+0.4	+9.5	+6.4	+10.0

^a 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 following table 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 or by calling M&G Customer Relations.

Portfolio transaction costs

Direct portfolio transaction costs ^b	Period to 28.02.22 %	Year to 31.08.21 %	Year to 31.08.20 %	Average ^a %
Broker commission	0.07	0.01	0.02	0.03
Taxes	0.13	0.02	0.02	0.06
Costs before dilution adjustments	0.20	0.03	0.04	0.09
Dilution adjustments ^c	0.00	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.20	0.02	0.03	0.08
as at Indirect portfolio transaction costs	28.02.22 %	31.08.21 %	31.08.20 %	Average ^d %
Average portfolio dealing spread	0.00 ^e	0.05	0.06	0.06

^a Average of first three columns.

^b As a percentage of average net asset value.

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

^d Average of the 2021 and 2020 columns.

^e The average is not a true representation, as the fund has not been in existence for the full 2022 financial period.

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.

The share classes were merged into the M&G European Sustain Paris Aligned Fund on 10 December 2021. The historic yields for the current period were calculated at the merger date.

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 27 June 1977. The share class closed on 10 December 2021.

Change in NAV per share	Period to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	2,167.18	1,792.23	1,871.14
Return before operating charges	26.75	456.63	(12.02)
Operating charges	(5.67)	(21.36)	(21.77)
Return after operating charges	21.08	435.27	(33.79)
Distributions	(11.53)	(60.32)	(45.12)
Return to shareholder as a result of share class closure	(2,176.73)	n/a	n/a
Closing NAV	0.00	2,167.18	1,792.23
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.16	0.68	0.80
Dilution adjustments ^a	0.00	(0.16)	(0.26)
Total direct transaction costs	2.16	0.52	0.54
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.20	0.02	0.03
Operating charges ^c	0.95	1.06	1.20
Return after charges	+0.97	+24.29	-1.81
Historic yield	2.78	2.83	2.51
Other information			
Closing NAV (€'000)	0	47,644	40,347
Closing NAV (%)	0.00	28.21	27.79
Number of shares	0	1,889,563	2,014,377
Highest share price (UK p)	2,253.43	2,226.41	1,980.70
Lowest share price (UK p)	2,052.15	1,643.60	1,391.56

Sterling Class 'A' Accumulation share performance

The share class was launched on 24 July 1972. The share class closed on 10 December 2021.

Change in NAV per share	Period to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	3,659.90	2,945.16	2,999.49
Return before operating charges	25.55	749.82	(19.44)
Operating charges	(9.57)	(35.08)	(34.89)
Return after operating charges	15.98	714.74	(54.33)
Distributions	(9.87)	(64.79)	(36.70)
Retained distributions	9.87	64.79	36.70
Return to shareholder as a result of share class closure	(3,675.88)	n/a	n/a
Closing NAV	0.00	3,659.90	2,945.16
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.66	1.11	1.28
Dilution adjustments ^a	0.00	(0.27)	(0.42)
Total direct transaction costs	3.66	0.84	0.86
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.20	0.02	0.03
Operating charges ^c	0.95	1.06	1.20
Return after charges	+0.44	+24.27	-1.81
Historic yield	1.77	1.80	1.24
Other information			
Closing NAV (€'000)	0	60,804	50,908
Closing NAV (%)	0.00	36.00	35.06
Number of shares	0	1,427,941	1,546,676
Highest share price (UK p)	3,805.42	3,658.11	3,174.90
Lowest share price (UK p)	3,465.52	2,700.51	2,230.56

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012. The share class closed on 10 December 2021.

Change in NAV per share	Period to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	2,028.57	1,670.03	1,734.79
Return before operating charges	25.09	426.51	(11.03)
Operating charges	(3.08)	(11.61)	(11.78)
Return after operating charges	22.01	414.90	(22.81)
Distributions	(10.80)	(56.36)	(41.95)
Return to shareholder as a result of share class closure	(2,039.78)	n/a	n/a
Closing NAV	0.00	2,028.57	1,670.03
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.03	0.63	0.74
Dilution adjustments ^a	0.00	(0.15)	(0.24)
Total direct transaction costs	2.03	0.48	0.50
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.20	0.02	0.03
Operating charges ^c	0.55	0.62	0.70
Return after charges	+1.09	+24.84	-1.31
Historic yield	2.77	2.82	2.51
Other information			
Closing NAV (€'000)	0	6,072	6,842
Closing NAV (%)	0.00	3.59	4.71
Number of shares	0	257,252	366,607
Highest share price (UK p)	2,110.84	2,083.93	1,839.67
Lowest share price (UK p)	1,921.34	1,532.82	1,293.68

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012. The share class closed on 10 December 2021.

Change in NAV per share	Period to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	2,453.65	1,965.63	1,991.96
Return before operating charges	17.17	501.66	(12.87)
Operating charges	(3.73)	(13.64)	(13.46)
Return after operating charges	13.44	488.02	(26.33)
Distributions	(9.33)	(52.99)	(34.34)
Retained distributions	9.33	52.99	34.34
Return to shareholder as a result of share class closure	(2,467.09)	n/a	n/a
Closing NAV	0.00	2,453.65	1,965.63
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.46	0.74	0.85
Dilution adjustments ^a	0.00	(0.18)	(0.28)
Total direct transaction costs	2.46	0.56	0.57
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.20	0.02	0.03
Operating charges ^c	0.55	0.62	0.70
Return after charges	+0.55	+24.83	-1.32
Historic yield	2.15	2.20	1.74
Other information			
Closing NAV (€'000)	0	45,130	40,008
Closing NAV (%)	0.00	26.72	27.55
Number of shares	0	1,580,877	1,821,265
Highest share price (UK p)	2,553.05	2,452.45	2,112.24
Lowest share price (UK p)	2,323.85	1,803.89	1,485.35

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019. The share class closed on 10 December 2021.

Change in NAV per share	Period to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	114.67	94.28	97.79
Return before operating charges	1.41	24.09	(0.62)
Operating charges	(0.14)	(0.52)	(0.52)
Return after operating charges	1.27	23.57	(1.14)
Distributions	(0.61)	(3.18)	(2.37)
Return to shareholder as a result of share class closure	(115.33)	n/a	n/a
Closing NAV	0.00	114.67	94.28
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.11	0.04	0.04
Dilution adjustments ^a	0.00	(0.01)	(0.01)
Total direct transaction costs	0.11	0.03	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.20	0.02	0.03
Operating charges	0.45	0.46	0.55
Return after charges	+1.11	+25.00	-1.17
Historic yield	2.77	2.82	2.50
Other information			
Closing NAV (€'000)	0	416	21
Closing NAV (%)	0.00	0.25	0.01
Number of shares	0	312,000	20,000
Highest share price (UK p)	119.34	117.79	103.76
Lowest share price (UK p)	108.61	86.56	72.98

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019. The share class closed on 10 December 2021.

Change in NAV per share	Period to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	125.58	100.47	101.67
Return before operating charges	0.89	25.67	(0.67)
Operating charges	(0.16)	(0.56)	(0.53)
Return after operating charges	0.73	25.11	(1.20)
Distributions	(0.51)	(2.85)	(1.91)
Retained distributions	0.51	2.85	1.91
Return to shareholder as a result of share class closure	(126.31)	n/a	n/a
Closing NAV	0.00	125.58	100.47
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.13	0.04	0.04
Dilution adjustments ^a	0.00	(0.01)	(0.01)
Total direct transaction costs	0.13	0.03	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.20	0.02	0.03
Operating charges ^c	0.45	0.47	0.55
Return after charges	+0.58	+24.99	-1.18
Historic yield	2.26	2.30	1.89
Other information			
Closing NAV (€'000)	0	616	93
Closing NAV (%)	0.00	0.36	0.06
Number of shares	0	421,530	83,030
Highest share price (UK p)	130.69	125.52	107.86
Lowest share price (UK p)	118.94	92.23	75.87

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012. The share class closed on 10 December 2021.

Change in NAV per share	Period to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	200.45	165.45	172.30
Return before operating charges	2.48	42.19	(1.10)
Operating charges	(0.44)	(1.61)	(1.59)
Return after operating charges	2.04	40.58	(2.69)
Distributions	(1.07)	(5.58)	(4.16)
Return to shareholder as a result of share class closure	(201.42)	n/a	n/a
Closing NAV	0.00	200.45	165.45
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.20	0.06	0.07
Dilution adjustments ^a	0.00	(0.02)	(0.02)
Total direct transaction costs	0.20	0.04	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.20	0.02	0.03
Operating charges ^c	0.80	0.86	0.95
Return after charges	+1.02	+24.53	-1.56
Historic yield	2.78	2.83	2.51
Other information			
Closing NAV (€'000)	0	777	631
Closing NAV (%)	0.00	0.46	0.44
Number of shares	0	333,033	341,362
Highest share price (UK p)	208.49	205.93	182.55
Lowest share price (UK p)	189.84	151.79	128.31

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012. The share class closed on 10 December 2021.

Change in NAV per share	Period to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	239.95	192.70	195.78
Return before operating charges	1.68	49.13	(1.28)
Operating charges	(0.53)	(1.88)	(1.80)
Return after operating charges	1.15	47.25	(3.08)
Distributions	(0.75)	(4.65)	(2.88)
Retained distributions	0.75	4.65	2.88
Return to shareholder as a result of share class closure	(241.10)	n/a	n/a
Closing NAV	0.00	239.95	192.70
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.24	0.07	0.08
Dilution adjustments ^a	0.00	(0.02)	(0.03)
Total direct transaction costs	0.24	0.05	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.20	0.02	0.03
Operating charges ^c	0.80	0.86	0.95
Return after charges	+0.48	+24.52	-1.57
Historic yield	1.94	1.97	1.49
Other information			
Closing NAV (€'000)	0	5,477	4,148
Closing NAV (%)	0.00	3.24	2.86
Number of shares	0	1,962,054	1,925,992
Highest share price (UK p)	249.55	239.84	207.41
Lowest share price (UK p)	227.23	176.78	145.79

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002. The share class closed on 10 December 2021.

Change in NAV per share	Period to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	2,145.84	1,774.61	1,852.72
Return before operating charges	26.49	452.14	(11.91)
Operating charges	(5.62)	(21.18)	(21.53)
Return after operating charges	20.87	430.96	(33.44)
Distributions	(11.42)	(59.73)	(44.67)
Return to shareholder as a result of share class closure	(2,155.29)	n/a	n/a
Closing NAV	0.00	2,145.84	1,774.61
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.15	0.66	0.79
Dilution adjustments ^a	0.00	(0.16)	(0.26)
Total direct transaction costs	2.15	0.50	0.53
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.20	0.02	0.03
Operating charges ^c	0.95	1.07	1.20
Return after charges	+0.97	+24.28	-1.80
Historic yield	2.78	2.83	2.51
Other information			
Closing NAV (€'000)	0	1,104	1,107
Closing NAV (%)	0.00	0.65	0.76
Number of shares	0	44,220	55,830
Highest share price (UK p)	2,231.25	2,204.50	1,961.19
Lowest share price (UK p)	2,031.95	1,627.42	1,377.85

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002. The share class closed on 10 December 2021.

Change in NAV per share	Period to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	3,621.35	2,914.14	2,967.91
Return before operating charges	25.29	741.91	(19.25)
Operating charges	(9.47)	(34.70)	(34.52)
Return after operating charges	15.82	707.21	(53.77)
Distributions	(9.76)	(64.11)	(36.31)
Retained distributions	9.76	64.11	36.31
Return to shareholder as a result of share class closure	(3,637.17)	n/a	n/a
Closing NAV	0.00	3,621.35	2,914.14
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.62	1.10	1.26
Dilution adjustments ^a	0.00	(0.26)	(0.42)
Total direct transaction costs	3.62	0.84	0.84
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.20	0.02	0.03
Operating charges ^c	0.95	1.06	1.20
Return after charges	+0.44	+24.27	-1.81
Historic yield	1.77	1.80	1.24
Other information			
Closing NAV (€'000)	0	870	665
Closing NAV (%)	0.00	0.52	0.46
Number of shares	0	20,650	20,412
Highest share price (UK p)	3,765.34	3,619.59	3,141.46
Lowest share price (UK p)	3,429.02	2,672.08	2,207.07

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the period to 28 February	2022		2021	
	€'000	€'000	€'000	€'000
Income				
Net capital gains/(losses)		652		15,326
Revenue	921		1,229	
Expenses	(377)		(762)	
Net revenue/(expense) before taxation	544		467	
Taxation	(38)		(55)	
Net revenue/(expense) after taxation		506		412
Total return before distributions		1,158		15,738
Distributions		(646)		(8)
Change in net assets attributable to shareholders from investment activities		512		15,730

Statement of change in net assets attributable to shareholders

for the period to 28 February	2022		2021	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		168,910		145,205
Amounts received on issue of shares	1,635		1,724	
Amounts paid on cancellation of shares	(40,352)		(5,601)	
Transfer to M&G European Sustain Paris Aligned Fund	(130,921)		0	
		(169,638)		(3,877)
Dilution adjustments		0		5
Change in net assets attributable to shareholders from investment activities (see above)		512		15,730
Retained distributions on Accumulation shares		215		0
Unclaimed distributions		1		2
Closing net assets attributable to shareholders		0		157,065

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

Financial statements and notes

Financial statements

Balance sheet

as at	28 February 2022 €'000	31 August 2021 €'000
Assets		
Current assets		
Investments	0	165,806
Debtors	1,830	1,723
Cash and bank balances	31	243
Cash equivalents	0	2,883
Total assets	1,861	170,655
Liabilities		
Creditors		
Distribution payable	0	(1,559)
Other creditors	(1,861)	(186)
Total liabilities	(1,861)	(1,745)
Net assets attributable to shareholders	0	168,910

Financial statements and notes

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

Authorised Corporate Director's Report

Important information

The M&G European Select Fund and M&G Pan European Select Smaller Companies Fund (funds of the Company) were merged into M&G European Sustain Paris Aligned Fund on 10 December 2021.

Investment objective

The fund has two aims:

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

Investment policy

At least 80% of the fund is invested directly in equity securities and equity-related securities of companies across any sector and market capitalisation that are incorporated, domiciled or listed in Europe, excluding the UK. The fund has a concentrated portfolio and usually holds fewer than 35 companies.

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

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

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

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

References to "assessed" above mean assessment in accordance with the ESG Criteria and Sustainability Criteria document as disclosed in the ESG Information section below. Further information on the exclusions applicable to the fund can be found in the Prospectus.

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

Derivatives may be used for efficient portfolio management and hedging.

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

Investment approach

The fund is a focused Europe ex UK equity fund, investing over the long term in sustainable companies which contribute to the long-term global warming objectives of the Paris Agreement, by either having a Low Carbon Intensity and/or a Reducing Carbon intensity. Low Carbon Intensity means a carbon intensity lower than 50% of the weighted average Carbon intensity of the fund's benchmark, the MSCI Europe ex UK Index. Reducing Carbon Intensity companies mean companies that have Science Based Targets aligned with the Paris Agreement or have committed to have them in place within a defined time period. The fund manager considers that active engagement with these companies is key to sustain positive change.

In addition, these companies need to demonstrate business models competitively positioned to protect

Authorised Corporate Director's Report

their profitability as well as an ongoing commitment to decarbonisation. Importantly, the fund invests in businesses where short-term issues have provided a clear valuation opportunity. The fund employs a bottom-up stock picking approach, driven by the fundamental analysis of individual companies. The fund manager believes that this approach offers a powerful combination, providing the long-term compounded value of quality businesses, as well as the potential boost to a company's share price when a short-term issue has been resolved.

Sustainability considerations encompassing ESG factors are fully integrated into the investment process including through ongoing engagement with investee companies. In particular, climate considerations, including investing in Low and/or Reducing Carbon Intensity companies and non-mandatory factors such as whether companies are providing direct solutions to the climate challenge via their products and services, play an important role in determining the investment universe, stock selection, and portfolio construction, alongside other sustainability considerations. The fund will typically have a weighted average carbon intensity of less than half that of the MSCI Europe ex UK Index.

ESG Information

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

- ESG Criteria and Sustainability Criteria: in the document titled "M&G European Sustain Paris Aligned Fund – ESG Criteria and Sustainability Criteria" which includes the fund's exclusions approach.
- An Annual ESG and Sustainability Report providing an assessment of the sustainable objective of the fund will also be published when available.
- Any other periodic reporting against the sustainable objective of the fund.

Benchmark

Benchmark: MSCI Europe ex UK Index.

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

The benchmark is also used to define what a Low Carbon Intensity company is and to measure the fund's weighted average carbon intensity but does not otherwise constrain the fund's portfolio construction.

The fund is actively managed and within given constraints, the fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents, and as a result the fund's performance may deviate materially from the benchmark.

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

Risk profile

The fund invests in the shares of companies listed in Europe. It is, therefore, subject to the price volatility of the European stockmarkets and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on quality businesses where an element of change is helping to drive their value, and these stocks could potentially experience a degree of illiquidity in times of market distress. The fund is a concentrated portfolio of between 25 and 35 holdings, but is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. Diversification across countries, 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.

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 changed during this period. From 1 September 2021 to 12 December 2021 the risk number was 6.

Investment review

As at 1 March 2022, for the six months ended 28 February 2022

Performance against objective

Between 1 September 2021 (the start of the review period) and 1 March 2022, the M&G European Sustain Paris Aligned Fund delivered a negative total return (the combination of income and growth of capital) across all of its sterling share classes. Fund performance was behind the average return from the fund's benchmark, the MSCI Europe ex UK Index, which was -11.0% over the same period under review.

Over five years, the fund has generated a positive annualised total return across all its share classes, outperforming its benchmark, where the average return was 5.0% pa in sterling. Therefore, the fund's performance has met its objective to provide a combination of capital growth and income, net of the ongoing charge figure, that is higher than that of the MSCI Europe ex UK Index over any five-year period.

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

Performance review

European stockmarkets fell over the reporting period, as investors weighed up the ongoing COVID-19 pandemic, stubbornly high inflation, rising interest rates and geopolitical tensions involving Russia and Ukraine.

Markets trended higher in the fourth quarter of 2021, although the spread of the Omicron variant of COVID-19 caused a rise in stockmarket volatility in December, as investors grappled with the possibility of further lockdown restrictions and disruption to the economic recovery. However, encouraging data on the severity of symptoms from the Omicron variant, coupled with ongoing progress in global vaccination programmes, helped to limit the downside and markets ended the year positively.

Throughout the whole reporting period, consistently high inflation readings remained a concern for investors. Consumer prices inflation touched multi-decade highs in the UK, US and Europe during the period, in part due to rising fuel costs and ongoing supply chain disruption from the COVID-19 pandemic. Persistent inflation, combined with improving economic data, led to growing expectations that central banks looked to increase interest rates and pare down or stop purchasing assets in the markets.

It was this prospect of interest rate hikes by central banks, most notably by the US Federal Reserve, that dragged stockmarkets sharply lower at the beginning of 2022. January was an especially tough month for equities (company shares), in particular for growth companies (companies that record rapid growth, and which do particularly well when the economy is buoyant). These companies tend to trade at high valuations based on the expectation of strong future earnings, and can be sensitive to the prospect of rising rates.

Similarly, ongoing geopolitical tension surrounding Russia and Ukraine, culminating in an invasion from the Russian military, also caused anxiety in the

Authorised Corporate Director's Report

stockmarkets over the first two months of 2022. Volatility spiked and stockmarkets faced steep losses over the period.

Against this backdrop, and with the price of oil climbing above US\$100 for the first time since 2014, energy was the best-performing sector. This was followed by the financial sector, which tends to benefit from the prospect of higher interest rates, and the utilities sector. Conversely, the technology sector was the worst performer, followed by the real estate and industrials sectors.

Turning to the fund itself, relative performance was hampered by the lack of exposure to the energy sector. The fund's overweight to the industrials sector was also a drag on performance, and this was compounded by stock picking in the sector. The fund's biggest detractor was Scout24, a leading German online property portal that followed the wider technology sector lower over the period, despite reporting rising revenue and earnings in their latest financial statement.

Other detractors included transport and logistics firms DSV and Kuehne + Nagel, whose share prices fell sharply against a backdrop of continued global supply chain disruption owing to the COVID-19 pandemic. The fund's relative performance also suffered by not holding Total Energies, a large petroleum company that rose strongly over the period as the price of oil ticked higher.

On the positive side, the fund benefited from its underweight to the technology sector, and from stock picking in this area. The fund's largest individual contributor was Novo Nordisk, a Danish pharmaceuticals company with a leading position in the treatment of diabetes and obesity. The company reported double-digit sales growth for the year ending 31 December 2021 during the period, and as one of the fund's largest holdings, the appreciation in its share price has been positive for overall performance.

The fund also saw positive returns from German ticketing and live entertainment business CTS Eventim. The company is the world's second-largest provider of ticketing solutions, and during the period announced

that it was entering the North American market as part of its ongoing international expansion.

Other positive contributors included Amadeus, which provides IT solutions for the travel and tourism industry, and German reinsurance provider Hannover Re.

Investment activities

We run a concentrated portfolio of between 25 and 35 holdings, maintaining a watchlist of around 120 quality 'moated' companies that we would like to own when we feel the timing and price are right (moated companies are those where we feel the business model is well protected from competition). We monitor our watchlist closely, waiting patiently for short-term issues to create what we regard as buying opportunities.

During the review period, we made a number of changes to the portfolio. The first was the purchase of Italian company Fineco in October 2021. Fineco is a trading platform, bank and asset manager, which we see as a rare high-returning company in the Italian market, with good compounding growth characteristics.

Two new companies were added in December 2021, after the M&G Pan European Select Smaller Companies Fund and M&G European Select Fund were absorbed into the fund. These were German nanotech medical equipment business MagForce, and Dutch filtration specialist NX Filtration. Our position in NX Filtration was subsequently sold in January 2022.

Outlook

The COP26 climate conference in November 2021 highlighted the growing importance of climate considerations to global governments, regulators and businesses. There were new pledges on limiting the use of coal, reducing deforestation and methane emissions, alongside the adoption of a 'Glasgow Climate Pact' – a wide-ranging political decision towards a more ambitious response to climate change.

With ever more ambitious international commitments towards net zero carbon emissions and the goals of the Paris Agreement (which sets out a global framework to avoid dangerous climate change by limiting global

Authorised Corporate Director's Report

warming to well below 2°C and pursuing efforts to limit it to 1.5°C), we expect trillions of dollars of capital to be deployed in this area over the coming years. As the world transitions, there should be plenty of opportunities for companies providing solutions to the climate challenge, and for those looking to improve their environmental impact. Conversely, there are likely to be growing risks – both from regulatory action, and from shifting public opinion – for those companies that fail to adapt.

With this in mind, we remain confident in our investment process and in the long-term outlook for the companies we hold.

John William Olsen

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 28.02.22 €'000	as at 28.02.22 %	as at 31.08.21 %
Equities	365,536	96.24	94.94
Oil, gas & consumable fuels	0	0.00	3.90
Chemicals	26,462	6.97	7.27
193,630 Akzo Nobel	16,234	4.28	
39,815 Linde	10,228	2.69	
Electrical equipment	47,789	12.58	5.80
197,938 Legrand	16,607	4.37	
161,595 Schneider Electric	22,096	5.82	
310,694 Vestas Wind Systems	9,086	2.39	
Machinery	20,695	5.45	4.33
241,300 Andritz	9,415	2.48	
1,496,754 Metso Outotec	11,280	2.97	
Commercial services & supplies	12,788	3.37	3.89
589,132 ISS	9,351	2.46	
73,319 Société BIC	3,437	0.91	
Professional services	0	0.00	3.20
Air freight & logistics	17,037	4.48	5.29
103,698 DSV	17,037	4.48	
Marine	14,849	3.91	4.55
61,307 Kuehne + Nagel International	14,849	3.91	
Textiles, apparel & luxury goods	8,309	2.19	2.19
91,266 Pandora	8,309	2.19	
Specialty retail	9,640	2.54	8.83
503,151 WH Smith	9,640	2.54	
Food products	18,800	4.95	4.12
163,531 Nestlé	18,800	4.95	
Household products	0	0.00	2.65
Personal products	8,951	2.36	2.50
201,178 Unilever	8,951	2.36	
Health care equipment & supplies	446	0.12	0.00
204,406 MagForce	446	0.12	
Health care providers & services	12,300	3.24	3.30
215,040 Fresenius Medical Care	12,300	3.24	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 €'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Biotechnology	10,704	2.82	0.00
1,009,781 Grifols Preference Shares	10,704	2.82	
Pharmaceuticals	42,835	11.28	10.91
38,788 ALK-Abelló	13,105	3.45	
327,013 Novo Nordisk	29,730	7.83	
Banks	40,573	10.68	7.77
5,618,525 AIB	12,810	3.37	
221,190 Bank of Georgia	3,344	0.88	
736,545 FinecoBank	10,776	2.84	
1,337,607 ING	13,643	3.59	
Capital markets	2,879	0.76	0.72
440,883 Georgia Capital	2,879	0.76	
Insurance	14,336	3.77	1.43
87,387 Hannover Rueck	14,336	3.77	
IT services	13,748	3.62	2.80
232,696 Amadeus IT	13,748	3.62	
Software	13,572	3.57	4.06
135,451 SAP	13,572	3.57	
Entertainment	14,138	3.72	2.92
227,736 CTS Eventim	14,138	3.72	
Interactive media & services	14,685	3.86	2.51
282,627 Scout24	14,685	3.86	
Portfolio of investments	365,536	96.24	94.94
Cash equivalents	12,029	3.17	0.39
'AAA' rated money market funds^a	12,029	3.17	0.39
12,482,264 Northern Trust Global Fund - Euro	12,029	3.17	
Total portfolio	377,565	99.41	95.33
Net other assets/(liabilities)	2,246	0.59	4.67
Net assets attributable to shareholders	379,811	100.00	100.00

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

^a Uncommitted surplus cash is placed into 'AAA' rated money market funds with the aim of reducing counterparty risk.

Investments

Top ten portfolio transactions for the six months to
28 February 2022

Largest purchases	€'000
Legrand	8,867
Hannover Rueck	5,930
Metso Outotec	5,902
Grifols Preference Shares	5,840
FinecoBank	5,569
Vestas Wind Systems	4,904
Scout24	4,156
ALK-Abelló	3,297
Bank of Georgia	1,364
Novo Nordisk	830
Other purchases	7,489
Total purchases	54,148

Largest sales	€'000
Pets at Home	8,117
Equinor	7,109
RELX	5,848
WH Smith	5,234
Reckitt Benckiser	4,848
Nx Filtration	3,525
SigmaRoc	3,463
Weir	3,157
Hiscox	2,619
Cary	1,524
Other sales	2,221
Total sales	47,665

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

Financial highlights

Fund performance

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

The following charts and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value as at	28.02.22 €'000	31.08.21 €'000	31.08.20 €'000
Fund net asset value (NAV)	379,811	182,399	145,451

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.

September 1989 = 100, plotted monthly
Chart date 1 March 2022



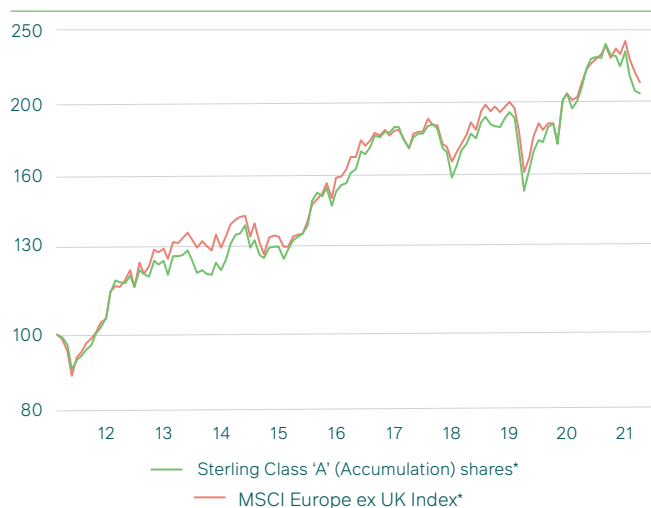
Source: Morningstar, Inc. and M&G

* Income reinvested

Ten-year performance

Please note that the comparator benchmark's total return is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.

Ten years = 1 March 2012, plotted monthly
Chart date 1 March 2022



Source: Morningstar, Inc. and M&G

* Income reinvested

Prior to 31 December 2011 the benchmark was the FTSE World Europe Index. From 31 December 2011 to 31 August 2021 it was the MSCI Europe Index. Thereafter it is the MSCI Europe ex UK Index.

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	Six months 01.09.21 % ^a	Three years 01.03.19 % pa	Five years 01.03.17 % pa	Since launch % pa
Sterling				
Class 'A'	-13.7	+5.6	+5.3	+7.7
Class 'I'	-13.5	+6.1	+6.0	+9.3
Class 'PP'	n/a	n/a	n/a	-13.7 ^a
Class 'R'	-13.6	+5.9	+5.7	+9.0
Class 'X'	-13.7	+5.6	+5.3	+10.7

^a 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 following table 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 or by calling M&G Customer Relations.

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 28.02.22 %	Year to 31.08.21 %	Year to 31.08.20 %	Average ^a %
Broker commission	0.03	0.01	0.00	0.01
Taxes	0.05	0.03	0.01	0.03
Costs before dilution adjustments	0.08	0.04	0.01	0.04
Dilution adjustments ^c	0.00	(0.01)	0.00	0.00
Total direct portfolio transaction costs	0.08	0.03	0.01	0.04
as at Indirect portfolio transaction costs	28.02.22 %	31.08.21 %	31.08.20 %	Average ^a %
Average portfolio dealing spread	0.11	0.08	0.08	0.09

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

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

Historic yields for the current period are calculated as at 11 March 2022.

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 29 September 1989.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	270.13	211.57	218.93
Return before operating charges	(34.26)	65.09	(1.38)
Operating charges	(1.23)	(2.56)	(2.51)
Return after operating charges	(35.49)	62.53	(3.89)
Distributions	(0.98)	(3.97)	(3.47)
Closing NAV	233.66	270.13	211.57
Direct transaction costs UK p	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.10	0.02
Dilution adjustments ^a	0.00	(0.02)	(0.01)
Total direct transaction costs	0.09	0.08	0.01
Performance and charges %	%	%	%
Direct portfolio transaction costs ^b	0.08	0.03	0.01
Operating charges ^c	0.95	1.06	1.20
Return after charges	-13.14	+29.56	-1.78
Historic yield	1.80	1.48	1.59
Other information			
Closing NAV (€'000)	147,681	82,250	67,715
Closing NAV (%)	38.89	45.10	46.55
Number of shares	52,845,642	26,169,937	28,639,189
Highest share price (UK p)	272.87	273.10	232.78
Lowest share price (UK p)	227.87	201.32	157.54

Sterling Class 'A' Accumulation share performance

The share class was launched on 29 September 1989.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	605.85	467.36	475.71
Return before operating charges	(76.83)	144.16	(2.89)
Operating charges	(2.76)	(5.67)	(5.46)
Return after operating charges	(79.59)	138.49	(8.35)
Distributions	n/a	(3.23)	(2.09)
Retained distributions	n/a	3.23	2.09
Closing NAV	526.26	605.85	467.36
Direct transaction costs UK p	UK p	UK p	UK p
Costs before dilution adjustments	0.21	0.23	0.04
Dilution adjustments ^a	(0.01)	(0.03)	(0.02)
Total direct transaction costs	0.20	0.20	0.02
Performance and charges %	%	%	%
Direct portfolio transaction costs ^b	0.08	0.03	0.01
Operating charges ^c	0.95	1.06	1.20
Return after charges	-13.14	+29.63	-1.76
Historic yield	0.63	0.54	0.39
Other information			
Closing NAV (€'000)	119,622	54,740	43,309
Closing NAV (%)	31.50	30.01	29.78
Number of shares	19,005,792	7,765,818	8,292,045
Highest share price (UK p)	611.99	605.56	505.77
Lowest share price (UK p)	511.04	444.71	343.71

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	2,178.15	1,698.24	1,748.52
Return before operating charges	(276.65)	523.85	(10.75)
Operating charges	(5.75)	(11.98)	(11.71)
Return after operating charges	(282.40)	511.87	(22.46)
Distributions	(7.94)	(31.96)	(27.82)
Closing NAV	1,887.81	2,178.15	1,698.24
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.74	0.84	0.16
Dilution adjustments ^a	(0.04)	(0.13)	(0.08)
Total direct transaction costs	0.70	0.71	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.08	0.03	0.01
Operating charges ^c	0.55	0.61	0.70
Return after charges	-12.97	+30.14	-1.28
Historic yield	1.79	1.48	1.59
Other information			
Closing NAV (€'000)	23,483	12,446	9,911
Closing NAV (%)	6.18	6.82	6.81
Number of shares	1,040,108	491,111	522,208
Highest share price (UK p)	2,201.88	2,202.04	1,862.79
Lowest share price (UK p)	1,840.86	1,617.34	1,261.71

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	2,721.99	2,090.38	2,117.18
Return before operating charges	(345.67)	646.39	(12.63)
Operating charges	(7.22)	(14.78)	(14.17)
Return after operating charges	(352.89)	631.61	(26.80)
Distributions	(3.06)	(24.76)	(19.67)
Retained distributions	3.06	24.76	19.67
Closing NAV	2,369.10	2,721.99	2,090.38
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.93	1.04	0.20
Dilution adjustments ^a	(0.05)	(0.16)	(0.10)
Total direct transaction costs	0.88	0.88	0.10
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.08	0.03	0.01
Operating charges ^c	0.55	0.61	0.70
Return after charges	-12.96	+30.22	-1.27
Historic yield	1.15	0.92	0.89
Other information			
Closing NAV (€'000)	56,395	18,601	14,135
Closing NAV (%)	14.85	10.20	9.72
Number of shares	1,990,365	587,343	605,067
Highest share price (UK p)	2,751.67	2,720.71	2,255.31
Lowest share price (UK p)	2,300.51	1,990.77	1,533.91

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 2 September 2021.

Change in NAV per share	Period to 28.02.22 UK p
Opening NAV	100.00
Return before operating charges	(12.76)
Operating charges	(0.22)
Return after operating charges	(12.98)
Distributions	(0.36)
Closing NAV	86.66
Direct transaction costs	UK p
Costs before dilution adjustments	0.04
Dilution adjustments ^a	0.00
Total direct transaction costs	0.04
Performance and charges	%
Direct portfolio transaction costs ^b	0.08
Operating charges	0.45
Return after charges	-12.98
Historic yield	0.63
Other information	
Closing NAV (€'000)	384
Closing NAV (%)	0.10
Number of shares	370,882
Highest share price (UK p)	101.05
Lowest share price (UK p)	84.51

Sterling Class 'PP' Accumulation share performance

The share class was launched on 2 September 2021.

Change in NAV per share	Period to 28.02.22 UK p
Opening NAV	100.00
Return before operating charges	(12.76)
Operating charges	(0.22)
Return after operating charges	(12.98)
Distributions	(0.15)
Retained distributions	0.15
Closing NAV	87.02
Direct transaction costs	UK p
Costs before dilution adjustments	0.04
Dilution adjustments ^a	0.00
Total direct transaction costs	0.04
Performance and charges	%
Direct portfolio transaction costs ^b	0.08
Operating charges	0.45
Return after charges	-12.98
Historic yield	1.14
Other information	
Closing NAV (€'000)	551
Closing NAV (%)	0.14
Number of shares	529,126
Highest share price (UK p)	101.05
Lowest share price (UK p)	84.51

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	212.47	166.08	171.42
Return before operating charges	(26.98)	51.16	(1.07)
Operating charges	(0.81)	(1.65)	(1.55)
Return after operating charges	(27.79)	49.51	(2.62)
Distributions	(0.77)	(3.12)	(2.72)
Closing NAV	183.91	212.47	166.08
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.08	0.02
Dilution adjustments ^a	0.00	(0.01)	(0.01)
Total direct transaction costs	0.07	0.07	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.08	0.03	0.01
Operating charges ^c	0.80	0.86	0.95
Return after charges	-13.08	+29.81	-1.53
Historic yield	1.79	1.48	1.59
Other information			
Closing NAV (€'000)	4,158	2,872	2,066
Closing NAV (%)	1.09	1.57	1.42
Number of shares	1,890,149	1,161,903	1,113,027
Highest share price (UK p)	214.68	214.80	182.44
Lowest share price (UK p)	179.34	158.09	123.52

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	265.87	204.69	207.84
Return before operating charges	(33.74)	63.22	(1.26)
Operating charges	(1.02)	(2.04)	(1.89)
Return after operating charges	(34.76)	61.18	(3.15)
Distributions	n/a	(1.86)	(1.42)
Retained distributions	n/a	1.86	1.42
Closing NAV	231.11	265.87	204.69
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.10	0.02
Dilution adjustments ^a	0.00	(0.02)	(0.01)
Total direct transaction costs	0.09	0.08	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.08	0.03	0.01
Operating charges ^c	0.80	0.86	0.95
Return after charges	-13.07	+29.89	-1.52
Historic yield	0.83	0.71	0.64
Other information			
Closing NAV (€'000)	21,438	9,671	6,844
Closing NAV (%)	5.64	5.30	4.71
Number of shares	7,755,674	3,126,289	2,991,663
Highest share price (UK p)	268.64	265.75	221.18
Lowest share price (UK p)	224.43	194.86	150.37

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	267.19	209.26	216.53
Return before operating charges	(33.88)	64.39	(1.35)
Operating charges	(1.23)	(2.53)	(2.49)
Return after operating charges	(35.11)	61.86	(3.84)
Distributions	(0.97)	(3.93)	(3.43)
Closing NAV	231.11	267.19	209.26
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.10	0.02
Dilution adjustments ^a	0.00	(0.02)	(0.01)
Total direct transaction costs	0.09	0.08	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.08	0.03	0.01
Operating charges ^c	0.95	1.06	1.20
Return after charges	-13.14	+29.56	-1.77
Historic yield	1.80	1.48	1.59
Other information			
Closing NAV (€'000)	3,555	912	763
Closing NAV (%)	0.94	0.50	0.52
Number of shares	1,286,291	293,511	326,319
Highest share price (UK p)	269.89	270.12	230.23
Lowest share price (UK p)	225.37	199.12	155.81

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	598.71	461.86	470.11
Return before operating charges	(75.91)	142.45	(2.87)
Operating charges	(2.74)	(5.60)	(5.38)
Return after operating charges	(78.65)	136.85	(8.25)
Distributions	n/a	(3.19)	(2.07)
Retained distributions	n/a	3.19	2.07
Closing NAV	520.06	598.71	461.86
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.20	0.23	0.04
Dilution adjustments ^a	(0.01)	(0.03)	(0.02)
Total direct transaction costs	0.19	0.20	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.08	0.03	0.01
Operating charges ^c	0.95	1.06	1.20
Return after charges	-13.14	+29.63	-1.75
Historic yield	0.63	0.54	0.39
Other information			
Closing NAV (€'000)	2,544	907	708
Closing NAV (%)	0.67	0.50	0.49
Number of shares	409,064	130,246	137,229
Highest share price (UK p)	604.78	598.43	499.81
Lowest share price (UK p)	505.02	439.48	339.65

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2022		2021	
	€'000	€'000	€'000	€'000
Income				
Net capital gains/(losses)		(39,738)		16,698
Revenue	817		662	
Expenses	(1,212)		(816)	
Net revenue/(expense) before taxation	(395)		(154)	
Taxation	(60)		(40)	
Net revenue/(expense) after taxation		(455)		(194)
Total return before distributions		(40,193)		16,504
Distributions		(246)		(347)
Change in net assets attributable to shareholders from investment activities		(40,439)		16,157

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2022		2021	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		182,399		145,451
Amounts received on issue of shares	2,976		2,279	
Amounts paid on cancellation of shares	(11,667)		(9,659)	
Transfer from M&G European Select Fund & M&G Pan European Select Smaller Companies Fund	246,448		0	
		237,757		(7,380)
Dilution adjustments		8		8
Change in net assets attributable to shareholders from investment activities (see above)		(40,439)		16,157
Retained distributions on Accumulation shares		74		8
Unclaimed distributions		12		15
Closing net assets attributable to shareholders		379,811		154,259

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

Financial statements and notes

Financial statements

Balance sheet

as at	28 February 2022 €'000	31 August 2021 €'000
Assets		
Fixed assets		
Investments	365,536	173,174
Current assets		
Debtors	3,418	12,963
Cash and bank balances	186	115
Cash equivalents	12,029	705
Total assets	381,169	186,957
Liabilities		
Creditors		
Bank overdrafts	(478)	0
Distribution payable	(755)	(1,128)
Other creditors	(125)	(3,430)
Total liabilities	(1,358)	(4,558)
Net assets attributable to shareholders	379,811	182,399

Financial statements and notes

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

Authorised Corporate Director's Report

Investment objective

The fund has two aims:

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

Investment policy

At least 80% of the fund is invested directly in equity securities and equity-related securities of companies across any sector and market capitalisation that are domiciled in any country, including emerging markets. The fund has a concentrated portfolio and usually holds fewer than 40 companies.

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

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

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

References to "assessed" above mean assessment in accordance with the ESG Criteria and Sustainability Criteria document as disclosed in the ESG Information section below. Further information on the exclusions applicable to the fund can be found in the Prospectus.

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

Derivatives may be used for efficient portfolio management and hedging.

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

Investment approach

The fund is a focused core global equity fund, investing over the long term in sustainable companies which contribute to the long-term global warming objectives of the Paris Agreement, by either having a Low Carbon Intensity and/or a Reducing Carbon Intensity. Low Carbon Intensity means a carbon intensity lower than 50% of the weighted average carbon intensity of the fund's benchmark, the MSCI World Index. Reducing Carbon Intensity companies means companies that have Science Based Targets aligned with the Paris Agreement or have committed to have them in place within a defined time period. The fund manager considers that active engagement with these companies is key to sustain positive change.

In addition, these companies need to demonstrate business models competitively positioned to protect their profitability as well as an ongoing commitment to decarbonisation.

Importantly, the fund invests in businesses where short-term issues have provided a clear valuation opportunity. The fund employs a bottom-up stock picking approach, driven by the fundamental analysis of individual companies. The fund manager believes that this approach offers a powerful combination, providing the long-term compounded value of quality businesses, as

Authorised Corporate Director's Report

well as the potential boost to a company's share price when a short-term issue has been resolved.

Sustainability considerations encompassing ESG factors are fully integrated into the investment process including through ongoing engagement with investee companies. In particular, climate considerations, including investing in Low and/or Reducing Carbon Intensity companies and non-mandatory factors such as whether companies are providing direct solutions to the climate challenge via their products and services, play an important role in determining the investment universe, stock selection, and portfolio construction, alongside other sustainability considerations. The fund will typically have a weighted average carbon intensity of less than half that of the MSCI World Index.

ESG Information

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

- ESG Criteria and Sustainability Criteria: in the document titled "M&G Global Sustain Paris Aligned Fund – ESG Criteria and Sustainability Criteria" which includes the fund's exclusions approach.
- An Annual ESG and Sustainability Report providing an assessment of the sustainable objective of the fund will also be published when available.
- Any other periodic reporting against the sustainable objective of the fund.

Benchmark

Benchmark: MSCI World Index.

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

The benchmark is also used to define what a Low Carbon Intensity company is. The fund manager considers the fund's weighted average carbon intensity against the benchmark when constructing the portfolio,

but the benchmark does not otherwise constrain portfolio construction.

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

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

Risk profile

The fund invests globally in the shares of listed companies and is, therefore, subject to the price volatility of the global stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on quality businesses where an element of change is helping to drive their value, and these stocks could potentially experience a degree of illiquidity in times of market distress. The fund is a concentrated portfolio of between 30 and 40 holdings, but is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. Diversification across countries, 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.

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 March 2022, for the six months ended 28 February 2022

Performance against objective

Between 1 September 2021 (the start of the review period) and 1 March 2022, the M&G Global Sustain Paris Aligned Fund delivered a negative total return (the combination of income and growth of capital) across all of its sterling share classes. Fund performance for the 'A' and 'X' share classes was behind the average return from the fund's benchmark, the MSCI World Index, which returned -3.2% over the same period under review. Performance for the 'R' share class was in line with the benchmark, while performance for the 'I' share class was ahead of the benchmark.

Over five years, the fund has generated a positive annualised total return across all its share classes. Fund performance for the 'A' and 'X' share classes was behind the average return from the fund's benchmark, the MSCI World Index, which was 10.3% pa in sterling. Performance for the 'R' share class was in line with the benchmark, while performance for the 'I' share class was ahead of the benchmark. Therefore, the fund did not meet the objective to provide a higher total return

(capital growth plus income), net of the ongoing charge figure, than that of the MSCI World Index over any five-year period.

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

Performance review

Developed stockmarkets fell over the reporting period, as investors weighed up the ongoing COVID-19 pandemic, stubbornly high inflation, the threat of rising interest rates and geopolitical tensions involving Russia and Ukraine.

Markets trended higher in the fourth quarter of 2021, although the spread of the Omicron variant of COVID-19 caused a rise in stockmarket volatility in December, as investors grappled with the possibility of further lockdown restrictions and disruption to the economic recovery. However, encouraging data on the severity of symptoms from the Omicron variant, coupled with ongoing progress in global vaccination programmes, helped to limit the downside and markets ended the year positively.

Throughout the whole reporting period, consistently high inflation readings remained a concern for investors. Consumer prices inflation touched multi-decade highs in the UK, US and Europe during the period, in part due to rising fuel costs and ongoing supply chain disruption from the COVID-19 pandemic. Persistent inflation, combined with improving economic data, led to growing expectations of interest rate increases and central banks paring down or stopping their asset purchases from the markets.

It was this prospect of interest rate hikes by central banks, most notably by the US Federal Reserve, that dragged global stockmarkets sharply lower at the beginning of 2022. January was an especially tough month for company shares (also known as equities), in particular for growth companies (companies that record rapid growth, and which do well when the economy is buoyant). These companies tend to trade at high

Authorised Corporate Director's Report

valuations based on the expectation of strong future earnings, and can be sensitive to the prospect of rising rates.

Ongoing geopolitical tension between Russia and Ukraine, culminating in an invasion of Ukraine by the Russian military, also caused anxiety in the stockmarkets in the first two months of 2022. Volatility spiked and many regional markets faced steep losses over the period.

Against this backdrop, and with the price of oil climbing above US\$100 for the first time since 2014, energy was by far the best-performing sector. There were also gains from the financial sector, which tends to benefit from the prospect of higher interest rates, and the more 'defensive' consumer staples sectors. Defensive companies are generally those that still hold up well when economic growth slows or goes into reverse. Conversely, the communication services and technology sectors performed poorly, and we saw dramatic declines in the share prices of several big technology names, including Meta (previously Facebook) and Paypal. Elsewhere, the consumer discretionary and industrials sectors also lagged the wider benchmark.

Turning to the fund itself, relative outperformance was helped by the fund having a larger share of holdings in the financial sector than the benchmark. Financials performed well over the period. It was also helped by a below-benchmark position in the technology sector. Stock selection within the healthcare and financial sectors was also positive.

At a stock level, the biggest contributor to performance was UnitedHealth Group, a managed healthcare company and one of the fund's largest holdings. The company beat analyst estimates in both its third-quarter and fourth-quarter earnings reports, highlighting continued strong growth within Optum, the group's healthcare services business, as well as the company's UnitedHealthcare segments which provide medical insurance.

Payments provider American Express and multinational insurance firm Tokio Marine also made positive contributions in the period.

On the negative side, relative performance was hampered by the lack of exposure to the energy sector. Security selection within the industrials sector was also negative. The largest individual detractor was Swiss freight-forwarding specialist Kuehne + Nagel. The company's shares declined during the period under review in the midst of general concerns over global supply chain delays and disruption.

Other detractors included logistics supply chain systems specialist Manhattan Associates, and Danish allergy immunotherapy company ALK-Abelló. It's also worth noting that not holding tech giant Apple also hurt relative returns, as the iPhone manufacturer comprises a sizeable portion of the benchmark and performed well in the period.

Investment activities

We run a concentrated portfolio of between 30 and 40 holdings, maintaining a watchlist of around 300 quality 'moated' companies that we would like to own when we feel the timing and price are right (moated companies are those where we feel the business model is well protected from competition). We monitor our watchlist closely, waiting patiently for short-term issues to create what we regard as buying opportunities.

During the period, there were several changes to the fund. In December 2021, we closed the position in Georgian financial institution Georgia Capital on liquidity concerns.

Following this, in January 2022 the fund received a small number of shares in JD.com, due to being a Tencent shareholder. Tencent distributed some of its stake in the company to shareholders as a dividend.

Outlook

The COP26 climate conference in November 2021 highlighted the growing importance of climate considerations to global governments, regulators and businesses. There were new pledges on limiting the use

Authorised Corporate Director's Report

of coal, reducing deforestation and methane emissions, alongside the adoption of a 'Glasgow Climate Pact' – a wide-ranging political decision towards a more ambitious response to climate change.

With ever more ambitious international commitments towards net zero carbon emissions and the goals of the Paris Agreement (which sets out a global framework to avoid dangerous climate change by limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C), we expect trillions of dollars of capital to be deployed in this area over the coming years. As the world transitions, there should be plenty of opportunities for companies providing solutions to the climate challenge, and for those looking to improve their environmental impact. Conversely, there are likely to be growing risks – both from regulatory action, and from shifting public opinion – for those companies that fail to adapt.

With this in mind, we remain confident in our investment process and in the long-term outlook for the companies we hold.

John William Olsen

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 28.02.22 \$'000	as at 28.02.22 %	as at 31.08.21 %
Equities	811,464	96.58	98.00
Energy equipment & services	0	0.00	0.52
Chemicals	25,048	2.98	3.06
87,058 Linde	25,048	2.98	
Containers & packaging	26,159	3.11	3.09
289,370 Ball	26,159	3.11	
Building products	28,600	3.40	3.71
443,879 Johnson Controls International	28,600	3.40	
Electrical equipment	37,499	4.46	4.93
244,866 Schneider Electric	37,499	4.46	
Machinery	16,929	2.01	2.09
237,408 Graco	16,929	2.01	
Commercial services & supplies	21,889	2.61	3.15
665,019 ISS	11,821	1.41	
56,260 UniFirst	10,068	1.20	
Marine	24,318	2.89	3.72
89,646 Kuehne + Nagel International	24,318	2.89	
Internet & direct marketing retail	603	0.07	0.00
17,014 JD.com	603	0.07	
Specialty retail	41,162	4.90	4.53
1,918,251 WH Smith	41,162	4.90	
Food products	23,940	2.85	2.63
185,938 Nestlé	23,940	2.85	
Household products	15,153	1.80	1.52
178,999 Reckitt Benckiser	15,153	1.80	
Personal products	31,887	3.80	2.33
639,955 Unilever	31,887	3.80	
Health care equipment & supplies	32,519	3.87	3.34
119,559 Becton Dickinson	32,519	3.87	
Health care providers & services	53,397	6.36	5.28
113,223 UnitedHealth	53,397	6.36	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 \$'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Pharmaceuticals	54,381	6.47	8.07
34,617 ALK-Abelló	13,099	1.56	
405,443 Novo Nordisk	41,282	4.91	
Banks	24,581	2.93	2.72
1,091,958 ING	12,474	1.49	
67,064 M&T Bank	12,107	1.44	
Thriffs & mortgage finance	15,310	1.82	2.09
488,827 Housing Development Finance	15,310	1.82	
Consumer finance	63,009	7.50	6.65
177,675 American Express	33,933	4.04	
238,978 Discover Financial Services	29,076	3.46	
Capital markets	15,819	1.88	2.26
293,814 Bank of New York Mellon	15,819	1.88	
Insurance	24,764	2.95	2.37
434,500 Tokio Marine	24,764	2.95	
IT services	30,216	3.60	3.62
140,297 Visa	30,216	3.60	
Software	120,456	14.34	15.92
62,308 ANSYS	19,753	2.35	
302,342 Manhattan Associates	39,675	4.72	
208,597 Microsoft	61,028	7.27	
Entertainment	16,093	1.92	2.01
125,879 Electronic Arts	16,093	1.92	
Interactive media & services	67,732	8.06	8.39
18,383 Alphabet	48,537	5.78	
357,300 Tencent	19,195	2.28	
Portfolio of investments	811,464	96.58	98.00
Cash equivalents	26,178	3.12	2.39
'AAA' rated money market funds^a	26,178	3.12	2.39
26,178,000 Northern Trust Global Fund - US dollar	26,178	3.12	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 \$'000	as at 28.02.22 %	as at 31.08.21 %
Total portfolio	837,642	99.70	100.39
Net other assets/(liabilities)	2,513	0.30	(0.39)
Net assets attributable to shareholders	840,155	100.00	100.00

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

^a Uncommitted surplus cash is placed into 'AAA' rated money market funds with the aim of reducing counterparty risk.

Investments

Top portfolio transactions for the six months to 28 February 2022

Largest purchases	\$'000
Unilever	13,753
WH Smith	2,142
Total purchases	15,895

Largest sales	\$'000
ALK-Abelló	11,970
NOV	4,673
Microsoft	4,578
Georgia Capital	4,037
Manhattan Associates	2,810
Total sales	28,068

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

Financial highlights

Fund performance

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

The following 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 (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value as at	28.02.22 \$'000	31.08.21 \$'000	31.08.20 \$'000
Fund net asset value (NAV)	840,155	896,293	736,863

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.

December 1967 = 100, plotted monthly
Chart date 1 March 2022



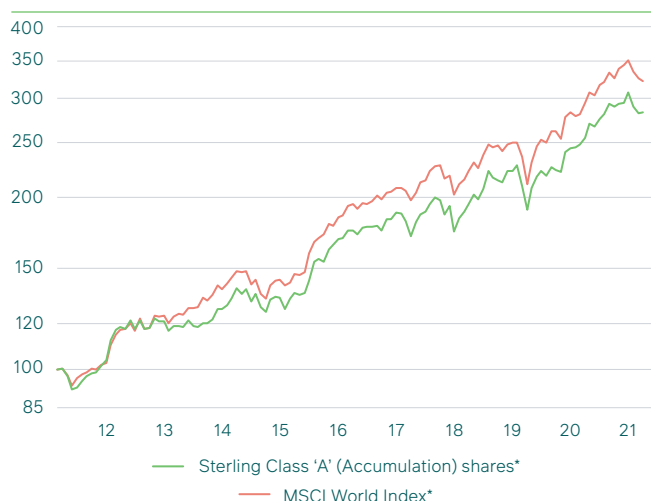
Source: Morningstar, Inc. and M&G

* Income reinvested

Ten-year performance

Please note that the comparator benchmark's total return is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.

Ten years = 1 March 2012, plotted monthly
Chart date 1 March 2022



Source: Morningstar, Inc. and M&G

* Income reinvested

The benchmark prior to 30 September 2008 was the FTSE World ex UK Index, from 30 September 2008 to 31 December 2011 it was the FTSE World Index and from 1 January 2012 to 31 December 2015 it was the MSCI ACWI Index. Thereafter it is the MSCI World Index.

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	Six months 01.09.21 % ^a	Three years 01.03.19 % pa	Five years 01.03.17 % pa	Since launch % pa
Sterling				
Class 'A'	-3.3	+14.3	+9.9	+10.6
Class 'I'	-3.1	+14.9	+10.5	+12.8
Class 'PP'	n/a	n/a	n/a	-3.0 ^a
Class 'R'	-3.2	+14.6	+10.3	+12.5
Class 'X'	-3.3	+14.3	+9.9	+15.5

^a 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 following table 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 or by calling M&G Customer Relations.

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 28.02.22 %	Year to 31.08.21 %	Year to 31.08.20 %	Average ^a %
Broker commission	0.02	0.02	0.01	0.02
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.02	0.02	0.01	0.02
Dilution adjustments ^c	(0.01)	0.00 ^d	(0.01)	(0.01)
Total direct portfolio transaction costs	0.01	0.02 ^d	0.00	0.01
as at Indirect portfolio transaction costs	28.02.22 %	31.08.21 %	31.08.20 %	Average ^a %
Average portfolio dealing spread	0.05	0.05	0.05	0.05

^a Average of first three columns.

^b As a percentage of average net asset value.

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

^d Restated.

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 11 March 2022.

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 19 December 1967.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	588.39	459.51	445.72
Return before operating charges	(18.39)	142.08	25.62
Operating charges	(3.80)	(6.99)	(6.17)
Return after operating charges	(22.19)	135.09	19.45
Distributions	n/a	(6.21)	(5.66)
Closing NAV	566.20	588.39	459.51
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.02	0.07
Dilution adjustments ^a	(0.03)	(0.02)	(0.04)
Total direct transaction costs	0.03	0.00	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.02	0.00
Operating charges ^c	1.30	1.34	1.40
Return after charges	-3.77	+29.40	+4.36
Historic yield	1.14	1.07	1.27
Other information			
Closing NAV (\$'000)	308,202	342,607	281,449
Closing NAV (%)	36.69	38.22	38.19
Number of shares	40,638,918	42,289,266	46,040,094
Highest share price (UK p)	620.80	595.09	487.00
Lowest share price (UK p)	546.21	447.88	361.19

Sterling Class 'A' Accumulation share performance

The share class was launched on 19 December 1967.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	1,230.67	951.04	911.27
Return before operating charges	(38.44)	294.08	52.39
Operating charges	(7.95)	(14.45)	(12.62)
Return after operating charges	(46.39)	279.63	39.77
Distributions	n/a	0.00	0.00
Retained distributions	n/a	0.00	0.00
Closing NAV	1,184.28	1,230.67	951.04
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.13	0.03	0.13
Dilution adjustments ^a	(0.07)	(0.03)	(0.09)
Total direct transaction costs	0.06	0.00	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.02	0.00
Operating charges ^c	1.30	1.34	1.40
Return after charges	-3.77	+29.40	+4.36
Historic yield	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	171,171	181,985	164,681
Closing NAV (%)	20.37	20.30	22.35
Number of shares	10,790,609	10,739,691	13,016,075
Highest share price (UK p)	1,298.49	1,231.67	995.67
Lowest share price (UK p)	1,142.49	926.99	738.45

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	2,901.89	2,256.05	2,177.47
Return before operating charges	(90.92)	699.53	125.68
Operating charges	(12.99)	(23.10)	(19.36)
Return after operating charges	(103.91)	676.43	106.32
Distributions	n/a	(30.59)	(27.74)
Closing NAV	2,797.98	2,901.89	2,256.05
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.30	0.07	0.32
Dilution adjustments ^a	(0.17)	(0.07)	(0.21)
Total direct transaction costs	0.13	0.00	0.11
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.02	0.00
Operating charges ^c	0.90	0.90	0.90
Return after charges	-3.58	+29.98	+4.88
Historic yield	1.13	1.07	1.27
Other information			
Closing NAV (\$'000)	46,513	48,796	37,211
Closing NAV (%)	5.54	5.44	5.05
Number of shares	1,241,096	1,221,239	1,239,831
Highest share price (UK p)	3,064.26	2,934.66	2,384.77
Lowest share price (UK p)	2,699.12	2,200.83	1,769.48

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	3,284.95	2,527.16	2,409.49
Return before operating charges	(102.82)	783.67	139.18
Operating charges	(14.71)	(25.88)	(21.51)
Return after operating charges	(117.53)	757.79	117.67
Distributions	n/a	(8.66)	(10.16)
Retained distributions	n/a	8.66	10.16
Closing NAV	3,167.42	3,284.95	2,527.16
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.34	0.08	0.36
Dilution adjustments ^a	(0.19)	(0.08)	(0.23)
Total direct transaction costs	0.15	0.00	0.13
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.02	0.00
Operating charges ^c	0.90	0.90	0.90
Return after charges	-3.58	+29.99	+4.88
Historic yield	0.28	0.27	0.42
Other information			
Closing NAV (\$'000)	274,002	279,198	219,590
Closing NAV (%)	32.62	31.15	29.80
Number of shares	6,458,337	6,172,774	6,531,513
Highest share price (UK p)	3,468.86	3,287.38	2,638.91
Lowest share price (UK p)	3,055.50	2,465.35	1,958.05

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 2 September 2021.

Change in NAV per share	Period to 28.02.22 UK p
Opening NAV	100.00
Return before operating charges	(2.86)
Operating charges	(0.30)
Return after operating charges	(3.16)
Distributions	n/a
Closing NAV	96.84
Direct transaction costs	UK p
Costs before dilution adjustments	0.01
Dilution adjustments ^a	(0.01)
Total direct transaction costs	0.00
Performance and charges	%
Direct portfolio transaction costs ^b	0.01
Operating charges	0.60
Return after charges	-3.16
Historic yield	0.28
Other information	
Closing NAV (\$'000)	26
Closing NAV (%)	0.00
Number of shares	20,020
Highest share price (UK p)	105.97
Lowest share price (UK p)	93.42

Sterling Class 'PP' Accumulation share performance

The share class was launched on 2 September 2021.

Change in NAV per share	Period to 28.02.22 UK p
Opening NAV	100.00
Return before operating charges	(2.86)
Operating charges	(0.30)
Return after operating charges	(3.16)
Distributions	n/a
Retained distributions	n/a
Closing NAV	96.84
Direct transaction costs	UK p
Costs before dilution adjustments	0.01
Dilution adjustments ^a	(0.01)
Total direct transaction costs	0.00
Performance and charges	%
Direct portfolio transaction costs ^b	0.01
Operating charges	0.60
Return after charges	-3.16
Historic yield	0.59
Other information	
Closing NAV (\$'000)	26
Closing NAV (%)	0.00
Number of shares	20,030
Highest share price (UK p)	105.97
Lowest share price (UK p)	93.42

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	286.56	223.34	216.10
Return before operating charges	(8.97)	69.15	12.45
Operating charges	(1.64)	(2.91)	(2.46)
Return after operating charges	(10.61)	66.24	9.99
Distributions	n/a	(3.02)	(2.75)
Closing NAV	275.95	286.56	223.34
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.01	0.03
Dilution adjustments ^a	(0.02)	(0.01)	(0.02)
Total direct transaction costs	0.01	0.00	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.02	0.00
Operating charges ^c	1.15	1.15	1.15
Return after charges	-3.70	+29.66	+4.62
Historic yield	1.13	1.07	1.27
Other information			
Closing NAV (\$'000)	4,480	4,836	4,107
Closing NAV (%)	0.53	0.54	0.56
Number of shares	1,212,034	1,225,646	1,382,346
Highest share price (UK p)	302.43	289.80	236.40
Lowest share price (UK p)	266.20	217.79	175.36

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	321.07	247.63	236.69
Return before operating charges	(10.03)	76.68	13.63
Operating charges	(1.84)	(3.24)	(2.69)
Return after operating charges	(11.87)	73.44	10.94
Distributions	n/a	(0.15)	(0.44)
Retained distributions	n/a	0.15	0.44
Closing NAV	309.20	321.07	247.63
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.01	0.03
Dilution adjustments ^a	(0.02)	(0.01)	(0.02)
Total direct transaction costs	0.01	0.00	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.02	0.00
Operating charges ^c	1.15	1.15	1.15
Return after charges	-3.70	+29.66	+4.62
Historic yield	0.05	0.05	0.18
Other information			
Closing NAV (\$'000)	20,529	22,121	16,143
Closing NAV (%)	2.44	2.47	2.19
Number of shares	4,956,843	5,003,726	4,900,020
Highest share price (UK p)	338.87	321.33	258.92
Lowest share price (UK p)	298.28	241.47	192.07

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	588.34	459.47	445.69
Return before operating charges	(18.39)	142.07	25.62
Operating charges	(3.80)	(6.99)	(6.18)
Return after operating charges	(22.19)	135.08	19.44
Distributions	n/a	(6.21)	(5.66)
Closing NAV	566.15	588.34	459.47
Direct transaction costs UK p	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.02	0.07
Dilution adjustments ^a	(0.03)	(0.02)	(0.04)
Total direct transaction costs	0.03	0.00	0.03
Performance and charges %	%	%	%
Direct portfolio transaction costs ^b	0.01	0.02	0.00
Operating charges ^c	1.30	1.34	1.40
Return after charges	-3.77	+29.40	+4.36
Historic yield	1.14	1.07	1.27
Other information			
Closing NAV (\$'000)	8,945	9,846	7,887
Closing NAV (%)	1.06	1.10	1.07
Number of shares	1,179,602	1,215,490	1,290,306
Highest share price (UK p)	620.74	595.04	486.96
Lowest share price (UK p)	546.17	447.84	361.17

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	1,220.33	943.05	903.62
Return before operating charges	(38.11)	291.62	51.95
Operating charges	(7.88)	(14.34)	(12.52)
Return after operating charges	(45.99)	277.28	39.43
Distributions	n/a	0.00	0.00
Retained distributions	n/a	0.00	0.00
Closing NAV	1,174.34	1,220.33	943.05
Direct transaction costs UK p	UK p	UK p	UK p
Costs before dilution adjustments	0.13	0.03	0.13
Dilution adjustments ^a	(0.07)	(0.03)	(0.09)
Total direct transaction costs	0.06	0.00	0.04
Performance and charges %	%	%	%
Direct portfolio transaction costs ^b	0.01	0.02	0.00
Operating charges ^c	1.30	1.34	1.40
Return after charges	-3.77	+29.40	+4.36
Historic yield	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	6,261	6,904	5,795
Closing NAV (%)	0.75	0.77	0.79
Number of shares	398,058	410,880	461,928
Highest share price (UK p)	1,287.58	1,221.32	987.31
Lowest share price (UK p)	1,132.89	919.20	732.24

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2022		2021	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains/(losses)		(54,843)		109,459
Revenue	4,023		4,221	
Expenses	(5,011)		(4,635)	
Net revenue/(expense) before taxation	(988)		(414)	
Taxation	(470)		(508)	
Net revenue/(expense) after taxation		(1,458)		(922)
Total return before equalisation		(56,301)		108,537
Equalisation		(33)		(163)
Change in net assets attributable to shareholders from investment activities		(56,334)		108,374

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2022		2021	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		896,293		736,863
Amounts received on issue of shares	45,800		15,253	
Amounts paid on cancellation of shares	(45,678)		(67,649)	
		122		(52,396)
Dilution adjustments		70		56
Change in net assets attributable to shareholders from investment activities (see above)		(56,334)		108,374
Unclaimed distributions		4		9
Closing net assets attributable to shareholders		840,155		792,906

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

Financial statements and notes

Financial statements

Balance sheet

as at	28 February 2022 \$'000	31 August 2021 \$'000
Assets		
Fixed assets		
Investments	811,464	878,336
Current assets		
Debtors	4,411	3,030
Cash and bank balances	2,076	1,543
Cash equivalents	26,178	21,463
Total assets	844,129	904,372
Liabilities		
Creditors		
Distribution payable	0	(4,288)
Other creditors	(3,974)	(3,311)
Deferred tax provision	0	(480)
Total liabilities	(3,974)	(8,079)
Net assets attributable to shareholders	840,155	896,293

Financial statements and notes

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

Authorised Corporate Director's Report

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income) than that of the MSCI ACWI Index over any five-year period.

Investment policy

The fund will invest at least 80% of its net asset value in the equity securities of companies across any sectors and market capitalisations that are domiciled in any country, including emerging markets.

The fund may also invest in collective investment schemes, other transferable securities and may hold cash for liquidity purposes.

Derivatives may be used for efficient portfolio management.

Investment approach

The investment process of the fund combines top-down and bottom-up analysis. The fund manager aims to identify themes arising from long-term structural shifts, changes or trends. Stocks that can benefit from these themes are then selected on the basis of their quality, growth and valuation.

Themes are identified through the analysis of global macroeconomics, demographics, government policies and spending, and technological innovation, among other considerations.

The bottom-up stock selection process is designed to identify well-run companies which can benefit from those themes and which are trading on attractive valuations with good, sustainable growth prospects.

The fund is invested across the market-cap spectrum and is geographically diversified.

Benchmark

Benchmark: MSCI ACWI Index.

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

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

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

Risk profile

The fund invests globally in the shares of listed companies and is, therefore, subject to the price volatility of the global stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

Given its direct and indirect exposure to emerging markets, the fund may be more volatile compared to a fund that invests mainly in the securities of companies in developed countries. The reasons for this greater volatility include: the financial infrastructure in emerging markets is typically less mature, the regulatory systems and disclosure standards are less developed and adverse market and political circumstances are more likely to occur in these markets.

However, the fund is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. Moreover, the fund is diversified across countries, industries and market capitalisation, which 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.

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 March 2022, for the six months ended 28 February 2022

Performance against objective

Between 1 September 2021 (the start of the review period) and 1 March 2022, the fund delivered a negative total return (the combination of income and growth of capital) in sterling and US dollars, and a positive return in euros, but all share classes outperformed the MSCI ACWI Index which returned -3.6% in sterling, -0.7% in euros and -6.7% in US dollars.

Over five years, the fund generated a positive total return across all its share classes and outperformed its benchmark, which returned 9.5% pa in sterling, 10.1% pa in euros and 11.3% pa in US dollars. The benchmark was the FTSE Global Basics Composite Index (comprising all subsectors of the FTSE World Index except media, IT, telecommunications, financials and healthcare) until 16 November 2017 and the MSCI ACWI Index thereafter. The fund therefore met the current objective over the specified timeframe of 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.

Performance review

Higher volatility was the key feature of global stockmarkets during the six-month review period. The MSCI ACWI Index reached an all-time high in November before erasing gains as concerns about inflation were compounded by geopolitical risk culminating in Russia's invasion of Ukraine. Europe led the markets lower as losses in Germany offset the gains in the UK. Emerging markets underperformed as Russia halved in value. Japan provided some resilience in the Asia Pacific region, which was otherwise hampered by the weakness of China. The US outperformed the MSCI ACWI Index but was unable to deliver a positive return during the review period.

Energy was the standout sector as the oil price exceeded US\$100 per barrel and natural gas prices spiked. Financials and materials also rose among the more economically sensitive areas of the market. Defensive stocks were mixed: consumer staples and utilities delivered positive returns in a falling market, but healthcare underperformed. (Defensive stocks are companies that tend to have stable earnings and are less affected by peaks and troughs in the economy.) Technology declined as the rally in semiconductors and hardware was cancelled out by the weakness in software. Communication services and consumer discretionary led the laggards as Meta Platforms (formerly Facebook) and Amazon.com slumped. 'New economy' stocks reversed their previous momentum as rising interest rates weighed on their high valuations and on what in many cases could be unrealistic expectations regarding earnings.

Sector allocation added value, helped by an above-benchmark position in energy, as well as below-benchmark positions in communication services and consumer discretionary.

PrairieSky Royalty, Cheniere Energy and ONEOK led the list of positive contributors in a buoyant energy sector. PrairieSky, the fund's largest holding, rose more than 25% as the Canadian company, which receives royalties from oil & gas bearing lands, benefited from a favourable backdrop, as well as a transformational acquisition. Cheniere, a leading provider of liquefied

Authorised Corporate Director's Report

natural gas (LNG), a key transition fuel to address climate change, and ONEOK, an infrastructure company that owns and operates pipelines, storage terminals and processing facilities to enable the smooth functioning of the global economy, also delivered strong gains.

Stock selection added value in healthcare as CVS Health and Anthem outperformed. Both companies reported better-than-expected results and remain well placed to provide long-term solutions for the demographic changes taking place in an ageing society.

Garmin and Shimano underperformed in consumer discretionary as both stocks declined from all-time highs. Garmin, the world leader in GPS navigation and wearable technology, and Shimano, the specialist in bicycle components, are long-term beneficiaries of the growth in the outdoor and fitness markets, in our view, driven by the structural trend towards active lifestyles. Comcast, the media conglomerate, performed in a similar vein in communication services.

Not owning Apple also held back performance relative to the MSCI ACWI Index as the technology bellwether generated a positive return in the falling market. The stock remains highly valued and we see growth opportunities which are more attractively priced elsewhere. We remain true to our mantra of 'themes grounded in reality'.

Investment activities

We made three new purchases and exited two positions during the six-month review period, a level of turnover consistent with our long-term investment horizon of three to five years.

We took advantage of the abrupt reversal in growth stocks to establish a new holding in Alphabet. The owner of Google is cash-generative and the valuation was undemanding after its sentiment-driven weakness. Alphabet increases exposure to the new economy and adds portfolio protection during growth rallies. The new position has already proved timely as fourth-quarter results were well received by the market.

We also bought Hannover Re and Magna International as market volatility intensified towards the end of the review period.

Hannover Re provides a less obvious exposure to the theme of climate change in contrast to the renewables and energy transition stories more commonplace in thematic investing. The reinsurer acts as a climate change hedge, given the increasing incidence of weather-related events and the need to insure against environmental catastrophes.

Magna has a strong core business as a components supplier for the automotive industry, but its major appeal lies in the option value from the explosive growth in new technologies, including electric vehicles and autonomous driving. The new holding adds another dimension to the theme of the changing face of mobility.

We also gained a new holding in JD.com, China's largest online retailer, following its spinoff from Tencent. We will determine whether JD.com merits a full position in due course.

CoreSite and Ferrovial were the two stocks that left the portfolio. We tendered our shares in CoreSite, the data centre company, to a successful takeover. The shares returned more than 100% since our initial purchase in January 2019. Ferrovial, the owner and operator of toll roads and airports, was sold as a source of cash. We retain exposure to similar infrastructure assets with our remaining holding in Vinci.

The number of holdings increased to 63, with the number of active investments higher at 61. We expect the number to range between 40 and 60 over the long term.

Outlook

Russia's military action in Ukraine has led to heightened anxiety across financial markets, but we strongly believe that the increased volatility is presenting buying opportunities for investors with a long-term time horizon. Rather than second-guess the course of the geopolitical situation, we prefer to focus our attention on the multi-decade trends that underpin our thematic

Authorised Corporate Director's Report

approach. We are active in our quest for new ideas and remain poised to back our conviction.

We are undeterred in our belief that the fund's chosen themes – from the road to zero carbon to cloud and connectivity – will persist for many years to come and that the beneficiaries of these powerful trends can generate profitable growth for a variety of stakeholders, including employees, customers, shareholders and the broader society.

The ability to generate cash flow is absolutely critical in our company analysis. We are not investing in hope alone. History is littered with examples of blue sky concepts which never turned a profit, and companies of this ilk which commanded exorbitant multiples in the past are now seeing their unrealistic expectations reined in. Fundamentals and value are the key determinants of long-term return, in our view.

Valuation is a crucial aspect of our stock selection process and we believe that the opportunities presented by the current market downturn will sow the seeds for future performance. We remain as optimistic as ever about the long-term prospects of the companies we are invested in and remain committed to our investment mantra: themes grounded in reality.

Alex Araujo

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 28.02.22 \$'000	as at 28.02.22 %	as at 31.08.21 %
Equities	3,027,941	99.06	98.19
United Kingdom	113,228	3.70	3.53
244,453 AstraZeneca	29,505	0.96	
1,048,325 Unilever	52,236	1.71	
2,219,795 UNITE REIT	31,487	1.03	
Austria	35,674	1.17	1.38
982,525 Erste Group Bank	35,674	1.17	
Belgium	14,979	0.49	1.52
207,748 KBC	14,979	0.49	
Denmark	36,208	1.19	1.08
290,961 Ørsted	36,208	1.19	
Finland	43,007	1.41	1.67
8,074,114 Nokia	43,007	1.41	
France	87,835	2.87	3.02
116,470 L'Oréal	45,283	1.48	
407,101 Vinci	42,552	1.39	
Germany	192,384	6.29	5.67
146,349 Hannover Rueck	26,888	0.88	
1,718,290 Infineon Technologies	57,857	1.89	
390,716 Siemens	54,698	1.79	
2,226,622 Siemens Energy	52,941	1.73	
Italy	32,048	1.05	1.00
4,396,958 Enel	32,048	1.05	
Netherlands	30,722	1.01	1.01
162,833 NXP Semiconductors	30,722	1.01	
Spain	67,792	2.22	3.33
2,021,068 Acciona Energias Renovables	67,792	2.22	
Sweden	24,787	0.81	0.93
1,307,996 Epiroc	24,787	0.81	
Switzerland	114,158	3.74	4.26
471,108 Garmin	51,953	1.70	
163,678 Roche	62,205	2.04	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 \$'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
United States	1,356,276	44.37	43.67
227,119 Air Products & Chemicals	54,017	1.77	
25,978 Alphabet	68,590	2.24	
132,522 American Tower REIT	30,696	1.00	
210,623 American Water Works	31,977	1.05	
104,942 Anthem	47,150	1.54	
248,910 Becton Dickinson	67,701	2.21	
766,355 Bristol-Myers Squibb	51,729	1.69	
384,454 Cheniere Energy	53,001	1.73	
1,293,034 Comcast	60,087	1.97	
358,050 Crown Castle International REIT	60,328	1.97	
1,378,974 CSX	46,928	1.54	
719,045 CVS Health	74,615	2.44	
46,171 Equinix REIT	32,811	1.07	
373,961 First Republic Bank	63,008	2.06	
1,368,389 Intel	64,205	2.10	
284,443 Johnson & Johnson	46,966	1.54	
114,828 LabCorp	31,511	1.03	
81,529 Martin Marietta Materials	30,967	1.01	
301,504 Microsoft	88,209	2.89	
122,120 Motorola Solutions	26,792	0.88	
438,724 NextEra Energy	33,511	1.10	
1,001,789 ONEOK	62,771	2.05	
273,723 PepsiCo	45,926	1.50	
499,733 Republic Services	59,907	1.96	
142,734 Visa	30,741	1.01	
230,309 Walt Disney	33,858	1.11	
1,510,247 Weyerhaeuser REIT	58,274	1.91	
Canada	421,490	13.79	10.82
857,811 Brookfield Asset Management	46,173	1.51	
767,346 Franco-Nevada	111,274	3.64	
346,578 Magna International	25,874	0.85	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 \$'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Canada (continued)			
3,066,127 Manulife Financial	61,810	2.02	
13,971,896 PrairieSky Royalty	176,359	5.77	
Japan	107,559	3.52	3.95
143,000 Shimano	33,098	1.08	
4,011,300 Toyota Motor	74,461	2.44	
Australia	78,224	2.56	2.57
326,423 Erinbar ^a	0	0.00	
25,918,437 Starpharma	16,457	0.54	
6,761,689 Transurban	61,767	2.02	
China	28,527	0.93	1.07
56,523 JD.com	2,002	0.06	
15,712,000 Weichai Power	26,525	0.87	
Hong Kong	154,481	5.05	4.81
5,531,568 AIA	57,414	1.88	
29,734,000 Kunlun Energy	28,970	0.94	
1,267,600 Tencent	68,097	2.23	
Singapore	28,242	0.92	0.98
1,133,678 DBS	28,242	0.92	
South Korea	60,320	1.97	1.92
1,005,905 Samsung Electronics	60,320	1.97	
Total portfolio	3,027,941	99.06	98.19
Net other assets/(liabilities)	28,695	0.94	1.81
Net assets attributable to shareholders	3,056,636	100.00	100.00

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

^a Unlisted/unquoted.

Investments

Top ten portfolio transactions for the six months to
28 February 2022

Largest purchases	\$'000
Alphabet	70,277
Franco-Nevada	28,895
Hannover Rueck	28,700
Magna International	26,879
PrairieSky Royalty	18,364
Comcast	15,887
Tencent	12,783
Crown Castle International REIT	12,631
Garmin	11,324
Siemens Energy	11,223
Other purchases	212,150
Total purchases	449,113

Largest sales	\$'000
CoreSite Realty REIT	59,280
Ferrovial	47,900
KBC	34,380
Cheniere Energy	24,777
CVS Health	23,553
Weyerhaeuser REIT	15,915
ONEOK	15,097
Microsoft	14,692
Franco-Nevada	14,063
Vinci	14,035
Other sales	236,323
Total sales	500,015

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 (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value as at	28.02.22 \$'000	31.08.21 \$'000	31.08.20 \$'000
Fund net asset value (NAV)	3,056,636	3,289,801	2,905,044

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.

November 2000 = 100, plotted monthly
Chart date 1 March 2022



Source: Morningstar, Inc. and M&G

* Income reinvested

Prior to 17 November 2017 the benchmark was the FTSE Global Basics Composite Index (comprising all subsectors of the FTSE World Index except media, IT, telecommunications, financials and healthcare). Thereafter it is the MSCI ACWI Index.

When the fund's objective changed, the comparator benchmark of the fund also changed, and to make a fair comparison the chart above shows performance since the fund's change of objective.

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	Six months 01.09.21 % ^a	Three years 01.03.19 % pa	Five years 01.03.17 % pa	Since launch % pa
Euro				
Class 'A'	+0.5	+15.3	+10.2	+8.2
Class 'C'	+1.0	+16.5	+11.3	+9.3
Sterling				
Class 'A'	-2.2	+14.7	+10.0	+8.0
Class 'I'	-2.0	+15.3	+10.7	+9.8
Class 'PP'	-1.9	n/a	n/a	+14.1
Class 'R'	-2.1	+15.0	+10.4	+9.6
Class 'X'	-2.2	+14.7	+10.0	+13.8
US dollar				
Class 'A'	-5.0	+14.6	+11.5	+4.6

^a 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

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 following table shows direct portfolio transaction costs paid by the fund before and after that part of the dilution adjustment relating to direct portfolio transaction costs. To give an indication of the indirect portfolio dealing costs the table also shows the average portfolio dealing spread.

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

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 28.02.22 %	Year to 31.08.21 %	Year to 31.08.20 %	Average ^a %
Broker commission	0.02	0.02	0.02	0.02
Taxes	0.01	0.02	0.02	0.02
Costs before dilution adjustments	0.03	0.04	0.04	0.04
Dilution adjustments ^c	0.00	(0.01)	(0.02)	(0.01)
Total direct portfolio transaction costs	0.03	0.03	0.02	0.03
as at Indirect portfolio transaction costs	28.02.22 %	31.08.21 %	31.08.20 %	Average ^a %
Average portfolio dealing spread	0.16	0.09	0.19	0.15

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

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

Historic yields for the current period are calculated as at 11 March 2022.

Financial highlights

Euro Class 'A' Income share performance

The share class was launched on 12 July 2013.

Change in NAV per share	Six months to 28.02.22 Euro ¢	Year to 31.08.21 Euro ¢	Year to 31.08.20 Euro ¢
Opening NAV	4,442.19	3,413.00	3,355.12
Return before operating charges	73.25	1,172.60	187.73
Operating charges	(41.95)	(73.31)	(63.38)
Return after operating charges	31.30	1,099.29	124.35
Distributions	n/a	(70.10)	(66.47)
Closing NAV	4,473.49	4,442.19	3,413.00
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.74	1.75	1.32
Dilution adjustments ^a	(0.11)	(0.58)	(0.54)
Total direct transaction costs	0.63	1.17	0.78
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.02
Operating charges ^c	1.86	1.86	1.86
Return after charges	+0.70	+32.21	+3.71
Historic yield	1.57	1.59	1.99
Other information			
Closing NAV (\$'000)	5,396	5,817	6,579
Closing NAV (%)	0.18	0.18	0.23
Number of shares	107,694	110,647	161,938
Highest share price (Euro ¢)	4,748.71	4,526.78	3,871.78
Lowest share price (Euro ¢)	4,304.25	3,281.37	2,601.16

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

Change in NAV per share	Six months to 28.02.22 Euro ¢	Year to 31.08.21 Euro ¢	Year to 31.08.20 Euro ¢
Opening NAV	4,908.76	3,713.22	3,580.57
Return before operating charges	80.67	1,276.08	200.26
Operating charges	(46.36)	(80.54)	(67.61)
Return after operating charges	34.31	1,195.54	132.65
Distributions	n/a	0.00	(7.71)
Retained distributions	n/a	0.00	7.71
Closing NAV	4,943.07	4,908.76	3,713.22
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.82	1.93	1.41
Dilution adjustments ^a	(0.12)	(0.64)	(0.57)
Total direct transaction costs	0.70	1.29	0.84
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.02
Operating charges ^c	1.86	1.86	1.86
Return after charges	+0.70	+32.20	+3.70
Historic yield	0.00	0.00	0.21
Other information			
Closing NAV (\$'000)	1,953,251	2,084,155	1,732,940
Closing NAV (%)	63.90	63.35	59.65
Number of shares	35,282,746	35,876,406	39,204,905
Highest share price (Euro ¢)	5,247.20	4,924.51	4,131.89
Lowest share price (Euro ¢)	4,756.08	3,569.67	2,775.91

Financial highlights

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

Change in NAV per share	Six months to 28.02.22 Euro ¢	Year to 31.08.21 Euro ¢	Year to 31.08.20 Euro ¢
Opening NAV	5,234.80	3,981.39	3,874.79
Return before operating charges	86.06	1,375.87	217.75
Operating charges	(22.95)	(40.26)	(33.99)
Return after operating charges	63.11	1,335.61	183.76
Distributions	n/a	(82.20)	(77.16)
Closing NAV	5,297.91	5,234.80	3,981.39
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.88	2.08	1.54
Dilution adjustments ^a	(0.13)	(0.69)	(0.62)
Total direct transaction costs	0.75	1.39	0.92
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.02
Operating charges ^c	0.86	0.86	0.86
Return after charges	+1.21	+33.55	+4.74
Historic yield	1.56	1.58	1.98
Other information			
Closing NAV (\$'000)	2,030	1,995	1,536
Closing NAV (%)	0.07	0.06	0.05
Number of shares	34,205	32,205	32,405
Highest share price (Euro ¢)	5,615.37	5,331.30	4,492.38
Lowest share price (Euro ¢)	5,092.40	3,830.79	3,021.05

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

Change in NAV per share	Six months to 28.02.22 Euro ¢	Year to 31.08.21 Euro ¢	Year to 31.08.20 Euro ¢
Opening NAV	5,939.35	4,447.84	4,246.28
Return before operating charges	97.27	1,525.63	238.94
Operating charges	(25.99)	(34.12)	(37.38)
Return after operating charges	71.28	1,491.51	201.56
Distributions	n/a	(46.39)	(49.70)
Retained distributions	n/a	46.39	49.70
Closing NAV	6,010.63	5,939.35	4,447.84
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.00	1.76	1.69
Dilution adjustments ^a	(0.15)	(0.58)	(0.69)
Total direct transaction costs	0.85	1.18	1.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.02
Operating charges ^c	0.86	0.86	0.86
Return after charges	+1.20	+33.53	+4.75
Historic yield	0.77	0.79	1.14
Other information			
Closing NAV (\$'000)	7,509	7,593	184,696
Closing NAV (%)	0.25	0.23	6.36
Number of shares	111,545	108,022	3,488,303
Highest share price (Euro ¢)	6,370.81	5,955.32	4,923.28
Lowest share price (Euro ¢)	5,777.48	4,279.18	3,310.84

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 28 February 1973.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	1,259.79	1,002.02	993.10
Return before operating charges	(14.01)	292.57	41.69
Operating charges	(7.94)	(14.98)	(13.30)
Return after operating charges	(21.95)	277.59	28.39
Distributions	n/a	(19.82)	(19.47)
Closing NAV	1,237.84	1,259.79	1,002.02
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.21	0.51	0.38
Dilution adjustments ^a	(0.03)	(0.17)	(0.15)
Total direct transaction costs	0.18	0.34	0.23
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.02
Operating charges ^c	1.26	1.31	1.36
Return after charges	-1.74	+27.70	+2.86
Historic yield	1.61	1.58	2.00
Other information			
Closing NAV (\$'000)	156,099	167,319	149,845
Closing NAV (%)	5.10	5.09	5.16
Number of shares	9,414,715	9,645,880	11,240,858
Highest share price (UK p)	1,317.57	1,278.78	1,060.73
Lowest share price (UK p)	1,188.13	977.16	790.66

Sterling Class 'A' Accumulation share performance

The share class was launched on 28 February 1973.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	2,105.14	1,648.62	1,602.82
Return before operating charges	(23.51)	481.19	67.25
Operating charges	(13.27)	(24.67)	(21.45)
Return after operating charges	(36.78)	456.52	45.80
Distributions	n/a	(8.18)	(10.94)
Retained distributions	n/a	8.18	10.94
Closing NAV	2,068.36	2,105.14	1,648.62
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.35	0.84	0.61
Dilution adjustments ^a	(0.05)	(0.28)	(0.25)
Total direct transaction costs	0.30	0.56	0.36
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.02
Operating charges ^c	1.26	1.30	1.36
Return after charges	-1.75	+27.69	+2.86
Historic yield	0.40	0.39	0.68
Other information			
Closing NAV (\$'000)	308,120	355,260	291,237
Closing NAV (%)	10.08	10.80	10.02
Number of shares	11,121,621	12,256,391	13,278,877
Highest share price (UK p)	2,201.57	2,103.76	1,711.95
Lowest share price (UK p)	1,985.28	1,607.56	1,276.07

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	2,160.97	1,711.05	1,687.32
Return before operating charges	(24.10)	500.79	71.21
Operating charges	(9.32)	(16.94)	(14.32)
Return after operating charges	(33.42)	483.85	56.89
Distributions	n/a	(33.93)	(33.16)
Closing NAV	2,127.55	2,160.97	1,711.05
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.36	0.88	0.65
Dilution adjustments ^a	(0.05)	(0.29)	(0.26)
Total direct transaction costs	0.31	0.59	0.39
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.02
Operating charges ^c	0.86	0.86	0.86
Return after charges	-1.55	+28.28	+3.37
Historic yield	1.61	1.58	2.00
Other information			
Closing NAV (\$'000)	67,442	72,505	60,292
Closing NAV (%)	2.21	2.20	2.08
Number of shares	2,366,598	2,436,770	2,648,682
Highest share price (UK p)	2,262.56	2,193.46	1,806.51
Lowest share price (UK p)	2,042.01	1,670.01	1,347.16

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	2,492.60	1,943.31	1,879.96
Return before operating charges	(27.95)	568.53	79.31
Operating charges	(10.74)	(19.24)	(15.96)
Return after operating charges	(38.69)	549.29	63.35
Distributions	n/a	(19.47)	(21.71)
Retained distributions	n/a	19.47	21.71
Closing NAV	2,453.91	2,492.60	1,943.31
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.41	1.00	0.72
Dilution adjustments ^a	(0.06)	(0.33)	(0.29)
Total direct transaction costs	0.35	0.67	0.43
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.02
Operating charges ^c	0.86	0.86	0.86
Return after charges	-1.55	+28.27	+3.37
Historic yield	0.80	0.79	1.15
Other information			
Closing NAV (\$'000)	344,487	369,113	297,667
Closing NAV (%)	11.27	11.22	10.25
Number of shares	10,480,653	10,754,838	11,513,938
Highest share price (UK p)	2,609.63	2,490.96	2,012.73
Lowest share price (UK p)	2,355.25	1,896.51	1,500.94

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	128.77	101.76	100.15
Return before operating charges	(1.43)	29.86	4.23
Operating charges	(0.43)	(0.83)	(0.65)
Return after operating charges	(1.86)	29.03	3.58
Distributions	n/a	(2.02)	(1.97)
Closing NAV	126.91	128.77	101.76
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.06	0.04
Dilution adjustments ^a	0.00	(0.02)	(0.02)
Total direct transaction costs	0.02	0.04	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.02
Operating charges	0.66	0.66	0.66
Return after charges	-1.44	+28.53	+3.57
Historic yield	1.60	1.58	2.00
Other information			
Closing NAV (\$'000)	2,107	2,422	203
Closing NAV (%)	0.07	0.07	0.01
Number of shares	1,239,515	1,366,092	149,885
Highest share price (UK p)	134.90	130.71	107.33
Lowest share price (UK p)	121.81	99.35	80.05

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	148.73	115.72	111.72
Return before operating charges	(1.68)	33.90	4.73
Operating charges	(0.49)	(0.89)	(0.73)
Return after operating charges	(2.17)	33.01	4.00
Distributions	n/a	(1.42)	(1.50)
Retained distributions	n/a	1.42	1.50
Closing NAV	146.56	148.73	115.72
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.06	0.04
Dilution adjustments ^a	0.00	(0.02)	(0.02)
Total direct transaction costs	0.02	0.04	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.02
Operating charges ^c	0.66	0.66	0.66
Return after charges	-1.46	+28.53	+3.58
Historic yield	0.98	0.96	1.34
Other information			
Closing NAV (\$'000)	912	958	536
Closing NAV (%)	0.03	0.03	0.02
Number of shares	464,658	468,034	348,033
Highest share price (UK p)	155.79	148.63	119.72
Lowest share price (UK p)	140.66	112.97	89.30

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	213.54	169.51	167.58
Return before operating charges	(2.38)	49.56	7.05
Operating charges	(1.19)	(2.17)	(1.83)
Return after operating charges	(3.57)	47.39	5.22
Distributions	n/a	(3.36)	(3.29)
Closing NAV	209.97	213.54	169.51
Direct transaction costs UK p	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.09	0.06
Dilution adjustments ^a	(0.01)	(0.03)	(0.03)
Total direct transaction costs	0.03	0.06	0.03
Performance and charges %	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.02
Operating charges ^c	1.11	1.11	1.11
Return after charges	-1.67	+27.96	+3.11
Historic yield	1.61	1.58	2.00
Other information			
Closing NAV (\$'000)	5,960	6,159	4,738
Closing NAV (%)	0.19	0.19	0.16
Number of shares	2,119,187	2,094,676	2,101,303
Highest share price (UK p)	223.42	216.75	179.20
Lowest share price (UK p)	201.54	165.37	133.60

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	243.71	190.48	184.73
Return before operating charges	(2.72)	55.67	7.77
Operating charges	(1.35)	(2.44)	(2.02)
Return after operating charges	(4.07)	53.23	5.75
Distributions	n/a	(1.36)	(1.70)
Retained distributions	n/a	1.36	1.70
Closing NAV	239.64	243.71	190.48
Direct transaction costs UK p	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.10	0.07
Dilution adjustments ^a	(0.01)	(0.03)	(0.03)
Total direct transaction costs	0.03	0.07	0.04
Performance and charges %	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.02
Operating charges ^c	1.11	1.11	1.11
Return after charges	-1.67	+27.95	+3.11
Historic yield	0.57	0.56	0.92
Other information			
Closing NAV (\$'000)	27,831	29,568	22,124
Closing NAV (%)	0.91	0.90	0.76
Number of shares	8,670,617	8,811,115	8,730,287
Highest share price (UK p)	254.99	243.55	197.55
Lowest share price (UK p)	230.00	185.82	147.28

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	1,263.90	1,005.28	996.34
Return before operating charges	(14.05)	293.56	41.81
Operating charges	(7.97)	(15.05)	(13.34)
Return after operating charges	(22.02)	278.51	28.47
Distributions	n/a	(19.89)	(19.53)
Closing NAV	1,241.88	1,263.90	1,005.28
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.21	0.51	0.38
Dilution adjustments ^a	(0.03)	(0.17)	(0.15)
Total direct transaction costs	0.18	0.34	0.23
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.02
Operating charges ^c	1.26	1.30	1.36
Return after charges	-1.74	+27.70	+2.86
Historic yield	1.61	1.58	2.00
Other information			
Closing NAV (\$'000)	51,355	55,735	45,963
Closing NAV (%)	1.68	1.69	1.58
Number of shares	3,087,289	3,202,676	3,436,769
Highest share price (UK p)	1,321.87	1,282.95	1,064.19
Lowest share price (UK p)	1,192.00	980.34	793.24

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	2,084.48	1,632.43	1,587.10
Return before operating charges	(23.29)	476.47	66.58
Operating charges	(13.14)	(24.42)	(21.25)
Return after operating charges	(36.43)	452.05	45.33
Distributions	n/a	(8.10)	(10.83)
Retained distributions	n/a	8.10	10.83
Closing NAV	2,048.05	2,084.48	1,632.43
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.34	0.83	0.61
Dilution adjustments ^a	(0.05)	(0.28)	(0.25)
Total direct transaction costs	0.29	0.55	0.36
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.02
Operating charges ^c	1.26	1.30	1.36
Return after charges	-1.75	+27.69	+2.86
Historic yield	0.40	0.39	0.68
Other information			
Closing NAV (\$'000)	96,539	104,612	87,924
Closing NAV (%)	3.16	3.18	3.03
Number of shares	3,519,115	3,644,868	4,048,615
Highest share price (UK p)	2,179.96	2,083.11	1,695.14
Lowest share price (UK p)	1,965.80	1,591.78	1,263.54

Financial highlights

US dollar Class 'A' Accumulation share performance

The share class was launched on 9 March 2007.

Change in NAV per share	Six months to 28.02.22 US ¢	Year to 31.08.21 US ¢	Year to 31.08.20 US ¢
Opening NAV	2,060.07	1,567.50	1,401.98
Return before operating charges	(78.06)	526.92	192.33
Operating charges	(18.84)	(34.35)	(26.81)
Return after operating charges	(96.90)	492.57	165.52
Distributions	n/a	0.00	(3.21)
Retained distributions	n/a	0.00	3.21
Closing NAV	1,963.17	2,060.07	1,567.50
Direct transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.33	0.82	0.56
Dilution adjustments ^a	(0.05)	(0.27)	(0.23)
Total direct transaction costs	0.28	0.55	0.33
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.03	0.02
Operating charges ^c	1.86	1.86	1.86
Return after charges	-4.70	+31.42	+11.81
Historic yield	0.00	0.00	0.21
Other information			
Closing NAV (\$'000)	27,598	26,590	18,686
Closing NAV (%)	0.90	0.81	0.64
Number of shares	1,405,786	1,290,733	1,192,076
Highest share price (US ¢)	2,103.79	2,058.72	1,588.17
Lowest share price (US ¢)	1,884.52	1,473.79	1,053.89

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2022		2021	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains/(losses)		(150,584)		459,276
Revenue	31,900		29,311	
Expenses	(25,534)		(23,393)	
Net revenue/(expense) before taxation	6,366		5,918	
Taxation	(4,181)		(2,685)	
Net revenue/(expense) after taxation		2,185		3,233
Total return before equalisation		(148,399)		462,509
Equalisation		(115)		(675)
Change in net assets attributable to shareholders from investment activities		(148,514)		461,834

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2022		2021	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		3,289,801		2,905,044
Amounts received on issue of shares	27,919		92,179	
Amounts paid on cancellation of shares	(112,721)		(472,986)	
		(84,802)		(380,807)
Dilution adjustments		144		647
Change in net assets attributable to shareholders from investment activities (see above)		(148,514)		461,834
Unclaimed distributions		7		12
Closing net assets attributable to shareholders		3,056,636		2,986,730

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

Financial statements and notes

Financial statements

Balance sheet

as at	28 February 2022 \$'000	31 August 2021 \$'000
Assets		
Fixed assets		
Investments	3,027,941	3,230,140
Current assets		
Debtors	13,658	7,495
Cash and bank balances	25,144	62,665
Total assets	3,066,743	3,300,300
Liabilities		
Creditors		
Distribution payable	0	(4,906)
Other creditors	(10,107)	(5,593)
Total liabilities	(10,107)	(10,499)
Net assets attributable to shareholders	3,056,636	3,289,801

Financial statements and notes

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

Authorised Corporate Director's Report

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the MSCI Japan Index over any five-year period.

Investment policy

At least 80% of the fund is invested directly in equity securities and equity related securities of companies across any sectors and market capitalisations that are incorporated, domiciled, or do most of their business in Japan. The fund usually holds a concentrated portfolio of fewer than 50 companies.

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

The fund may also hold cash and near cash for liquidity purposes.

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

The fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies.

The investment approach aims to exploit price volatility.

The fund manager believes that stockmarket mispricing can and often does occur because psychological factors (ie behavioural biases) prevent investors from always assessing investments rationally. As a result, market prices do not always reflect the fundamental value of companies. The fund seeks to profit from such behavioural biases.

The investment approach filters the fund's investment universe down to a focused list of companies whose shares trade on low valuations relative to their history and the market. These companies are then subject to rigorous fundamental analysis to attain an understanding of a company's sustainable earnings.

This fundamental analysis leads to a high level of conviction for each of the companies held in the fund.

The fund manager expects stock selection to be the main driver of performance.

Benchmark

Benchmark: MSCI Japan Index.

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

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

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

Risk profile

The fund invests in the shares of companies listed in Japan and is, therefore, subject to the price volatility of the Japanese stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on companies that are deemed to be undervalued, and these stocks could potentially experience a degree of illiquidity in times of market distress. However, the fund is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. The fund also invests in the shares of smaller companies, which can be more unpredictable and difficult to buy and sell. Diversification across industries and market capitalisation is therefore 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.

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 March 2022, for the six months ended 28 February 2022

Performance against objective

Between 1 September 2021 (the start of the review period) and 1 March 2022, the M&G Japan Fund delivered a negative total return (the combination of income and growth of capital) across all its sterling share classes. Fund performance was ahead of the fund's benchmark, the MSCI Japan Index, which fell by -4.3% over the same six-month period under review.

Over five years, the fund generated an annualised positive total return across its sterling share classes, but lagged its benchmark, which returned 5.1% pa over this period. Therefore, the fund did not meet the objective over its specified timeframe of 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.

Performance review

Japanese equities (company shares) fell over the six months, marginally trailing other developed markets.

Within the market, the shares of small and mid-cap companies generally lagged large-cap companies.

In terms of sectors, financials were the best performing (excluding energy which has a very small weighting in the MSCI Japan Index), benefiting from the prospect of higher interest rates, which can improve profitability. Utilities and consumer discretionary also outperformed the broader market. Conversely, some shares in the healthcare and technology sectors recorded sizeable falls. Many companies in these sectors are high-growth and their share prices can be more sensitive to the prospect of rising interest rates.

Several factors weighed on market sentiment, including concerns over energy price-driven inflation (a general increase in prices), as well as fears of an economic slowdown in China (one of Japan's largest trading partners). China's economic growth has been hit by power cuts, COVID-19-related restrictions and continuing debt problems in the property sector. In November, as news of the Omicron COVID-19 variant emerged, Japanese equities put in the poorest monthly performance of 2021, in local currency terms.

Equities had a rocky start to 2022, initially on continued concerns over inflation and tighter monetary policy globally, and then in February, Russia's invasion of Ukraine further unsettled investors. The market sell-off was led by European equities due to their proximity and ties to the conflict, however, Japanese equities proved to be more resilient during this period.

The recent reporting season (for the quarter ending December 2021) has generally produced positive surprises, which continues to produce more ongoing evidence of an increasingly resilient profits structure in Japan.

Over the review period, the fund meaningfully outperformed its benchmark, the MSCI Japan Index. This result was driven by stock selection. The portfolio is designed to focus on company-specific stock ideas, which display strong upside potential, whilst at the same time having a margin of safety, to protect against downside scenarios. Therefore we are happy with this outcome.

Authorised Corporate Director's Report

In the industrials sector, Kintetsu World Express and Fuji Electric added value. Kintetsu is one of the portfolio's largest overweight holdings and was the top contributor to relative performance over the review period. Since investing in late 2019, this holding's stock price has nearly doubled.

Whilst reported earnings in recent years have been depressed by non-cash expenses relating to a prior acquisition, free cashflow generation at the company has been very strong. This has rapidly transformed Kintetsu's balance sheet. Moreover, as Japan's second-largest air/ocean freight-forwarder, the company is a significant beneficiary of improved pricing power resulting from tightness in logistics markets. We expect earnings in the current financial year (ending March 2022) will be almost two and a half times the level of just two years ago.

We feel this improvement has yet to be fully reflected in Kintetsu's share price. With the company trading on approximately five times current-year cash earnings (as at end February 2022), we are happy to remain invested and optimistic about its future share price potential.

We initially invested in Fuji Electric almost two years ago, convinced at the time of investment that the auto-semiconductor segment was an underappreciated source of future growth. As this view has become more mainstream, the stock has been an incredibly strong performer and we have now closed the position.

Other key contributors included Mitsui, one of Japan's main trading companies, which benefited from improving sentiment towards the commodity complex, ORIX Corp and Seven and I Holdings.

Shares in ORIX, a financial services conglomerate continues to slowly shift higher because of an ongoing improvement in its valuation. We believe this is happening as investors reconsider the company's structural earnings growth potential.

Seven and I is the holding company of 7-eleven, Japan's largest convenience store operator. We have covered the company for around 15 years, and we've tracked its competitors very closely. In 2020, Seven and I

announced a US\$20 billion acquisition of Speedway in the US. This was a big acquisition, particularly by Japanese standards, which made some investors uncomfortable, and the stock sold off sharply, providing us with an excellent opportunity to invest, as we were confident the acquisition was a sensible move.

The chief executive of 7-eleven Inc (the US business) has a strong track record of growing profits impressively and we felt the combination of 7-eleven's US operations and Speedway (and the prospect of a rollout of further stores) could lead to a significant improvement in Seven and I's earnings. The US is the biggest convenience store market in the world and is massively fragmented, so there is plenty of opportunity for consolidation.

We continue to engage with the company on further improvements to its business structure.

Conversely, key detractors included Ree Automotive and NEC Corp.

Ree Automotive is a US-listed company that is closely linked to the Japanese auto industry. The company's share price has fallen in 2022 reflecting a general malaise in the stock prices of early growth companies. The company's recent results announcement confirms that the business is ahead of schedule with its strategic plans, and we believe very strong growth lies ahead. We are happy to remain invested.

Technology and electronics company NEC struggled in 2021 as the market worried that short-term earnings headwinds might linger. These concerns were overplayed, in our view. NEC's share price has begun to recover recently, after the company revised up its full-year guidance. We believe the growth segments of the company are tracking our longer-term outlook and we feel the restructuring underway will be a driver for higher medium-term earnings.

Relative performance was also held back by some names such as Tokyo Electron which the portfolio does not currently hold due to its high valuation.

Authorised Corporate Director's Report

Investment activities

We aim to identify significant dislocations between the price and what we think should be the value of companies where we believe we have earned the right to a superior perspective. Our edge does not come from better forecasting, but rather from what we consider to be superior pricing of risk. In addition, we actively engage with companies in which we invest as we seek to add value in a range of areas. We believe this differentiates us as investment professionals and delivers to us unique investment opportunities.

Early in the review period we initiated positions in Kawasaki Heavy Industries (KHI) and Ree Automotive (discussed in the performance review above).

Despite some weakness in KHI's share price related to a railway derailment incident involving a KHI-built subway car in Washington DC, United States, we believe the company's positives more than offset this negative. In the near term, the company's motorcycle and robot divisions are key earnings drivers. In the medium term, the aerospace recovery and corporate restructuring will continue to drive earnings growth. Moreover, over the long term, we believe KHI will be a key beneficiary of the hydrogen economy as Japan embraces the technology for carbon goals.

Towards the end of 2021, we added some names in order to optimise portfolio construction. Our aim is to generate above-market returns through stock selection and so we try to avoid taking on unintended bets. To that end, we reduced the portfolio's below-benchmark positions to some high-valuation names such as Keyence, Fast Retailing and Recruit Holdings. We also initiated a position in PeptiDream.

PeptiDream is a biotech company we have followed for many years and this is the first time we have invested. A sell-off in its share price created a compelling entry point for this high growth company, in our view. We are particularly excited by the fact that the market does not appear to appreciate the size of the opportunity the company faces in the siRNA (small interfering RNA) space. Thanks to PeptiDream's technology, leading companies such as US biotech firm Alnylam can expand

their RNAi (RNA interference) therapies beyond the liver to all parts of the body. This has game-changing potential for the pharmaceutical industry globally. We look forward to ongoing news and developments in the space over the course of 2022.

In early 2022, we added Yamato Holdings, one of Japan's top home delivery providers. The company, which has enjoyed several years of growth from increased volumes and margins, has fallen in value meaningfully over the past few months. While there are some short-term concerns, we believe the long-term earnings power of the company is being mispriced at the current valuation level.

Positions closed during the review period included semiconductor company SUMCO, auto components manufacturer Musashi Seimitsu and chemicals company Tokuyama. Pharmaceutical company Shionogi, electrical equipment manufacturer Fuji Electric and JSR, a manufacturer of high value-added technology materials, also left the portfolio. Most have been significant contributors to the performance of the fund, and we felt there were better risk/return opportunities elsewhere.

Outlook

Whilst the full ramifications of the tragic Ukrainian situation are currently far from clear as yet, the recent past has reminded us to always expect the unexpected. Following a strong year of performance in 2021, we came into this crisis with a modest level of portfolio risk and are watching as the opportunity set opens up significantly. A rising sense of confusion in markets typically delivers opportunities for the patient, studious stock picker. We remain hard at work looking for opportunities to earn outsized returns for modest levels of risk.

Carl Vine

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 28.02.22 ¥'000	as at 28.02.22 %	as at 31.08.21 %
Equities	30,347,215	99.48	100.67
Chemicals	0	0.00	5.04
Construction & engineering	742,596	2.43	1.74
194,500 Taisei	742,596	2.43	
Electrical equipment	0	0.00	2.11
Industrial conglomerates	825,049	2.70	3.45
145,400 Hitachi	825,049	2.70	
Machinery	2,738,254	8.98	6.01^a
493,600 Hino Motors	534,287	1.75	
682,300 Hitachi Zosen	540,344	1.77	
412,000 Kawasaki Heavy Industries	877,488	2.88	
166,700 MinebeaMitsumi	418,693	1.37	
42,100 Toyota Industries	367,442	1.21	
Trading companies & distributors	963,784	3.16	2.83
335,900 Mitsui	963,784	3.16	
Professional services	326,256	1.07	0.00
67,500 Recruit	326,256	1.07	
Air freight & logistics	1,579,774	5.18	3.34
360,700 Kintetsu World Express	1,091,078	3.58	
217,300 Yamato	488,696	1.60	
Marine	651,885	2.14	2.03
69,300 Mitsui OSK Lines	651,885	2.14	
Road & rail	663,079	2.17	3.63
135,300 Keisei Electric Railway	435,888	1.43	
57,300 Sankyu	227,191	0.74	
Transportation infrastructure	623,218	2.04	1.48
278,800 Kamigumi	623,218	2.04	
Auto components	175,350	0.58	1.54^a
624,320 REE Automotive	175,350	0.58	
Automobiles	2,846,952	9.33	10.83
327,300 Honda Motor	1,150,672	3.77	
264,800 Isuzu Motors	414,518	1.36	
597,600 Toyota Motor	1,281,762	4.20	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 ¥'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Household durables	2,273,671	7.45	7.69
415,000 Haseko	608,281	1.99	
518,400 Nikon	621,040	2.04	
88,000 Sony	1,044,350	3.42	
Specialty retail	1,142,309	3.74	2.31
6,800 Fast Retailing	420,183	1.38	
306,700 Sanrio	722,126	2.36	
Food & staples retailing	984,434	3.23	2.95
176,000 Seven & i	984,434	3.23	
Beverages	780,925	2.56	2.53
408,400 Kirin	780,925	2.56	
Household products	615,773	2.02	1.99
109,800 Earth	615,773	2.02	
Personal products	283,821	0.93	1.18
206,400 Mandom	283,821	0.93	
Biotechnology	340,152	1.12	0.00
167,700 PeptiDream	340,152	1.12	
Pharmaceuticals	1,191,664	3.91	5.26
251,700 Astellas Pharma	484,050	1.59	
201,800 Takeda Pharmaceutical	707,614	2.32	
Banks	1,129,470	3.70	3.01
1,591,800 Mitsubishi UFJ Financial	1,129,470	3.70	
Diversified financial services	899,832	2.95	3.28
393,600 ORIX	899,832	2.95	
Consumer finance	993,231	3.26	2.40
765,900 Credit Saison	993,231	3.26	
Capital markets	922,651	3.02	2.85
3,624,100 Sparx	922,651	3.02	
IT services	1,476,176	4.84	5.50
145,000 NEC	720,710	2.36	
240,200 Nihon Unisys	755,466	2.48	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 ¥'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Electronic equipment, instruments & components	351,037	1.15	0.00
6,500 Keyence	351,037	1.15	
Semiconductors & semiconductor equipment	816,939	2.68	2.22
604,500 Renesas Electronics	816,939	2.68	
Diversified telecommunication services	894,671	2.93	2.77
271,300 Nippon Telegraph & Telephone	894,671	2.93	
Wireless telecommunication services	335,262	1.10	1.10
65,100 SoftBank	335,262	1.10	
Media	525,866	1.72	1.74
281,800 TBS	525,866	1.72	
Entertainment	1,171,429	3.84	4.17
20,200 Nintendo	1,171,429	3.84	
Real estate management & development	1,081,705	3.55	3.69
307,200 Mitsui Fudosan	787,003	2.58	
102,700 Nomura Real Estate	294,702	0.97	
Total portfolio	30,347,215	99.48	100.67
Net other assets/(liabilities)	158,322	0.52	(0.67)
Net assets attributable to shareholders	30,505,537	100.00	100.00

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

^a The comparative sector weightings have been re-analysed to reflect changes to the sector classifications.

Investments

Top ten portfolio transactions for the six months to
28 February 2022

Largest purchases	¥'000
Kawasaki Heavy Industries	1,011,593
Renesas Electronics	868,461
Mitsubishi UFJ Financial	635,019
Yamato	504,329
Taisei	500,132
Recruit	488,084
Keyence	474,648
Fast Retailing	466,731
MinebeaMitsumi	453,084
PeptiDream	429,190
Other purchases	4,872,629
Total purchases	10,703,900

Largest sales	¥'000
Fuji Electric	764,612
Hitachi Zosen	652,951
Toyota Motor	631,772
SUMCO	631,307
JSR	616,838
Fujimi	568,968
Sumitomo Mitsui Financial	419,228
Musashi Seimitsu Industry	416,672
Tokuyama	349,013
Sankyu	276,877
Other sales	1,719,329
Total sales	7,047,567

Financial highlights

Fund performance

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

The following charts and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value as at	28.02.22 ¥'000	31.08.21 ¥'000	31.08.20 ¥'000
Fund net asset value (NAV)	30,505,537	26,228,547	21,462,317

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.

April 1971 = 100, plotted monthly
Chart date 1 March 2022



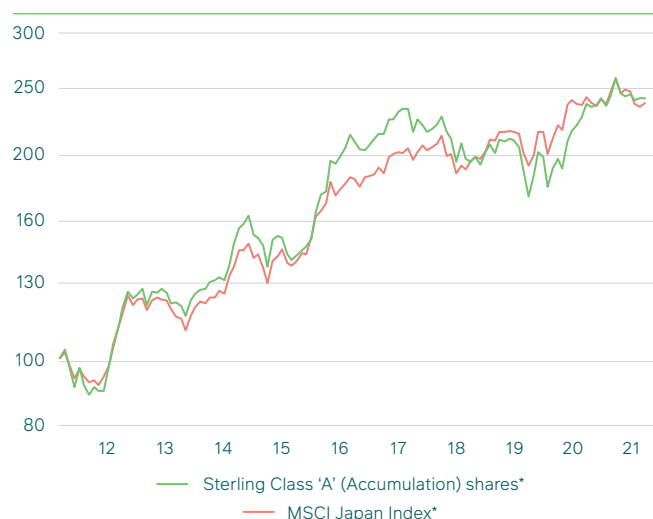
Source: Morningstar, Inc. and M&G

* Income reinvested

Ten-year performance

Please note that the comparator benchmark's total return is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.

Ten years = 1 March 2012, plotted monthly
Chart date 1 March 2022



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	Six months 01.09.21 % ^a	Three years 01.03.19 % pa	Five years 01.03.17 % pa	Since launch % pa
Sterling				
Class 'A'	-1.4	+7.1	+2.4	+7.0
Class 'I'	-1.2	+7.7	+3.0	+11.6
Class 'PP'	-1.1	n/a	n/a	+7.5
Class 'R'	-1.3	+7.4	+2.8	+11.3
Class 'X'	-1.4	+7.1	+2.4	+7.3

^a 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 following table shows direct portfolio transaction costs paid by the fund before and after that part of the dilution adjustment relating to direct portfolio transaction costs. To give an indication of the indirect portfolio dealing costs the table also shows the average portfolio dealing spread.

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

Financial highlights

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 28.02.22 %	Year to 31.08.21 %	Year to 31.08.20 %	Average ^a %
Broker commission	0.04	0.04	0.13	0.07
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.04	0.04	0.13	0.07
Dilution adjustments ^c	(0.03)	(0.02)	(0.03)	(0.03)
Total direct portfolio transaction costs	0.01	0.02	0.10	0.04
as at Indirect portfolio transaction costs	28.02.22 %	31.08.21 %	31.08.20 %	Average ^a %
Average portfolio dealing spread	0.22	0.22	0.30	0.25

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

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

Historic yields for the current period are calculated as at 11 March 2022.

Sterling Class 'A' Income share performance

The share class was launched on 9 May 1977.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	60.12	48.79	52.24
Return before operating charges	0.23	13.35	(1.38)
Operating charges	(0.40)	(0.77)	(0.72)
Return after operating charges	(0.17)	12.58	(2.10)
Distributions	n/a	(1.25)	(1.35)
Closing NAV	59.95	60.12	48.79
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.06
Dilution adjustments ^a	(0.01)	(0.01)	(0.01)
Total direct transaction costs	0.00	0.01	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.02	0.10
Operating charges ^c	1.30	1.34	1.40
Return after charges	-0.28	+25.78	-4.02
Historic yield	2.15	0.78	2.76
Other information			
Closing NAV (¥'000)	16,231,321	16,031,935	12,916,402
Closing NAV (%)	53.21	61.12	60.18
Number of shares	174,952,499	176,157,464	188,897,091
Highest share price (UK p)	64.65	62.46	56.35
Lowest share price (UK p)	58.08	47.78	40.28

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 6 April 1971.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	74.15	58.94	61.41
Return before operating charges	0.26	16.14	(1.62)
Operating charges	(0.49)	(0.93)	(0.85)
Return after operating charges	(0.23)	15.21	(2.47)
Distributions	n/a	(0.62)	(0.76)
Retained distributions	n/a	0.62	0.76
Closing NAV	73.92	74.15	58.94
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.08
Dilution adjustments ^a	(0.01)	(0.01)	(0.02)
Total direct transaction costs	0.00	0.02	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.02	0.10
Operating charges ^c	1.30	1.34	1.40
Return after charges	-0.31	+25.81	-4.02
Historic yield	0.86	1.96	1.29
Other information			
Closing NAV (¥'000)	987,531	988,027	874,576
Closing NAV (%)	3.24	3.77	4.07
Number of shares	8,632,016	8,801,728	10,586,036
Highest share price (UK p)	79.73	75.48	66.24
Lowest share price (UK p)	71.61	57.74	47.35

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	2,445.79	1,975.85	2,105.24
Return before operating charges	9.38	541.75	(55.82)
Operating charges	(11.46)	(20.97)	(19.00)
Return after operating charges	(2.08)	520.78	(74.82)
Distributions	n/a	(50.84)	(54.57)
Closing NAV	2,443.71	2,445.79	1,975.85
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.48	0.91	2.64
Dilution adjustments ^a	(0.39)	(0.37)	(0.61)
Total direct transaction costs	0.09	0.54	2.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.02	0.10
Operating charges ^c	0.90	0.90	0.90
Return after charges	-0.09	+26.36	-3.55
Historic yield	2.14	1.15	2.75
Other information			
Closing NAV (¥'000)	1,107,913	231,255	196,985
Closing NAV (%)	3.63	0.88	0.92
Number of shares	292,940	62,456	71,131
Highest share price (UK p)	2,631.19	2,539.95	2,272.99
Lowest share price (UK p)	2,366.62	1,935.27	1,627.28

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	2,851.62	2,256.65	2,339.60
Return before operating charges	9.91	618.92	(62.00)
Operating charges	(13.08)	(23.95)	(20.95)
Return after operating charges	(3.17)	594.97	(82.95)
Distributions	n/a	(34.92)	(40.35)
Retained distributions	n/a	34.92	40.35
Closing NAV	2,848.45	2,851.62	2,256.65
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.55	1.04	2.91
Dilution adjustments ^a	(0.45)	(0.42)	(0.68)
Total direct transaction costs	0.10	0.62	2.23
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.02	0.10
Operating charges ^c	0.90	0.90	0.90
Return after charges	-0.11	+26.37	-3.55
Historic yield	1.26	1.95	1.78
Other information			
Closing NAV (¥'000)	11,698,474	8,475,819	7,089,795
Closing NAV (%)	38.35	32.32	33.03
Number of shares	2,653,646	1,963,326	2,241,547
Highest share price (UK p)	3,066.97	2,901.09	2,526.19
Lowest share price (UK p)	2,758.59	2,210.43	1,808.55

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	112.49	90.69	96.43
Return before operating charges	0.42	24.89	(2.58)
Operating charges	(0.40)	(0.75)	(0.66)
Return after operating charges	0.02	24.14	(3.24)
Distributions	n/a	(2.34)	(2.50)
Closing NAV	112.51	112.49	90.69
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.04	0.12
Dilution adjustments ^a	(0.02)	(0.02)	(0.03)
Total direct transaction costs	0.00	0.02	0.09
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.02	0.10
Operating charges	0.70	0.70	0.70
Return after charges	+0.02	+26.62	-3.36
Historic yield	2.14	1.32	2.75
Other information			
Closing NAV (¥'000)	8,358	8,175	2,542
Closing NAV (%)	0.03	0.03	0.01
Number of shares	48,000	48,000	20,000
Highest share price (UK p)	121.03	116.79	104.16
Lowest share price (UK p)	108.94	88.83	74.62

Financial highlights

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	123.13	97.24	100.62
Return before operating charges	0.42	26.69	(2.69)
Operating charges	(0.44)	(0.80)	(0.69)
Return after operating charges	(0.02)	25.89	(3.38)
Distributions	n/a	(1.73)	(1.93)
Retained distributions	n/a	1.73	1.93
Closing NAV	123.11	123.13	97.24
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.04	0.12
Dilution adjustments ^a	(0.02)	(0.02)	(0.03)
Total direct transaction costs	0.00	0.02	0.09
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.02	0.10
Operating charges ^c	0.70	0.70	0.70
Return after charges	-0.02	+26.62	-3.36
Historic yield	1.44	1.95	1.98
Other information			
Closing NAV (¥'000)	15,486	15,150	14,123
Closing NAV (%)	0.04	0.06	0.07
Number of shares	81,274	81,274	103,627
Highest share price (UK p)	132.45	125.23	108.69
Lowest share price (UK p)	119.21	95.25	77.86

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	241.10	195.27	208.58
Return before operating charges	0.97	53.50	(5.55)
Operating charges	(1.47)	(2.65)	(2.36)
Return after operating charges	(0.50)	50.85	(7.91)
Distributions	n/a	(5.02)	(5.40)
Closing NAV	240.60	241.10	195.27
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.09	0.26
Dilution adjustments ^a	(0.04)	(0.04)	(0.06)
Total direct transaction costs	0.01	0.05	0.20
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.02	0.10
Operating charges ^c	1.15	1.15	1.15
Return after charges	-0.21	+26.04	-3.79
Historic yield	2.15	0.94	2.75
Other information			
Closing NAV (¥'000)	39,433	38,582	28,685
Closing NAV (%)	0.13	0.15	0.13
Number of shares	105,899	105,703	104,806
Highest share price (UK p)	259.34	250.48	225.09
Lowest share price (UK p)	233.06	191.26	161.01

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	278.90	221.27	229.97
Return before operating charges	0.98	60.65	(6.10)
Operating charges	(1.63)	(3.02)	(2.60)
Return after operating charges	(0.65)	57.63	(8.70)
Distributions	n/a	(2.79)	(3.41)
Retained distributions	n/a	2.79	3.41
Closing NAV	278.25	278.90	221.27
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.10	0.28
Dilution adjustments ^a	(0.04)	(0.04)	(0.07)
Total direct transaction costs	0.01	0.06	0.21
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.02	0.10
Operating charges ^c	1.15	1.15	1.15
Return after charges	-0.23	+26.05	-3.78
Historic yield	1.03	1.96	1.53
Other information			
Closing NAV (¥'000)	261,657	276,358	203,422
Closing NAV (%)	0.86	1.05	0.95
Number of shares	607,605	654,513	655,926
Highest share price (UK p)	299.92	283.84	248.19
Lowest share price (UK p)	269.53	216.73	177.53

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	59.26	48.09	51.50
Return before operating charges	0.22	13.17	(1.37)
Operating charges	(0.39)	(0.76)	(0.71)
Return after operating charges	(0.17)	12.41	(2.08)
Distributions	n/a	(1.24)	(1.33)
Closing NAV	59.09	59.26	48.09
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.06
Dilution adjustments ^a	(0.01)	(0.01)	(0.01)
Total direct transaction costs	0.00	0.01	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.02	0.10
Operating charges ^c	1.30	1.34	1.40
Return after charges	-0.29	+25.81	-4.04
Historic yield	2.15	0.78	2.76
Other information			
Closing NAV (¥'000)	100,890	100,259	80,922
Closing NAV (%)	0.33	0.38	0.38
Number of shares	1,103,187	1,117,566	1,200,555
Highest share price (UK p)	63.73	61.57	55.55
Lowest share price (UK p)	57.25	47.10	39.70

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	73.16	58.16	60.60
Return before operating charges	0.26	15.92	(1.60)
Operating charges	(0.48)	(0.92)	(0.84)
Return after operating charges	(0.22)	15.00	(2.44)
Distributions	n/a	(0.61)	(0.75)
Retained distributions	n/a	0.61	0.75
Closing NAV	72.94	73.16	58.16
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.08
Dilution adjustments ^a	(0.01)	(0.01)	(0.02)
Total direct transaction costs	0.00	0.02	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.02	0.10
Operating charges ^c	1.30	1.34	1.40
Return after charges	-0.30	+25.79	-4.03
Historic yield	0.86	1.96	1.29
Other information			
Closing NAV (¥'000)	54,474	62,987	54,865
Closing NAV (%)	0.18	0.24	0.26
Number of shares	482,582	568,680	673,075
Highest share price (UK p)	78.67	74.47	65.36
Lowest share price (UK p)	70.66	56.96	46.71

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2022		2021	
	¥'000	¥'000	¥'000	¥'000
Income				
Net capital gains/(losses)		270,793		5,119,608
Revenue	343,438		266,766	
Expenses	(170,424)		(142,121)	
Net revenue/(expense) before taxation	173,014		124,645	
Taxation	(33,526)		(25,480)	
Net revenue/(expense) after taxation		139,488		99,165
Total return before equalisation		410,281		5,218,773
Equalisation		32,835		(12,996)
Change in net assets attributable to shareholders from investment activities		443,116		5,205,777

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2022		2021	
	¥'000	¥'000	¥'000	¥'000
Opening net assets attributable to shareholders		26,228,547		21,462,317
Amounts received on issue of shares	6,811,529		1,024,577	
Amounts paid on cancellation of shares	(2,992,379)		(2,482,083)	
		3,819,150		(1,457,506)
Dilution adjustments		14,718		5,391
Change in net assets attributable to shareholders from investment activities (see above)		443,116		5,205,777
Unclaimed distributions		6		15
Closing net assets attributable to shareholders		30,505,537		25,215,994

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

Financial statements and notes

Financial statements

Balance sheet

as at	28 February 2022 ¥'000	31 August 2021 ¥'000
Assets		
Fixed assets		
Investments	30,347,215	26,404,493
Current assets		
Debtors	43,107	15,478
Cash and bank balances	226,922	393,772
Total assets	30,617,244	26,813,743
Liabilities		
Creditors		
Distribution payable	0	(341,973)
Other creditors	(111,707)	(243,223)
Total liabilities	(111,707)	(585,196)
Net assets attributable to shareholders	30,505,537	26,228,547

Financial statements and notes

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

Authorised Corporate Director's Report

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the Russell/Nomura Mid-Small Cap Index over any five-year period.

Investment policy

At least 80% of the fund is invested in the equity securities and equity related securities of smaller companies that are incorporated, domiciled, or do most of their business, in Japan.

Smaller companies are defined as the bottom half in terms of total market capitalisation of all publicly listed companies in Japan.

The fund usually holds a concentrated portfolio of fewer than 50 companies.

The fund may also invest in other transferable securities directly or via collective investment schemes (including funds managed by M&G).

The fund may also hold cash and near cash for liquidity purposes.

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

The fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies.

The investment approach aims to take advantage of price volatility.

The fund manager believes that stockmarket mispricing can and often does occur because psychological factors (i.e. behavioural biases) prevent investors from always assessing investments rationally. As a result, market prices do not always reflect the fundamental value of companies. The fund seeks to profit from such behavioural biases.

The investment approach filters the fund's investment universe down to a focused list of companies whose shares trade on low valuations relative to their history and the market. These companies are then subject to rigorous fundamental analysis to attain an understanding of a company's sustainable earnings. This fundamental analysis leads to a high level of conviction for each of the companies held in the fund.

The fund manager expects stock selection to be the main driver of performance.

Benchmark

Benchmark: Russell/Nomura Mid-Small Cap Index.

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

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

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

Risk profile

The fund invests in the shares of smaller Japan-listed companies and is, therefore, subject to the price volatility of the Japanese stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on smaller companies where the share price movement can be more unpredictable and the shares more difficult to buy and sell compared to those of larger companies. Diversification is therefore 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.

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 March 2022, for the six months ended 28 February 2022

Performance against objective

Between 1 September 2021 (the start of the review period) and 1 March 2022, the M&G Japan Smaller Companies Fund delivered a negative total return (the combination of income and growth of capital) across all its sterling share classes. Fund performance was ahead of the fund's benchmark, the Russell/Nomura Mid-Small Cap Index, which fell by -5.5% over the same six-month period under review.

Over five years, the fund generated an annualised positive total return across its sterling share classes and outperformed its benchmark, which returned 3.3% pa over this period. Therefore, the fund met its objective over the specified timeframe of 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.

Performance review

Japanese equities (company shares) fell over the six months, marginally trailing other developed markets.

Within the market, the shares of small and mid-cap companies generally lagged large-cap companies.

Several factors weighed on market sentiment, including concerns over energy price-driven global inflation (a general increase in prices), as well as fears of an economic slowdown in China (one of Japan's largest trading partners). China's economic growth has been hit by power cuts, COVID-19-related restrictions and continuing debt problems in the property sector. In November, as news of the Omicron COVID-19 variant emerged, Japanese equities put in the poorest monthly performance of 2021, in local currency terms.

Equities had a rocky start to 2022, initially on continued concerns over tighter monetary policy globally, and then in February, Russia's invasion of Ukraine further unsettled investors. The market sell-off was led by European equities due to their proximity and ties to the conflict; however, Japanese equities proved to be more resilient during this period.

The recent reporting season (for the quarter ending December 2021) has generally produced positive surprises, which continues to produce more ongoing evidence of an increasingly resilient profits structure in Japan.

Over the review period, the fund outperformed its benchmark, the Russell/Nomura Mid-Small Cap Index. This result was driven by stock selection. The portfolio is designed to focus on company-specific stock ideas, which display strong upside potential, whilst at the same time having a margin of safety, to protect against downside scenarios. Therefore we are happy with this outcome.

The fund's top contributors to outperformance were Benext-Yumeshin and Nippon Pillar Packing.

Benext-Yumeshin operates staffing businesses for IT and engineering industries, which is a fragmented space and one where we can expect this company to benefit from consolidation. The company's share price has been helped by the increased awareness of the investment community who have begun taking notice of this previously under-covered and under-valued quality

Authorised Corporate Director's Report

growth name. Despite strong performance since we invested, we believe the potential rewards from holding this stock far outweigh the risks and remain invested.

Nippon Pillar Packing is the largest above-benchmark position in the fund. This profitable family-owned company is not widely covered. However, we believe it has an extremely high-quality business thanks to a 90% market share in a niche component used in semiconductor clean rooms. Despite strong performance, this poorly-covered company still trades at a significant discount to peers and we remain invested.

Other key contributors included Kintetsu World Express, Namura Shipbuilding and Kohoku Kogyo.

Kintetsu is one of the portfolio's largest overweight holdings and since investing in late 2019, this holding's stock price has nearly doubled.

Whilst reported earnings in recent years have been depressed by non-cash expenses relating to a prior acquisition, free cashflow generation at the company has been very strong. This has rapidly transformed Kintetsu's balance sheet. Moreover, as Japan's second-largest air/ocean freight-forwarder, the company is a significant beneficiary of improved pricing power resulting from tightness in logistics markets. We expect earnings in the current financial year (ending March 2022) will be almost two and a half times the level of just two years ago.

We feel this improvement has yet to be fully reflected in Kintetsu's share price. With the company trading on approximately five times current-year cash earnings (as at end February 2022), we are happy to remain invested and optimistic about its future share price potential.

Having previously been a major shareholder in Namura Shipbuilding nearly 20 years ago, we invested in this little-known shipbuilding company in 2021 at a favourable price. We believe Namura will have a meaningful part to play in Japan's carbon-neutral ambitions. As Japan promotes ammonia as a replacement to its existing thermal power sources, demand for LPG carriers, which transport ammonia and

are capable of operating globally, will likely rise very significantly. We believe Namura will be a beneficiary.

The company's shares have performed well in 2022 as positive earnings and a strong balance sheet brought it to the attention of investors. With record levels of profitability amongst its customer base and a government-led mandate to drive regional hydrogen/ammonia trade, we feel Namura looks exceptionally well positioned for the years ahead.

Kohoku Kogyo, an electrical component maker, floated in 2021. Despite large market shares in growing markets and excellent profit growth prospects, this high quality owner-managed company came to market at a steep discount to what we believed was a fair estimate of its value. Its shares have rallied substantially since the initial public offering (IPO), contributing to the fund's excess returns.

The fund's principal detractor was QD Laser. QD Laser was the fund's top performer in the previous reporting period, but gave back some of those gains in this review period. The company is a world leader in Quantum Dot Lasers, with technology intellectual property (IP) that we believe could be transformational in different sectors depending on its application. We were anchor investors in the IPO in 2021 and continue to believe in the long-term potential of the business so remain invested.

The fund's relative performance was also hurt by Yukiguni Maitake. Yukiguni operates a unique business in one of the world's fastest-growing functional food segments, mushrooms. On a low multiple of earnings, the market is paying very little for mid-single digit growth prospects, in our view. Furthermore, we believe the market is attributing no value to Yukiguni's potential success in the supplement market, where pricing per gram is more than 10 times that in the raw product market. Management is actively engaged with us on commercial strategy and how to attack these higher-margin marketplaces, and we remain invested.

Other holdings that held back relative returns included Perseus Proteomics, Ree Automotive and Earth Corp.

Authorised Corporate Director's Report

We initiated a position in Perseus Proteomics at the time of its IPO in 2021. We believe this company has valuable intellectual property (IP) in the field of cancer research which is not understood by the market. There is substantial room for growth as it commercialises its research, in our view.

Ree Automotive is a US-listed company that is closely linked to the Japanese auto industry. The company's share price has fallen in 2022 reflecting a general malaise in the stock prices of early growth companies. The company's recent results announcement confirms that the business is ahead of schedule with its strategic plans, and we believe very strong growth lies ahead. We are happy to remain invested.

Earth has a dominant position in the domestic insecticide market in Japan and is growing in Asia. We have been engaging with this company for some time and feel there is great willingness by the management to improve its governance and ESG credentials. Importantly, the opportunity for consolidation in this fragmented market is considerable, and Earth is in a prime position to benefit from merger and acquisition synergies should the opportunities arise. We see significant opportunity for a re-rating of this company's valuation, as it is not widely covered by the investment community.

Investment activities

We aim to identify significant dislocations between the price and what we think should be the value of companies where we believe we have earned the right to a superior perspective. Our edge does not come from better forecasting, but rather from what we consider to be superior pricing of risk. In addition, we actively engage with companies in which we invest to add value in a range of areas. We believe this differentiates us as investment professionals and delivers to us unique investment opportunities.

We feel this is especially true in the small and mid-cap space, where coverage by the investment community is more limited. New investments made during the review period exemplify our approach, where we seek to add

value through understanding the business like a business owner, and not simply as a passive investor.

Early in the review period we initiated a position in Kawasaki Heavy Industries (KHI).

Despite some weakness in KHI's share price related to a railway derailment incident involving a KHI-built subway car in Washington DC, United States, we believe the company's positives more than offset this negative. In the near term, the company's motorcycle and robot divisions are key earnings drivers. In the medium term, the aerospace recovery and corporate restructuring will continue to drive earnings growth. Moreover, over the long term, we believe KHI will be a key beneficiary of the hydrogen economy as Japan embraces the technology for carbon goals.

We also began positions in Nippon Signal, Honda Motor and METAWATER, a company that designs and constructs equipment for water treatment plants, sewage treatment plants and waste treatment facilities.

Later on we grew holdings in Tazmo, Ree Automotive and ST Corp. ST Corp is a domestic household goods company. This well-managed business operates within an industry that is ripe for consolidation, in our view. We believe that with its strong balance sheet, low valuation and strong strategic footprint, the company could be an acquisition target.

Towards the end of 2021, we began positions in Nabtesco and PeptiDream. Nabtesco is an engineering company that has a large share of the global market for robotics. We believe the current valuation is excessively depressed due to the cyclical nature of the company and concerns over Chinese demand. In our view, its earnings potential in the next few years is underappreciated by the market.

PeptiDream is a biotech company we have followed for many years and this is the first time we have invested. A sell-off in its share price created a compelling entry point for this high growth company, in our view. We are particularly excited by the fact that the market does not appear to appreciate the size of the opportunity the company faces in the siRNA (small interfering RNA)

Authorised Corporate Director's Report

space. Thanks to PeptiDream's technology, leading companies such as US biotech firm Alnylam can expand their RNAi (RNA interference) therapies beyond the liver to all parts of the body. This has game-changing potential for the pharmaceutical industry globally. We look forward to ongoing news and developments in the space over the course of 2022.

In early 2022, we added Yamato Holdings, one of Japan's top home delivery providers. The company, which has enjoyed several years of growth from increased volumes and margins, has fallen in value meaningfully over the past few months. While there are some short-term concerns, we believe the long-term earnings power of the company is being mispriced at the current valuation level.

We also established a position in Central Security Patrols, a security business.

Positions closed during the review period included semiconductor company SUMCO, Taiheyiyo Cement, auto components manufacturer Musashi Seimitsu and chemicals company Tokuyama. Model manufacturer Fujimi and electrical equipment manufacturer Fuji Electric also left the portfolio. Most have been significant contributors to performance of the fund, and we felt there were better risk/return opportunities elsewhere.

Outlook

Whilst the full ramifications of the tragic Ukrainian situation are currently far from clear as yet, the recent past has reminded us to always expect the unexpected. Following a strong year of performance in 2021, we came into this crisis with a modest level of portfolio risk and are watching as the opportunity set opens up significantly. A rising sense of confusion in markets typically delivers opportunities for the patient, studious stock picker. We remain hard at work looking for opportunities to earn outsized returns for modest levels of risk.

Carl Vine

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 28.02.22 ¥'000	as at 28.02.22 %	as at 31.08.21 %
Equities	17,893,940	99.55	98.95
Software & computer services	471,459	2.62	2.60
149,900 Nihon Unisys	471,459	2.62	
Technology hardware & equipment	1,052,431	5.86	7.10
91,300 NEC	453,799	2.53	
285,200 QD Laser	138,403	0.77	
275,800 Tazmo	460,229	2.56	
Pharmaceuticals & biotechnology	419,559	2.33	1.46
116,800 PeptiDream	236,910	1.32	
432,600 Perseus Proteomics	182,649	1.01	
Investment banking & brokerage services	904,309	5.03	3.37
2,703,177 Sparx	688,195	3.83	
367,548 YCP	216,114	1.20	
Real estate investment & services	353,241	1.97	1.98
123,100 Nomura Real Estate	353,241	1.97	
Automobiles & parts	467,385	2.60	1.73
103,300 Honda Motor	363,166	2.02	
371,063 REE Automotive	104,219	0.58	
Household goods & home construction	289,053	1.61	0.00
186,500 ST	289,053	1.61	
Leisure goods	1,032,183	5.74	6.16
356,100 Nikon	426,605	2.37	
257,200 Sanrio	605,578	3.37	
Personal goods	132,422	0.74	1.61
96,300 Mandom	132,422	0.74	
Media	415,206	2.31	1.50
222,500 TBS	415,206	2.31	
Beverages	469,626	2.61	2.51
245,600 Kirin	469,626	2.61	
Food producers	402,008	2.24	3.48
23,600 Morinaga	88,179	0.49	
260,986 Yukiguni Maitake	313,829	1.75	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 ¥'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Personal care, drug & grocery stores	517,455	2.88	0.63
547,100 Axxzia	517,455	2.88	
Construction & materials	1,057,179	5.88	7.21
199,600 Haseko	292,561	1.63	
590,400 Hitachi Zosen	467,564	2.60	
96,300 Kyudenko	297,054	1.65	
Electronic & electrical equipment	1,157,719	6.44	11.00
13,036 Kohoku Kogyo	90,367	0.50	
44,500 METAWATER	94,072	0.52	
128,400 MinebeaMitsumi	322,497	1.80	
223,600 Nippon Pillar Packing	650,783	3.62	
General industrials	406,116	2.26	2.29
195,900 Noritsu Koki	406,116	2.26	
Industrial engineering	638,454	3.55	2.99
56,900 Nabtesco	180,645	1.00	
840,600 Nippon Thompson	457,809	2.55	
Industrial support services	2,085,386	11.60	9.17
393,400 BeNext-Yumeshin	641,590	3.57	
77,700 Central Security Patrols	180,526	1.00	
488,700 Credit Saison	633,754	3.53	
217,056 Forum Engineering	183,080	1.02	
423,300 Relia	446,436	2.48	
Industrial transportation	4,164,607	23.17	18.64
275,200 Isuzu Motors	430,799	2.40	
198,700 Kamigumi	444,166	2.47	
234,100 Kawasaki Heavy Industries	498,592	2.77	
57,100 Keisei Electric Railway	183,955	1.02	
264,700 Kintetsu World Express	800,688	4.46	
1,994,900 Namura Shipbuilding	536,228	2.98	
388,700 Nippon Signal	338,150	1.88	
106,400 Sakai Moving Service	470,120	2.62	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 ¥'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Industrial transportation (continued)			
45,200 Sankyu	179,216	1.00	
125,700 Yamato	282,693	1.57	
Industrial metals & mining	366,602	2.04	2.25
324,800 Tokyo Steel Manufacturing	366,602	2.04	
Chemicals	1,091,540	6.07	11.27
110,200 Earth	618,016	3.44	
196,300 T Hasegawa	473,524	2.63	
Total portfolio	17,893,940	99.55	98.95
Net other assets/(liabilities)	81,197	0.45	1.05
Net assets attributable to shareholders	17,975,137	100.00	100.00

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

Investments

Top ten portfolio transactions for the six months to
28 February 2022

Largest purchases	¥'000
Kawasaki Heavy Industries	656,991
Honda Motor	566,830
Axxzia	485,565
Tazmo	419,397
Nippon Signal	392,405
YCP	303,810
PeptiDream	301,602
Yamato	297,492
ST	290,860
METAWATER	290,210
Other purchases	4,425,449
Total purchases	8,430,611

Largest sales	¥'000
Nippon Pillar Packing	714,884
SUMCO	465,801
Fuji Electric	428,090
Fujimi	422,484
Tokuyama	333,928
Hitachi Zosen	279,201
Kohoku Kogyo	278,647
Musashi Seimitsu Industry	269,211
Sankyu	248,014
METAWATER	221,395
Other sales	1,572,183
Total sales	5,233,838

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 (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value as at	28.02.22 ¥'000	31.08.21 ¥'000	31.08.20 ¥'000
Fund net asset value (NAV)	17,975,137	15,259,157	9,226,228

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.

May 1984 = 100, plotted monthly
Chart date 1 March 2022



Source: Morningstar, Inc. and M&G

* Income reinvested

Prior to 27 March 2013 the benchmark was the Japan TSE Second Section Index. Thereafter it is the Russell/Nomura Mid-Small Cap Index.

Long-term performance by share class

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

Share class	Six months 01.09.21 % ^a	Three years 01.03.19 % pa	Five years 01.03.17 % pa	Since launch % pa
Sterling				
Class 'A'	-3.5	+10.4	+4.5	+7.4
Class 'I'	-3.3	+11.0	+5.1	+14.1
Class 'PP'	-3.1	n/a	n/a	-2.2 ^a
Class 'R'	-3.4	+10.7	+4.9	+13.8
Class 'X'	-3.5	+10.4	+4.5	+10.2

^a 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 following table shows direct portfolio transaction costs paid by the fund before and after that part of the dilution adjustment relating to direct portfolio transaction costs. To give an indication of the indirect portfolio dealing costs the table also shows the average portfolio dealing spread.

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

Financial highlights

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 28.02.22 %	Year to 31.08.21 %	Year to 31.08.20 %	Average ^a %
Broker commission	0.05	0.06	0.10	0.07
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.05	0.06	0.10	0.07
Dilution adjustments ^c	(0.03)	(0.03)	(0.01)	(0.02)
Total direct portfolio transaction costs	0.02	0.03	0.09	0.05
as at Indirect portfolio transaction costs	28.02.22 %	31.08.21 %	31.08.20 %	Average ^a %
Average portfolio dealing spread	0.32	0.28	0.45	0.35

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

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

Historic yields for the current period are calculated as at 11 March 2022.

Sterling Class 'A' Income share performance

The share class was launched on 15 May 1984.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	620.45	443.42	458.90
Return before operating charges	(14.32)	194.72	1.37
Operating charges	(4.05)	(7.53)	(6.36)
Return after operating charges	(18.37)	187.19	(4.99)
Distributions	n/a	(10.16)	(10.49)
Closing NAV	602.08	620.45	443.42
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.15	0.35	0.46
Dilution adjustments ^a	(0.08)	(0.16)	(0.06)
Total direct transaction costs	0.07	0.19	0.40
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.03	0.09
Operating charges ^c	1.30	1.34	1.40
Return after charges	-2.96	+42.22	-1.09
Historic yield	1.73	1.53	2.33
Other information			
Closing NAV (¥'000)	3,039,629	3,066,026	2,612,570
Closing NAV (%)	16.91	20.09	28.31
Number of shares	3,262,027	3,264,134	4,203,733
Highest share price (UK p)	677.49	646.95	502.79
Lowest share price (UK p)	577.08	435.12	339.56

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 15 May 1984.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	723.73	508.90	514.41
Return before operating charges	(16.83)	223.62	1.64
Operating charges	(4.73)	(8.79)	(7.15)
Return after operating charges	(21.56)	214.83	(5.51)
Distributions	n/a	(3.21)	(4.78)
Retained distributions	n/a	3.21	4.78
Closing NAV	702.17	723.73	508.90
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.17	0.42	0.52
Dilution adjustments ^a	(0.09)	(0.19)	(0.06)
Total direct transaction costs	0.08	0.23	0.46
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.03	0.09
Operating charges ^c	1.30	1.34	1.40
Return after charges	-2.98	+42.21	-1.07
Historic yield	0.47	0.41	0.92
Other information			
Closing NAV (¥'000)	1,105,540	1,139,686	821,695
Closing NAV (%)	6.15	7.47	8.90
Number of shares	1,017,313	1,040,180	1,152,023
Highest share price (UK p)	790.12	742.48	563.69
Lowest share price (UK p)	673.01	499.37	380.70

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	3,133.69	2,229.42	2,295.69
Return before operating charges	(72.55)	981.84	6.88
Operating charges	(14.22)	(26.38)	(20.54)
Return after operating charges	(86.77)	955.46	(13.66)
Distributions	n/a	(51.19)	(52.61)
Closing NAV	3,046.92	3,133.69	2,229.42
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.75	1.85	2.32
Dilution adjustments ^a	(0.40)	(0.83)	(0.28)
Total direct transaction costs	0.35	1.02	2.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.03	0.09
Operating charges ^c	0.90	0.90	0.90
Return after charges	-2.77	+42.86	-0.60
Historic yield	1.72	1.53	2.32
Other information			
Closing NAV (¥'000)	1,166,465	847,789	474,000
Closing NAV (%)	6.49	5.56	5.14
Number of shares	247,362	178,704	151,693
Highest share price (UK p)	3,422.32	3,265.63	2,520.18
Lowest share price (UK p)	2,919.42	2,187.85	1,703.32

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	3,604.44	2,523.14	2,537.79
Return before operating charges	(84.13)	1,111.07	8.01
Operating charges	(16.33)	(29.77)	(22.66)
Return after operating charges	(100.46)	1,081.30	(14.65)
Distributions	n/a	(29.68)	(35.97)
Retained distributions	n/a	29.68	35.97
Closing NAV	3,503.98	3,604.44	2,523.14
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.86	2.09	2.57
Dilution adjustments ^a	(0.46)	(0.94)	(0.31)
Total direct transaction costs	0.40	1.15	2.26
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.03	0.09
Operating charges ^c	0.90	0.90	0.90
Return after charges	-2.79	+42.86	-0.58
Historic yield	0.87	0.77	1.40
Other information			
Closing NAV (¥'000)	10,027,031	8,916,204	4,426,516
Closing NAV (%)	55.78	58.43	47.98
Number of shares	1,848,983	1,633,973	1,251,696
Highest share price (UK p)	3,935.69	3,695.82	2,786.43
Lowest share price (UK p)	3,357.35	2,476.06	1,883.28

Sterling Class 'PP' Income share performance

The share class was launched on 28 June 2021.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p
Opening NAV	99.74	100.00
Return before operating charges	(2.33)	(0.05)
Operating charges	(0.30)	(0.11)
Return after operating charges	(2.63)	(0.16)
Distributions	n/a	(0.10)
Closing NAV	97.11	99.74
Direct transaction costs	UK p	UK p
Costs before dilution adjustments	0.02	0.07
Dilution adjustments ^a	(0.01)	(0.01)
Total direct transaction costs	0.01	0.06
Performance and charges	%	%
Direct portfolio transaction costs ^b	0.02	0.03
Operating charges	0.60	0.60
Return after charges	-2.64	-0.16
Historic yield	1.72	1.53
Other information		
Closing NAV (¥'000)	747,385	3,022
Closing NAV (%)	4.16	0.02
Number of shares	4,972,991	20,010
Highest share price (UK p)	108.93	102.33
Lowest share price (UK p)	93.02	96.67

Financial highlights

Sterling Class 'PP' Accumulation share performance

The share class was launched on 28 June 2021.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p
Opening NAV	99.84	100.00
Return before operating charges	(2.34)	(0.05)
Operating charges	(0.30)	(0.11)
Return after operating charges	(2.64)	(0.16)
Distributions	n/a	0.00
Retained distributions	n/a	0.00
Closing NAV	97.20	99.84
Direct transaction costs	UK p	UK p
Costs before dilution adjustments	0.02	0.07
Dilution adjustments ^a	(0.01)	(0.01)
Total direct transaction costs	0.01	0.06
Performance and charges	%	%
Direct portfolio transaction costs ^b	0.02	0.03
Operating charges	0.60	0.60
Return after charges	-2.64	-0.16
Historic yield	1.18	1.05
Other information		
Closing NAV (¥'000)	672,372	3,023
Closing NAV (%)	3.74	0.02
Number of shares	4,469,515	20,000
Highest share price (UK p)	109.03	102.33
Lowest share price (UK p)	93.11	96.67

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	309.33	220.63	227.76
Return before operating charges	(7.15)	97.05	0.67
Operating charges	(1.79)	(3.29)	(2.59)
Return after operating charges	(8.94)	93.76	(1.92)
Distributions	n/a	(5.06)	(5.21)
Closing NAV	300.39	309.33	220.63
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.18	0.23
Dilution adjustments ^a	(0.04)	(0.08)	(0.03)
Total direct transaction costs	0.03	0.10	0.20
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.03	0.09
Operating charges ^c	1.15	1.15	1.15
Return after charges	-2.89	+42.50	-0.84
Historic yield	1.73	1.53	2.32
Other information			
Closing NAV (¥'000)	48,575	46,529	30,474
Closing NAV (%)	0.27	0.30	0.33
Number of shares	104,482	99,358	98,547
Highest share price (UK p)	337.79	322.47	249.78
Lowest share price (UK p)	287.88	216.51	168.76

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	352.27	247.21	249.27
Return before operating charges	(8.20)	108.75	0.78
Operating charges	(2.04)	(3.69)	(2.84)
Return after operating charges	(10.24)	105.06	(2.06)
Distributions	n/a	(2.14)	(2.92)
Retained distributions	n/a	2.14	2.92
Closing NAV	342.03	352.27	247.21
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.20	0.25
Dilution adjustments ^a	(0.05)	(0.09)	(0.03)
Total direct transaction costs	0.03	0.11	0.22
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.03	0.09
Operating charges ^c	1.15	1.15	1.15
Return after charges	-2.91	+42.50	-0.83
Historic yield	0.64	0.57	1.16
Other information			
Closing NAV (¥'000)	382,128	388,371	240,598
Closing NAV (%)	2.13	2.55	2.61
Number of shares	721,878	728,228	694,378
Highest share price (UK p)	384.61	361.33	273.42
Lowest share price (UK p)	327.79	242.60	184.73

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	616.63	440.68	456.08
Return before operating charges	(14.23)	193.61	1.36
Operating charges	(4.03)	(7.56)	(6.33)
Return after operating charges	(18.26)	186.05	(4.97)
Distributions	n/a	(10.10)	(10.43)
Closing NAV	598.37	616.63	440.68
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.15	0.36	0.46
Dilution adjustments ^a	(0.08)	(0.16)	(0.06)
Total direct transaction costs	0.07	0.20	0.40
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.03	0.09
Operating charges ^c	1.30	1.34	1.40
Return after charges	-2.96	+42.22	-1.09
Historic yield	1.73	1.53	2.33
Other information			
Closing NAV (¥'000)	168,665	176,775	138,063
Closing NAV (%)	0.94	1.16	1.50
Number of shares	182,128	189,364	223,527
Highest share price (UK p)	673.32	642.96	499.68
Lowest share price (UK p)	573.52	432.44	337.47

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	718.25	505.04	510.51
Return before operating charges	(16.71)	221.91	1.61
Operating charges	(4.69)	(8.70)	(7.08)
Return after operating charges	(21.40)	213.21	(5.47)
Distributions	n/a	(3.18)	(4.75)
Retained distributions	n/a	3.18	4.75
Closing NAV	696.85	718.25	505.04
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.17	0.41	0.51
Dilution adjustments ^a	(0.09)	(0.18)	(0.06)
Total direct transaction costs	0.08	0.23	0.45
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.03	0.09
Operating charges ^c	1.30	1.34	1.40
Return after charges	-2.98	+42.22	-1.07
Historic yield	0.47	0.41	0.92
Other information			
Closing NAV (¥'000)	617,347	671,732	482,312
Closing NAV (%)	3.43	4.40	5.23
Number of shares	572,417	617,764	681,367
Highest share price (UK p)	784.13	736.86	559.42
Lowest share price (UK p)	667.92	495.59	377.81

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2022		2021	
	¥'000	¥'000	¥'000	¥'000
Income				
Net capital gains/(losses)		(381,333)		3,651,886
Revenue	205,202		82,320	
Expenses	(89,120)		(57,134)	
Net revenue/(expense) before taxation	116,082		25,186	
Taxation	(19,216)		(7,979)	
Net revenue/(expense) after taxation		96,866		17,207
Total return before equalisation		(284,467)		3,669,093
Equalisation		15,889		(4,794)
Change in net assets attributable to shareholders from investment activities		(268,578)		3,664,299

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2022		2021	
	¥'000	¥'000	¥'000	¥'000
Opening net assets attributable to shareholders		15,259,157		9,226,228
Amounts received on issue of shares	4,138,746		775,781	
Amounts paid on cancellation of shares	(1,163,356)		(1,603,637)	
		2,975,390		(827,856)
Dilution adjustments		9,168		4,745
Change in net assets attributable to shareholders from investment activities (see above)		(268,578)		3,664,299
Closing net assets attributable to shareholders		17,975,137		12,067,416

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

Financial statements and notes

Financial statements

Balance sheet

as at	28 February 2022 ¥'000	31 August 2021 ¥'000
Assets		
Fixed assets		
Investments	17,893,940	15,098,843
Current assets		
Debtors	570,809	46,875
Cash and bank balances	0	308,597
Total assets	18,464,749	15,454,315
Liabilities		
Creditors		
Bank overdrafts	(86,309)	0
Distribution payable	0	(67,714)
Other creditors	(403,303)	(127,444)
Total liabilities	(489,612)	(195,158)
Net assets attributable to shareholders	17,975,137	15,259,157

Financial statements and notes

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

Authorised Corporate Director's Report

Investment objective

The fund has two aims:

- To provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the S&P 500 Index over any five-year period; and
- To provide an income stream that increases every year in USD terms.

Investment policy

At least 80% of the fund is invested directly in equity securities and equity-related securities of companies across any sector and market capitalisation that are incorporated, domiciled or do most of their business in the US and Canada. The fund usually holds a concentrated portfolio of fewer than 50 companies.

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

The fund may also hold cash and near cash for liquidity purposes.

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

The fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies.

The fund manager aims to create a diversified portfolio with exposure to a broad range of sectors.

Companies with different drivers of dividend growth are selected to construct a portfolio that has the potential to cope in a variety of market conditions.

Benchmark

Benchmark: S&P 500 Index.

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

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

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

Risk profile

The fund invests in the shares of North American companies and is, therefore, subject to the price volatility of the North American stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on shares of companies that have the potential to grow their dividends over the long term. Income distributions from the fund's holdings, however, are not guaranteed and may vary. Diversification across industries and market capitalisation is key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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 March 2022, for the six months ended 28 February 2022

Distribution summary

Over the six-month review period to 1 March 2022, the fund distributed income of 17.6336 pence per Sterling Class 'A' (Income) share. This represents a 9.3% increase from the equivalent period last year. The Sterling Class 'I' (Income) share distributed 21.6490 pence, which is 9.9% higher than the payment made at this stage a year ago. In US dollars, the currency in which the fund's income objective is determined, the distribution rose 7.1% from last year for the Sterling Class 'A' (Income) share and 7.8% for the Sterling Class 'I' (Income) share.

Despite the severe pressure on economic activity in the immediate aftermath of the pandemic, corporate cashflows have improved quickly, with the result that dividends and dividend growth have been restored across the US market as a signal of future confidence. (Dividends represent a share in the profits of a company and are paid out to the company's shareholders at set times of the year.)

The momentum has continued during the six months under review, with the fund benefiting from higher dividends across a broad range of sectors. In contrast to previous years when the majority of holdings delivered dividend increases in the region of 5% to 15%, we continued to see an unusually high number of companies raising their dividends by 15% or more. There were no dividend cuts.

We have been encouraged by the robust dividend growth from the fund's top holdings, many of which are technology stocks. Microsoft extended its long sequence of dividend growth with an 11% increase, while Visa, Mastercard and Fidelity National Information Services (FIS) reported double-digit increases in digital payments. Broadcom raised its dividend by 14% in semiconductors, while NXP Semiconductors boosted its payment by 50% for the second consecutive year.

Healthcare was another source of reliable growth as Anthem and Merck reported increases of 13% and 8%, respectively. Thermo Fisher Scientific led the way in the sector with an 18% uplift. In financials, Blackrock accelerated its pace of dividend growth with an 18% increase, up from 14% in the previous year, while Charles Schwab raised its dividend by 11%.

Tractor Supply accounted for the biggest dividend hike during the review period as the specialist retailer, which serves rural and agricultural communities, raised its dividend by 77%. Nike and VF Corp also reported higher dividends in the consumer discretionary sector.

It was not all good news, however, as ONEOK held its dividend flat. Dividend progress for the energy infrastructure company stalled in the wake of the global pandemic, but we envisage a return to dividend growth at the appropriate time.

Static dividends were the exception rather than the rule and we are pleased that the majority of the fund's holdings continued to deliver solid, and in many cases impressive, dividend growth. We remain vigilant about the dividend outlook, particularly in light of the geopolitical situation in Ukraine. While caution is prudent, we continue to believe that the fund is well placed to deliver on its objective of providing a rising

Authorised Corporate Director's Report

income stream. From a fundamental perspective, there is ample evidence to suggest that corporate America remains in good shape.

Performance against objective

Between 1 September 2021 (the start of the review period) and 1 March 2022, the fund delivered a positive total return (the combination of income and growth of capital) across its unhedged share classes and outperformed the S&P 500 Index, which returned -1.0% in sterling. The hedged share classes generated a negative return due to the strength of the US dollar and underperformed the S&P 500 Index.

Over five years, the fund generated positive returns across all its share classes, but lagged behind the S&P 500 Index, which delivered an annualised return of 12.7% in sterling. Therefore the fund did not meet the objective of providing a higher total return, net of the ongoing charge figure, than that of the S&P 500 Index over any five-year period.

The fund is on track to deliver on the objective of growing the distribution every year in US dollars.

The growth in distributed income for the Sterling Class 'A' (Income) share and the Sterling Class 'I' (Income) share was 7.1% and 7.8% in US dollars, respectively, during the first six months of the financial year.

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

Higher volatility was the key feature of the US stockmarket during the six-month review period. The major indices – the S&P 500 Index, Dow Jones Industrial Average and Nasdaq Composite – reached all-time highs before erasing gains as concerns about inflation were compounded by geopolitical risk culminating in Russia's invasion of Ukraine.

Energy was the standout sector as the oil price exceeded US\$100 per barrel. Financials and materials also rose among the more economically sensitive areas of the market. Defensive stocks were mixed: consumer staples and utilities delivered positive returns in a falling

market, but healthcare underperformed. (Defensive stocks are companies that tend to have stable earnings and are less affected by peaks and troughs in the economy.) Technology was marginally behind the S&P 500 Index as the rally in semiconductors and hardware was cancelled out by the weakness in software. Communication services led the laggards as Meta Platforms, formerly Facebook, slumped.

Sector allocation added value for the fund, helped by an overweight in energy and an underweight in communication services.

Stock selection made a positive contribution in healthcare as Anthem and UnitedHealth ended the review period with double-digit gains. The share price rally was backed by solid fundamentals as the managed care organizations reported better-than-expected results and continued their operating momentum into 2022.

ONEOK outperformed in a buoyant energy sector, while Methanex rose in materials. Broadcom added the most value among our semiconductor holdings.

FIS led the detractors as growth characteristics were out of favour in an environment of rising interest rates. We continue to believe that the software company is well placed to benefit from the structural trends in digital payments. Blackrock's share price weakness was also at odds with fundamentals. The investment manager reported record results for 2021 and reinforced its confidence in the future with a step up in the pace of dividend growth.

The fund's zero exposure to Apple, Tesla, Exxon Mobil and Chevron also held back performance relative to the S&P 500 Index. Apple, which we sold in November 2020, remains a potential investment candidate because the technology bellwether has a respectable dividend track record, but we see better opportunities for growth which are more attractively priced elsewhere. Tesla does not pay a dividend and is therefore ineligible for our dividend growth approach. Exxon Mobil and Chevron have a long history of dividend growth across economic cycles, but we have

Authorised Corporate Director's Report

long-term concerns about the oil majors, both from a fundamental perspective as well as a sustainability perspective.

Investment activities

There were three new purchases matched by three complete sales during the six-month review period, a level of turnover consistent with our long-term investment horizon of three to five years. The number of holdings remained at 41.

We bought VF Corp in consumer discretionary in the belief that the company's strategic focus on its key brands will generate profitable growth over the long term. The company has global ambitions with a strong emphasis on expansion outside the US, particularly in Asia, and the stock's valuation is undemanding, in our view.

We took advantage of the market downturn in 2022 to initiate holdings in TransUnion and Equifax. These credit bureaus benefit from high barriers to entry by virtue of datasets that are difficult to replicate and often highly regulated. We believe that cash generation is at an inflexion point after a period of high investment, which should result in more excess cash being returned to shareholders in the years to come.

Progressive Corp (financials) and Lundin Mining (materials) were sold as a source of cash. Activision Blizzard (communication services) exited the portfolio after the digital gaming company received a takeover bid.

We also reduced exposure to strong performers including Anthem (healthcare), Broadcom (technology) and Lowe's (consumer discretionary) to manage their position size. We added to FIS, Visa and Mastercard to back our conviction in the long-term growth trajectory in digital payments. The long-term investment case for these structurally advantaged companies remains unchanged.

Outlook

Russia's military action in Ukraine has led to heightened anxiety across financial markets, but we strongly believe that the increased volatility is presenting buying opportunities for investors with a long-term time horizon. Rather than second-guess the course of the geopolitical situation, we prefer to focus our attention on long-term winners.

Digital payments remains an area where we have a high degree of confidence that the structural growth is not only intact but accelerating due to permanent changes in consumer behaviour. In our view, the ease of online purchases and delivery is unlikely to be a temporary phenomenon, restricted to life in lockdown. The long-run shift away from cash transactions towards card and digital payments shows no signs of abating. Visa and Mastercard reported record payment volumes for the fourth quarter despite the disruptions created by the Omicron variant of the new coronavirus, and remain poised to benefit from a further increase when international travel recovers in earnest.

We also retain our conviction in our semiconductor holdings, which are exposed to improving demand in a variety of end markets, without the excessive valuations attached to many growth stocks. Valuation remains a critical aspect of our company analysis to ensure that we do not overpay for the growth we seek. Fundamentals and value are the key determinants of long-term return, in our view.

Authorised Corporate Director's Report

Value's resurgence at the expense of growth in the current market environment underscores the importance of valuation. Speculative areas of the market have seen their unrealistic expectations reined back, but valuations remain polarised. Being selective will be paramount. We continue to believe that the majority of our holdings can sustain dividend growth in the 5-15% range over the long term, while offering an attractive yield. We are undeterred in our pursuit of dividend growth and remain resolutely committed to its viability not only as a source of rising income, but also as a total return strategy in the US market over the long term.

John Weavers

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 28.02.22 \$'000	as at 28.02.22 %	as at 31.08.21 %
Equities	879,097	100.13	99.32
Oil, gas & consumable fuels	39,837	4.54	4.38
774,941 Gibson Energy	14,284	1.63	
407,814 ONEOK	25,553	2.91	
Chemicals	23,676	2.70	3.21
48,039 Air Products & Chemicals	11,425	1.30	
249,289 Methanex	12,251	1.40	
Metals & mining	0	0.00	0.37
Building products	10,032	1.14	1.48
225,564 Carrier Global	10,032	1.14	
Machinery	7,805	0.89	0.39
42,264 Caterpillar	7,805	0.89	
Professional services	25,786	2.94	0.00
79,739 Equifax	17,148	1.95	
96,242 TransUnion	8,638	0.99	
Road & rail	10,828	1.23	2.55
44,402 Union Pacific	10,828	1.23	
Textiles, apparel & luxury goods	21,166	2.41	1.17
73,281 NIKE	10,040	1.14	
191,704 VF	11,126	1.27	
Specialty retail	48,740	5.55	5.97
194,346 Lowe's	41,962	4.78	
34,234 Tractor Supply	6,778	0.77	
Food & staples retailing	25,266	2.88	2.42
289,651 Sysco	25,266	2.88	
Food products	10,852	1.23	2.15
163,125 Mondelez International	10,852	1.23	
Health care equipment & supplies	7,435	0.85	0.81
61,301 Abbott Laboratories	7,435	0.85	
Health care providers & services	80,225	9.14	8.52
79,495 Anthem	35,716	4.07	
94,376 UnitedHealth	44,509	5.07	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 \$'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Pharmaceuticals	19,519	2.22	2.60
256,754 Merck	19,519	2.22	
Life sciences tools & services	11,512	1.31	1.44
7,394 Agilent Technologies	976	0.11	
19,320 Thermo Fisher Scientific	10,536	1.20	
Banks	20,907	2.38	2.71
144,619 JPMorgan Chase	20,907	2.38	
Capital markets	70,995	8.09	8.43
49,260 Blackrock	36,324	4.14	
260,877 Charles Schwab	21,972	2.50	
33,823 S&P Global	12,699	1.45	
Insurance	0	0.00	0.52
IT services	164,114	18.69	16.50
40,123 Automatic Data Processing	8,092	0.92	
16,705 Broadridge Financial Solutions	2,445	0.28	
416,606 FIS	39,844	4.54	
124,182 MasterCard	45,029	5.13	
319,003 Visa	68,704	7.82	
Software	78,422	8.93	9.04
268,049 Microsoft	78,422	8.93	
Semiconductors & semiconductor equipment	127,292	14.50	14.18
69,036 Broadcom	39,762	4.53	
41,550 KLA	14,368	1.64	
65,644 Lam Research	36,730	4.18	
89,133 NXP Semiconductors	16,817	1.92	
117,554 QUALCOMM	19,615	2.23	
Diversified telecommunication services	18,870	2.15	1.44
297,850 Cogent Communications	18,870	2.15	
Entertainment	0	0.00	2.21
Electric utilities	6,575	0.75	1.02
86,080 NextEra Energy	6,575	0.75	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 \$'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Equity real estate investment trusts (REITs)	49,243	5.61	5.81
110,648 American Tower REIT	25,629	2.92	
98,297 Crown Castle International REIT	16,562	1.89	
9,923 Equinix REIT	7,052	0.80	
Portfolio of investments	879,097	100.13	99.32
Cash equivalents	2	0.00	0.67
'AAA' rated money market funds^a	2	0.00	0.67
2,000 Northern Trust Global Fund - US dollar	2	0.00	
Share class hedging	(27)	0.00	0.00
Forward currency contracts for share class hedging	(27)	0.00	0.00
£1,565,407 Bought for \$2,124,480 (expires 09.03.22)	(27)	0.00	
£(147,480) Sold for \$198,083 (expires 09.03.22)	0	0.00	
£23,092 Bought for C\$39,683 (expires 09.03.22)	0	0.00	
Total portfolio	879,072	100.13	99.99
Net other assets/(liabilities)	(1,154)	(0.13)	0.01
Net assets attributable to shareholders	877,918	100.00	100.00

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

^a Uncommitted surplus cash is placed into 'AAA' rated money market funds with the aim of reducing counterparty risk.

Investments

Top ten portfolio transactions for the six months to
28 February 2022

Largest purchases	\$'000
Equifax	18,899
VF	13,363
Visa	11,758
Mastercard	11,118
Transunion	10,065
Cogent Communications	7,590
Fidelity National Info Service	7,209
Caterpillar	5,419
Blackrock	5,414
American Tower	5,067
Other purchases	24,592
Total purchases	120,494

Largest sales	\$'000
Activision Blizzard	23,731
Union Pacific	16,126
Mondelēz International	11,158
NXP Semiconductors	10,139
Anthem	7,854
Methanex	7,366
Lowe's	7,113
Unitedhealth	6,563
ONEOK	6,358
Microsoft	5,911
Other sales	61,479
Total sales	163,798

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

Financial highlights

Fund performance

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

The following charts and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value as at	28.02.22 \$'000	31.08.21 \$'000	31.08.20 \$'000
Fund net asset value (NAV)	877,918	951,147	892,230

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.

December 1972 = 100, plotted monthly
Chart date 1 March 2022



Source: Morningstar, Inc. and M&G

* Income reinvested

Ten-year performance

Please note that the comparator benchmark's total return is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.

Ten years = 1 March 2012, plotted monthly
Chart date 1 March 2022



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	Six months 01.09.21 % ^a	Three years 01.03.19 % pa	Five years 01.03.17 % pa	Since launch % pa
Sterling				
Class 'A'	+1.0	+14.0	+11.2	+9.5
Class 'I'	+1.2	+14.6	+11.9	+15.6
Class 'I-H'	-1.5	n/a	n/a	+14.4
Class 'PP'	+1.3	n/a	n/a	+13.0
Class 'PP-H'	-1.5	n/a	n/a	+14.5
Class 'R'	+1.1	+14.3	+11.6	+15.3
Class 'X'	+1.0	+14.0	+11.2	+12.2

^a 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 following table shows direct portfolio transaction costs paid by the fund before and after that part of the dilution adjustment relating to direct portfolio transaction costs. To give an indication of the indirect portfolio dealing costs the table also shows the average portfolio dealing spread.

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

Financial highlights

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 28.02.22 %	Year to 31.08.21 %	Year to 31.08.20 %	Average ^a %
Broker commission	0.02	0.02	0.03	0.03
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.02	0.02	0.03	0.03
Dilution adjustments ^c	(0.01)	(0.02)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.01	0.00	0.01	0.01
as at Indirect portfolio transaction costs	28.02.22 %	31.08.21 %	31.08.20 %	Average ^a %
Average portfolio dealing spread	0.04	0.04	0.04	0.04

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

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

Historic yields for the current period are calculated as at 11 March 2022.

Sterling Class 'A' Income share performance

The share class was launched on 28 March 1977.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	2,809.30	2,286.43	2,268.86
Return before operating charges	27.52	590.93	84.99
Operating charges	(13.73)	(27.02)	(26.21)
Return after operating charges	13.79	563.91	58.78
Distributions	(17.63)	(41.04)	(41.21)
Closing NAV	2,805.46	2,809.30	2,286.43
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.25	0.61	0.74
Dilution adjustments ^a	(0.16)	(0.44)	(0.37)
Total direct transaction costs	0.09	0.17	0.37
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.00	0.01
Operating charges ^c	0.95	1.06	1.20
Return after charges	+0.49	+24.66	+2.59
Historic yield	1.53	1.48	1.88
Other information			
Closing NAV (\$'000)	104,868	114,146	93,279
Closing NAV (%)	11.95	12.00	10.45
Number of shares	2,790,712	2,950,929	3,066,620
Highest share price (UK p)	3,109.48	2,825.02	2,413.52
Lowest share price (UK p)	2,691.01	2,221.36	1,699.17

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 18 December 1972.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	4,083.98	3,272.35	3,187.64
Return before operating charges	39.49	850.50	121.75
Operating charges	(19.94)	(38.87)	(37.04)
Return after operating charges	19.55	811.63	84.71
Distributions	(8.79)	(20.77)	(21.93)
Retained distributions	8.79	20.77	21.93
Closing NAV	4,103.53	4,083.98	3,272.35
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.36	0.88	1.04
Dilution adjustments ^a	(0.23)	(0.63)	(0.52)
Total direct transaction costs	0.13	0.25	0.52
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.00	0.01
Operating charges ^c	0.95	1.06	1.20
Return after charges	+0.48	+24.80	+2.66
Historic yield	0.53	0.46	0.70
Other information			
Closing NAV (\$'000)	110,842	119,714	105,120
Closing NAV (%)	12.63	12.59	11.78
Number of shares	2,016,612	2,128,919	2,414,691
Highest share price (UK p)	4,533.99	4,081.92	3,403.39
Lowest share price (UK p)	3,923.81	3,179.21	2,405.65

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	3,440.82	2,787.80	2,752.60
Return before operating charges	33.46	722.37	103.87
Operating charges	(9.72)	(19.22)	(18.56)
Return after operating charges	23.74	703.15	85.31
Distributions	(21.65)	(50.13)	(50.11)
Closing NAV	3,442.91	3,440.82	2,787.80
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.30	0.74	0.90
Dilution adjustments ^a	(0.19)	(0.53)	(0.45)
Total direct transaction costs	0.11	0.21	0.45
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.00	0.01
Operating charges ^c	0.55	0.62	0.70
Return after charges	+0.69	+25.22	+3.10
Historic yield	1.52	1.48	1.88
Other information			
Closing NAV (\$'000)	190,320	211,496	267,340
Closing NAV (%)	21.67	22.24	29.97
Number of shares	4,126,979	4,464,144	7,208,368
Highest share price (UK p)	3,813.54	3,460.02	2,935.06
Lowest share price (UK p)	3,302.38	2,710.77	2,067.28

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	3,968.50	3,165.54	3,068.30
Return before operating charges	38.15	824.86	118.07
Operating charges	(11.24)	(21.90)	(20.83)
Return after operating charges	26.91	802.96	97.24
Distributions	(15.46)	(35.59)	(35.74)
Retained distributions	15.46	35.59	35.74
Closing NAV	3,995.41	3,968.50	3,165.54
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.35	0.85	1.01
Dilution adjustments ^a	(0.22)	(0.60)	(0.51)
Total direct transaction costs	0.13	0.25	0.50
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.00	0.01
Operating charges ^c	0.55	0.62	0.70
Return after charges	+0.68	+25.37	+3.17
Historic yield	0.94	0.91	1.18
Other information			
Closing NAV (\$'000)	308,646	328,810	316,182
Closing NAV (%)	35.16	34.57	35.45
Number of shares	5,767,307	6,017,503	7,507,995
Highest share price (UK p)	4,411.58	3,966.50	3,283.76
Lowest share price (UK p)	3,820.27	3,078.07	2,322.13

Sterling Class 'I-H' Income share performance

The share class was launched on 6 December 2019.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	133.48	105.02	100.00
Return before operating charges	(2.56)	31.19	6.92
Operating charges	(0.39)	(0.77)	(0.51)
Return after operating charges	(2.95)	30.42	6.41
Distributions	(0.82)	(1.96)	(1.39)
Closing NAV	129.71	133.48	105.02
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.02
Dilution adjustments ^a	(0.01)	(0.02)	(0.01)
Total direct transaction costs	0.00	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.00	0.01
Operating charges	0.58	0.65	0.73
Return after charges	-2.21	+28.97	+6.41
Historic yield	1.59	1.48	1.96
Other information			
Closing NAV (\$'000)	65	68	74
Closing NAV (%)	0.01	0.01	0.01
Number of shares	37,166	37,166	52,984
Highest share price (UK p)	144.68	134.23	108.23
Lowest share price (UK p)	124.35	98.86	67.20

Financial highlights

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 6 December 2019.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	137.90	106.77	100.00
Return before operating charges	(2.64)	31.92	7.28
Operating charges	(0.41)	(0.79)	(0.51)
Return after operating charges	(3.05)	31.13	6.77
Distributions	(0.51)	(1.24)	(0.87)
Retained distributions	0.51	1.24	0.87
Closing NAV	134.85	137.90	106.77
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.02
Dilution adjustments ^a	(0.01)	(0.02)	(0.01)
Total direct transaction costs	0.00	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.00	0.01
Operating charges	0.58	0.63	0.73
Return after charges	-2.21	+29.16	+6.77
Historic yield	0.93	0.90	1.20
Other information			
Closing NAV (\$'000)	1,817	1,434	550
Closing NAV (%)	0.21	0.15	0.06
Number of shares	1,006,053	755,452	387,032
Highest share price (UK p)	149.94	137.83	108.23
Lowest share price (UK p)	128.87	100.50	67.37

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	126.25	102.15	100.71
Return before operating charges	1.22	26.51	3.80
Operating charges	(0.29)	(0.57)	(0.53)
Return after operating charges	0.93	25.94	3.27
Distributions	(0.79)	(1.84)	(1.83)
Closing NAV	126.39	126.25	102.15
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.03
Dilution adjustments ^a	(0.01)	(0.02)	(0.02)
Total direct transaction costs	0.00	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.00	0.01
Operating charges	0.45	0.47 ^d	0.55
Return after charges	+0.74	+25.39	+3.25
Historic yield	1.52	1.47	1.88
Other information			
Closing NAV (\$'000)	70,494	76,888	282
Closing NAV (%)	8.03	8.08	0.03
Number of shares	41,640,200	44,230,835	207,337
Highest share price (UK p)	139.97	126.95	107.47
Lowest share price (UK p)	121.22	99.36	75.70

Financial highlights

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	141.27	112.55	108.93
Return before operating charges	1.36	29.34	4.20
Operating charges	(0.33)	(0.62)	(0.58)
Return after operating charges	1.03	28.72	3.62
Distributions	(0.61)	(1.28)	(1.42)
Retained distributions	0.61	1.28	1.42
Closing NAV	142.30	141.27	112.55
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.04
Dilution adjustments ^a	(0.01)	(0.02)	(0.02)
Total direct transaction costs	0.00	0.01	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.00	0.01
Operating charges ^c	0.45	0.51 ^d	0.55
Return after charges	+0.73	+25.52	+3.32
Historic yield	0.89	0.92	1.40
Other information			
Closing NAV (\$'000)	15,522	19,438	44,912
Closing NAV (%)	1.76	2.04	5.03
Number of shares	8,143,351	9,992,567	29,995,878
Highest share price (UK p)	157.10	141.20	116.66
Lowest share price (UK p)	136.07	109.47	82.51

Sterling Class 'PP-H' Income share performance

The share class was launched on 6 December 2019.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	134.23	105.42	100.00
Return before operating charges	(2.58)	31.41	7.22
Operating charges	(0.33)	(0.63)	(0.41)
Return after operating charges	(2.91)	30.78	6.81
Distributions	(0.82)	(1.97)	(1.39)
Closing NAV	130.50	134.23	105.42
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.02
Dilution adjustments ^a	(0.01)	(0.02)	(0.01)
Total direct transaction costs	0.00	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.00	0.01
Operating charges	0.48	0.52	0.58
Return after charges	-2.17	+29.20	+6.81
Historic yield	1.59	1.47	1.96
Other information			
Closing NAV (\$'000)	35	37	28
Closing NAV (%)	0.00	0.00	0.00
Number of shares	20,150	20,150	20,150
Highest share price (UK p)	145.54	134.98	108.26
Lowest share price (UK p)	125.11	99.25	67.18

Financial highlights

Sterling Class 'PP-H' Accumulation share performance

The share class was launched on 6 December 2019.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	138.26	106.89	100.00
Return before operating charges	(2.70)	32.01	7.31
Operating charges	(0.34)	(0.64)	(0.42)
Return after operating charges	(3.04)	31.37	6.89
Distributions	(0.57)	(1.36)	(0.98)
Retained distributions	0.57	1.36	0.98
Closing NAV	135.22	138.26	106.89
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.02
Dilution adjustments ^a	(0.01)	(0.02)	(0.01)
Total direct transaction costs	0.00	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.00	0.01
Operating charges	0.48	0.52	0.58
Return after charges	-2.20	+29.35	+6.89
Historic yield	1.06	0.99	1.42
Other information			
Closing NAV (\$'000)	36	38	29
Closing NAV (%)	0.00	0.00	0.00
Number of shares	20,100	20,100	20,100
Highest share price (UK p)	150.32	138.19	108.26
Lowest share price (UK p)	129.23	100.64	67.40

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	338.64	275.07	272.28
Return before operating charges	3.31	71.17	10.23
Operating charges	(1.39)	(2.66)	(2.49)
Return after operating charges	1.92	68.51	7.74
Distributions	(2.13)	(4.94)	(4.95)
Closing NAV	338.43	338.64	275.07
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.07	0.09
Dilution adjustments ^a	(0.02)	(0.05)	(0.04)
Total direct transaction costs	0.01	0.02	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.00	0.01
Operating charges ^c	0.80	0.86	0.95
Return after charges	+0.57	+24.91	+2.84
Historic yield	1.52	1.48	1.88
Other information			
Closing NAV (\$'000)	2,478	2,721	2,106
Closing NAV (%)	0.28	0.29	0.24
Number of shares	546,608	583,512	575,619
Highest share price (UK p)	375.01	340.53	289.98
Lowest share price (UK p)	324.62	267.35	204.20

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	387.86	310.16	301.38
Return before operating charges	3.74	80.71	11.55
Operating charges	(1.60)	(3.01)	(2.77)
Return after operating charges	2.14	77.70	8.78
Distributions	(1.09)	(2.62)	(2.79)
Retained distributions	1.09	2.62	2.79
Closing NAV	390.00	387.86	310.16
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.08	0.10
Dilution adjustments ^a	(0.02)	(0.06)	(0.05)
Total direct transaction costs	0.01	0.02	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.00	0.01
Operating charges ^c	0.80	0.86	0.95
Return after charges	+0.55	+25.05	+2.91
Historic yield	0.68	0.68	0.94
Other information			
Closing NAV (\$'000)	14,093	14,065	10,799
Closing NAV (%)	1.61	1.48	1.21
Number of shares	2,697,816	2,633,752	2,617,134
Highest share price (UK p)	430.81	387.66	322.16
Lowest share price (UK p)	372.92	301.46	227.77

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	2,805.29	2,283.15	2,265.62
Return before operating charges	27.45	590.10	84.86
Operating charges	(13.68)	(26.99)	(26.18)
Return after operating charges	13.77	563.11	58.68
Distributions	(17.61)	(40.97)	(41.15)
Closing NAV	2,801.45	2,805.29	2,283.15
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.25	0.61	0.74
Dilution adjustments ^a	(0.16)	(0.43)	(0.37)
Total direct transaction costs	0.09	0.18	0.37
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.00	0.01
Operating charges ^c	0.95	1.06	1.20
Return after charges	+0.49	+24.66	+2.59
Historic yield	1.52	1.48	1.88
Other information			
Closing NAV (\$'000)	11,118	11,679	10,125
Closing NAV (%)	1.27	1.23	1.13
Number of shares	296,279	302,351	333,345
Highest share price (UK p)	3,105.05	2,820.97	2,410.06
Lowest share price (UK p)	2,687.17	2,218.18	1,696.73

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	4,024.55	3,224.77	3,141.21
Return before operating charges	38.90	838.07	120.05
Operating charges	(19.66)	(38.29)	(36.49)
Return after operating charges	19.24	799.78	83.56
Distributions	(8.67)	(20.34)	(21.61)
Retained distributions	8.67	20.34	21.61
Closing NAV	4,043.79	4,024.55	3,224.77
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.35	0.87	1.03
Dilution adjustments ^a	(0.22)	(0.62)	(0.52)
Total direct transaction costs	0.13	0.25	0.51
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.00	0.01
Operating charges ^c	0.95	1.06	1.20
Return after charges	+0.48	+24.80	+2.66
Historic yield	0.52	0.51	0.70
Other information			
Closing NAV (\$'000)	47,584	50,613	41,404
Closing NAV (%)	5.42	5.32	4.64
Number of shares	878,500	913,356	965,105
Highest share price (UK p)	4,468.01	4,022.51	3,353.83
Lowest share price (UK p)	3,866.71	3,132.99	2,370.62

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

^d As the operating charges figure has been calculated on an average NAV basis during the period, the difference between the 'PP' Income and Accumulation share class charges is due to large movements on both the share classes.

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2022		2021	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains/(losses)		(22,245)		93,348
Revenue	7,670		9,090	
Expenses	(3,145)		(3,647)	
Net revenue/(expense) before taxation	4,525		5,443	
Taxation	(1,130)		(1,000)	
Net revenue/(expense) after taxation		3,395		4,443
Total return before distributions		(18,850)		97,791
Distributions		(4,183)		(4,658)
Change in net assets attributable to shareholders from investment activities		(23,033)		93,133

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2022		2021	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		951,147		892,230
Amounts received on issue of shares	40,016		108,727	
Amounts paid on cancellation of shares	(91,969)		(220,604)	
		(51,953)		(111,877)
Dilution adjustments		74		136
Change in net assets attributable to shareholders from investment activities (see above)		(23,033)		93,133
Retained distributions on Accumulation shares		1,677		1,807
Unclaimed distributions		6		0
Closing net assets attributable to shareholders		877,918		875,429

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

Financial statements and notes

Financial statements

Balance sheet

as at	28 February 2022 \$'000	31 August 2021 \$'000
Assets		
Fixed assets		
Investments	879,097	944,744
Current assets		
Debtors	6,085	655
Cash and bank balances	701	3,504
Cash equivalents	2	6,344
Total assets	885,885	955,247
Liabilities		
Investment liabilities	(27)	0
Creditors		
Bank overdrafts	(5)	0
Distribution payable	(1,190)	(2,544)
Other creditors	(6,745)	(1,556)
Total liabilities	(7,967)	(4,100)
Net assets attributable to shareholders	877,918	951,147

Financial statements and notes

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

Authorised Corporate Director's Report

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the S&P 500 Index, over any five-year period.

Investment policy

At least 80% of the fund is invested directly in equity securities and equity related securities of companies across any sectors and market capitalisations that are incorporated, domiciled, or do most of their business activity in the United States of America and Canada.

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

The fund may also hold cash and near cash for liquidity purposes.

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

The fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies.

The investment approach identifies shares of North American companies which, in the fund manager's opinion at the time of investment, are undervalued.

When analysing companies, the fund manager seeks to identify companies that are mispriced, while trying to avoid companies that are cheap for a reason and whose share prices are unlikely to improve over time.

The investment approach combines strict value-focused screening with rigorous qualitative analysis to ensure the fund has a consistent and disciplined value bias without compromising on the robustness of the companies in the portfolio.

The fund manager expects the overall stock selection and value style to be the main drivers of performance rather than any individual sector or stock.

Benchmark

Benchmark: S&P 500 Index.

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

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

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

Risk profile

The fund invests in the shares of North American companies and is, therefore, subject to the price volatility of the North American stockmarkets and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on companies that are deemed to be undervalued or out of favour with the market, and whose potential value, in the fund manager's view, is yet to be reflected in the share price. These stocks could potentially experience a degree of illiquidity in times of market distress. However, the fund is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. The fund also invests in the shares of smaller companies, which can be more unpredictable and difficult to buy and sell. Diversification across industries and market capitalisation is therefore 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.

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 March 2022, for the six months ended 28 February 2022

Performance against objective

Between 1 September 2021 (the start of the review period) and 1 March 2022, the fund's sterling share classes delivered a positive total return (the combination of income and growth of capital). The returns were ahead of the return from the benchmark S&P 500 Index, which fell 1.0% in the review period.

Over five years, the fund generated a positive return, but trailed the fund's benchmark, the S&P 500 Index, which returned 12.7% pa over this period. Therefore, the fund did not meet the objective of providing a higher total return, net of the ongoing charge figure, than the S&P 500 Index over any five-year period.

For much of the past decade, the 'value' investment style (investing in lowly valued, out-of-favour stocks) has struggled to keep pace with the broader market. The fund's underperformance over the past five years can be attributed largely to the significant headwind from its value investing approach.

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

Performance review

US stockmarkets were turbulent in the six months under review, as concerns about inflation and the war in Ukraine curbed investor risk appetite. To begin with, equities (company share prices) rose as robust corporate earnings fuelled optimism that the global economy was recovering from the coronavirus pandemic. The emergence of the highly transmissible Omicron variant of coronavirus and the prospect of further restrictions dampened sentiment somewhat but the S&P 500 Index continued to advance to record levels in December.

The mood changed in the new year, however, as investors became increasingly concerned about persistent high inflation. The annual rate of inflation in the US reached 7.5%, the highest level in 40 years, which raised the prospect of significant interest rate rises. The period ended on a negative note as Russia's invasion of Ukraine sparked risk aversion and share price falls erased earlier gains.

In the US market, energy stocks were the stand-out performers as oil prices climbed above US\$100 a barrel on concerns that Russia's military attack on Ukraine would disrupt supplies – Russia is one of the world's largest oil producers. Consumer staples and utilities benefited from the increase in risk aversion – they are generally considered to be defensive areas, that is the types of businesses that typically deliver consistent earnings even in challenging economic conditions. Financials also rose, supported by expectations that higher interest rates might boost their profits.

In contrast, communication services was the weakest area, dragged down by declines from social media firm Meta Platforms (formerly Facebook) and streaming service Netflix. Consumer discretionary and industrials also lagged the broader market.

From a style perspective, lowly valued stocks outperformed the broader market by a wide margin over the six-month period. As policymakers indicated

Authorised Corporate Director's Report

that interest rate rises were becoming more likely to curb inflation, investors became more cautious about the elevated valuations of many high-flying mega-cap stocks, particularly in the technology sector. This sparked a rotation towards out-of-favour 'value' companies in the second half of the review period.

Against this background, the fund delivered positive returns ahead of the benchmark index, with asset allocation and stock selection both contributing to relative performance. Our large weighting in energy, relative to the benchmark index, was positive as the sector rallied. Oil firms Chevron and ConocoPhillips were leading contributors as they benefited from the rebound in oil prices.

Stock selection in healthcare added value, with our shares in health insurer Anthem advancing on robust quarterly results and expectations that medical costs will remain stable.

In technology, Israel-based computer and network-security firm Check Point Software Technologies was another contributor. The stock jumped on concerns that the war in Ukraine might spark an increase in cyber warfare.

Meanwhile, a below-benchmark position in Meta Platforms and not owning any shares in online payments firm PayPal was helpful as they both underperformed significantly.

On the other hand, stock selection in consumer discretionary detracted from relative performance, with sports footwear retailer Foot Locker a drag on returns. The company's share price fell when it forecast that sales would decline this year, partly as its biggest supplier Nike is aiming to sell more directly to consumers. Online auction site eBay and media conglomerate Comcast were laggards too, while not owning technology firm Apple held back returns as the large index weight outperformed.

Investment activities

During the period, we added three new stocks to the portfolio. We bought shares in Fiserv, a global payments and financial services technology firm. The company's

share price fell heavily after reporting quarterly results in October and we believe the company's long-term prospects are being undervalued. Insurance broker Willis Towers Watson also joined the portfolio and we started a small position in social media firm Meta Platforms, formerly Facebook. The stock has fallen sharply recently on concerns about increasing competition from rival apps. In our view, the market has overreacted, and the company's prospects are not being fully valued. In addition, we received shares in energy provider Constellation Energy when it was spun off by one of our existing holdings, utility business Exelon.

We also bought more shares in several existing holdings, including financial group JP Morgan Chase, supermarket chain Kroger and drug maker Bristol-Myers Squibb (BMS). We think investors are underestimating the potential sales for BMS's current treatments, while also overly discounting the potential for new drug launches to drive future growth.

In contrast, the entire stakes in SPX Flow, a manufacturer of pumps and valves, and defence business General Dynamics were sold after a period of good share price performance.

We also closed the positions in food retailer Weis Markets, insurance firm MetLife and savings bank Capitol Federal Financial. Paper and pulp firm Domtar left the portfolio too after being taken over.

Outlook

The war in Ukraine and the sanctions that have been imposed by Western nations have caused considerable turbulence in financial markets. This is likely to continue in the near term, as investors consider the impact of surging commodity prices on inflation and global economic growth. The responses of major central banks to growing inflationary pressures are likely to be closely watched too. In this uncertain environment, we will remain focused on the long term and look for attractive investments that might arise in the current market turmoil.

As dedicated value investors, we remain optimistic about the prospects of the value investment style and

Authorised Corporate Director's Report

the fund's holdings. We are encouraged that value stocks are starting to receive greater attention from investors. The market rotation towards cheaper value companies that occurred during the review period provided a stark reminder of how quickly investor sentiment can shift. After several false starts for value in recent years, we are hopeful that we might be at the start of a prolonged period of good performance for value, particularly if interest rates continue to rise.

We believe it is becoming increasingly difficult to see how the extreme valuation discrepancy between expensive 'growth' and 'quality' stocks and cheaper value stocks can be justified, when assessed on a 'fundamental' basis. (Growth stocks are companies that are expected to deliver above-average earnings and profits.) We are hopeful that investors might start to question the prices of highly valued stocks in many areas and take a closer look at unloved value stocks. With a diversified portfolio of lowly valued stocks, we think the fund is well placed to benefit from any improved sentiment towards value.

Daniel White

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 28.02.22 \$'000	as at 28.02.22 %	as at 31.08.21 %
Equities	355,761	96.78	96.87
Oil, gas & consumable fuels	24,586	6.69	4.53
76,473 Chevron	10,706	2.91	
41,594 Cobalt International Energy ^a	0	0.00	
79,907 ConocoPhillips	7,164	1.95	
229,974 Euronav	2,564	0.70	
28,383 Hess	2,730	0.74	
310,396 Kosmos Energy	1,422	0.39	
Chemicals	5,825	1.58	0.98
49,998 FMC	5,825	1.58	
Construction materials	4,107	1.12	1.31
30,531 Eagle Materials	4,107	1.12	
Containers & packaging	3,123	0.85	0.90
68,393 Westrock	3,123	0.85	
Metals & mining	7,023	1.91	1.90
40,794 Newmont	2,790	0.76	
62,374 Steel Dynamics	4,233	1.15	
Paper & forest products	0	0.00	0.70
Aerospace & defence	0	0.00	1.14
Building products	3,796	1.03	1.00
41,810 Owens Corning	3,796	1.03	
Industrial conglomerates	2,971	0.81	0.94
31,326 General Electric	2,971	0.81	
Machinery	6,834	1.86	2.53
22,496 Caterpillar	4,154	1.13	
25,229 Oshkosh	2,680	0.73	
Professional services	2,587	0.70	0.80
24,100 ManpowerGroup	2,587	0.70	
Air freight & logistics	3,147	0.86	0.85
14,447 FedEx	3,147	0.86	
Airlines	4,296	1.17	0.93
96,980 Southwest Airlines	4,296	1.17	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 \$'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Road & rail	5,289	1.44	0.95
155,415 CSX	5,289	1.44	
Auto components	3,290	0.90	0.85
44,071 Magna International	3,290	0.90	
Automobiles	3,558	0.97	1.03
76,417 General Motors	3,558	0.97	
Textiles, apparel & luxury goods	7,918	2.15	2.17
22,029 Columbia Sportswear	2,037	0.55	
46,735 Kontoor Brands	2,276	0.62	
90,463 Tapestry	3,605	0.98	
Internet & direct marketing retail	5,169	1.41	2.36
95,152 eBay	5,169	1.41	
Specialty retail	1,729	0.47	1.01
61,441 Foot Locker	1,729	0.47	
Food & staples retailing	8,213	2.23	2.25
178,110 Kroger	8,213	2.23	
Beverages	12,148	3.30	3.16
125,168 Coca-Cola Europacific Partners	6,615	1.80	
105,198 Molson Coors Beverage	5,533	1.50	
Food products	4,759	1.29	1.02
51,199 Tyson Foods	4,759	1.29	
Tobacco	8,436	2.30	2.13
164,550 Altria	8,436	2.30	
Household products	1,925	0.52	0.44
56,914 Energizer	1,925	0.52	
Personal products	2,752	0.75	0.72
304,445 Coty	2,752	0.75	
Health care equipment & supplies	5,782	1.57	1.61
22,092 Stryker	5,782	1.57	
Health care providers & services	10,355	2.82	3.67
15,190 Anthem	6,825	1.86	
12,865 LabCorp	3,530	0.96	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 \$'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Biotechnology	7,594	2.07	1.64
51,030 AbbVie	7,594	2.07	
Pharmaceuticals	40,770	11.09	11.20
146,370 Bristol-Myers Squibb	9,880	2.69	
65,599 Johnson & Johnson	10,831	2.95	
83,960 Merck	6,383	1.73	
150,670 Organon	5,598	1.52	
170,666 Pfizer	8,078	2.20	
Banks	27,011	7.35	7.83
79,990 Citigroup	4,799	1.31	
74,380 JPMorgan Chase	10,753	2.92	
19,622 PNC Financial Services	3,922	1.07	
64,069 Truist Financial	3,968	1.08	
67,341 Wells Fargo	3,569	0.97	
Thriffs & mortgage finance	2,591	0.71	1.02
227,623 New York Community Bancorp	2,591	0.71	
Diversified financial services	3,205	0.87	0.84
47,496 Voya Financial	3,205	0.87	
Insurance	18,435	5.02	4.02
88,395 Hartford Financial Services	6,219	1.69	
59,135 Loews	3,614	0.98	
33,742 Reinsurance Group of America	3,772	1.03	
21,846 Willis Towers Watson	4,830	1.32	
IT services	16,878	4.59	2.75
86,004 Cognizant Technology Solutions	7,468	2.03	
107,415 DXC Technology	3,745	1.02	
58,515 Fiserv	5,665	1.54	
Software	13,058	3.55	4.29
52,102 Check Point Software Technologies	7,280	1.98	
76,935 Oracle	5,778	1.57	
Communications equipment	8,959	2.44	2.82
162,130 Cisco Systems	8,959	2.44	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 \$'000	as at 28.02.22 %	as at 31.08.21 %
Equities (continued)			
Technology hardware, storage & peripherals	5,972	1.62	1.97
294,937 Hewlett Packard Enterprise	4,424	1.20	
29,811 Western Digital	1,548	0.42	
Electronic equipment, instruments & components	2,321	0.63	0.37
120,859 Vishay Intertechnology	2,321	0.63	
Semiconductors & semiconductor equipment	7,273	1.98	2.16
79,985 Intel	3,753	1.02	
39,988 Micron Technology	3,520	0.96	
Diversified telecommunication services	11,365	3.09	3.14
100,159 AT&T	2,363	0.64	
167,307 Verizon Communications	9,002	2.45	
Wireless telecommunication services	1,056	0.29	0.41
30,797 Telephone and Data Systems	528	0.15	
18,984 U.S. Cellular	528	0.14	
Media	9,564	2.60	3.19
168,953 Comcast	7,851	2.13	
78,237 News	1,713	0.47	
Interactive media & services	8,876	2.41	1.74
2,107 Alphabet	5,563	1.51	
16,086 Meta	3,313	0.90	
Electric utilities	11,107	3.02	3.22
64,921 Constellation Energy	2,848	0.77	
194,764 Exelon	8,259	2.25	
Equity real estate investment trusts (REITs)	10,108	2.75	2.38
81,214 Highwoods Properties	3,519	0.96	
78,012 National Retail Properties	3,324	0.90	
20,368 PS Business Parks	3,265	0.89	
Portfolio of investments	355,761	96.78	96.87
Cash equivalents	7,674	2.09	3.87
'AAA' rated money market funds^b	7,674	2.09	3.87
7,674,108 Northern Trust Global Fund - US dollar	7,674	2.09	

Investments

Portfolio statement (continued)

Holding	as at 28.02.22 \$'000	as at 28.02.22 %	as at 31.08.21 %
Total portfolio	363,435	98.87	100.74
Net other assets/(liabilities)	4,148	1.13	(0.74)
Net assets attributable to shareholders	367,583	100.00	100.00

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

^a Delisted.

^b Uncommitted surplus cash is placed into 'AAA' rated money market funds with the aim of reducing counterparty risk.

Investments

Top ten portfolio transactions for the six months to
28 February 2022

Largest purchases	\$'000
Fiserv	5,865
Willis Towers Watson	4,978
Meta Platforms	3,764
Johnson & Johnson	2,545
JPMorgan Chase	2,535
Verizon Communications	2,525
Chevron	2,468
Kroger	2,305
CSX	2,277
Bristol Myers Squibb	2,276
Other purchases	68,439
Total purchases	99,977

Largest sales	\$'000
General Dynamics	3,536
MetLife	2,602
Exelon	2,578
Anthem	2,555
Domtar	2,135
Pfizer	1,728
Oracle	1,664
Spx Flow	1,415
Laboratory of American Holdings	1,324
Chevron	1,218
Other sales	13,484
Total sales	34,239

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

Financial highlights

Fund performance

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

The following 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 (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value as at	28.02.22 \$'000	31.08.21 \$'000	31.08.20 \$'000
Fund net asset value (NAV)	367,583	300,687	262,804

Performance since launch

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

July 2005 = 100, plotted monthly
Chart date 1 March 2022



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	Six months 01.09.21 % ^a	Three years 01.03.19 % pa	Five years 01.03.17 % pa	Since launch % pa
Sterling				
Class 'A'	+3.0	+8.6	+6.3	+7.9
Class 'I'	+3.2	+9.2	+7.0	+14.0
Class 'PP'	+3.3	n/a	n/a	+8.8
Class 'R'	+3.1	+8.9	+6.7	+13.7
Class 'X'	+3.0	+8.6	+6.3	+7.9

^a 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 following table shows direct portfolio transaction costs paid by the fund before and after that

part of the dilution adjustment relating to direct portfolio transaction costs. To give an indication of the indirect portfolio dealing costs the table also shows the average portfolio dealing spread.

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

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 28.02.22 %	Year to 31.08.21 %	Year to 31.08.20 %	Average ^a %
Broker commission	0.02	0.02	0.03	0.02
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.02	0.02	0.03	0.02
Dilution adjustments ^c	(0.02)	(0.02)	(0.03)	(0.02)
Total direct portfolio transaction costs	0.00	0.00	0.00	0.00
as at Indirect portfolio transaction costs	28.02.22 %	31.08.21 %	31.08.20 %	Average ^a %
Average portfolio dealing spread	0.04	0.03	0.03	0.03

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

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

Historic yields for the current period are calculated as at 11 March 2022.

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 1 July 2005.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	152.71	116.40	129.96
Return before operating charges	4.98	40.53	(9.33)
Operating charges	(0.73)	(1.47)	(1.50)
Return after operating charges	4.25	39.06	(10.83)
Distributions	n/a	(2.75)	(2.73)
Closing NAV	156.96	152.71	116.40
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	0.03
Dilution adjustments ^a	(0.02)	(0.03)	(0.03)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.95	1.06	1.20
Return after charges	+2.78	+33.56	-8.33
Historic yield	1.74	1.83	2.42
Other information			
Closing NAV (\$'000)	111,232	111,513	109,988
Closing NAV (%)	30.26	37.09	41.85
Number of shares	52,905,699	53,033,068	71,027,778
Highest share price (UK p)	162.04	156.12	138.91
Lowest share price (UK p)	146.33	114.17	100.33

Sterling Class 'A' Accumulation share performance

The share class was launched on 1 July 2005.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	173.19	129.67	141.48
Return before operating charges	5.66	45.15	(10.18)
Operating charges	(0.83)	(1.63)	(1.63)
Return after operating charges	4.83	43.52	(11.81)
Distributions	n/a	(1.45)	(1.42)
Retained distributions	n/a	1.45	1.42
Closing NAV	178.02	173.19	129.67
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	0.04
Dilution adjustments ^a	(0.02)	(0.03)	(0.04)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.95	1.06	1.20
Return after charges	+2.79	+33.56	-8.35
Historic yield	0.81	0.85	1.13
Other information			
Closing NAV (\$'000)	2,367	2,210	1,840
Closing NAV (%)	0.65	0.73	0.70
Number of shares	992,670	926,592	1,066,393
Highest share price (UK p)	183.77	173.93	151.21
Lowest share price (UK p)	165.96	127.19	109.21

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	2,948.04	2,236.83	2,484.99
Return before operating charges	96.23	780.61	(179.11)
Operating charges	(8.16)	(16.38)	(16.72)
Return after operating charges	88.07	764.23	(195.83)
Distributions	n/a	(53.02)	(52.33)
Closing NAV	3,036.11	2,948.04	2,236.83
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.30	0.51	0.66
Dilution adjustments ^a	(0.30)	(0.51)	(0.66)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.55	0.61	0.70
Return after charges	+2.99	+34.17	-7.88
Historic yield	1.73	1.83	2.41
Other information			
Closing NAV (\$'000)	27,017	30,114	17,066
Closing NAV (%)	7.35	10.01	6.50
Number of shares	664,344	741,872	573,492
Highest share price (UK p)	3,132.80	3,013.61	2,661.33
Lowest share price (UK p)	2,825.54	2,195.94	1,923.79

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	3,390.67	2,527.31	2,743.64
Return before operating charges	110.74	881.91	(197.68)
Operating charges	(9.41)	(18.55)	(18.65)
Return after operating charges	101.33	863.36	(216.33)
Distributions	n/a	(41.57)	(40.13)
Retained distributions	n/a	41.57	40.13
Closing NAV	3,492.00	3,390.67	2,527.31
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.34	0.58	0.74
Dilution adjustments ^a	(0.34)	(0.58)	(0.74)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.55	0.61	0.70
Return after charges	+2.99	+34.16	-7.88
Historic yield	1.18	1.25	1.64
Other information			
Closing NAV (\$'000)	150,207	148,487	83,552
Closing NAV (%)	40.86	49.38	31.79
Number of shares	3,211,370	3,180,554	2,485,038
Highest share price (UK p)	3,603.21	3,404.84	2,938.09
Lowest share price (UK p)	3,249.82	2,481.01	2,123.84

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	114.58	86.84	96.33
Return before operating charges	3.88	30.32	(6.96)
Operating charges	(0.40)	(0.52)	(0.50)
Return after operating charges	3.48	29.80	(7.46)
Distributions	n/a	(2.06)	(2.03)
Closing NAV	118.06	114.58	86.84
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.02	0.03
Dilution adjustments ^a	(0.02)	(0.02)	(0.03)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges	0.45	0.47 ^d	0.55
Return after charges	+3.04	+34.32	-7.74
Historic yield	1.73	1.83	2.41
Other information			
Closing NAV (\$'000)	68,441	589	109
Closing NAV (%)	18.62	0.20	0.04
Number of shares	43,277,895	373,595	94,866
Highest share price (UK p)	121.82	117.13	103.23
Lowest share price (UK p)	109.83	85.27	74.64

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	123.44	91.89	99.61
Return before operating charges	4.05	32.05	(7.23)
Operating charges	(0.29)	(0.50)	(0.49)
Return after operating charges	3.76	31.55	(7.72)
Distributions	n/a	(1.64)	(1.59)
Retained distributions	n/a	1.64	1.59
Closing NAV	127.20	123.44	91.89
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.02
Dilution adjustments ^a	(0.01)	(0.02)	(0.02)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.45	0.55 ^d	0.55
Return after charges	+3.05	+34.33	-7.75
Historic yield	1.28	1.35	1.79
Other information			
Closing NAV (\$'000)	717	268	44,541
Closing NAV (%)	0.19	0.09	16.95
Number of shares	420,809	157,391	36,433,920
Highest share price (UK p)	131.23	123.96	106.72
Lowest share price (UK p)	118.32	90.23	77.17

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	291.00	221.36	246.53
Return before operating charges	9.49	77.17	(17.73)
Operating charges	(1.17)	(2.29)	(2.25)
Return after operating charges	8.32	74.88	(19.98)
Distributions	n/a	(5.24)	(5.19)
Closing NAV	299.32	291.00	221.36
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.05	0.07
Dilution adjustments ^a	(0.03)	(0.05)	(0.07)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.80	0.86	0.95
Return after charges	+2.86	+33.83	-8.10
Historic yield	1.74	1.83	2.41
Other information			
Closing NAV (\$'000)	458	503	345
Closing NAV (%)	0.13	0.17	0.13
Number of shares	114,334	125,448	117,193
Highest share price (UK p)	308.94	297.49	263.77
Lowest share price (UK p)	278.87	217.22	190.59

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	331.26	247.53	269.43
Return before operating charges	10.81	86.28	(19.44)
Operating charges	(1.34)	(2.55)	(2.46)
Return after operating charges	9.47	83.73	(21.90)
Distributions	n/a	(3.33)	(3.32)
Retained distributions	n/a	3.33	3.32
Closing NAV	340.73	331.26	247.53
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.06	0.07
Dilution adjustments ^a	(0.03)	(0.06)	(0.07)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.80	0.86	0.95
Return after charges	+2.86	+33.83	-8.13
Historic yield	0.97	1.02	1.38
Other information			
Closing NAV (\$'000)	4,008	3,834	2,776
Closing NAV (%)	1.09	1.27	1.06
Number of shares	878,110	840,499	842,906
Highest share price (UK p)	351.69	332.65	288.20
Lowest share price (UK p)	317.45	242.89	208.24

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 1 July 2005.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	152.76	116.44	130.00
Return before operating charges	4.98	40.54	(9.33)
Operating charges	(0.73)	(1.47)	(1.50)
Return after operating charges	4.25	39.07	(10.83)
Distributions	n/a	(2.75)	(2.73)
Closing NAV	157.01	152.76	116.44
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	0.03
Dilution adjustments ^a	(0.02)	(0.03)	(0.03)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.95	1.06	1.20
Return after charges	+2.78	+33.55	-8.33
Historic yield	1.74	1.83	2.42
Other information			
Closing NAV (\$'000)	1,436	1,469	1,290
Closing NAV (%)	0.39	0.49	0.49
Number of shares	682,803	698,607	833,185
Highest share price (UK p)	162.08	156.17	138.95
Lowest share price (UK p)	146.37	114.21	100.36

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 July 2005.

Change in NAV per share	Six months to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	173.66	130.00	141.86
Return before operating charges	5.67	45.29	(10.23)
Operating charges	(0.83)	(1.63)	(1.63)
Return after operating charges	4.84	43.66	(11.86)
Distributions	n/a	(1.46)	(1.42)
Retained distributions	n/a	1.46	1.42
Closing NAV	178.50	173.66	130.00
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	0.04
Dilution adjustments ^a	(0.02)	(0.03)	(0.04)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.95	1.05	1.20
Return after charges	+2.79	+33.58	-8.36
Historic yield	0.81	0.85	1.13
Other information			
Closing NAV (\$'000)	1,700	1,700	1,297
Closing NAV (%)	0.46	0.57	0.49
Number of shares	710,957	711,067	749,789
Highest share price (UK p)	184.27	174.40	151.63
Lowest share price (UK p)	166.41	127.54	109.50

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

^d As the operating charges figure has been calculated on an average NAV basis during the period, the difference between the 'PP' Income and Accumulation share class charges is due to large movements on both the share classes.

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2022		2021	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains/(losses)		(1,249)		47,499
Revenue	3,525		3,142	
Expenses	(1,053)		(1,140)	
Net revenue/(expense) before taxation	2,472		2,002	
Taxation	(457)		(440)	
Net revenue/(expense) after taxation		2,015		1,562
Total return before equalisation		766		49,061
Equalisation		691		(372)
Change in net assets attributable to shareholders from investment activities		1,457		48,689

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2022		2021	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		300,687		262,804
Amounts received on issue of shares	101,764		11,246	
Amounts paid on cancellation of shares	(36,407)		(86,847)	
		65,357		(75,601)
Dilution adjustments		82		61
Change in net assets attributable to shareholders from investment activities (see above)		1,457		48,689
Closing net assets attributable to shareholders		367,583		235,953

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

Financial statements and notes

Financial statements

Balance sheet

as at	28 February 2022 \$'000	31 August 2021 \$'000
Assets		
Fixed assets		
Investments	355,761	291,276
Current assets		
Debtors	133,155	911
Cash and bank balances	514	735
Cash equivalents	7,674	11,626
Total assets	497,104	304,548
Liabilities		
Creditors		
Distribution payable	0	(2,598)
Other creditors	(129,521)	(1,263)
Total liabilities	(129,521)	(3,861)
Net assets attributable to shareholders	367,583	300,687

Financial statements and notes

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

Authorised Corporate Director's Report

Important information

Following shareholder approval on 20 October 2021, the M&G European Select Fund and M&G Pan European Select Smaller Companies Fund were merged into M&G European Sustain Paris Aligned Fund on 10 December 2021 and are no longer available for investment. The merged funds will be formally terminated when all their outstanding assets and liabilities have been settled.

Investment objective up to 10 December 2021

The fund aims to provide a higher total return (the combination of capital growth and income) than that of the EMIX Smaller European Companies Index, net of the ongoing charges figure, over any five-year period.

Investment policy up to 10 December 2021

The fund will invest at least 80% in the equities of European smaller companies, from the bottom third (by total market capitalisation) of all publicly listed equities in Europe including the UK.

The fund has a concentrated portfolio and usually holds fewer than 45 stocks.

The fund uses an investment process that is based on the fundamental analysis of competitively advantaged companies with sustainable business models.

Sustainability considerations play an important role in determining the investment universe and assessing business models. Companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment and anti-corruption are excluded from the investment universe. Companies involved in the production of tobacco and controversial weapons are also excluded.

The fund may also invest in collective investment schemes, including funds managed by M&G, other transferable securities and warrants.

Cash and near cash may be held for ancillary purposes and derivatives may be used for efficient portfolio management and hedging purposes.

Investment approach up to 10 December 2021

The fund makes long-term investments in smaller companies with sustainable business models and competitively advantageous characteristics to protect their profitability. Importantly, the fund manager invests in businesses where short-term issues have provided a clear valuation opportunity.

Sustainability considerations are fully integrated into the investment process.

The fund manager believes that this approach offers a powerful combination, providing the long-term compounded value of quality businesses, as well as the potential boost to a company's share price when a short-term issue has been resolved.

Benchmark up to 10 December 2021

Benchmark: EMIX Smaller European Companies Index.

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

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

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

Authorised Corporate Director's Report

Risk profile up to 10 December 2021

The fund invests in the shares of smaller Europe-listed companies and is, therefore, subject to the price volatility of the European stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on smaller companies where the share price movement can be more unpredictable and the shares more difficult to buy and sell compared to those of larger companies. Diversification across countries, industries and market capitalisation is therefore 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 March 2022, for the period ended 10 December 2021

Performance against objective

Between 1 September 2021 (the start of the review period) and 10 December 2021, when the fund closed, the sterling share classes of the M&G Pan European

Select Smaller Companies Fund delivered a negative total return (the combination of income and growth of capital).

All share classes produced returns that were behind the benchmark index, the EMIX Smaller European Companies Index, which declined 4.4% in the time period.

Over five years, all of the fund's share classes have delivered positive returns, but trailed the benchmark, which rose 10.2% pa in sterling. Therefore, the fund did not meet its objective to provide a combination of capital growth and income, net of the ongoing charge figure, that is higher than the EMIX Smaller European Companies Index over any five-year period.

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

Performance review

European stockmarkets were turbulent in the review period as worries about inflation and the Omicron variant of coronavirus weighed on investor risk appetite.

The period got off to a weak start, as concerns about rising inflation and the possibility that interest rates might rise sooner than expected rattled markets in September. Although persistent high inflation remained a worry, share prices rebounded to reach record highs in mid-November, buoyed in part by robust corporate earnings. However, these gains were quickly erased when the discovery of the highly transmissible Omicron variant of coronavirus sparked sharp falls in global stockmarkets.

In this environment, the share prices of smaller European companies declined, trailing their larger counterparts.

From a sector perspective, energy was the stand-out performer, supported by higher oil prices. Utilities also rose, while real estate and financials outperformed the broader market too. In contrast, healthcare was the weakest area. Communication services (which includes telecommunications firms) and information technology were notable laggards as well.

Authorised Corporate Director's Report

Against this background, the fund delivered a negative return and lagged the benchmark index. Stock selection in consumer discretionary, industrials and materials detracted from relative performance and outweighed stock selection in healthcare, which added value.

In consumer discretionary, our holding in German online glasses retailer Mister Spex was a notable detractor. The stock declined when the company adjusted its earnings guidance following a slowdown in revenue growth from prescription glasses.

Our holdings in UK building materials company SigmaRoc and German data management firm Exasol also held back relative performance.

In contrast, our holding in Spanish pharmaceutical company Laboratorios Farmaceuticos Rovi (Rovi) made a significant contribution to returns. The company makes COVID-19 vaccines for US company Moderna and during the period it reported that this had contributed to a significant rise in profits.

In addition, our holdings in Swedish vehicle glass repair firm Cary Group and Swiss industrial valves company VAT Group were notable contributors.

Investment activities

During the review period, we made a number of changes to the portfolio. We invested in Danish pharmaceutical company Novo Nordisk, which is focused on developing treatments for chronic diseases including diabetes. Besides producing insulin, Novo has shown an interest in expanding its research into treatments for blood disease and cardiovascular illness.

French energy management company Schneider Electric also joined the portfolio. The company provides solutions for homes, buildings and data centres that help improve energy efficiency and therefore reduce their carbon footprint.

We also started a position in French industrial group Legrand, which is a leading producer of electrical products such as switches, thermostats and cable management systems.

In contrast, we sold our entire stakes in Spanish pharmaceutical company Laboratorios Farmaceuticos Rovi, Belgium-based biscuit maker Lotus Bakeries and Spain-based pool and wellness equipment firm Fluidra.

Michael Oliveros

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.

Please refer to the 'Important Information' section within the ACD's report on page 2 for details of the fund merger and planned termination of this fund.

Investments

Portfolio statement

The fund had no holdings as at the end of the period.

Top ten portfolio transactions for the period to 10 December 2021.

Largest purchases	€'000
Novo Nordisk	8,902
Schneider Electric	7,322
Lotus Bakeries	5,487
Legrand	5,457
Akzo Nobel	5,289
Nestlé (Switzerland listing)	5,282
ING	4,651
Kuehne + Nagel International	4,428
SAP	4,412
Scout24	4,337
Other purchases	48,485
Total purchases	104,052

Largest sales	€'000
Lotus Bakeries	5,924
Montana Aerospace	5,685
Laboratorios Farmaceuticos Rovi	5,489
Fluidra	5,194
Medicover	4,983
VAT	4,931
SigmaRoc	4,614
Vitec Software	4,536
flatexDEGIRO	4,468
Aalberts	4,126
Other sales	198,152
Total sales	248,102

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

Financial highlights

Fund performance

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

The following 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 (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value as at	28.02.22 €'000	31.08.21 €'000	31.08.20 €'000
Fund net asset value (NAV)	0	153,449	159,592

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.

September 1996 = 100, plotted monthly
Chart date 10 December 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 to 10 December 2021 when the fund closed. 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	From 01.09.21 % ^a	From 01.03.19 % pa	From 01.03.17 % pa	Since launch % pa
Sterling				
Class 'A'	-6.9	+12.9	+6.1	+10.0
Class 'I'	-6.8	+13.5	+6.7	+12.2
Class 'R'	-6.9	+13.2	+6.5	+11.9
Class 'X'	-6.9	+12.9	+6.1	+12.2

^a 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 following table shows direct portfolio transaction costs paid by the fund before and after that

part of the dilution adjustment relating to direct portfolio transaction costs. To give an indication of the indirect portfolio dealing costs the table also shows the average portfolio dealing spread.

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

Portfolio transaction costs

Direct portfolio transaction costs ^b	Period to 28.02.22 %	Year to 31.08.21 %	Year to 31.08.20 %	Average ^a %
Broker commission	0.11	0.03	0.04	0.06
Taxes	0.15	0.02	0.03	0.07
Costs before dilution adjustments	0.26	0.05	0.07	0.13
Dilution adjustments ^c	0.00	(0.04)	(0.03)	(0.02)
Total direct portfolio transaction costs	0.26	0.01	0.04	0.11
as at Indirect portfolio transaction costs	28.02.22 %	31.08.21 %	31.08.20 %	Average ^d %
Average portfolio dealing spread	0.00 ^e	0.37	0.38	0.38

^a Average of first three columns.

^b As a percentage of average net asset value.

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

^d Average of the 2021 and 2020 columns.

^e The average figure for 2022 is not a true representation, as the fund has not been in existence for the full 2022 financial period.

Financial highlights

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.

The share classes were merged into the M&G European Sustain Paris Aligned Fund on 10 December 2021. The historic yields for the current period were calculated at the merger date.

Sterling Class 'A' Income share performance

The share class was launched on 30 September 1996. The share class closed on 10 December 2021.

Change in NAV per share	Period to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	494.82	340.66	335.91
Return before operating charges	(30.20)	162.61	13.17
Operating charges	(1.69)	(5.31)	(4.42)
Return after operating charges	(31.89)	157.30	8.75
Distributions	(0.43)	(3.14)	(4.00)
Return to shareholder as a result of share class closure	(462.50)	n/a	n/a
Closing NAV	0.00	494.82	340.66
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.63	0.21	0.22
Dilution adjustments ^a	0.00	(0.17)	(0.10)
Total direct transaction costs	0.63	0.04	0.12
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.26	0.01	0.04
Operating charges ^c	1.25	1.30	1.35
Return after charges	-6.44	+46.18	+2.60
Historic yield	0.68	0.00	1.20
Other information			
Closing NAV (€'000)	0	42,825	49,595
Closing NAV (%)	0.00	27.91	31.08
Number of shares	0	7,438,518	13,027,008
Highest share price (UK p)	504.37	496.78	365.02
Lowest share price (UK p)	389.45	326.69	224.40

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 30 September 1996.
The share class closed on 10 December 2021.

Change in NAV per share	Period to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	562.02	384.48	374.73
Return before operating charges	(34.81)	183.68	14.63
Operating charges	(1.92)	(6.14)	(4.88)
Return after operating charges	(36.73)	177.54	9.75
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Return to shareholder as a result of share class closure	(525.29)	n/a	n/a
Closing NAV	0.00	562.02	384.48
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.72	0.25	0.24
Dilution adjustments ^a	0.00	(0.20)	(0.11)
Total direct transaction costs	0.72	0.05	0.13
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.26	0.01	0.04
Operating charges ^c	1.25	1.29	1.35
Return after charges	-6.54	+46.18	+2.60
Historic yield	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	23,308	16,526
Closing NAV (%)	0.00	15.19	10.36
Number of shares	0	3,564,461	3,846,132
Highest share price (UK p)	572.83	560.68	407.20
Lowest share price (UK p)	439.55	368.71	250.33

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012. The share class closed on 10 December 2021.

Change in NAV per share	Period to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	2,770.79	1,898.96	1,863.09
Return before operating charges	(169.30)	909.48	73.41
Operating charges	(6.43)	(20.07)	(15.29)
Return after operating charges	(175.73)	889.41	58.12
Distributions	(2.40)	(17.58)	(22.25)
Return to shareholder as a result of share class closure	(2,592.66)	n/a	n/a
Closing NAV	0.00	2,770.79	1,898.96
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.54	1.24	1.22
Dilution adjustments ^a	0.00	(0.97)	(0.55)
Total direct transaction costs	3.54	0.27	0.67
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.26	0.01	0.04
Operating charges ^c	0.85	0.85	0.85
Return after charges	-6.34	+46.84	+3.12
Historic yield	0.68	0.85	1.19
Other information			
Closing NAV (€'000)	0	8,861	5,848
Closing NAV (%)	0.00	5.77	3.66
Number of shares	0	274,861	275,563
Highest share price (UK p)	2,824.44	2,781.68	2,028.50
Lowest share price (UK p)	2,174.19	1,822.64	1,248.12

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012. The share class closed on 10 December 2021.

Change in NAV per share	Period to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	3,144.29	2,141.37	2,076.71
Return before operating charges	(195.05)	1,026.01	81.70
Operating charges	(7.31)	(23.09)	(17.04)
Return after operating charges	(202.36)	1,002.92	64.66
Distributions	0.00	0.00	(7.38)
Retained distributions	0.00	0.00	7.38
Return to shareholder as a result of share class closure	(2,941.93)	n/a	n/a
Closing NAV	0.00	3,144.29	2,141.37
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	4.03	1.42	1.36
Dilution adjustments ^a	0.00	(1.12)	(0.61)
Total direct transaction costs	4.03	0.30	0.75
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.26	0.01	0.04
Operating charges ^c	0.85	0.85	0.85
Return after charges	-6.44	+46.84	+3.11
Historic yield	0.00	0.00	0.35
Other information			
Closing NAV (€'000)	0	64,085	38,655
Closing NAV (%)	0.00	41.76	24.22
Number of shares	0	1,751,792	1,615,244
Highest share price (UK p)	3,205.02	3,136.75	2,260.96
Lowest share price (UK p)	2,451.71	2,055.30	1,391.17

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012. The share class closed on 10 December 2021.

Change in NAV per share	Period to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	273.12	187.65	184.56
Return before operating charges	(16.69)	89.79	7.24
Operating charges	(0.82)	(2.59)	(1.95)
Return after operating charges	(17.51)	87.20	5.29
Distributions	(0.24)	(1.73)	(2.20)
Return to shareholder as a result of share class closure	(255.37)	n/a	n/a
Closing NAV	0.00	273.12	187.65
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.35	0.12	0.12
Dilution adjustments ^a	0.00	(0.10)	(0.05)
Total direct transaction costs	0.35	0.02	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.26	0.01	0.04
Operating charges ^c	1.10	1.10	1.10
Return after charges	-6.41	+46.47	+2.87
Historic yield	0.68	1.10	1.20
Other information			
Closing NAV (€'000)	0	1,167	640
Closing NAV (%)	0.00	0.76	0.40
Number of shares	0	367,365	305,292
Highest share price (UK p)	278.38	274.18	200.75
Lowest share price (UK p)	214.68	180.03	123.47

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012. The share class closed on 10 December 2021.

Change in NAV per share	Period to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	307.44	209.91	204.07
Return before operating charges	(19.06)	100.40	8.01
Operating charges	(0.92)	(2.87)	(2.17)
Return after operating charges	(19.98)	97.53	5.84
Distributions	0.00	0.00	(0.22)
Retained distributions	0.00	0.00	0.22
Return to shareholder as a result of share class closure	(287.46)	n/a	n/a
Closing NAV	0.00	307.44	209.91
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.39	0.14	0.13
Dilution adjustments ^a	0.00	(0.11)	(0.06)
Total direct transaction costs	0.39	0.03	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.26	0.01	0.04
Operating charges ^c	1.10	1.10	1.10
Return after charges	-6.50	+46.46	+2.86
Historic yield	0.00	0.00	0.11
Other information			
Closing NAV (€'000)	0	9,343	6,260
Closing NAV (%)	0.00	6.09	3.92
Number of shares	0	2,612,060	2,668,431
Highest share price (UK p)	313.36	306.71	221.97
Lowest share price (UK p)	240.15	201.38	136.52

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002. The share class closed on 10 December 2021.

Change in NAV per share	Period to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	489.47	336.97	332.27
Return before operating charges	(29.88)	160.98	12.99
Operating charges	(1.67)	(5.37)	(4.33)
Return after operating charges	(31.55)	155.61	8.66
Distributions	(0.42)	(3.11)	(3.96)
Return to shareholder as a result of share class closure	(457.50)	n/a	n/a
Closing NAV	0.00	489.47	336.97
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.63	0.22	0.22
Dilution adjustments ^a	0.00	(0.17)	(0.10)
Total direct transaction costs	0.63	0.05	0.12
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.26	0.01	0.04
Operating charges ^c	1.25	1.29	1.35
Return after charges	-6.45	+46.18	+2.61
Historic yield	0.68	1.25	1.20
Other information			
Closing NAV (€'000)	0	2,466	1,833
Closing NAV (%)	0.00	1.61	1.15
Number of shares	0	433,022	486,713
Highest share price (UK p)	498.92	491.40	361.08
Lowest share price (UK p)	385.24	323.15	221.98

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002. The share class closed on 10 December 2021.

Change in NAV per share	Period to 28.02.22 UK p	Year to 31.08.21 UK p	Year to 31.08.20 UK p
Opening NAV	555.22	379.83	370.20
Return before operating charges	(34.40)	181.45	14.44
Operating charges	(1.89)	(6.06)	(4.81)
Return after operating charges	(36.29)	175.39	9.63
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Return to shareholder as a result of share class closure	(518.93)	n/a	n/a
Closing NAV	0.00	555.22	379.83
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.71	0.25	0.24
Dilution adjustments ^a	0.00	(0.19)	(0.11)
Total direct transaction costs	0.71	0.06	0.13
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.26	0.01	0.04
Operating charges ^c	1.25	1.29	1.35
Return after charges	-6.54	+46.18	+2.60
Historic yield	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	1,394	1,033
Closing NAV (%)	0.00	0.91	0.65
Number of shares	0	215,856	243,267
Highest share price (UK p)	565.90	553.89	402.28
Lowest share price (UK p)	434.23	364.25	247.31

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the period to 28 February	2022		2021	
	€'000	€'000	€'000	€'000
Income				
Net capital gains/(losses)		(8,310)		38,222
Revenue	145		245	
Expenses	(431)		(837)	
Net revenue/(expense) before taxation	(286)		(592)	
Taxation	(4)		21	
Net revenue/(expense) after taxation		(290)		(571)
Total return before distribution		(8,600)		37,651
Distribution		(17)		19
Change in net assets attributable to shareholders from investment activities		(8,617)		37,670

Statement of change in net assets attributable to shareholders

for the period to 28 February	2022		2021	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		153,449		159,592
Amounts received on issue of shares	885		41,401	
Amounts paid on cancellation of shares	(29,587)		(80,606)	
Transfer to M&G European Sustain Paris Aligned Fund	(116,131)		0	
		(144,833)		(39,205)
Dilution adjustments		0		93
Change in net assets attributable to shareholders from investment activities (see above)		(8,617)		37,670
Unclaimed distributions		1		0
Closing net assets attributable to shareholders		0		158,150

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

Financial statements and notes

Financial statements

Balance sheet

as at	28 February 2022 €'000	31 August 2021 €'000
Assets		
Current assets		
Investments	0	152,846
Debtors	686	436
Cash and bank balances	0	152
Cash equivalents	0	3,736
Total assets	686	157,170
Liabilities		
Creditors		
Bank overdrafts	0	(3,124)
Distribution payable	0	(351)
Other creditors	(686)	(246)
Total liabilities	(686)	(3,721)
Net assets attributable to shareholders	0	153,449

Financial statements and notes

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

Other regulatory disclosures

Swiss investor information

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

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

Glossary

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

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

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

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

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

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

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

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

Bunds Fixed income securities issued by the German government.

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

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

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

Cash equivalents Deposits or investments with similar characteristics to cash.

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Equities Shares of ownership in a company.

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

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

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

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

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

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

Glossary

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

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

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

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

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

Gilts Fixed income securities issued by the UK government.

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

Hedging A method of reducing unnecessary or unintended risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

Near cash Deposits or investments with similar characteristics to cash.

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

Risk-free asset An asset that notionally carries no risk of nonpayment by the borrower such as a high-quality fixed income security issued by a government or cash.

Risk/reward ratio A ratio comparing the expected returns of an investment with the amount of risk undertaken.

Safe-haven assets Refers to assets that investors perceive to be relatively safe from suffering a loss in times of market turmoil.

Security Financial term for a paper asset – usually a share in a company or a fixed income security also known as a bond.

Share class Each M&G fund has different share classes, such as A, R and I. Each has a different level of charges and minimum investment. Details on charges and minimum investments can be found in the Key Investor Information Documents.

Share class hedging Activities undertaken in respect of hedged shares to mitigate the impact on performance of exchange rate movements between the fund's currency exposure and the investor's chosen currency.

Short position A way for a fund manager to express his or her view that the market might fall in value.

Short selling This often refers to the practice whereby an investor sells an asset they do not own. The investor borrows the asset from someone who does own it and pays a fee. The investor must eventually return the borrowed asset by buying it in the open market. If the asset has fallen in price, the investor buys it for less than they sold it for, thus making a profit. The contrary may also occur.

Short-dated corporate bonds Fixed income securities issued by companies and repaid over relatively short periods.

Short-dated government bonds Fixed income securities issued by governments and repaid over relatively short periods.

Sovereign debt Debt of a government. Also referred to as government bonds.

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

Suspended Temporarily halting the trading of a listed security on the stock exchange. It can be voluntary (requested by the issuing company) or imposed by regulators. Typically, trading suspensions are introduced ahead of important news announcements, following technical glitches, or due to regulatory concerns.

Swing pricing Swing pricing is a method of protecting long-term shareholders in the fund from bearing the costs of transactions carried out by shorter-term investors. When investors buy or sell shares in the fund, the fund manager has to buy or sell underlying securities to either invest the cash obtained from investors, or to provide them with cash in exchange for their shares. Swing pricing essentially adjusts the fund shares' daily price to take into account the costs of buying or selling the underlying securities held by the fund. This ensures that transaction costs such as brokerage fees and administrative charges are borne by those investors who trade shares in the fund, not by those who remain invested in the fund. (Also see dilution adjustment).

Top-down investing An investment approach that analyses economic factors, ie surveys the 'big picture', before selecting which companies to invest in. The top-down investor will look at which industries are likely to generate the best returns in certain economic conditions and limit the search to that area.

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

Treasuries Fixed income securities issued by the US government.

Glossary

Triple A or AAA rated The highest possible rating a fixed income security, also called a bond, can be assigned by credit rating agencies. Bonds that are rated AAA are perceived to have the lowest risk of default. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

UCITS Stands for Undertakings for Collective Investment in Transferable Securities. This is the European regulatory framework for an investment vehicle that can be marketed across the European Union and is designed to enhance the single market in financial assets while maintaining high levels of investor protection.

Unconstrained The term used to describe the mandate of a fund whereby the manager has the freedom to invest according to his or her own strategy, not being obliged to allocate capital according to the weightings of any index, for example.

Underlying value The fundamental value of a company, reflecting both tangible and intangible assets, rather than the current market value.

Underlying yield Refers to the income received by a managed fund, and is usually expressed annually as a percentage based on the fund's current value.

Underweight If a portfolio is 'underweight' a stock, it holds a smaller proportion of that stock than the comparable index or sector.

Unit trust A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Unit/share type Type of units/shares held by investors in a trust or fund (unit/share types differ by features such as whether income is to be paid out as cash or reinvested on the payment date).

Unlisted/unquoted stocks Shares of ownership in companies that are not listed on a public exchange, known as private companies.

Valuation The worth of an asset or company based on its current price.

Volatile When the value of a particular share, market or sector swings up and down fairly frequently and/or significantly, it is considered volatile.

Volatility The degree to which a given security, fund, or index rapidly changes. It is calculated as the degree of deviation from the norm for that type of investment over a given time period. The higher the volatility, the riskier the security tends to be.

Warrant A security issued by a company that gives the holder the right to buy shares in that company at a specified price and within a certain timeframe.

Yield This refers to either the interest received from a fixed income security or to the dividends received from a share. It is usually expressed as a percentage based on the investment's costs, its current market value or its face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

Yield (equity) Refers to the dividends received by a holder of company shares and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

Yield (bonds) This refers to the interest received from a fixed income security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

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

