

# M&G Investment Funds (10)

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



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# Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (10) presents its Interim Long Report and unaudited Financial Statements for the six months ended 30 September 2021.

The unaudited financial statements of M&G Investment Funds (10) 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 (10) is an umbrella Open-Ended Investment Company (OEIC) and contains eight sub-funds, hereinafter referred to as 'funds' in the rest of this report. Each fund is a UCITS (Undertakings for Collective Investment in Transferable Securities) scheme as defined in the Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA). This OEIC is an Investment Company with Variable Capital (ICVC) incorporated under the Open-Ended Investment Companies Regulations 2001. It is authorised and regulated by the FCA under the Financial Services and Markets Act 2000.

The Company was authorised on 26 August 2010, the M&G UK Inflation Linked Corporate Bond Fund was launched on 16 September 2010, the M&G Absolute Return Bond Fund was launched on 13 December 2016, the M&G Global Listed Infrastructure Fund was launched on 5 October 2017, the M&G Positive Impact Fund was launched on 20 November 2018, the M&G Global Enhanced Equity Premia Fund was launched on 12 November 2019, the M&G Global High Yield ESG Bond Fund was launched on 25 February 2020, the M&G Climate Solutions Fund was launched on 5 November 2020 and the M&G Better Health Solutions Fund was launched on 17 June 2021.

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 30 September 2021, none of the funds held shares of the other funds within this OEIC.

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

## Fund managers

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

### M&G Absolute Return Bond Fund

Jim Leaviss and Wolfgang Bauer

### M&G Better Health Solutions Fund

Jasveet Brar

### M&G Climate Solutions Fund

Randeep Somel

### M&G Global Enhanced Equity Premia Fund

Gautam Samarth and Marc Beckenstrater

### M&G Global High Yield ESG Bond Fund

James Tomlins and Stefan Isaacs

### M&G Global Listed Infrastructure Fund

Alex Araujo

### M&G Positive Impact Fund

John William Olsen

### M&G UK Inflation Linked Corporate Bond Fund

Ben Lord

# Authorised Corporate Director's Report

## ACD

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

## Directors of the ACD

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

\* Appointed 19 May 2021.

## Investment manager

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

## Registrar

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

## 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](http://www.mandg.co.uk/valueassessment)

## Important information

On 17 June 2021, the M&G Better Health Solutions Fund was launched as a sub-fund of M&G Investment Funds (10).

On 20 July 2021, the investment objective and benchmark were changed for M&G Absolute Return Bond Fund.

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

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

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

## Investor information

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

# Authorised Corporate Director's Report

## Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

# Authorised Corporate Director's Report

## Authorised Corporate Director's Responsibilities

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

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

## Directors' statement

This report has been prepared in accordance with the requirements of the Collective Investment Schemes sourcebook, as issued and amended by the Financial Conduct Authority.

M&G Securities Limited  
11 November 2021

# Financial statements and notes

The financial statements for M&G Investment Funds (10) 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 March 2021. They are prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014 and amended in June 2017.

# Authorised Corporate Director's Report

## Investment objective up to 19 July 2021

The fund aims to achieve a total return (the combination of income and capital growth) of at least 2.5% per annum above the 3-month GBP LIBOR rate, before any charges are taken, in any market conditions and over any three year period. LIBOR is the rate at which banks borrow money from each other.

The fund aims to achieve this while seeking to minimise the degree to which the value of the fund fluctuates over time (volatility), while also seeking to limit monthly losses. Managing the fund in this way reduces its ability to achieve returns significantly above 3-month GBP LIBOR plus 2.5%.

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

## Investment objective from 20 July 2021

The fund aims to achieve a total return (the combination of income and capital growth) of at least 2.5% per annum above the Sterling Overnight Index Average (SONIA), before any charges are taken, in any market conditions and over any three year period.

The fund aims to achieve this while seeking to minimise the degree to which the value of the fund fluctuates over time (volatility), while also seeking to limit monthly losses. Managing the fund in this way reduces its ability to achieve returns significantly above SONIA plus 2.5%.

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

## Investment policy

The fund invests at least 70% in fixed and variable rate securities (including, but not limited to, corporate bonds

and government and public securities), currencies, cash, near cash and deposits. These may be from anywhere in the world and denominated in any currency.

The fund's exposure to these investments may also be gained through the use of derivatives, which are financial contracts whose value is derived from an underlying asset. The fund may take short positions (holding derivatives with the aim of delivering a positive return when the assets they are linked to fall in value) in markets, currencies, securities, and groups of securities. The fund also has the flexibility to gain exposure to investments exceeding the net asset value of the fund in order to increase potential returns in both rising and falling markets.

Derivatives may be used to meet the fund's objective and for efficient portfolio management purposes. The fund may also invest in other funds.

## Investment approach

The fund managers take a flexible approach, investing across a broad range of fixed income and currency markets according to where they identify value. A dynamic investment approach is followed, allowing the fund managers to change the blend of duration, credit and currency exposures based on their outlook. The fund will typically aim to have a high level of diversification in individual credit selection and across investment themes and sources of return. The managers will aim to achieve the performance objective while managing the fund's volatility and limiting losses during difficult market conditions.

## Benchmark up to 19 July 2021

Benchmark: 3-month GBP LIBOR + 2.5%.

The benchmark is a target which the fund seeks to achieve. The rate has been chosen as the fund's benchmark as it is an achievable performance target and best reflects the scope of the fund's investment policy. The benchmark is used solely to measure the



# Authorised Corporate Director's Report

fund's performance objective and does not constrain the fund's portfolio construction.

The fund is actively managed. The fund manager has complete freedom in choosing which assets to buy, hold and sell in the fund.

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

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

## Benchmark from 20 July 2021

Benchmark: SONIA + 2.5%

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

The fund is actively managed. The fund manager has complete freedom in choosing which assets to buy, hold and sell in the fund.

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

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

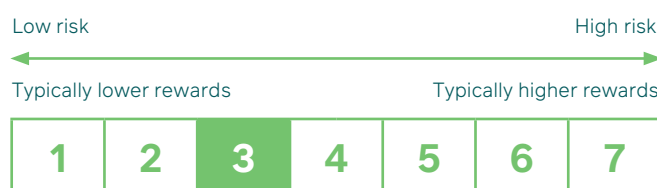
## Risk profile

The fund is a flexible bond fund which invests in a range of fixed income securities and in currencies. The fund is therefore subject to the price volatility of global bond markets and fluctuations in currency exchange rates.

The fund's exposure to fixed income securities may be gained through the use of derivatives. In association with the use of derivatives, including those instruments not traded through an exchange, collateral is deposited in order to mitigate the risk that a counterparty may default on its obligations or become insolvent.

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

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



The above number:

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

## Investment review

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

### Performance against objective

Between 1 April 2021 (the start of the review period) and 1 October 2021, the M&G Absolute Return Bond Fund delivered a total return (the combination of capital growth and income) ahead of the Sterling Overnight Index Average (SONIA) + 2.5% across all its share classes. The fund's objective is to achieve a total return of at least 2.5% per annum above the SONIA, before any charges are taken, in any market condition and over any three-year period.

SONIA reflects the average interest rate that banks pay to borrow sterling overnight from other financial institutions.

# Authorised Corporate Director's Report

Prior to 19 July 2021 the fund's investment objective was to deliver a combination of capital growth and income ahead of three-month GBP LIBOR plus 2.5% a year, before charges, over any three-year period.

The fund is currently meeting its investment objective having delivered an annualised return (gross of charges) of 3.5% in the three years to 1 October 2021, compared to SONIA +2.5% (from 19 July 2021 and before that GBP LIBOR +2.5% from 1 October 2018 until 19 July 2021) which delivered an annualised return of 3.0% over this period.

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

## Performance review

During the six months under review, the rollout of COVID-19 vaccinations continued to gather pace globally, allowing most nations to ease restrictions and economic activity to largely normalise. Economic growth (as indicated by GDP growth rates) among the world's largest economies was mostly very positive during the period, although some countries registered negative second-quarter growth rates as temporary lockdown measures were reintroduced.

Towards the end of the summer, much of the developed world appeared to be at or just past the peak rate of economic growth according to some of the well-publicised global business sentiment surveys. However, the recovery appeared to be increasingly uneven and delicate among some countries, with many experiencing a variety of fresh post-lockdown challenges, including renewed virus outbreaks, varying vaccination take-up rates, supply chain blockages and constrained energy markets. Most developed countries saw the prices of goods and services (inflation) surge in the spring and remain elevated during the summer months, driven by strong post-lockdown demand and supply bottlenecks of some raw materials.

In this environment, the majority of equity markets across developed nations registered positive returns over the six-month period. However, in China, doubts over the financial health of the property sector upset

investor appetite in the country, contributing to some disappointing investment returns from emerging market shares and bonds more broadly, particularly in Asia. Oil-producing nations such as Russia and the United Arab Emirates registered healthy gains as oil prices rose by more than 20% in US dollar terms during the period.

In the US, UK and Europe, fears over persistently high inflation, supply chain issues and rumours surrounding the imminent withdrawal of central bank support measures contributed to particularly volatile financial markets in September. As a result, core government bond yields – which had been falling for much of the period as central banks consistently dampened speculation they would be withdrawing stimulus measures – began sharply rising again. The government bond sell-off towards the end of the period particularly affected UK gilts, as many investors speculated the Bank of England would be the first major central bank to raise interest rates.

Corporate bonds delivered mostly positive returns over the period, although returns were held back by the rise in government bond yields. From a regional perspective, US corporate bonds outperformed UK and European corporate bonds, both in the investment grade and high yield segments.

Currency markets held relatively steady during the period. The US dollar strengthened slightly against sterling, the euro and yen, while emerging market currencies were notably weaker versus the US dollar amid growing risk aversion towards the end of the period.

The fund delivered a positive return during the review period, with performance mainly driven by continued resilience in credit markets.

## Investment activities

The fund remains cautiously positioned in terms of its duration (sensitivity to movements in interest rates) stance as we think the strengthening economic backdrop will put further upward pressure on yields, especially in the US where we think there is a risk that the rise in inflation could turn out to be less transitory than expected.

# Authorised Corporate Director's Report

Within credit, we continue to be cautiously positioned with a focus on higher quality investment grade names. During the period, we took the opportunity to scale back some of the fund's higher risk positions following strong performance, including a number of high yield bonds, financials and emerging market bonds.

We continue to see high levels of activity in the primary corporate bond market, as the market for newly-issued bonds is known. We remain selective in this area, given our assessment of valuations, although we did participate in new deals from a number of companies, such as Dutch residential investor Vesteda and multinational banking corporation ING Group.

Within currencies, we maintained our 'barbell' approach, consisting on the one hand of defensive 'safe-haven' positions – such as the Japanese yen and the US dollar – and on the other hand, a number of smaller opportunistic emerging market positions.

## Outlook

Looking forward, we remain cautiously optimistic on the outlook for credit as we think continued investor demand for income-generating assets should provide support to the asset class. We also expect default rates to remain low, as the benign funding conditions of the last 12 months have allowed many issuers to reduce funding costs and strengthen balance sheets. The sustained improvement in the global economic environment and favourable funding conditions should continue to be supportive for valuations as corporate earnings recover and balance sheet metrics improve.

Nevertheless, given the strength of the recovery in markets over the past few months, we think a more selective approach will be needed to help identify the attractive pockets of value that can still be found in fixed income markets.

We believe the fund's flexible and diversified investment approach leaves it well placed to capture these opportunities, while at the same time maintaining a strong focus on minimising losses in the event of further market weakness.

## Jim Leaviss and Wolfgang Bauer

Co-fund managers

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

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

## Investments

## Portfolio statement

Holding	as at 30.09.21 £'000	as at 30.09.21 %	as at 31.03.21 %
<b>Fixed income</b>	<b>21,113</b>	<b>95.66</b>	<b>93.87</b>
<b>Debt securities</b>	<b>21,216</b>	<b>96.13</b>	<b>94.39</b>
<b>'AAA' credit rated bonds</b>	<b>2,900</b>	<b>13.14</b>	<b>17.06</b>
AU\$900,000 Australia (Commonwealth of) 1.75% 21/06/2051	415	1.88	
£250,000 CPPIB Capital 1.125% 14/12/2029	249	1.13	
£300,000 Economic Master Issuer 2020-1 FRN 0.52% 25/06/2072	301	1.36	
£100,000 European Investment Bank FRN 1.051% 08/09/2025	103	0.47	
£167,159 Finsbury Square 2020-1 FRN 0.85% 16/03/2070	168	0.76	
€158,000 Germany (Federal Republic of) IL 0.5% 15/04/2030	182	0.83	
€353,000 Harvest VIII FRN 0.73% 15/01/2031	304	1.38	
£97,621 Hops Hill No. 1 FRN 1% 27/05/2054	98	0.44	
£163,056 London Wall Mortgage Capital FRN 0.8% 15/05/2051	164	0.74	
NOK1,400,000 Norway (Kingdom of) 1.75% 17/02/2027	120	0.54	
NOK2,000,000 Norway (Kingdom of) 2% 24/05/2023	172	0.78	
£70,984 Precise Mortgage Funding 2020-1B FRN 0.98% 16/10/2056	71	0.32	
US\$250,000 RIN II FRN 1.766% 10/09/2030	186	0.84	
€232,000 Sound Point Euro III Funding FRN 0.95% 15/04/2033	198	0.90	
£102,335 Towd Point Mortgage Funding 2019-Vantage2 FRN 1.25% 20/02/2054	103	0.47	
£65,452 Tower Bridge Funding No. 3 FRN 1.272% 20/12/2061	66	0.30	
<b>'AA' credit rated bonds</b>	<b>1,034</b>	<b>4.69</b>	<b>9.21</b>
€100,000 Deutsche Bahn Finance 0.375% 23/06/2029	87	0.39	
€170,000 Euroclear Bank 0.125% 07/07/2025	147	0.67	
£191,000 Metropolitan Life Global Funding I 0.625% 08/12/2027	183	0.83	
€171,000 New York Life Global Funding 0.25% 23/01/2027	149	0.68	
£200,000 New York Life Global Funding 0.75% 14/12/2028	192	0.87	
US\$150,000 US Treasury 0.625% 15/05/2030	104	0.47	
US\$100,000 US Treasury IL 3.875% 15/04/2029	172	0.78	
<b>'A' credit rated bonds</b>	<b>3,965</b>	<b>17.97</b>	<b>15.61</b>
€100,000 Allianz Var. Rate 3.375% Perpetual	93	0.42	
€400,000 Bank of America FRN 0.455% 22/09/2026	351	1.59	
€200,000 Banque Fédérative du Crédit Mutuel 0.625% 03/11/2028	173	0.78	
€100,000 Booking 0.5% 08/03/2028	87	0.40	
US\$200,000 Boubyan Sukuk 2.593% 18/02/2025	154	0.70	

## Investments

## Portfolio statement (continued)

Holding	as at 30.09.21 £'000	as at 30.09.21 %	as at 31.03.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'A' credit rated bonds (continued)</b>			
€350,000 BP Capital Markets 1.104% 15/11/2034	301	1.36	
€189,000 Chubb 0.875% 15/12/2029	168	0.76	
£101,000 Close Brothers Finance 1.625% 03/12/2030	99	0.45	
US\$67,000 Comcast 2.987% 01/11/2063	47	0.21	
£50,000 Comcast 5.5% 23/11/2029	64	0.29	
US\$300,000 DIB Sukuk 2.95% 16/01/2026	232	1.05	
€150,000 ELM Var. Rate 3.375% 29/09/2047	146	0.66	
US\$400,000 HCL America 1.375% 10/03/2026	293	1.33	
¥88,500,000 Japan (Govt. of) IL 0.1% 10/03/2029	610	2.77	
£250,000 JPMorgan Chase Var. Rate 0.991% 28/04/2026	248	1.12	
US\$200,000 JPMorgan Chase Var. Rate 1.045% 19/11/2026	146	0.66	
US\$226,494 Project Silver 3.967% 15/07/2044	167	0.76	
€126,000 State Grid Overseas Investment 0.797% 05/08/2026	111	0.50	
€100,000 State Grid Overseas Investment 1.375% 02/05/2025	90	0.41	
€300,000 Svenska Handelsbanken 0.01% 02/12/2027	255	1.16	
£133,000 Toyota Motor Credit 0.75% 19/11/2026	130	0.59	
<b>'BBB' credit rated bonds</b>	<b>10,034</b>	<b>45.46</b>	<b>40.26</b>
£71,000 AA Bond 2.875% 31/01/2022	71	0.32	
€145,000 Acef 0.75% 14/06/2028	124	0.56	
€200,000 Alstom 0.5% 27/07/2030	171	0.78	
US\$101,000 Altria 3.4% 06/05/2030	79	0.36	
€50,000 American International Var. Rate 1.186% 15/03/2037	41	0.19	
€150,000 ASR Nederland Var. Rate 5% Perpetual	146	0.66	
€100,000 Bayerische Landesbank Var. Rate 1% 23/09/2031	87	0.39	
£100,000 BNP Paribas Var. Rate 2% 24/05/2031	100	0.45	
US\$244,000 Boeing 2.196% 04/02/2026	183	0.83	
US\$145,000 Boeing 3.25% 01/02/2035	108	0.49	
US\$32,000 Broadcom 1.95% 15/02/2028	23	0.10	
£110,000 Bunzl Finance 1.5% 30/10/2030	106	0.48	
€247,000 CBRE Global Investors 0.5% 27/01/2028	210	0.95	

## Investments

## Portfolio statement (continued)

Holding	as at 30.09.21 £'000	as at 30.09.21 %	as at 31.03.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'BBB' credit rated bonds (continued)</b>			
€200,000 Channel Link Enterprises Finance Var. Rate 1.761% 30/06/2050	172	0.78	
€125,000 Commerzbank 0.375% 01/09/2027	108	0.49	
€200,000 Crédit Agricole Var. Rate 0.5% 21/09/2029	171	0.77	
£100,000 Crédit Agricole Var. Rate 1.874% 09/12/2031	99	0.45	
€180,000 Credit Suisse 0.625% 18/01/2033	146	0.66	
€100,000 CTP 0.75% 18/02/2027	86	0.39	
€191,000 Daimler 0.75% 11/03/2033	165	0.75	
£200,000 Deutsche Pfandbriefbank 1.75% 21/11/2022	202	0.92	
€110,000 DH Europe Finance II 1.8% 18/09/2049	100	0.45	
£156,000 DP World 4.25% 25/09/2030	176	0.80	
US\$34,000 DXC Technology 1.8% 15/09/2026	25	0.11	
€32,000 Engie 5.95% 16/03/2111	54	0.24	
€163,000 Fraport Frankfurt Airport Services Worldwide 1.875% 31/03/2028	146	0.66	
€400,000 Goldman Sachs FRN 0.454% 23/09/2027	352	1.60	
£150,000 Hammerson 6% 23/02/2026	171	0.78	
€141,000 Heathrow Funding 1.875% 14/03/2034	127	0.58	
€300,000 Iliad 1.875% 11/02/2028	245	1.11	
€200,000 ING Groep Var. Rate 0.375% 29/09/2028	171	0.77	
£184,000 Legal & General Var. Rate 3.75% 26/11/2049	196	0.89	
£100,000 Lloyds Banking Var. Rate 1.985% 15/12/2031	100	0.45	
€100,000 Logicor Financing 1.625% 15/07/2027	91	0.41	
£100,000 Logicor Financing 2.75% 15/01/2030	104	0.47	
MYR2,400,000 Malaysia (Govt. of) 3.882% 10/03/2022	431	1.95	
€100,000 Mexico (United Mexican States) 1.125% 17/01/2030	84	0.38	
€207,000 Mexico (United Mexican States) 1.45% 25/10/2033	169	0.77	
MXN3,480,000 Mexico (United Mexican States) 10% 05/12/2024	138	0.63	
US\$225,000 Mexico (United Mexican States) 4.5% 31/01/2050	172	0.78	
US\$49,439 Mitchells & Butlers Finance FRN 0.566% 15/12/2030	35	0.16	
€100,000 Mohawk Capital Finance 1.75% 12/06/2027	92	0.42	

## Investments

## Portfolio statement (continued)

Holding	as at 30.09.21 £'000	as at 30.09.21 %	as at 31.03.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'BBB' credit rated bonds (continued)</b>			
€265,000 Mondelēz International 0.25% 17/03/2028	226	1.02	
€318,000 National Grid 0.163% 20/01/2028	269	1.22	
US\$200,000 NatWest Var. Rate 2.359% 22/05/2024	153	0.69	
US\$200,000 NatWest Var. Rate 4.892% 18/05/2029	173	0.78	
€100,000 Peugeot Invest 1.875% 30/10/2026	90	0.41	
€250,000 Philippines (Republic of) 0.7% 03/02/2029	213	0.97	
€160,850 Portugal (Republic of) 1% 12/04/2052	129	0.58	
€300,000 Prosus 1.288% 13/07/2029	254	1.15	
US\$116,000 PVH 4.625% 10/07/2025	95	0.43	
€100,000 Quadient 2.25% 03/02/2025	88	0.40	
€70,000 Romania (Republic of) 3.875% 29/10/2035	68	0.31	
€44,000 Romania (Republic of) 4.625% 03/04/2049	45	0.20	
RUB7,500,000 Russia (Federation of) 8.15% 03/02/2027	80	0.36	
€132,000 Ryanair 0.875% 25/05/2026	115	0.52	
€255,000 Santander Var. Rate 0.603% 13/09/2029	217	0.98	
US\$474,563 S-Jets 2017-1 3.967% 15/08/2042	350	1.59	
€300,000 Sofina 1% 23/09/2028	255	1.16	
€200,000 Traton Finance Luxembourg 0.75% 24/03/2029	173	0.78	
€300,000 Unibail-Rodamco-Westfield 0.875% 29/03/2032	254	1.15	
€100,000 UniCredit Leasing 0.502% 18/10/2022	87	0.39	
US\$67,961 US Bancorp Var. Rate 5.3% Perpetual	58	0.26	
€171,000 Verizon Communications 0.75% 22/03/2032	146	0.66	
US\$28,000 Vodafone 5% 30/05/2038	26	0.12	
€300,000 Volkswagen Financial Services 0.125% 12/02/2027	255	1.16	
€207,000 Volkswagen Leasing 0.375% 20/07/2026	179	0.81	
€100,000 Vonovia 0.625% 14/12/2029	86	0.39	
€100,000 Vonovia 1.625% 01/09/2051	81	0.37	
€103,000 WPC Eurobond 1.35% 15/04/2028	92	0.42	
<b>'BB' credit rated bonds</b>	<b>2,693</b>	<b>12.20</b>	<b>9.28</b>
€400,000 Banco de Sabadell Var. Rate 0.875% 16/06/2028	339	1.54	

## Investments

## Portfolio statement (continued)

Holding	as at 30.09.21 £'000	as at 30.09.21 %	as at 31.03.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'BB' credit rated bonds (continued)</b>			
€200,000 Banco Santander Var. Rate 6.75% Perpetual	177	0.80	
€100,000 Bayer Var. Rate 2.375% 02/04/2075	87	0.39	
COP200,000,000 Bogota Distrito Capital 9.75% 26/07/2028	41	0.18	
€100,000 Cellnex Finance 2% 15/02/2033	84	0.38	
US\$32,000 Cheniere Energy Partners 3.25% 31/01/2032	24	0.11	
US\$50,000 Energy Transfer FRN 3.143% 01/11/2066	31	0.14	
€129,000 Ford Motor Credit 1.744% 19/07/2024	112	0.51	
€149,000 GTC Aurora Luxembourg 2.25% 23/06/2026	130	0.59	
€100,000 Heimstaden 4.375% 06/03/2027	86	0.39	
€100,000 Heimstaden Bostad Var. Rate 3.248% Perpetual	88	0.40	
€100,000 Iliad 2.375% 17/06/2026	86	0.39	
€300,000 Mahle 2.375% 14/05/2028	254	1.15	
£300,000 Petroleos Mexicanos 3.75% 16/11/2025	293	1.33	
US\$300,000 Rolls-Royce 3.625% 14/10/2025	226	1.02	
€300,000 SES Var. Rate 2.875% Perpetual	263	1.19	
US\$106,000 TEGNA 4.625% 15/03/2028	80	0.36	
£100,000 Vodafone Var. Rate 4.875% 03/10/2078	108	0.49	
€106,000 Wabtec Transportation Netherlands 1.25% 03/12/2027	94	0.43	
€100,000 ZF Europe Finance 3% 23/10/2029	90	0.41	
<b>'B' credit rated bonds</b>	<b>554</b>	<b>2.51</b>	<b>2.97</b>
€150,000 Egypt (Arab Republic of) 5.625% 16/04/2030	123	0.56	
US\$200,000 NAK Naftogaz Ukraine 7.625% 08/11/2026	148	0.67	
US\$214,000 Pilgrim's Pride 3.5% 01/03/2032	162	0.73	
€130,000 Ukraine (Republic of) 6.75% 20/06/2026	121	0.55	
<b>'D' credit rated bonds</b>	<b>36</b>	<b>0.16</b>	<b>0.00</b>
US\$200,000 China Evergrande 7.5% 28/06/2023	36	0.16	
<b>Debt derivatives</b>	<b>(103)</b>	<b>(0.47)</b>	<b>(0.52)</b>
<b>Credit default swaps</b>	<b>(324)</b>	<b>(1.47)</b>	<b>(1.12)</b>
US\$250,000 Amgen Jun 2023	(3)	(0.01)	
€150,000 Anglo American Capital Jun 2022	8	0.04	



## Investments

## Portfolio statement (continued)

Holding	as at 30.09.21 £'000	as at 30.09.21 %	as at 31.03.21 %
<b>Fixed income (continued)</b>			
<b>Debt derivatives (continued)</b>			
<b>Credit default swaps (continued)</b>			
€200,000 Anheuser-Busch InBev Dec 2021	0	0.00	
€100,000 Glencore Finance Europe Jun 2022	3	0.01	
€200,000 Glencore Finance Europe Jun 2023	27	0.12	
US\$150,000 Italy (Republic of) Dec 2022	1	0.00	
US\$4,350,000 Markit CDX North American Investment Grade Series 37 5 Year Dec 2026	(80)	(0.36)	
€680,000 Markit iTraxx Europe Senior Financials Series 36 5 Year Dec 2026	(13)	(0.06)	
€1,180,000 Markit iTraxx Europe Series 36 10 Year Dec 2031	(12)	(0.05)	
€11,200,000 Markit iTraxx Europe Series 36 5 Year Dec 2026	(258)	(1.17)	
€1,000,000 Markit iTraxx Europe Subordinated Financials Series 36 5 Year Dec 2026	4	0.02	
US\$200,000 Pfizer Jun 2022	(1)	(0.01)	
<b>Interest rate swaps</b>	<b>80</b>	<b>0.36</b>	<b>0.36</b>
€355,000 Pay 0.0472% Receive VAR Aug 2050	36	0.16	
£150,000 Pay 0.649% Receive VAR Jun 2022	(1)	(0.01)	
£150,000 Pay 0.786% Receive VAR Feb 2022	(1)	0.00	
£150,000 Pay 0.7975% Receive VAR Mar 2022	0	0.00	
£200,000 Pay 0.799% Receive VAR May 2022	(1)	(0.01)	
£300,000 Pay 0.81% Receive VAR Sep 2049	(3)	(0.01)	
US\$400,000 Pay 1.0817% Receive VAR Sep 2050	50	0.23	
<b>Interest rate futures</b>	<b>141</b>	<b>0.64</b>	<b>0.24</b>
(2) 10 Year US Treasury Note Dec 21	3	0.01	
(28) 5 Year US Treasury Note Dec 21	20	0.09	
(30) Euro Bobl Dec 2021	20	0.09	
(25) Euro Bund Dec 2021	52	0.24	
(2) Euro-Bono Sp Gov Dec 21	3	0.01	
(5) Euro-Btp Dec 21	9	0.04	
(4) Euro-Schatz Dec 21	0	0.00	
(9) Long Gilt Dec 21	34	0.16	

## Investments

## Portfolio statement (continued)

Holding	as at 30.09.21 £'000	as at 30.09.21 %	as at 31.03.21 %
Currency	(121)	(0.55)	0.15
Forward currency contracts	(121)	(0.55)	0.15
€133,218 Bought for £114,935 (expires 20.10.21)	0	0.00	
€(85,582) Sold for \$100,258 (expires 20.10.21)	0	0.00	
€(13,744,653) Sold for £11,779,930 (expires 20.10.21)	(61)	(0.28)	
¥45,838,119 Bought for £306,144 (expires 20.10.21)	(2)	(0.01)	
¥(3,992,267) Sold for £26,745 (expires 20.10.21)	0	0.00	
PEN320,000 Bought for \$81,639 (expires 20.10.21)	(1)	0.00	
US\$164,119 Bought for £120,391 (expires 20.10.21)	2	0.01	
US\$100,258 Bought for €85,582 (expires 20.10.21)	1	0.00	
US\$(81,639) Sold for PEN320,000 (expires 20.10.21)	(2)	(0.01)	
US\$(4,474,762) Sold for £3,272,484 (expires 20.10.21)	(58)	(0.26)	
<b>Portfolio of investments</b>	<b>20,992</b>	<b>95.11</b>	<b>94.02</b>
Cash equivalents	61	0.28	2.73
'AAA' rated money market funds <sup>a</sup>	61	0.28	2.73
61,000 Northern Trust Global Fund - Sterling	61	0.28	
<b>Total portfolio</b>	<b>21,053</b>	<b>95.39</b>	<b>96.75</b>
<b>Net other assets/(liabilities)</b>	<b>1,017</b>	<b>4.61</b>	<b>3.25</b>
<b>Net assets attributable to shareholders</b>	<b>22,070</b>	<b>100.00</b>	<b>100.00</b>

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

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

# Investments

## Portfolio transactions

for the six months to 30 September	2021 £'000	2020 £'000
Total purchases	6,428	16,069
Total sales	11,429	47,391

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

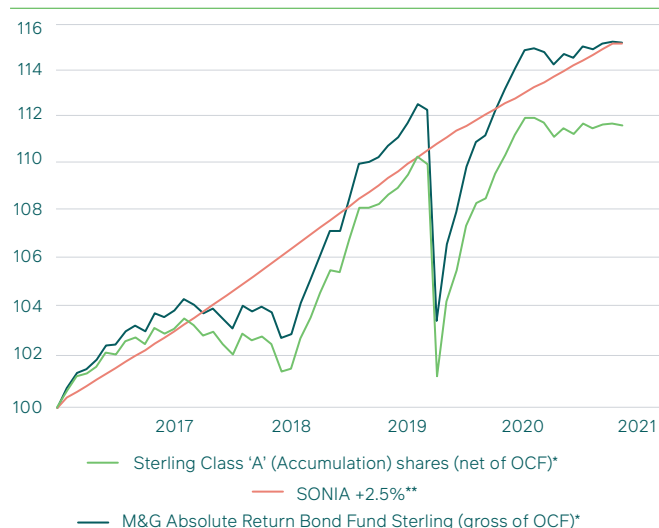
## Fund level performance

Fund net asset value as at	30.09.21 £'000	31.03.21 £'000	31.03.20 £'000
Fund net asset value (NAV)	22,070	27,286	52,563

## 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 2016 = 100, plotted monthly  
Chart date 1 October 2021



Source: Morningstar, Inc. and M&G

\* Income reinvested

\*\* Benchmark prior to 19 July 2021 was 3-month GBP LIBOR +2.5%.  
Thereafter it is SONIA +2.5%

The past performance shown here is for both gross returns (before the ongoing charges figure is taken) in line with the objective of the fund and net returns (after the ongoing charges figure has been taken) to illustrate how charges affected the performance. Investors should note that the net return is what they would receive and is therefore the more relevant figure.

# 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 launch dates.

Share class	Six months 01.04.21 % <sup>a</sup>	Three years 01.10.18 % pa	Five years 03.10.16 % pa	Since launch % pa
<b>Sterling</b>				
Class 'A'	+0.4	+2.8	n/a	+2.3
Class 'I'	+0.6	+3.0	n/a	+2.5
Class 'L'	+0.7	+3.1	n/a	+2.7
Class 'PP'	+0.7	n/a	n/a	+2.9

<sup>a</sup> Not annualised.

## Operating charges and portfolio transaction costs

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

### Operating charges

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

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

- Ongoing charges from underlying funds:** Ongoing charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated

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

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

## Portfolio transaction costs

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

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

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

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. As the fund invests mainly in fixed interest securities, the direct transaction costs paid on other

# Financial highlights

investments are too small to be reflected in the table below. To give an indication of the indirect portfolio dealing costs the table shows the average portfolio dealing spread.

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

## Portfolio transaction costs

as at Indirect portfolio transaction costs	30.09.21 %	31.03.21 %	31.03.20 %	Average <sup>a</sup> %
Average portfolio dealing spread	0.42	0.45	1.36	0.74

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

## 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.

## Sterling Class 'A' Income share performance

The share class was launched on 13 December 2016.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	99.64	91.58	98.54
Return before operating charges	0.91	10.79	(3.11)
Operating charges	(0.40)	(0.79)	(0.84)
Return after operating charges	0.51	10.00	(3.95)
Distributions	(0.79)	(1.94)	(3.01)
Closing NAV	99.36	99.64	91.58
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.01
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.00	0.01	0.01
Operating charges <sup>c</sup>	0.80	0.80	0.83
Return after charges	+0.51	+10.92	-4.01
Distribution yield	1.83	1.71	3.00
Other information			
Closing NAV (£'000)	1,043	918	782
Closing NAV (%)	4.72	3.36	1.49
Number of shares	1,049,311	921,455	854,192
Highest share price (UK p)	100.59	101.78	103.24
Lowest share price (UK p)	99.89	92.45	91.91

# Financial highlights

## Sterling Class 'A' Accumulation share performance

The share class was launched on 13 December 2016.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	110.85	99.97	104.25
Return before operating charges	1.02	11.75	(3.38)
Operating charges	(0.45)	(0.87)	(0.90)
Return after operating charges	0.57	10.88	(4.28)
Distributions	(0.45)	(1.26)	(2.34)
Retained distributions	0.45	1.26	2.34
Closing NAV	111.42	110.85	99.97
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.01	0.01
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.01	0.01
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.01	0.01
Operating charges <sup>c</sup>	0.80	0.80	0.83
Return after charges	+0.51	+10.88	-4.11
Distribution yield	1.03	0.91	2.19
<b>Other information</b>			
Closing NAV (£'000)	723	688	502
Closing NAV (%)	3.27	2.52	0.96
Number of shares	648,697	620,542	502,474
Highest share price (UK p)	111.91	112.18	110.60
Lowest share price (UK p)	111.12	100.60	98.46

## Sterling Class 'I' Income share performance

The share class was launched on 13 December 2016.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	100.42	92.20	98.99
Return before operating charges	0.92	10.74	(3.12)
Operating charges	(0.23)	(0.58)	(0.64)
Return after operating charges	0.69	10.16	(3.76)
Distributions	(0.80)	(1.94)	(3.03)
Closing NAV	100.31	100.42	92.20
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.01	0.01
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.01	0.01
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.01	0.01
Operating charges <sup>c</sup>	0.45	0.58	0.63
Return after charges	+0.69	+11.02	-3.80
Distribution yield	1.83	1.71	3.00
<b>Other information</b>			
Closing NAV (£'000)	3,262	5,612	8,067
Closing NAV (%)	14.79	20.57	15.35
Number of shares	3,252,294	5,588,610	8,749,817
Highest share price (UK p)	101.49	102.53	103.91
Lowest share price (UK p)	100.68	93.07	92.52

# Financial highlights

## Sterling Class 'I' Accumulation share performance

The share class was launched on 13 December 2016.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	111.84	100.65	104.75
Return before operating charges	1.03	11.83	(3.42)
Operating charges	(0.25)	(0.64)	(0.68)
Return after operating charges	0.78	11.19	(4.10)
Distributions	(0.64)	(1.48)	(2.58)
Retained distributions	0.64	1.48	2.58
Closing NAV	112.62	111.84	100.65
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.01
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.00	0.01	0.01
Operating charges <sup>c</sup>	0.45	0.59	0.63
Return after charges	+0.70	+11.12	-3.91
Distribution yield	1.38	1.26	2.39
Other information			
Closing NAV (£'000)	16,887	18,498	40,128
Closing NAV (%)	76.52	67.79	76.34
Number of shares	14,995,011	16,539,890	39,869,954
Highest share price (UK p)	113.03	113.12	111.33
Lowest share price (UK p)	112.12	101.29	99.12

## Sterling Class 'L' Income share performance

The share class was launched on 13 December 2016.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	100.89	92.49	99.22
Return before operating charges	0.93	10.81	(3.14)
Operating charges	(0.13)	(0.47)	(0.55)
Return after operating charges	0.80	10.34	(3.69)
Distributions	(0.80)	(1.94)	(3.04)
Closing NAV	100.89	100.89	92.49
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.01
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.00	0.01	0.01
Operating charges <sup>c</sup>	0.25	0.48	0.53
Return after charges	+0.79	+11.18	-3.72
Distribution yield	1.83	1.71	3.00
Other information			
Closing NAV (£'000)	20	1,430	1,906
Closing NAV (%)	0.09	5.24	3.63
Number of shares	20,034	1,417,027	2,060,538
Highest share price (UK p)	102.06	102.98	104.24
Lowest share price (UK p)	101.15	93.38	92.82



# Financial highlights

## Sterling Class 'L' Accumulation share performance

The share class was launched on 13 December 2016.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	112.41	101.04	105.05
Return before operating charges	1.03	11.92	(3.46)
Operating charges	(0.14)	(0.55)	(0.55)
Return after operating charges	0.89	11.37	(4.01)
Distributions	(0.76)	(1.33)	(2.70)
Retained distributions	0.76	1.33	2.70
Closing NAV	113.30	112.41	101.04
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.01
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.00	0.01	0.01
Operating charges <sup>c</sup>	0.25	0.48	0.54
Return after charges	+0.79	+11.25	-3.82
Distribution yield	1.58	1.46	2.49
Other information			
Closing NAV (£'000)	78	88	1,100
Closing NAV (%)	0.35	0.33	2.09
Number of shares	68,496	78,112	1,088,536
Highest share price (UK p)	113.71	113.66	111.75
Lowest share price (UK p)	112.69	101.69	99.51

## Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	98.16	89.94	100.00
Return before operating charges	0.91	10.61	(6.79)
Operating charges	(0.17)	(0.47)	(0.33)
Return after operating charges	0.74	10.14	(7.12)
Distributions	(0.79)	(1.92)	(2.94)
Closing NAV	98.11	98.16	89.94
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.00	0.01	0.01
Operating charges	0.35	0.48	0.50
Return after charges	+0.75	+11.27	-7.12
Distribution yield	1.83	1.71	2.48
Other information			
Closing NAV (£'000)	20	19	18
Closing NAV (%)	0.09	0.07	0.03
Number of shares	20,000	20,000	20,000
Highest share price (UK p)	99.26	100.21	101.37
Lowest share price (UK p)	98.41	90.80	90.27

# Financial highlights

## Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	106.38	95.64	100.00
Return before operating charges	0.98	11.24	(3.84)
Operating charges	(0.19)	(0.50)	(0.52)
Return after operating charges	0.79	10.74	(4.36)
Distributions	(0.67)	(1.50)	(2.55)
Retained distributions	0.67	1.50	2.55
Closing NAV	107.17	106.38	95.64
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.01
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.00	0.01	0.01
Operating charges <sup>c</sup>	0.35	0.48	0.53
Return after charges	+0.74	+11.23	-4.36
Distribution yield	1.48	1.36	2.49
Other information			
Closing NAV (£'000)	37	33	34
Closing NAV (%)	0.17	0.12	0.06
Number of shares	35,005	30,552	35,314
Highest share price (UK p)	107.57	107.58	105.75
Lowest share price (UK p)	106.64	96.25	94.19

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

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

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

# Financial statements and notes

## Financial statements

### Statement of total return

for the six months to 30 September	2021		2020	
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital gains/(losses)		42		4,112
Revenue	213		565	
Expenses	(62)		(162)	
Net revenue/(expense) before taxation	151		403	
Taxation	(1)		(1)	
Net revenue/(expense) after taxation		150		402
<b>Total return before distributions</b>		<b>192</b>		<b>4,514</b>
Distributions		(163)		(425)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>29</b>		<b>4,089</b>

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

for the six months to 30 September	2021		2020	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>27,286</b>		<b>52,563</b>
Amounts received on issue of shares	2,038		2,346	
Amounts paid on cancellation of shares	(7,391)		(32,639)	
		(5,353)		(30,293)
Dilution adjustments		8		104
Change in net assets attributable to shareholders from investment activities (see above)		29		4,089
Retained distributions on Accumulation shares		100		178
<b>Closing net assets attributable to shareholders</b>		<b>22,070</b>		<b>26,641</b>

The opening net assets attributable to shareholders for 2021 differs to the closing position in 2020 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

# Financial statements and notes

## Financial statements

### Balance sheet

as at	30 September 2021 £'000	31 March 2021 £'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	21,489	26,089
<b>Current assets</b>		
Debtors	185	238
Cash and bank balances	1,031	941
Cash equivalents	61	744
<b>Total assets</b>	<b>22,766</b>	<b>28,012</b>
<b>Liabilities</b>		
Investment liabilities	(497)	(433)
<b>Creditors</b>		
Overdrawn positions at futures clearing houses and collateral manager	0	(21)
Distribution payable	(35)	(63)
Other creditors	(164)	(209)
<b>Total liabilities</b>	<b>(696)</b>	<b>(726)</b>
<b>Net assets attributable to shareholders</b>	<b>22,070</b>	<b>27,286</b>

# Financial statements and notes

## Notes to the financial statements

### Accounting policies

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

### Distribution policy

In determining the amount available for distribution 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 charges figure, than the MSCI World Index over any five-year period; and
- To invest in companies that deliver solutions to the challenge of better health and well-being.

## Investment policy

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

The fund may also invest directly in the equity securities and equity related securities of companies that are domiciled, incorporated or listed in emerging markets.

The fund invests in securities that meet the ESG criteria and impact 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 well-being, 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 impact criteria.

References to "assessed" above mean assessment in accordance with the ESG criteria and impact 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 for M&G Investment Funds (10), which is available free of charge either from our website at [www.mandg.co.uk/prospectuses](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

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 impact 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 concentrated portfolio of global stocks, investing over the long term in companies that are delivering solutions to the challenge of better health and well-being alongside a financial return, using a disciplined stock selection process. Sustainability and impact investing considerations are fundamental in determining the fund's investment universe and assessing business models as further set out in the ESG criteria and impact criteria.

The fund invests in companies that deliver solutions to the challenge of better health and/or better well-being. As further described in the impact criteria, these can be understood by reference to the United Nations Sustainable Development Goals framework as companies such as those which are focused on sustainable development goals such as health and well-being; zero hunger; clean water and sanitation; sustainable cities and communities; responsible consumption and production; or other companies which

# Authorised Corporate Director's Report

the investment manager considers appropriate to invest in, in pursuit of the non-financial investment objective.

All equity securities and equity related instruments are subject to assessment and measurement of their ability to deliver solutions to the challenge of better health and well-being and generate financial returns, which is conducted at company level using M&G's impact assessment methodology. This focuses on three criteria:

- Investment credentials: the quality and durability of the company's business model and its ability to produce sustainable economic returns;
- Intention: the company's purpose as evidenced by the alignment of its mission statement with its corporate strategy and actions; and
- Impact: the scale of the net positive societal impact and the company's progress towards addressing specified health and well-being challenges.

The fund invests in three categories of better health and/or well-being companies.

- "Pioneers", whose products or services have or could have a transformational effect on improving global health and/or well-being.
- "Enablers", which provide the tools for others to deliver better health and/or well-being.
- "Leaders", which spearhead and mainstream sustainability in industries promoting better health and/or well-being, but which may have more established profitability than pioneers.

Dialogue with the companies in which the fund invests is fundamental to the investment approach.

## ESG Information

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

- ESG criteria and impact criteria, which includes the fund's exclusions approach.

- Annual Impact Report providing an assessment of the fund's sustainable objective will also be published when available.
- Other periodic reporting on the sustainable objective of the fund.

## Benchmark

Benchmark: MSCI World Index.

The benchmark is a 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 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, 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 businesses that aim to deliver solutions to the better health and well-being challenge. The fund is a concentrated portfolio, usually holding fewer than 40 stocks. The fund mainly invests in the shares of large and medium-sized companies, which are normally traded with relative ease, however these stocks could potentially experience a degree of illiquidity in times of market distress. The fund may also invest in emerging markets which are generally more sensitive to economic and political factors, and where investments may be less easily bought and sold. Diversification across

# Authorised Corporate Director's Report

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.



## The above number:

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

## Investment review

As at 1 October 2021, for the period from 17 June 2021 (the launch date of the fund) to 30 September 2021

### Performance against objective

As the fund was launched less than 12 months ago, on 17 June 2021, this report does not include performance. Therefore, the report does not state whether the fund has met the first part of its objective, to provide a combination of capital growth and income that is higher than that of the MSCI World Index, net of the ongoing charges figure, over any five-year period.

### Market overview

Global stockmarkets delivered positive returns during the period under review, as optimism about the global economy's recovery from the coronavirus pandemic and solid corporate profits saw company share prices (equities) in Europe and the US reach record highs. Japan's stockmarket also performed well, with the changing of the prime minister and optimism about the reopening of the economy lifting investor sentiment.

Outside of developed markets, though, stocks did not fare as well, particularly as growth concerns were focused on Asia ex-Japan, where inconsistent vaccine progress saw various countries overwhelmed by coronavirus resurgence. Markets were further spooked by a Chinese regulatory crackdown on the technology and education sectors, adding to worries of a slower-than-expected post-pandemic recovery.

Moving through the period under review, confidence was bolstered by strong economic data and good company financial results. We also saw the US Senate pass a well-received landmark US\$1.0 trillion infrastructure package, and Chinese markets stabilising following a tumultuous sell-off in July. However, that confidence was eventually undermined, as a potential peak in the rate of economic growth, global supply disruptions and fears of rising inflation hit investor sentiment.

Markets were further disrupted globally as the payment deadline loomed for debt-laden Chinese property developer Evergrande. The company is estimated to have some US\$300 billion in liabilities, with far-reaching consequences if it were to default on its debt. Elsewhere, investors responded negatively to a slight reduction of economic stimulus in Europe and the potential for interest rate rises in the US, which also saw the US dollar hit a one-year high.

The end of the period saw oil prices reaching three-year highs, with global supplies tightening amid a recovery of fuel demand and hurricane Ida's hit to US production. In light of this, energy was one of the top-performing sectors in stockmarkets for the period, alongside financials, information technology and healthcare. Conversely, utilities, materials and industrials were particularly weak.

### Investment activities

The M&G Better Health Solutions Fund is a concentrated portfolio of global stocks, making long-term investments in companies that aim to deliver solutions to the challenge of health and well-being, alongside a financial return.



# Authorised Corporate Director's Report

Both sustainability and impact considerations are fundamental in determining the fund's investment universe and assessing business models, while engagement with companies is a key element of the investment strategy. Environmental, Social and Governance (ESG) factors are integrated within the investment process.

The fund is a concentrated portfolio, usually holding fewer than 40 global stocks, with a Positive Impact team consensus-approved watchlist of around 150 impactful companies in which the fund manager can invest if he considers the timing and price are right.

The team undertakes a 'triple I' approach to identifying impactful investments, analysing the Investment quality, Intentionality and Impact of a company to assess its suitability for the fund. As part of this analysis, the team internally scores companies on these 'III' credentials, and requires above-average results for inclusion in the fund's watchlist, as well as consensus agreement of a company's merits from the entire Positive Impact team. The fund manager can then invest in these businesses when they are trading at a discount to what the team believes to be their intrinsic value, derived from scenario valuation analysis.

The fund embraces the United Nations Sustainable Development Goals (SDG) framework and invests in companies focused on two health-related impact areas, mapped against the SDGs. These are: better healthcare and better well-being, which comprises companies that promote better hygiene and safety or better lifestyle.

Please note that while we support the UN SDGs, we are not associated with the UN and our funds are not endorsed by them.

At the end of the review period, around 65% of the portfolio was invested in companies that seek to deliver better health solutions. Companies focused on the better hygiene and safety or better lifestyle areas represented 20% and 13%, respectively.

The largest holding is Danish pharmaceutical Novo Nordisk, which is focused on developing treatments for chronic diseases including diabetes. Japanese bicycle

components maker Shimano and US cleaning and hygiene solutions firm Ecolab are also notable positions in the fund.

## Outlook

We believe that demographic and social trends are likely to place increasing strain on healthcare services in the coming years. These include ageing populations, growing obesity and increased incidences of mental health issues. And these long-term challenges have only been exacerbated by the coronavirus pandemic, which has disrupted essential healthcare services globally.

In our view, the COVID-19 crisis has highlighted how important the healthcare sector is to society – from the ability to treat patients to the development of vaccines. It also revealed the importance of adopting healthier lifestyles. We think therefore that the pandemic will result in greater focus on the issue of health and well-being.

We continue to believe that our portfolio of impactful companies should benefit from the increased demand for better health and well-being solutions. We remain confident in the quality of the stocks within our portfolio, and believe they will continue to deliver positive impacts to society, as well as financial returns. As long-term investors, our focus is on the ability of our holdings to generate long-term value for society and our investors, and we continue to be optimistic about their prospects.

## Jasveet Brar

### Fund manager

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

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

# Investments

## Portfolio statement

Holding	as at 30.09.21 \$'000	as at 30.09.21 %
<b>Equities</b>	<b>14,350</b>	<b>97.99</b>
<b>Chemicals</b>	<b>988</b>	<b>6.75</b>
2,364 DSM	472	3.22
2,423 Ecolab	516	3.53
<b>Commercial services &amp; supplies</b>	<b>466</b>	<b>3.18</b>
18,183 Marlowe	205	1.40
1,788 MSA Safety	261	1.78
<b>Professional services</b>	<b>531</b>	<b>3.63</b>
7,934 Intertek	531	3.63
<b>Auto components</b>	<b>495</b>	<b>3.38</b>
5,684 Autoliv	495	3.38
<b>Leisure products</b>	<b>928</b>	<b>6.34</b>
2,500 Shimano	734	5.01
17,155 Technogym	194	1.33
<b>Hotels, restaurants &amp; leisure</b>	<b>213</b>	<b>1.45</b>
53,423 Gym	213	1.45
<b>Household products</b>	<b>514</b>	<b>3.51</b>
6,665 Colgate-Palmolive	514	3.51
<b>Health care equipment &amp; supplies</b>	<b>2,116</b>	<b>14.45</b>
6,132 Alcon	499	3.41
2,425 Becton Dickinson	611	4.17
2,011 DiaSorin	426	2.91
1,297 Masimo	350	2.39
5,314 Xvivo Perfusion	230	1.57
<b>Health care providers &amp; services</b>	<b>1,576</b>	<b>10.76</b>
6,085 Fresenius Medical Care	429	2.93
4,286 Quest Diagnostics	633	4.32
1,284 UnitedHealth	514	3.51
<b>Health care technology</b>	<b>1,115</b>	<b>7.61</b>
162,000 Alibaba Health Information Technology	233	1.59
6,889 Cerner	490	3.35
5,323 Tabula Rasa HealthCare	150	1.02
1,920 Teladoc Health	242	1.65

# Investments

## Portfolio statement (continued)

Holding	as at 30.09.21 \$'000	as at 30.09.21 %
<b>Equities (continued)</b>		
<b>Biotechnology</b>	<b>744</b>	<b>5.08</b>
31,299 Grifols	459	3.13
59,359 PureTech Health	285	1.95
<b>Pharmaceuticals</b>	<b>2,598</b>	<b>17.74</b>
918 ALK-Abelló	381	2.60
4,353 AstraZeneca	523	3.57
32,607 GlaxoSmithKline	620	4.24
7,909 Novo Nordisk	766	5.23
1,582 Zoetis	308	2.10
<b>Life sciences tools &amp; services</b>	<b>1,577</b>	<b>10.77</b>
2,537 Agilent Technologies	406	2.77
982 Illumina	404	2.76
1,322 Thermo Fisher Scientific	767	5.24
<b>Insurance</b>	<b>489</b>	<b>3.34</b>
8,630 AMERISAFE	489	3.34
<b>Total portfolio</b>	<b>14,350</b>	<b>97.99</b>
<b>Net other assets/(liabilities)</b>	<b>295</b>	<b>2.01</b>
<b>Net assets attributable to shareholders</b>	<b>14,645</b>	<b>100.00</b>

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

# Investments

Top ten portfolio transactions for the period to 30 September 2021

Largest purchases	\$'000
GlaxoSmithKline	653
Novo Nordisk	650
Thermo Fisher Scientific	622
Intertek	609
Becton Dickinson	583
Autoliv	576
Shimano	569
Grifols Preference Shares	561
Quest Diagnostics	548
Colgate-Palmolive	545
Other purchases	8,500
<b>Total purchases</b>	<b>14,416</b>

Please note that there were no sales during the period.

# Financial highlights

## Fund performance

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

The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (10), which is available free of charge either from our website at [www.mandg.co.uk/prospectuses](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

## Fund level performance

Fund net asset value as at	30.09.21 \$'000
Fund net asset value (NAV)	14,645

## Performance since launch

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

## Operating charges and portfolio transaction costs

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

### Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund.  
For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).

- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Ongoing charges from underlying funds:** Ongoing charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

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

## Portfolio transaction costs

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

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

# Financial highlights

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

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

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

## Portfolio transaction costs

Direct portfolio transaction costs <sup>a</sup>	Period to 30.09.21 %
Broker commission	0.07
Taxes	0.32
Costs before dilution adjustments	0.39
Dilution adjustments <sup>b</sup>	(0.01)
Total direct portfolio transaction costs	0.38
as at Indirect portfolio transaction costs	30.09.21 %
Average portfolio dealing spread	0.12

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

<sup>b</sup> In respect of direct portfolio transaction costs. Please see the section above this table for an explanation of dilution adjustments.

## Specific share class performance

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

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

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

# Financial highlights

## Sterling Class 'A' Income share performance

The share class was launched on 17 June 2021.

Change in NAV per share	Period to 30.09.21 UK p
Opening NAV	100.00
Return before operating charges	3.50
Operating charges	(0.32)
Return after operating charges	3.18
Distributions	n/a
Closing NAV	103.18
<b>Direct transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.11
Dilution adjustments <sup>a</sup>	0.00
Total direct transaction costs	0.11
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.38
Operating charges	1.10
Return after charges	+3.18
Historic yield	0.00
<b>Other information</b>	
Closing NAV (\$'000)	41
Closing NAV (%)	0.28
Number of shares	29,425
Highest share price (UK p)	106.55
Lowest share price (UK p)	99.96

## Sterling Class 'A' Accumulation share performance

The share class was launched on 17 June 2021.

Change in NAV per share	Period to 30.09.21 UK p
Opening NAV	100.00
Return before operating charges	3.50
Operating charges	(0.31)
Return after operating charges	3.19
Distributions	n/a
Retained distributions	n/a
Closing NAV	103.19
<b>Direct transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.11
Dilution adjustments <sup>a</sup>	0.00
Total direct transaction costs	0.11
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.38
Operating charges	1.10
Return after charges	+3.19
Historic yield	0.00
<b>Other information</b>	
Closing NAV (\$'000)	28
Closing NAV (%)	0.19
Number of shares	20,000
Highest share price (UK p)	106.56
Lowest share price (UK p)	99.96

# Financial highlights

## Sterling Class 'I' Income share performance

The share class was launched on 17 June 2021.

Change in NAV per share	Period to 30.09.21 UK p
Opening NAV	100.00
Return before operating charges	3.50
Operating charges	(0.20)
Return after operating charges	3.30
Distributions	n/a
Closing NAV	103.30
<b>Direct transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.11
Dilution adjustments <sup>a</sup>	0.00
Total direct transaction costs	0.11
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.38
Operating charges	0.70
Return after charges	+3.30
Historic yield	0.00
<b>Other information</b>	
Closing NAV (\$'000)	28
Closing NAV (%)	0.19
Number of shares	20,050
Highest share price (UK p)	106.65
Lowest share price (UK p)	99.96

## Sterling Class 'I' Accumulation share performance

The share class was launched on 17 June 2021.

Change in NAV per share	Period to 30.09.21 UK p
Opening NAV	100.00
Return before operating charges	3.51
Operating charges	(0.21)
Return after operating charges	3.30
Distributions	n/a
Retained distributions	n/a
Closing NAV	103.30
<b>Direct transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.12
Dilution adjustments <sup>a</sup>	0.00
Total direct transaction costs	0.12
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.38
Operating charges	0.70
Return after charges	+3.30
Historic yield	0.00
<b>Other information</b>	
Closing NAV (\$'000)	193
Closing NAV (%)	1.32
Number of shares	139,494
Highest share price (UK p)	106.65
Lowest share price (UK p)	99.96



# Financial highlights

## Sterling Class 'PP' Income share performance

The share class was launched on 17 June 2021.

Change in NAV per share	Period to 30.09.21 UK p
Opening NAV	100.00
Return before operating charges	4.01
Operating charges	(0.68)
Return after operating charges	3.33
Distributions	n/a
Closing NAV	103.33
<b>Direct transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.11
Dilution adjustments <sup>a</sup>	0.00
Total direct transaction costs	0.11
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.38
Operating charges	0.60
Return after charges	+3.33
Historic yield	0.00
<b>Other information</b>	
Closing NAV (\$'000)	28
Closing NAV (%)	0.19
Number of shares	20,070
Highest share price (UK p)	106.67
Lowest share price (UK p)	99.96

## Sterling Class 'PP' Accumulation share performance

The share class was launched on 17 June 2021.

Change in NAV per share	Period to 30.09.21 UK p
Opening NAV	100.00
Return before operating charges	3.50
Operating charges	(0.17)
Return after operating charges	3.33
Distributions	n/a
Retained distributions	n/a
Closing NAV	103.33
<b>Direct transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.11
Dilution adjustments <sup>a</sup>	0.00
Total direct transaction costs	0.11
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.38
Operating charges	0.60
Return after charges	+3.33
Historic yield	0.00
<b>Other information</b>	
Closing NAV (\$'000)	28
Closing NAV (%)	0.19
Number of shares	20,060
Highest share price (UK p)	106.67
Lowest share price (UK p)	99.96

# Financial highlights

## Sterling Class 'R' Income share performance

The share class was launched on 17 June 2021.

Change in NAV per share	Period to 30.09.21 UK p
Opening NAV	100.00
Return before operating charges	3.40
Operating charges	(0.17)
Return after operating charges	3.23
Distributions	n/a
Closing NAV	103.23
<b>Direct transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.11
Dilution adjustments <sup>a</sup>	0.00
Total direct transaction costs	0.11
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.38
Operating charges	0.95
Return after charges	+3.23
Historic yield	0.00
<b>Other information</b>	
Closing NAV (\$'000)	28
Closing NAV (%)	0.19
Number of shares	20,030
Highest share price (UK p)	106.59
Lowest share price (UK p)	99.96

## Sterling Class 'R' Accumulation share performance

The share class was launched on 17 June 2021.

Change in NAV per share	Period to 30.09.21 UK p
Opening NAV	100.00
Return before operating charges	3.36
Operating charges	(0.13)
Return after operating charges	3.23
Distributions	n/a
Retained distributions	n/a
Closing NAV	103.23
<b>Direct transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.11
Dilution adjustments <sup>a</sup>	0.00
Total direct transaction costs	0.11
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.38
Operating charges	0.95
Return after charges	+3.23
Historic yield	0.00
<b>Other information</b>	
Closing NAV (\$'000)	103
Closing NAV (%)	0.71
Number of shares	74,569
Highest share price (UK p)	106.59
Lowest share price (UK p)	99.96

# Financial highlights

## Sterling Class 'Z' Accumulation share performance

The share class was launched on 17 June 2021.

Change in NAV per share	Period to 30.09.21 UK p
Opening NAV	100.00
Return before operating charges	3.51
Operating charges	0.00
Return after operating charges	3.51
Distributions	n/a
Retained distributions	n/a
Closing NAV	103.51
<b>Direct transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.12
Dilution adjustments <sup>a</sup>	0.00
Total direct transaction costs	0.12
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.38
Operating charges	0.00
Return after charges	+3.51
Historic yield	0.00
<b>Other information</b>	
Closing NAV (\$'000)	14,168
Closing NAV (%)	96.74
Number of shares	10,187,869
Highest share price (UK p)	106.82
Lowest share price (UK p)	99.96

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

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

# Financial statements and notes

## Financial statements

### Statement of total return

for the period to 30 September	2021	
	\$'000	\$'000
<b>Income</b>		
Net capital gains/(losses)		(99)
Revenue	48	
Expenses	(1)	
Net revenue/(expense) before taxation	47	
Taxation	(4)	
Net revenue/(expense) after taxation		43
<b>Total return before equalisation</b>		<b>(56)</b>
Equalisation		1
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(55)</b>

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

for the period to 30 September	2021	
	\$'000	\$'000
<b>Opening net assets attributable to shareholders</b>		<b>0</b>
Amounts received on issue of shares	14,699	
Amounts paid on cancellation of shares	0	
		14,699
Dilution adjustments		1
Change in net assets attributable to shareholders from investment activities (see above)		(55)
<b>Closing net assets attributable to shareholders</b>		<b>14,645</b>

# Financial statements and notes

## Financial statements

### Balance sheet

as at	30 September 2021
	\$'000
<b>Assets</b>	
<b>Fixed assets</b>	
Investments	14,350
<b>Current assets</b>	
Debtors	133
Cash and bank balances	239
<b>Total assets</b>	<b>14,722</b>
<b>Liabilities</b>	
<b>Creditors</b>	
Other creditors	(77)
<b>Total liabilities</b>	<b>(77)</b>
<b>Net assets attributable to shareholders</b>	<b>14,645</b>

# Financial statements and notes

## Notes to the financial statements

### Accounting policies

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

### Distribution policy

In determining the amount available for distribution 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 charges figure, than the MSCI World Index over any five-year period; and
- To invest in companies that aim to deliver solutions to the challenge of climate change.

## Investment policy

At least 80% of the fund is invested in the equity securities and equity related securities of companies across any sector and market capitalisation that are domiciled, incorporated or listed in developed markets. The fund has a concentrated portfolio and usually holds fewer than 40 stocks.

All equity securities and equity related securities are subject to assessment and measurement of their ability to deliver solutions to the challenge of climate change and generate financial returns, which is conducted at a company level using M&G's proprietary impact assessment methodology. This assessment focuses on three criteria:

- Investment credentials: the quality and durability of the company's business model and its ability to produce sustainable economic returns;
- Intention: the company's purpose as evidenced by the alignment of its mission statement with its corporate actions and strategy; and
- Impact: the scale of the net climate impact and the company's progress towards addressing the challenge of climate change.

To assist this assessment process, investments which are considered to conflict with the fund's aim to invest in companies that aim to deliver solutions to climate change are excluded from the investment universe. When considering the extraction of fossil fuels, the fund excludes companies that are involved in the extraction of thermal coal, oil, and gas and those that use and/or produce hydraulic fracking technologies.

When considering power generation, the fund manager has the discretion to invest in companies with limited exposure to power generation from fossil fuels, but which are driving or significantly participating in the transition to a more sustainable economy. To determine whether a company meets this threshold, the fund manager examines the company's revenue from coal, oil, and gas, in addition to assessing their de-carbonisation commitments. To be considered for inclusion these companies must generate:

- Less than 25% of their revenue from oil and gas power generation, and
- Less than 10% of their revenue from coal based power generation.

In addition, the following are excluded:

- Companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour rights, the environment and anti-corruption;
- Companies involved in the production of tobacco, alcohol, adult entertainment, controversial weapons, nuclear power, the use of animal testing for non-medical purposes, and the provision of gambling services;
- Companies that derive more than 5% of their revenue from the manufacture of weapons or genetically modified crop production; and
- Companies that derive more than 10% of their revenue from the distribution of tobacco.

The impact assessment methodology is then used by the fund manager in determining which investments to make within the remaining investment universe.

Investments that no longer meet the above criteria for investment will be divested as per the ESG (Environmental, Social and Corporate Governance) Policy and Process Document.

# Authorised Corporate Director's Report

The fund may also invest in the equity securities and equity related securities of companies that are domiciled, incorporated or listed in emerging markets. Such equity securities and equity related securities are also subject to the impact assessment methodology and exclusions above.

The fund may also invest indirectly via funds (including funds managed by M&G), and may invest in other transferable securities such as short dated bonds and money market instruments for liquidity management, cash, and near cash.

Derivatives may be used for efficient portfolio management and hedging.

## Investment approach

The fund is a concentrated portfolio of global stocks, investing over the long term in companies that are delivering solutions to the challenge of climate change alongside a financial return, using a disciplined stock selection process. Sustainability and impact considerations are fundamental in determining the fund's investment universe and assessing business models.

The fund invests in three categories of climate solution companies:

- "Pioneers", whose solutions have a transformational effect on the challenge of climate change;
- "Enablers", which provide the tools for others to deliver solutions to the challenge of climate change; and
- "Leaders", which spearhead the development of climate change solutions within their industries.

Investing in these categories provides diversification across industries and maturity of business models. Risk within the fund's portfolio is further diversified by balancing investment in companies that have relatively predictable and stable earnings regardless of the state of the overall economy, with those more sensitive to the economic cycle.

The fund embraces the United Nations Sustainable Development Goals framework and invests in companies focused on the following areas: clean energy, green technology and the promotion of a Circular Economy.

The fund manager's engagement with the companies in which the fund invests is fundamental to the investment approach, with the aim of supporting and influencing their contribution to the development of climate change solutions.

Further information about the fund's ESG criteria including information on M&G's approach to impact investing can be found on the M&G website under the Fund Literature section (M&G Climate Solutions Fund – ESG Policy and Process).

## Benchmark

Benchmark: MSCI World Index.

The benchmark is a 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 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.

The benchmark is shown in the share class currency.



# Authorised Corporate Director's Report

## 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 businesses that aim to deliver solutions to the challenge of climate change.

The fund is a concentrated portfolio, usually holding fewer than 40 stocks.

The fund mainly invests in the shares of large and medium-sized companies, which are normally traded with relative ease, however these stocks could potentially experience a degree of illiquidity in times of market distress.

The fund may also invest in emerging markets which are generally more sensitive to economic and political factors, and where investments may be less easily bought and sold.

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.

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



### The above number:

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

## Investment review

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

### Market overview

Global financial markets delivered positive returns in the six months under review, as vaccine rollouts picked up pace across much of the developed world, and governments in most developed markets continued to ease COVID-related restrictions, with activity levels subsequently picking up.

Outside of developed markets, though, stocks did not fare as well, particularly as growth concerns were focused on Asia, where inconsistent vaccine progress saw various countries overwhelmed by coronavirus resurgence. Markets were further spooked by a Chinese regulatory crackdown on the education tech sector, adding to worries of a slower-than-expected post-pandemic recovery.

Moving through the period under review, confidence was bolstered by strong economic data and good company financial results. We also saw the US Senate pass a well-received landmark US\$1.0 trillion infrastructure package, and Chinese markets stabilising following a tumultuous sell-off in July. However, that confidence was eventually undermined, as a potential peak in the rate of economic growth, global supply disruptions and fears of rising inflation hit investor sentiment.

Markets were further disrupted globally as the payment deadline loomed for debt-laden Chinese property developer Evergrande, with investors fearing a liquidity crisis – the company is estimated to have some US\$300 billion in liabilities, with far-reaching consequences if it were to default on its debt. Elsewhere, investors responded negatively to the easing of economic stimulus in Europe and the potential for interest rate rises in the US, which also saw the US dollar hit a one-year high.

The end of the period saw oil prices reaching three-year highs as well, with global supplies tightening amid recovery of fuel demand and hurricane Ida's hit to

# Authorised Corporate Director's Report

US production. In light of this, energy was one of the top-performing sectors for the period, alongside information technology, healthcare and real estate. Conversely, utilities, materials and industrials were particularly weak.

## Investment activities

The M&G Climate Solutions Fund is a concentrated portfolio of global stocks, making long-term investments in companies that aim to deliver solutions to the challenge of climate change, alongside a financial return, using a disciplined stock selection process.

Both sustainability and impact considerations are fundamental in determining the fund's investment universe and assessing business models, while engagement with companies is a key element of the investment strategy. Environmental, social and governance (ESG) factors are integrated within the investment process.

The fund generally holds around 30 stocks, with a Positive Impact team consensus-approved watchlist of around 120 impactful companies in which the fund manager can invest if he considers the timing and price to be right. The team undertakes a 'triple I' approach to identifying impactful investments, analysing the Investment quality, Intentionality and Impact of a company to assess its suitability for the fund. As part of this analysis, the team internally scores companies on these 'III' credentials, and requires above-average results for inclusion in the fund's watchlist, as well as consensus agreement of a company's merits from the entire Positive Impact team. The fund manager can then invest in these businesses when they are trading at a discount to what he believes to be their intrinsic value, derived from his analysis.

From a portfolio construction perspective, the fund invests in three categories of positive impact companies: 'Pioneers', whose products or services have a transformational effect on the environment; 'Enablers', which provide the tools for others to deliver a positive environmental impact; and 'Leaders', which tend to be larger, more mature businesses that are

driving sustainability and positive impact through more mainstream sectors. Investing in these categories provides diversification across industries and maturity of business models.

As noted, the fund aims to invest in companies that deliver solutions to the challenge of climate change. In light of this, sustainability and impact considerations are fundamental to our stock selection process. In addition, the fund seeks to avoid companies considered to have the potential to cause harmful environmental or social outcomes. As a result, the fund excludes companies deemed to be in breach of the UN Global Compact Principles on human rights, labour, the environment and corruption. It also excludes coal, oil and gas extraction, adult entertainment, alcohol production, animal testing for non-medical grounds, gambling, tobacco, controversial weapons and other weapons.

The fund embraces the United Nations Sustainable Development Goals (SDG) framework and invests in companies focused on three key environmental impact areas, mapped against the SDGs. These are: clean energy (25.7% of the portfolio at the end of the period under review); green technology (41.8%); and the promotion of a circular economy (26.2%).

There were no new purchases or complete sales during the period under review.

## Outlook

In November 2021, the UK will host the 26th United Nations climate change conference, COP 26. It was at COP 21 in 2015 that 191 countries signed the Paris agreement on climate change, in an effort to limit global temperature rises to below 2°C from pre-industrial levels, to help avoid the most cataclysmic effects of climate change.

As COP 26 approaches, the summit will bring together the 197 nations and territories who are members of the UNFCCC (United Nations Framework Convention on Climate Change). This will be the first COP since the US re-joined the Paris Agreement and China committed to target a peak in emissions by 2030, and net carbon neutrality by 2060. We expect the key for COP 26 will

# Authorised Corporate Director's Report

be countries setting intermediate targets for the next 10-15 years. The movement of the world's largest economies in this direction should provide a strong growth tailwind for companies that are well placed from a carbon perspective, including those providing solutions to the challenges of climate change.

We continue to believe that our portfolio of impactful companies should benefit from the increased demand for environmental solutions, especially as government spending increases to provide COVID-19-related green recovery packages. We think this is likely to be a clear growth path for many companies held in the fund, including those in the renewable energy and energy efficiency space.

We remain confident in the quality of the stocks within our portfolio, and believe they will continue to deliver positive impacts to society, as well as financial returns. As long-term investors, our focus is on the ability of our holdings to generate long-term value for society and our investors, and we continue to be optimistic about their prospects.

The fund was launched on 5 November 2020. In January 2022 we will publish our first annual Impact Report, highlighting the environmental impacts being delivered by our investments.

## **Randeep Somel**

Fund manager

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

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

# Investments

## Portfolio statement

Holding	as at 30.09.21 \$'000	as at 30.09.21 %	as at 31.03.21 %
<b>Equities</b>	<b>24,297</b>	<b>93.78</b>	<b>94.82</b>
<b>Chemicals</b>	<b>1,840</b>	<b>7.10</b>	<b>7.22</b>
3,702 Linde	1,104	4.26	
12,458 Umicore	736	2.84	
<b>Containers &amp; packaging</b>	<b>1,813</b>	<b>7.00</b>	<b>5.98</b>
11,800 Ball	1,059	4.09	
135,329 DS Smith	754	2.91	
<b>Building products</b>	<b>2,422</b>	<b>9.35</b>	<b>9.26</b>
15,941 Johnson Controls International	1,123	4.33	
1,430 ROCKWOOL International	608	2.35	
6,585 Trex	691	2.67	
<b>Electrical equipment</b>	<b>1,942</b>	<b>7.50</b>	<b>8.87</b>
19,049 Ceres Power	280	1.08	
23,814 ITM Power	137	0.53	
5,414 Schneider Electric	896	3.46	
15,246 Vestas Wind Systems	629	2.43	
<b>Machinery</b>	<b>1,526</b>	<b>5.89</b>	<b>5.57</b>
2,917 Spirax-Sarco Engineering	591	2.28	
10,612 Westinghouse Air Brake Technologies	935	3.61	
<b>Commercial services &amp; supplies</b>	<b>2,682</b>	<b>10.35</b>	<b>10.12</b>
108,672 Brambles	840	3.24	
8,494 Republic Services	1,040	4.01	
3,653 UniFirst	802	3.10	
<b>Food products</b>	<b>886</b>	<b>3.42</b>	<b>3.55</b>
12,173 Darling Ingredients	886	3.42	
<b>Software</b>	<b>1,631</b>	<b>6.30</b>	<b>6.47</b>
2,132 Ansys	727	2.81	
3,139 Autodesk	904	3.49	
<b>Electronic equipment, instruments &amp; components</b>	<b>1,283</b>	<b>4.95</b>	<b>5.06</b>
11,000 Horiba	768	2.96	
3,236 IPG Photonics	515	1.99	
<b>Semiconductors &amp; semiconductor equipment</b>	<b>1,965</b>	<b>7.58</b>	<b>7.90</b>
13,257 Infineon Technologies	540	2.08	

# Investments

## Portfolio statement (continued)

Holding	as at 30.09.21 \$'000	as at 30.09.21 %	as at 31.03.21 %
<b>Equities (continued)</b>			
<b>Semiconductors &amp; semiconductor equipment (continued)</b>			
17,937 ON Semiconductor	822	3.17	
2,300 SolarEdge Technologies	603	2.33	
<b>Electric utilities</b>	<b>1,613</b>	<b>6.23</b>	<b>5.93</b>
6,055 Ørsted	808	3.12	
7,741 Verbund	805	3.11	
<b>Independent power and renewable electricity producers</b>	<b>2,978</b>	<b>11.49</b>	<b>12.49</b>
103,138 AES Brasil Energia	241	0.93	
14,391 Atlantica Sustainable Infrastructure	496	1.91	
19,115 Boralex	560	2.16	
19,763 Brookfield Renewable	766	2.96	
37,574 EDP Renovaveis	915	3.53	
<b>Equity real estate investment trusts (REITs)</b>	<b>1,716</b>	<b>6.62</b>	<b>6.40</b>
1,110 Equinix REIT	889	3.43	
22,615 Weyerhaeuser REIT	827	3.19	
<b>Total portfolio</b>	<b>24,297</b>	<b>93.78</b>	<b>94.82</b>
<b>Net other assets/(liabilities)</b>	<b>1,612</b>	<b>6.22</b>	<b>5.18</b>
<b>Net assets attributable to shareholders</b>	<b>25,909</b>	<b>100.00</b>	<b>100.00</b>

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

# Investments

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

Largest purchases	\$'000
Ceres Power	209
Ball	206
Brookfield Renewable	169
Ørsted	169
IPG Photonics	169
UniFirst	129
Boralex	87
Brambles	69
DS Smith	66
Darling Ingredients	65
Other purchases	502
<b>Total purchases</b>	<b>1,840</b>

Largest sales	\$'000
ITM Power	383
Linde	293
Johnson Controls International	280
Verbund	262
Republic Services	245
Westinghouse Air Brake Technologies	235
Schneider Electric	227
Equinix REIT	226
Brambles	225
EDP Renovaveis	221
Other sales	3,654
<b>Total sales</b>	<b>6,251</b>

# Financial highlights

## Fund performance

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

The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (10), which is available free of charge either from our website at [www.mandg.co.uk/prospectuses](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

## Fund level performance

Fund net asset value as at	30.09.21 \$'000	31.03.21 \$'000
Fund net asset value (NAV)	25,909	29,193

## Performance since launch

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

## Operating charges and portfolio transaction costs

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

### Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund.  
For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).

- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Ongoing charges from underlying funds:** Ongoing charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

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

## Portfolio transaction costs

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

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

Investments are bought or sold by a fund when changes are made to the investment portfolio and in

# Financial highlights

response to net flows of money into or out of the fund from investors buying and selling shares in the fund.

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

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

## Portfolio transaction costs

Direct portfolio transaction costs <sup>b</sup>	Six months to 30.09.21 %	Period to 31.03.21 %	Average <sup>a</sup> %
Broker commission	0.01	0.07	0.04
Taxes	0.01	0.11	0.06
Costs before dilution adjustments	0.02	0.18	0.10
Dilution adjustments <sup>c</sup>	(0.02)	0.00	(0.01)
Total direct portfolio transaction costs	0.00	0.18	0.09
<b>as at</b>	<b>30.09.21</b>	<b>31.03.21</b>	<b>Average<sup>a</sup></b>
<b>Indirect portfolio transaction costs</b>	<b>%</b>	<b>%</b>	<b>%</b>
Average portfolio dealing spread	0.09	0.09	0.09

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

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

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

## Specific share class performance

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

adjustments' are only in respect of direct portfolio transaction costs.

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

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

## Sterling Class 'A' Income share performance

The share class was launched on 5 November 2020.

Change in NAV per share	Six months to 30.09.21 UK p	Period to 31.03.21 UK p
Opening NAV	108.33	100.00
Return before operating charges	7.73	9.21
Operating charges	(0.62)	(0.50)
Return after operating charges	7.11	8.71
Distributions	n/a	(0.38)
Closing NAV	115.44	108.33
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.08
Dilution adjustments <sup>a</sup>	(0.01)	0.00
Total direct transaction costs	0.00	0.08
<b>Performance and charges</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.18
Operating charges	1.10	1.10
Return after charges	+6.56	+8.71
Historic yield	0.00	0.00
<b>Other information</b>		
Closing NAV (\$'000)	2,033	1,297
Closing NAV (%)	7.85	4.44
Number of shares	1,310,832	869,930
Highest share price (UK p)	121.29	118.37
Lowest share price (UK p)	104.81	99.63



# Financial highlights

## Sterling Class 'A' Accumulation share performance

The share class was launched on 5 November 2020.

Change in NAV per share	Six months to 30.09.21 UK p	Period to 31.03.21 UK p
Opening NAV	108.71	100.00
Return before operating charges	7.77	9.22
Operating charges	(0.62)	(0.51)
Return after operating charges	7.15	8.71
Distributions	n/a	0.00
Retained distributions	n/a	0.00
Closing NAV	115.86	108.71
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.08
Dilution adjustments <sup>a</sup>	(0.01)	0.00
Total direct transaction costs	0.00	0.08
<b>Performance and charges</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.18
Operating charges	1.10	1.10
Return after charges	+6.58	+8.71
Historic yield	0.00	0.00
<b>Other information</b>		
Closing NAV (\$'000)	460	284
Closing NAV (%)	1.78	0.97
Number of shares	295,564	190,127
Highest share price (UK p)	121.72	118.37
Lowest share price (UK p)	105.18	99.63

## Sterling Class 'I' Income share performance

The share class was launched on 5 November 2020.

Change in NAV per share	Six months to 30.09.21 UK p	Period to 31.03.21 UK p
Opening NAV	108.51	100.00
Return before operating charges	7.74	9.21
Operating charges	(0.39)	(0.32)
Return after operating charges	7.35	8.89
Distributions	n/a	(0.38)
Closing NAV	115.86	108.51
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.08
Dilution adjustments <sup>a</sup>	(0.01)	0.00
Total direct transaction costs	0.00	0.08
<b>Performance and charges</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.18
Operating charges	0.70	0.70
Return after charges	+6.77	+8.89
Historic yield	0.00	0.00
<b>Other information</b>		
Closing NAV (\$'000)	536	422
Closing NAV (%)	2.07	1.45
Number of shares	344,747	282,230
Highest share price (UK p)	121.69	118.45
Lowest share price (UK p)	105.03	99.64

# Financial highlights

## Sterling Class 'I' Accumulation share performance

The share class was launched on 5 November 2020.

Change in NAV per share	Six months to 30.09.21 UK p	Period to 31.03.21 UK p
Opening NAV	108.88	100.00
Return before operating charges	7.81	9.20
Operating charges	(0.40)	(0.32)
Return after operating charges	7.41	8.88
Distributions	n/a	(0.09)
Retained distributions	n/a	0.09
Closing NAV	116.29	108.88
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.08
Dilution adjustments <sup>a</sup>	(0.01)	0.00
Total direct transaction costs	0.00	0.08
<b>Performance and charges</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.18
Operating charges	0.70	0.70
Return after charges	+6.81	+8.88
Historic yield	0.00	0.00
<b>Other information</b>		
Closing NAV (\$'000)	3,709	9,766
Closing NAV (%)	14.32	33.45
Number of shares	2,373,918	6,517,045
Highest share price (UK p)	122.14	118.45
Lowest share price (UK p)	105.39	99.64

## Sterling Class 'PP' Income share performance

The share class was launched on 5 November 2020.

Change in NAV per share	Six months to 30.09.21 UK p	Period to 31.03.21 UK p
Opening NAV	108.54	100.00
Return before operating charges	7.77	9.20
Operating charges	(0.34)	(0.28)
Return after operating charges	7.43	8.92
Distributions	n/a	(0.38)
Closing NAV	115.97	108.54
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.08
Dilution adjustments <sup>a</sup>	(0.01)	0.00
Total direct transaction costs	0.00	0.08
<b>Performance and charges</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.18
Operating charges	0.60	0.60
Return after charges	+6.85	+8.92
Historic yield	0.00	0.00
<b>Other information</b>		
Closing NAV (\$'000)	30	30
Closing NAV (%)	0.11	0.10
Number of shares	19,070	20,070
Highest share price (UK p)	121.80	118.48
Lowest share price (UK p)	105.08	99.64

# Financial highlights

## Sterling Class 'PP' Accumulation share performance

The share class was launched on 5 November 2020.

Change in NAV per share	Six months to 30.09.21 UK p	Period to 31.03.21 UK p
Opening NAV	108.93	100.00
Return before operating charges	7.79	9.20
Operating charges	(0.34)	(0.27)
Return after operating charges	7.45	8.93
Distributions	n/a	(0.13)
Retained distributions	n/a	0.13
Closing NAV	116.38	108.93
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.08
Dilution adjustments <sup>a</sup>	(0.01)	0.00
Total direct transaction costs	0.00	0.08
<b>Performance and charges</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.18
Operating charges	0.60	0.60
Return after charges	+6.84	+8.93
Historic yield	0.00	0.00
<b>Other information</b>		
Closing NAV (\$'000)	72	84
Closing NAV (%)	0.28	0.29
Number of shares	45,836	55,738
Highest share price (UK p)	122.22	118.48
Lowest share price (UK p)	105.46	99.64

## Sterling Class 'R' Income share performance

The share class was launched on 5 November 2020.

Change in NAV per share	Six months to 30.09.21 UK p	Period to 31.03.21 UK p
Opening NAV	108.39	100.00
Return before operating charges	7.75	9.21
Operating charges	(0.54)	(0.44)
Return after operating charges	7.21	8.77
Distributions	n/a	(0.38)
Closing NAV	115.60	108.39
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.08
Dilution adjustments <sup>a</sup>	(0.01)	0.00
Total direct transaction costs	0.00	0.08
<b>Performance and charges</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.18
Operating charges	0.95	0.95
Return after charges	+6.65	+8.77
Historic yield	0.00	0.00
<b>Other information</b>		
Closing NAV (\$'000)	384	328
Closing NAV (%)	1.47	1.12
Number of shares	247,447	220,081
Highest share price (UK p)	121.44	118.40
Lowest share price (UK p)	104.89	99.63

# Financial highlights

## Sterling Class 'R' Accumulation share performance

The share class was launched on 5 November 2020.

Change in NAV per share	Six months to 30.09.21 UK p	Period to 31.03.21 UK p
Opening NAV	108.78	100.00
Return before operating charges	7.77	9.22
Operating charges	(0.54)	(0.44)
Return after operating charges	7.23	8.78
Distributions	n/a	0.00
Retained distributions	n/a	0.00
Closing NAV	116.01	108.78
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.08
Dilution adjustments <sup>a</sup>	(0.01)	0.00
Total direct transaction costs	0.00	0.08
<b>Performance and charges</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.18
Operating charges	0.95	0.95
Return after charges	+6.65	+8.78
Historic yield	0.00	0.00
<b>Other information</b>		
Closing NAV (\$'000)	2,948	1,925
Closing NAV (%)	11.38	6.60
Number of shares	1,891,463	1,285,977
Highest share price (UK p)	121.88	118.40
Lowest share price (UK p)	105.26	99.63

## Sterling Class 'Z' Accumulation share performance

The share class was launched on 5 November 2020.

Change in NAV per share	Six months to 30.09.21 UK p	Period to 31.03.21 UK p
Opening NAV	109.17	100.00
Return before operating charges	7.82	9.17
Operating charges	0.00	0.00
Return after operating charges	7.82	9.17
Distributions	n/a	(0.38)
Retained distributions	n/a	0.38
Closing NAV	116.99	109.17
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.08
Dilution adjustments <sup>a</sup>	(0.01)	0.00
Total direct transaction costs	0.00	0.08
<b>Performance and charges</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.18
Operating charges	0.00	0.00
Return after charges	+7.16	+9.17
Historic yield	0.00	0.00
<b>Other information</b>		
Closing NAV (\$'000)	15,737	15,057
Closing NAV (%)	60.74	51.58
Number of shares	10,012,080	10,020,080
Highest share price (UK p)	122.82	118.59
Lowest share price (UK p)	105.78	99.65

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

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

# Financial statements and notes

## Financial statements

### Statement of total return

for the six months to 30 September	2021	
	\$'000	\$'000
<b>Income</b>		
Net capital gains/(losses)		1,092
Revenue	131	
Expenses	(49)	
Net revenue/(expense) before taxation	82	
Taxation	(22)	
Net revenue/(expense) after taxation		60
<b>Total return before equalisation</b>		<b>1,152</b>
Equalisation		(11)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>1,141</b>

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

for the six months to 30 September	2021	
	\$'000	\$'000
<b>Opening net assets attributable to shareholders</b>		<b>29,193</b>
Amounts received on issue of shares	3,448	
Amounts paid on cancellation of shares	(7,883)	
		(4,435)
Dilution adjustments		10
Change in net assets attributable to shareholders from investment activities (see above)		1,141
<b>Closing net assets attributable to shareholders</b>		<b>25,909</b>

# Financial statements and notes

## Financial statements

### Balance sheet

as at	30 September 2021 \$'000	31 March 2021 \$'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	24,297	27,681
<b>Current assets</b>		
Debtors	44	353
Cash and bank balances	1,580	1,496
<b>Total assets</b>	<b>25,921</b>	<b>29,530</b>
<b>Liabilities</b>		
<b>Creditors</b>		
Distribution payable	0	(7)
Other creditors	(12)	(330)
<b>Total liabilities</b>	<b>(12)</b>	<b>(337)</b>
<b>Net assets attributable to shareholders</b>	<b>25,909</b>	<b>29,193</b>

# Financial statements and notes

## Notes to the financial statements

### Accounting policies

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

### Distribution policy

In determining the amount available for distribution 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 ACWI NUK Index over any five-year period.

## Investment policy

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

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

Derivatives may be used for efficient portfolio management and hedging.

## Investment approach

The fund applies a systematic investment approach to select stocks the fund manager expects to outperform other companies in the global equity market.

From the fund's investible universe, each stock is ranked on five key criteria or 'Factors': Value, Quality, Momentum, Volatility and Size. Historically, stocks with exposure to these factors (attractive valuation, high quality, positive momentum, low volatility and small company size) have generated excess returns, or equity premia.

These rankings are then combined to provide a single 'score' for each stock. The weighting of each factor in the single score is determined by the fund manager and reflects prevailing market conditions. Stocks with high scores are candidates for inclusion in the fund. Consideration is also given to the sector and country breakdown of the fund's benchmark to ensure a diversified portfolio.

As part of the portfolio construction process, differences between the fund's characteristics and those of its benchmark (such as sector, country or risk

factor weightings) may be constrained. Managing the fund in this way limits the magnitude by which the fund is expected to deviate from the benchmark.

## Benchmark

Benchmark: MSCI ACWI NUK 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 to measure the fund's performance and acts as a constraint on the fund's portfolio construction, as certain limits, such as constraints on sector or geographic exposure, may apply at any given time.

The fund is actively managed. Within the 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.

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.

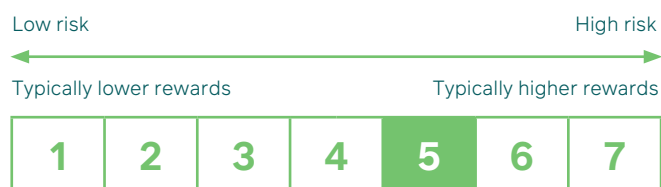
However, the fund is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. Moreover, the fund is



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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.

The following table shows the risk number associated with the fund and is based on Sterling Class 'I' 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 April 2021 to 3 April 2021 the risk number was 6.

## Investment review

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

### Performance against objective

Between 1 April 2021 (the start of the review period) and 1 October 2021, the M&G Global Enhanced Equity Premia Fund delivered a positive total return (the combination of income and growth of capital) across all its sterling share classes. Fund performance was behind the fund's benchmark, the MSCI ACWI NUK Index, which rose by 7.8% over the same period under review.

Since inception on 12 November 2019, the fund generated an annualised positive total return across its sterling share classes, but lagged its benchmark, which returned 14.1% pa over this period. The fund was launched in November 2019 and thus cannot yet be measured on its five-year performance objective.

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

Global stockmarkets continued to recover during the six-month review period, with the US leading the gains. As the rollout of COVID-19 vaccinations continued to gather pace globally, authorities were able to ease restrictions and economic activity began to accelerate.

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

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

Against this background, the fund delivered a positive total return (the combination of capital growth and income) across all its share classes, but lagged its benchmark, the MSCI ACWI NUK Index.

After a strong first quarter for the value and small-size factors, they both then struggled, holding back the relative performance of the fund over the review period. However, this was somewhat mitigated by exposure to the momentum factor, which contributed to performance. (Factor investing is based on the premise that a significant portion of returns over time can be explained by the excess return generated by stocks that reflect certain characteristics, or risk factors.)

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## Investment activities

The M&G Global Enhanced Equity Premia Fund is an active equity (company shares) fund, using a dynamic multi-factor equity approach.

We apply a systematic investment approach to select stocks we expect to outperform other companies in the global equity market. From the fund's investible universe, the MSCI ACWI Index, each stock is ranked on five key criteria, or factors: value, quality, momentum, volatility and size. Based on analysis of simulated past returns, stocks with exposure to these factors (attractive valuation, high quality, positive momentum, low volatility and small company size) have historically tended to deliver superior risk-adjusted returns.

These rankings are then combined to provide a single 'score' for each stock. Stocks with high scores are candidates for inclusion in the fund.

The weighting we allocate to each factor in the process of arriving at the single score reflects our view of the prevailing market conditions. The potential returns of individual factors might vary depending on their valuation and price action, as well as general market conditions. For example, if in our view, a risk factor is attractively valued, it will have a greater weighting in the score than if we regard it as unattractively valued. Typically, each risk factor will have an equal weighting (ie, 20%). No factor can have a weighting of less than 0% or greater than 50%.

As part of the portfolio construction process, differences between the fund's characteristics and the index (such as stock, sector, country or risk factor weightings) may be constrained. Managing the fund in this way limits the magnitude by which the fund is expected to deviate from the benchmark.

Factor investing is a well-established practice and supported by large bodies of academic research. It is cost-effective, with the potential to achieve excess returns. By combining factors, we mitigate the risk of any single factor being out of favour at a given time. Factors generally have low levels of correlation – they often do not move in the same direction as the market or as each other. In some cases in the past, factors have

even displayed negative correlation, moving in opposite directions to the markets and/or each other.

Following a period when the value and small-size factor were very attractively valued, after the global stockmarket sell-off in the first quarter of 2020, price action in the first half of 2021 has seen these valuations somewhat normalise, although they still remain attractive in a historical context. Furthermore, the valuation of the momentum factor, which looked extremely stretched at the start of 2021, is now less so.

We responded to these changes towards the end of the second quarter by reducing the fund's active bets to value and small-size factors and increased the fund's exposure to momentum. Such changes enable the fund to benefit from a recovery in the value factor, while also offering more diversification through the increased momentum exposure.

## Outlook

The era post the global financial crisis has been characterised by a regime of lower interest rates, benign inflation outcomes and the growth factor outperforming value.

The monetary and fiscal policy responses by developed economies, especially the US, to the COVID-19 pandemic have caused market participants to question whether we are at the start of a new regime for asset markets. The rise in longer-term interest rates in 2021 appears to be a reflection of this view.

Should such a reflationary regime continue to materialise, we would expect the environment to be supportive of the multi-factor approach used in the fund, which currently has a positive value tilt.

## Gautam Samarth and Marc Beckenstrater

Co-fund managers

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

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

# Investments

## Portfolio statement

Holding	as at 30.09.21 \$'000	as at 30.09.21 %	as at 31.03.21 %
<b>Equities</b>	<b>92,848</b>	<b>99.09</b>	<b>99.68</b>
<b>United Kingdom</b>	<b>1,585</b>	<b>1.69</b>	<b>3.03</b>
14,746 3i	253	0.27	
5,251 Admiral	219	0.23	
27,778 Auto Trader	220	0.23	
90,693 BT	198	0.21	
5,948 Persimmon	213	0.23	
3,102 Rio Tinto	203	0.22	
14,359 Smiths	279	0.30	
<b>Belgium</b>	<b>1,246</b>	<b>1.33</b>	<b>1.25</b>
17,349 Ageas	854	0.91	
19,749 Proximus	392	0.42	
<b>Denmark</b>	<b>293</b>	<b>0.31</b>	<b>0.23</b>
3,025 Novo Nordisk	293	0.31	
<b>France</b>	<b>889</b>	<b>0.95</b>	<b>0.84</b>
14,247 CNP Assurances	226	0.24	
6,110 Publicis	412	0.44	
1,515 Schneider Electric	251	0.27	
<b>Germany</b>	<b>2,919</b>	<b>3.12</b>	<b>3.98</b>
11,243 Bayerische Motoren Werke Preference Shares	864	0.92	
3,530 Covestro	245	0.26	
4,877 Merck	1,055	1.13	
10,852 Scout24	755	0.81	
<b>Greece</b>	<b>259</b>	<b>0.28</b>	<b>0.49</b>
16,840 OPAP	259	0.28	
<b>Hungary</b>	<b>581</b>	<b>0.62</b>	<b>0.70</b>
21,300 Richter Gedeon	581	0.62	
<b>Ireland</b>	<b>312</b>	<b>0.33</b>	<b>0.98</b>
1,770 Trane Technologies	312	0.33	
<b>Italy</b>	<b>0</b>	<b>0.00</b>	<b>0.99</b>
<b>Netherlands</b>	<b>3,075</b>	<b>3.28</b>	<b>2.33</b>
813 ASM International	321	0.34	
1,124 ASML	848	0.91	

## Investments

## Portfolio statement (continued)

Holding	as at 30.09.21 \$'000	as at 30.09.21 %	as at 31.03.21 %
<b>Equities (continued)</b>			
<b>Netherlands (continued)</b>			
9,676 LyondellBasell Industries	928	0.99	
18,630 NN	978	1.04	
<b>Norway</b>	<b>621</b>	<b>0.66</b>	<b>0.73</b>
43,969 Orkla	399	0.42	
4,475 Yara International	222	0.24	
<b>Poland</b>	<b>1,056</b>	<b>1.13</b>	<b>0.81</b>
119,998 Cyfrowy Polsat	1,056	1.13	
<b>Russia</b>	<b>841</b>	<b>0.90</b>	<b>0.30</b>
40,301 Severstal PAO	841	0.90	
<b>Sweden</b>	<b>1,240</b>	<b>1.32</b>	<b>1.24</b>
17,529 Electrolux	411	0.44	
52,798 Securitas	829	0.88	
<b>Switzerland</b>	<b>2,217</b>	<b>2.37</b>	<b>1.76</b>
2,867 Kuehne + Nagel International	986	1.06	
2,634 Sonova	1,004	1.07	
394 Swisscom	227	0.24	
<b>United States</b>	<b>51,888</b>	<b>55.38</b>	<b>53.25</b>
1,182 3M	214	0.23	
8,766 AbbVie	954	1.02	
4,640 Aflac	245	0.26	
1,842 Allstate	238	0.25	
169 Alphabet 'A' Shares	454	0.48	
366 Alphabet 'C' Shares	985	1.05	
341 Amazon.com	1,126	1.20	
7,850 American Financial	996	1.06	
1,381 Anthem	537	0.57	
17,234 Apple	2,462	2.63	
8,155 Applied Materials	1,046	1.12	
16,215 Archer-Daniels-Midland	986	1.05	
8,525 Arrow Electronics	975	1.04	
513 Broadcom	251	0.27	

## Investments

## Portfolio statement (continued)

Holding	as at 30.09.21 \$'000	as at 30.09.21 %	as at 31.03.21 %
<b>Equities (continued)</b>			
<b>United States (continued)</b>			
1,403 Broadridge Financial Solutions	236	0.25	
5,615 Bunge	454	0.48	
1,130 Caterpillar	224	0.24	
1,686 CDW	313	0.33	
10,447 CH Robinson Worldwide	924	0.99	
1,615 Cigna	329	0.35	
4,373 Coca-Cola	232	0.25	
886 Cummins	204	0.22	
4,501 Danaher	1,380	1.47	
683 Deere	240	0.26	
2,577 Dell Technologies	272	0.29	
7,246 Eaton	1,114	1.19	
7,822 Expeditors International of Washington	947	1.01	
727 Facebook	247	0.26	
2,448 Fortune Brands Home & Security	225	0.24	
3,339 Gartner	1,028	1.10	
7,930 Genuine Parts	984	1.05	
2,216 Hasbro	204	0.22	
13,192 Henry Schein	1,033	1.10	
67,502 Hewlett Packard Enterprise	951	1.02	
34,103 HP	931	0.99	
13,904 Intel	744	0.79	
16,796 International Paper	960	1.03	
31,915 Interpublic	1,197	1.28	
7,472 J M Smucker	913	0.97	
9,367 Johnson & Johnson	1,536	1.64	
3,184 KLA	1,068	1.14	
3,646 Laboratory Corp of America	1,046	1.12	
1,549 Lam Research	879	0.94	
5,301 Lear	840	0.90	
706 Lennox International	212	0.23	

## Investments

## Portfolio statement (continued)

Holding	as at 30.09.21 \$'000	as at 30.09.21 %	as at 31.03.21 %
<b>Equities (continued)</b>			
<b>United States (continued)</b>			
19,727 LKQ	1,014	1.08	
12,595 Microsoft	3,577	3.82	
10,363 Nucor	1,034	1.10	
121 NVR	598	0.64	
24,308 Omega Healthcare Investors REIT	737	0.79	
7,773 Owens Corning	685	0.73	
7,281 Packaging Corp of America	1,029	1.10	
9,651 Paychex	1,041	1.11	
2,461 Philip Morris International	245	0.26	
4,464 PulteGroup	214	0.23	
3,768 Regency Centers REIT	259	0.28	
4,410 Snap-on	948	1.01	
16,490 Steel Dynamics	982	1.05	
4,798 STERIS	1,003	1.07	
1,007 Target	237	0.25	
6,317 Texas Instruments	1,220	1.30	
2,522 Thermo Fisher Scientific	1,462	1.56	
1,031 UnitedHealth	413	0.44	
9,010 Walmart	1,265	1.35	
28,343 Western Union	589	0.63	
<b>Canada</b>	<b>3,887</b>	<b>4.15</b>	<b>3.79</b>
2,381 Bank of Montreal	239	0.26	
9,478 Canadian Imperial Bank of Commerce	1,059	1.13	
6,094 Canadian Tire	875	0.93	
2,618 Magna International	199	0.21	
8,009 National Bank of Canada	607	0.65	
10,894 Toromont Industries	908	0.97	
<b>Argentina</b>	<b>393</b>	<b>0.42</b>	<b>0.00</b>
44,464 Adecoagro	393	0.42	
<b>Brazil</b>	<b>458</b>	<b>0.49</b>	<b>0.69</b>
77,041 Hypera	458	0.49	

## Investments

## Portfolio statement (continued)

Holding	as at 30.09.21 \$'000	as at 30.09.21 %	as at 31.03.21 %
<b>Equities (continued)</b>			
<b>Mexico</b>	<b>451</b>	<b>0.48</b>	<b>0.98</b>
145,808 Megacable	451	0.48	
<b>Japan</b>	<b>5,175</b>	<b>5.52</b>	<b>5.28</b>
2,500 Hirose Electric	414	0.44	
36,400 Iida	934	1.00	
12,600 Japan Post Insurance	229	0.24	
9,800 Medipal	184	0.20	
9,600 Mitsui Chemicals	322	0.34	
36,300 SCSK	765	0.82	
27,700 Shizuoka Bank	228	0.24	
41,400 Tosoh	751	0.80	
12,500 Toyota Motor	223	0.24	
12,100 Trend Micro	671	0.72	
26,600 USS	454	0.48	
<b>Australia</b>	<b>468</b>	<b>0.50</b>	<b>1.66</b>
258,412 AusNet Services	468	0.50	
<b>China</b>	<b>2,707</b>	<b>2.89</b>	<b>3.92</b>
322,700 Bank of Beijing	218	0.23	
364,000 China Medical System	663	0.71	
122,000 China Shenhua Energy	285	0.30	
181,300 Shanghai Yuyuan Tourist Mart	286	0.31	
780,500 Sichuan Road & Bridge	1,018	1.09	
74,200 Weifu High-Technology	237	0.25	
<b>Hong Kong</b>	<b>2,505</b>	<b>2.67</b>	<b>1.61</b>
340,000 China Traditional Chinese Medicine	172	0.18	
924,000 Far East Horizon	935	1.00	
49,000 Kingboard	221	0.24	
255,000 Kingboard Laminates	422	0.45	
3,016,000 Shenzhen Investment	755	0.80	
<b>India</b>	<b>307</b>	<b>0.33</b>	<b>0.00</b>
16,490 Tech Mahindra	307	0.33	

## Investments

## Portfolio statement (continued)

Holding	as at 30.09.21 \$'000	as at 30.09.21 %	as at 31.03.21 %
<b>Equities (continued)</b>			
<b>Malaysia</b>	<b>724</b>	<b>0.77</b>	<b>1.03</b>
56,800 Hong Leong Financial	248	0.26	
187,100 RHB Bank	244	0.26	
216,000 Westports	232	0.25	
<b>New Zealand</b>	<b>207</b>	<b>0.22</b>	<b>0.22</b>
63,199 Spark New Zealand	207	0.22	
<b>Singapore</b>	<b>0</b>	<b>0.00</b>	<b>0.23</b>
<b>South Korea</b>	<b>2,204</b>	<b>2.35</b>	<b>2.76</b>
4,552 CJ ENM	582	0.62	
15,546 Hankook Tire & Technology	567	0.60	
20,423 Samsung Securities	824	0.88	
6,766 Shinhan Financial	231	0.25	
<b>Taiwan</b>	<b>2,596</b>	<b>2.77</b>	<b>3.23</b>
49,000 Asustek Computer	572	0.61	
266,000 Chicony Electronics	735	0.79	
295,000 Compal Electronics	250	0.27	
25,000 Novatek Microelectronics	368	0.39	
242,000 Synnex Technology International	453	0.48	
125,000 WPG	218	0.23	
<b>Israel</b>	<b>932</b>	<b>0.99</b>	<b>0.37</b>
76,194 Bank Hapoalim	667	0.71	
31,448 Bank Leumi Le-Israel	265	0.28	
<b>South Africa</b>	<b>812</b>	<b>0.87</b>	<b>1.00</b>
76,893 Exxaro Resources	812	0.87	
<b>Portfolio of investments</b>	<b>92,848</b>	<b>99.09</b>	<b>99.68</b>
<b>Cash equivalents</b>	<b>0</b>	<b>0.00</b>	<b>0.33</b>
<b>'AAA' rated money market funds<sup>a</sup></b>	<b>0</b>	<b>0.00</b>	<b>0.33</b>
<b>Total portfolio</b>	<b>92,848</b>	<b>99.09</b>	<b>100.01</b>
<b>Net other assets/(liabilities)</b>	<b>854</b>	<b>0.91</b>	<b>(0.01)</b>
<b>Net assets attributable to shareholders</b>	<b>93,702</b>	<b>100.00</b>	<b>100.00</b>

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

<sup>a</sup> 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  
30 September 2021

Largest purchases	\$'000
Walmart	1,293
Vanguard FTSE All-World	1,079
Senova Holding	1,015
Kuehne + Nagel International	1,005
STERIS	1,003
Hewlett Packard Enterprise	998
Henry Schein	995
American Financial Group	995
China Medical System	984
Sichuan Road & Bridge	975
Other purchases	21,407
<b>Total purchases</b>	<b>31,749</b>

Largest sales	\$'000
Vanguard FTSE All-World	1,560
Abbott Laboratories	1,164
T Rowe Price Group	1,116
Skyworks Solutions	1,027
Sonic Healthcare	976
Recordati Industria Chimica e Farmaceutica	974
LG	969
Brenntag	966
China Hongqiao	940
Bunzl	935
Other sales	23,207
<b>Total sales</b>	<b>33,834</b>

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

# Financial highlights

## Fund performance

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

The following chart and tables reflect the key financial information of a representative share class, Sterling Class 'I' (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 (10), which is available free of charge either from our website at [www.mandg.co.uk/prospectuses](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

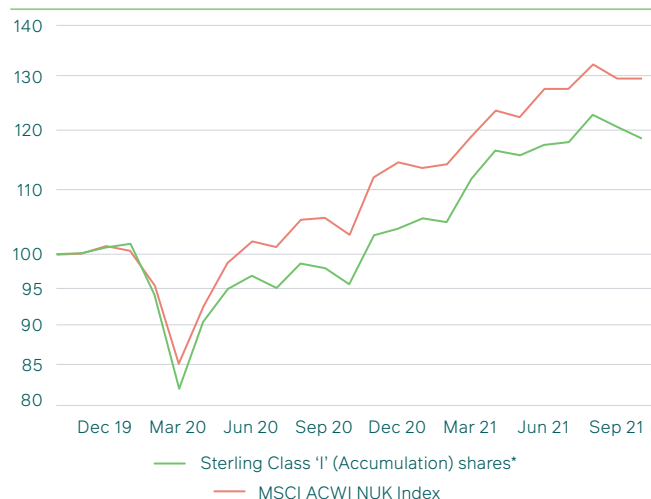
## Fund level performance

Fund net asset value as at	30.09.21 \$'000	31.03.21 \$'000	31.03.20 \$'000
Fund net asset value (NAV)	93,702	91,922	66,636

## Performance since launch

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

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



Source: Morningstar, Inc. and M&G

\* Income reinvested

## Long-term performance by share class

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

Share class	Six months 01.04.21 % <sup>a</sup>	Three years 01.10.18 % pa	Five years 03.10.16 % pa	Since launch % pa
<b>Sterling</b>				
Class 'I'	+5.9	n/a	n/a	+9.5
Class 'PP'	+6.0	n/a	n/a	+9.5
Class 'Z'	+6.1	n/a	n/a	+9.7

<sup>a</sup> Not annualised.

# Financial highlights

## Operating charges and portfolio transaction costs

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

### Operating charges

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

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

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

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

## Portfolio transaction costs

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

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

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

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

# Financial highlights

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

## Portfolio transaction costs

Direct portfolio transaction costs <sup>b</sup>	Six months to 30.09.21 %	Year to 31.03.21 %	Year to 31.03.20 %	Average <sup>a</sup> %
Broker commission	0.03	0.08	0.06	0.06
Taxes	0.04	0.10	0.07	0.07
Costs before dilution adjustments	0.07	0.18	0.13	0.13
Dilution adjustments <sup>c</sup>	(0.01)	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.06	0.17	0.12	0.12
as at Indirect portfolio transaction costs	30.09.21 %	31.03.21 %	31.03.20 %	Average <sup>a</sup> %
Average portfolio dealing spread	0.09	0.12	0.19	0.13

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

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

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

## Specific share class performance

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

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

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

## Sterling Class 'I' Income share performance

The share class was launched on 12 November 2019.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	108.41	81.24	100.00
Return before operating charges	8.78	29.65	(17.78)
Operating charges	(0.17)	(0.30)	(0.11)
Return after operating charges	8.61	29.35	(17.89)
Distributions	n/a	(2.18)	(0.87)
Closing NAV	117.02	108.41	81.24
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.18	0.13
Dilution adjustments <sup>a</sup>	0.00	(0.01)	(0.01)
Total direct transaction costs	0.04	0.17	0.12
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.06	0.17	0.12
Operating charges	0.30	0.30	0.30
Return after charges	+7.94	+36.13	-17.89
Historic yield	1.88	0.79	1.05
Other information			
Closing NAV (\$'000)	32	30	20
Closing NAV (%)	0.03	0.03	0.03
Number of shares	20,000	20,000	20,000
Highest share price (UK p)	119.30	110.53	105.08
Lowest share price (UK p)	108.60	77.75	74.96

# Financial highlights

## Sterling Class 'I' Accumulation share performance

The share class was launched on 12 November 2019.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	111.78	82.12	100.00
Return before operating charges	9.02	29.96	(17.77)
Operating charges	(0.18)	(0.30)	(0.11)
Return after operating charges	8.84	29.66	(17.88)
Distributions	n/a	(1.94)	(0.78)
Retained distributions	n/a	1.94	0.78
Closing NAV	120.62	111.78	82.12
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.04	0.18	0.13
Dilution adjustments <sup>a</sup>	0.00	(0.01)	(0.01)
Total direct transaction costs	0.04	0.17	0.12
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.06	0.17	0.12
Operating charges	0.30	0.30	0.30
Return after charges	+7.91	+36.12	-17.88
Historic yield	1.62	0.69	0.90
<b>Other information</b>			
Closing NAV (\$'000)	32	31	20
Closing NAV (%)	0.04	0.03	0.03
Number of shares	20,000	20,000	20,000
Highest share price (UK p)	123.00	111.72	105.08
Lowest share price (UK p)	111.96	78.59	74.96

## Sterling Class PP' Income share performance

The share class was launched on 12 November 2019.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	108.47	81.25	100.00
Return before operating charges	8.78	29.65	(17.78)
Operating charges	(0.14)	(0.25)	(0.10)
Return after operating charges	8.64	29.40	(17.88)
Distributions	n/a	(2.18)	(0.87)
Closing NAV	117.11	108.47	81.25
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.04	0.18	0.13
Dilution adjustments <sup>a</sup>	0.00	(0.01)	(0.01)
Total direct transaction costs	0.04	0.17	0.12
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.06	0.17	0.12
Operating charges	0.25	0.25	0.25
Return after charges	+7.97	+36.18	-17.88
Historic yield	1.88	0.79	1.05
<b>Other information</b>			
Closing NAV (\$'000)	32	30	20
Closing NAV (%)	0.03	0.03	0.03
Number of shares	20,000	20,000	20,000
Highest share price (UK p)	119.39	110.59	105.10
Lowest share price (UK p)	108.66	77.77	74.98

# Financial highlights

## Sterling Class 'PP' Accumulation share performance

The share class was launched on 12 November 2019.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	111.84	82.12	100.00
Return before operating charges	9.02	29.97	(17.78)
Operating charges	(0.15)	(0.25)	(0.10)
Return after operating charges	8.87	29.72	(17.88)
Distributions	n/a	(1.98)	(0.79)
Retained distributions	n/a	1.98	0.79
Closing NAV	120.71	111.84	82.12
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.18	0.13
Dilution adjustments <sup>a</sup>	0.00	(0.01)	(0.01)
Total direct transaction costs	0.04	0.17	0.12
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.06	0.17	0.12
Operating charges	0.25	0.25	0.25
Return after charges	+7.93	+36.19	-17.88
Historic yield	1.65	0.70	0.92
Other information			
Closing NAV (\$'000)	32	31	21
Closing NAV (%)	0.04	0.03	0.03
Number of shares	20,000	20,000	20,000
Highest share price (UK p)	123.08	111.78	105.10
Lowest share price (UK p)	112.02	78.61	74.98

## Sterling Class 'Z' Accumulation share performance

The share class was launched on 12 November 2019.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	112.17	82.18	100.00
Return before operating charges	9.07	29.99	(17.82)
Operating charges	0.00	0.00	0.00
Return after operating charges	9.07	29.99	(17.82)
Distributions	n/a	(2.19)	(0.87)
Retained distributions	n/a	2.19	0.87
Closing NAV	121.24	112.17	82.18
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.18	0.13
Dilution adjustments <sup>a</sup>	0.00	(0.01)	(0.01)
Total direct transaction costs	0.04	0.17	0.12
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.06	0.17	0.12
Operating charges	0.00	0.00	0.00
Return after charges	+8.09	+36.49	-17.82
Historic yield	1.83	0.77	1.04
Other information			
Closing NAV (\$'000)	93,574	91,800	66,555
Closing NAV (%)	99.86	99.88	99.88
Number of shares	57,450,326	59,461,000	65,519,000
Highest share price (UK p)	123.55	112.09	105.17
Lowest share price (UK p)	112.33	78.69	75.05

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

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

# Financial statements and notes

## Financial statements

### Statement of total return

for the six months to 30 September	2021		2020	
	\$'000	\$'000	\$'000	\$'000
<b>Income</b>				
Net capital gains/(losses)		3,321		14,192
Revenue	1,985		1,184	
Expenses	0		(1)	
Net revenue/(expense) before taxation	1,985		1,183	
Taxation	(206)		(128)	
Net revenue/(expense) after taxation		1,779		1,055
<b>Total return before equalisation</b>		<b>5,100</b>		<b>15,247</b>
Equalisation		(46)		(2)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>5,054</b>		<b>15,245</b>

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

for the six months to 30 September	2021		2020	
	\$'000	\$'000	\$'000	\$'000
<b>Opening net assets attributable to shareholders</b>		<b>91,922</b>		<b>66,636</b>
Amounts received on issue of shares	0		0	
Amounts paid on cancellation of shares	(3,278)		(4,270)	
		(3,278)		(4,270)
Dilution adjustments		4		6
Change in net assets attributable to shareholders from investment activities (see above)		5,054		15,245
<b>Closing net assets attributable to shareholders</b>		<b>93,702</b>		<b>77,617</b>

The opening net assets attributable to shareholders for 2021 differs to the closing position in 2020 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

# Financial statements and notes

## Financial statements

### Balance sheet

as at	30 September 2021 \$'000	31 March 2021 \$'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	92,848	91,626
<b>Current assets</b>		
Debtors	394	206
Cash and bank balances	1,499	4
Cash equivalents	0	307
<b>Total assets</b>	<b>94,741</b>	<b>92,143</b>
<b>Liabilities</b>		
<b>Creditors</b>		
Bank overdrafts	(1,035)	(207)
Distribution payable	0	(1)
Other creditors	(4)	(13)
<b>Total liabilities</b>	<b>(1,039)</b>	<b>(221)</b>
<b>Net assets attributable to shareholders</b>	<b>93,702</b>	<b>91,922</b>



# Financial statements and notes

## Notes to the financial statements

### Accounting policies

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

### Distribution policy

In determining the amount available for distribution 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 the ICE BofAML Global High Yield Index (USD hedged) over any five-year period.

## Investment policy

At least 80% of the fund is invested directly in high yield bonds issued by companies that are domiciled in any country, including emerging markets. These bonds may be denominated in any currency and currency exposure is typically hedged back to US dollar.

The fund invests in securities that meet the fund manager's environmental, social and governance (ESG) criteria. This is achieved through the use of third party ESG information and/or proprietary analysis. However, some securities which meet the ESG criteria may not provide as good an ESG outcome as others.

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

- companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment and anti-corruption;
- companies that derive any revenue from defence and weapons; and
- companies that derive revenue of more than 5% for producers, and 10% for distributors, from the following industries: tobacco, alcohol, adult entertainment, gambling, nuclear power or thermal coal.

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

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

Derivatives, other transferable securities, cash and near cash may not be subject to the same ESG restrictions as other securities held in the portfolio.

## Investment approach

The fund is globally diversified, and the fund manager seeks to provide exposure to a broad range of individual issuers across a variety of sectors.

The fund manager has the flexibility to adjust the fund's credit exposure, sector positioning and regional allocations depending on the assessment of current market valuations and the macroeconomic environment, including the likely path of economic growth, inflation and interest rates.

Individual credit selection is carried out in conjunction with the in-house team of credit analysts, which provides bottom-up analysis of the corporate bond markets to complement the fund manager's views.

ESG characteristics are assessed as part of the analysis of bond issuers, driving security selection and acting as an additional filter to the fund's hard ESG exclusion policies.

Further information about the Investment Manager's ESG criteria applied to the fund can be found on the M&G website under the Fund Literature section (M&G Global High Yield ESG Bond Fund – Applying ESG Criteria).

## Benchmark

Benchmark: ICE BofAML Global High Yield Index (USD hedged).

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

# Authorised Corporate Director's Report

buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

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

## Risk profile

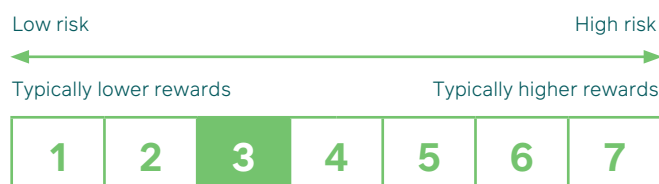
The fund invests mainly in higher yielding fixed income securities, which may be denominated in any currency. It is, therefore, subject to the price volatility of the global bond market as well as the performance of individual issuers. In addition, the fund is subject to fluctuations in currency exchange rates, although currency exposure is typically hedged back to US dollar.

The fund's focus on higher yielding debt securities implies that it may experience greater volatility than a fund that invests primarily in investment grade debt securities as higher risk assets could potentially experience a degree of illiquidity in times of market distress.

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

Portfolio diversification is 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.

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



### The above number:

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

## Investment review

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

### Performance against objective

Between 1 April 2021 (the start of the review period) and 1 October 2021, the M&G Global High Yield ESG Bond Fund delivered a positive total return (the combination of income and growth of capital) across all share classes. However, fund performance was behind the average return from the fund's benchmark, the ICE BofAML Global High Yield Index GBP Hedged, which was 2.4% over the same period under review.

The fund was launched on 25 February 2020, therefore it is too early to say whether it has met its objective to provide a combination of capital growth and income, net of the ongoing charge figure, that is higher than the ICE BofAML Global High Yield Index (USD hedged) 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.

# Authorised Corporate Director's Report

## Performance review

The M&G Global High Yield ESG Bond Fund was launched on 25 February 2020. The fund combines M&G's long-running experience in high yield bond investing with a rigorous assessment of environmental, social and governance (ESG) factors.

High yield bonds are loans paying fixed interest issued by companies with a low credit rating. Credit ratings are independent assessments of a borrower's ability to repay loans. Bonds from low-rated companies are considered riskier than those issued by companies with a high credit rating. They therefore pay a higher rate of interest than their higher-rated counterparts, to compensate investors for the greater possibility that the issuer might be unable to meet its obligations, or in other words, default.

During the six months under review, the rollout of COVID-19 vaccinations continued to gather pace globally, allowing most nations to ease restrictions and economic activity to largely normalise. Economic growth (as indicated by GDP growth rates) among the world's largest economies was mostly very positive during the period, although some countries registered negative second-quarter growth rates as temporary lockdown measures were reintroduced.

Towards the end of the summer, much of the developed world appeared to be at or just past the peak rate of economic growth according to some of the well-publicised global business sentiment surveys. However, the recovery appeared to be increasingly uneven and delicate among some countries, with many experiencing a variety of fresh post-lockdown challenges, including renewed virus outbreaks, varying vaccination take-up rates, supply chain blockages and constrained energy markets. Most developed countries saw the prices of goods and services (inflation) surge in the spring and remain elevated during the summer months, driven by strong post-lockdown demand and supply bottlenecks of some raw materials.

In this environment, the majority of equity markets across developed nations registered positive returns over the six-month period. However, in China, doubts

over the financial health of the property sector upset investor appetite in the country, contributing to some disappointing investment returns from emerging market shares and bonds more broadly, particularly in Asia. Oil-producing nations such as Russia and the United Arab Emirates registered healthy gains as oil prices rose by more than 20% in US dollar terms during the period.

In the US, UK and Europe, fears over persistently high inflation, supply chain issues and rumours surrounding the imminent withdrawal of central bank support measures contributed to particularly volatile financial markets in September. As a result, core government bond yields – which had been falling for much of the period as central banks consistently dampened speculation they would be withdrawing stimulus measures – began sharply rising again. The government bond sell-off towards the end of the period particularly affected UK gilts, as many investors speculated the Bank of England would be the first major central bank to raise interest rates.

Corporate bonds delivered mostly positive returns over the period, although returns were held back by the rise in government bond yields. From a regional perspective, US corporate bonds outperformed UK and European corporate bonds, both in the investment grade and high yield segments.

Currency markets held relatively steady during the period. The US dollar strengthened slightly against sterling, the euro and yen, while emerging market currencies were notably weaker versus the US dollar amid growing risk aversion towards the end of the period.

The fund's sterling share classes delivered a positive return over the review period, but they underperformed the ICE BofAML Global High Yield Index (GBP Hedged). Relative performance was held back by our defensive credit positioning which meant the fund did not fully capture the continued strength in high yield markets to the same extent as the benchmark. Another drag on relative returns was our bias towards European high yield issuers, which lagged the US high yield market over the period. However, having only a modest

# Authorised Corporate Director's Report

exposure to emerging markets proved helpful given the weakness in this space.

## Investment activities

The fund has broadly maintained a cautious stance towards cyclical sectors during the period, with a continued preference for more defensive areas of the market. Our bottom-up investment process ensures we seek a higher level of compensation when investing in more cyclical and lower-rated parts of the market. In many cases, we haven't felt sufficiently compensated for the level of risk present among many cyclical credits, which is why we have focused our cyclical exposure in issuers with healthy balance sheets or on new debt issues with a stronger overall security package.

We continue to see high levels of activity in the primary market, as the market for newly-issued bonds is known. We remain selective in this area, although we did participate in new deals from a number of companies, including record label conglomerate Warner Music, medical equipment company AdaptHealth, home builder Ashton Woods and educational publisher McGraw Hill.

In the secondary market, we added a number of travel-focused names that we think should benefit from a reopening of the global economy, such as Delta Air Lines, Royal Caribbean Cruises and Hilton. In terms of sales, we closed our position in meat processing company MHP, while reducing the fund's exposure to the Chinese property sector given recent turbulence in this area.

## Outlook

Looking forward, we remain cautiously optimistic on the outlook for high yield as we think continued investor demand for assets able to generate a positive real yield should provide support to the asset class. We also expect default rates to remain low, as the benign funding conditions of the last 12 months have allowed many issuers to reduce funding costs and strengthen balance sheets. The sustained improvement in the global economic environment and favourable funding conditions should continue to be supportive for high

yield as corporate earnings continue to recover and balance sheet metrics to improve.

However, we acknowledge that credit spreads have continued to rally and are now sitting at historic tights, potentially pricing in too much good news in some areas of the market. We maintain our view of not taking on excessive credit risk, particularly given the commencement of US monetary policy tightening seems imminent. With investors increasingly nervous about a market correction, high yield markets have continued to rally on the back of improving fundamentals, a relatively attractive income level and lower interest rate sensitivity. In this environment, an active and risk-controlled investment approach to the asset class remains crucial in our opinion

## James Tomlins and Stefan Isaacs

### Co-fund managers

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

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

## Investments

## Portfolio statement

as at Holding	30.09.21 \$'000	30.09.21 %	31.03.21 %
<b>Debt securities</b>	<b>44,227</b>	<b>99.77</b>	<b>93.26</b>
<b>Corporate bonds</b>	<b>43,034</b>	<b>97.08</b>	<b>91.26</b>
<b>Investment grade corporate bonds</b>	<b>2,303</b>	<b>5.19</b>	<b>6.11</b>
US\$100,000 Cheniere Corpus Christi 5.875% 31/03/2025	113	0.25	
US\$150,000 Dell International 8.1% 15/07/2036	225	0.51	
US\$82,000 HCA 4.75% 01/05/2023	87	0.20	
£101,000 Legal & General Var. Rate 5.375% 27/10/2045	154	0.35	
US\$200,000 Lenovo 5.875% 24/04/2025	225	0.51	
€100,000 Merck Var. Rate 1.625% 25/06/2079	119	0.27	
US\$88,000 NGPL PipeCo 4.875% 15/08/2027	100	0.22	
€240,000 PVH 3.625% 15/07/2024	303	0.68	
US\$250,000 PVH 4.625% 10/07/2025	275	0.62	
€100,000 Smurfit Kappa Treasury ULC 1.5% 15/09/2027	123	0.28	
€100,000 Stora Enso 2.5% 21/03/2028	130	0.29	
US\$225,000 Stora Enso 7.25% 15/04/2036	304	0.68	
€113,000 TotalEnergies Var. Rate 3.369% Perpetual	145	0.33	
<b>Below investment grade corporate bonds</b>	<b>40,731</b>	<b>91.89</b>	<b>85.15</b>
€400,000 ABN AMRO Bank Var. Rate 4.75% Perpetual	509	1.15	
US\$328,000 AdaptHealth 5.125% 01/03/2030	327	0.74	
€200,000 ADLER 1.875% 14/01/2026	196	0.44	
€366,000 Arrow Global Finance FRN 2.875% 01/04/2025	423	0.95	
US\$568,000 Ashton Woods 4.625% 01/08/2029	576	1.30	
€350,000 Avantor Funding 3.875% 15/07/2028	423	0.95	
US\$30,000 Avis Budget Car Rental 5.75% 15/07/2027	31	0.07	
€200,000 Axalta Coating Systems Dutch 3.75% 15/01/2025	235	0.53	
£100,000 B&M European Value Retail 3.625% 15/07/2025	138	0.31	
€109,000 Banca Monte dei Paschi di Siena Var. Rate 8.5% 10/09/2030	103	0.23	
€400,000 Banco Bilbao Vizcaya Argentaria Var. Rate 6% Perpetual	505	1.14	
€200,000 Banco de Sabadell Var. Rate 6.5% Perpetual	237	0.53	
US\$200,000 Barclays Var. Rate 8% Perpetual	226	0.51	
US\$215,000 Bath & Body Works 6.625% 01/10/2030	243	0.55	
US\$110,000 Bath & Body Works 6.75% 01/07/2036	137	0.31	
US\$360,000 Bausch Health 5% 15/02/2029	334	0.75	

## Investments

## Portfolio statement (continued)

as at Holding	30.09.21 \$'000	30.09.21 %	31.03.21 %
<b>Debt securities (continued)</b>			
<b>Corporate bonds (continued)</b>			
<b>Below investment grade corporate bonds (continued)</b>			
€206,000 Belden 3.375% 15/07/2027	244	0.55	
€200,000 Belden 3.375% 15/07/2031	240	0.54	
US\$350,000 Berry Global 4.875% 15/07/2026	368	0.83	
€100,000 Canpack 2.375% 01/11/2027	118	0.27	
US\$300,000 Cascades USA 5.125% 15/01/2026	317	0.72	
€100,000 Casino Guichard Perrachon 4.048% 05/08/2026	113	0.25	
€341,000 Casino Guichard Perrachon 6.625% 15/01/2026	412	0.93	
€57,539 Cemex 2.75% 05/12/2024	67	0.15	
US\$90,000 Cheniere Energy Partners 3.25% 31/01/2032	90	0.20	
US\$97,000 Cheniere Energy Partners 4.5% 01/10/2029	104	0.23	
€200,000 Cheplapharm Arzneimittel 4.375% 15/01/2028	241	0.54	
US\$300,000 CIFI 5.25% 13/05/2026	294	0.66	
€221,000 Citycon Var. Rate 3.625% Perpetual	253	0.57	
€275,000 CMA CGM 5.25% 15/01/2025	323	0.73	
€200,000 Commerzbank Var. Rate 6.125% Perpetual	254	0.57	
US\$200,000 CommScope 8.25% 01/03/2027	210	0.47	
€300,000 CPI Property Var. Rate 4.875% Perpetual	366	0.83	
£100,000 CPUK Finance 4.5% 28/08/2027	137	0.31	
£200,000 CPUK Finance 6.5% 28/08/2026	283	0.64	
US\$350,000 Crown Americas Capital 4.25% 30/09/2026	375	0.85	
US\$300,000 CSC 4.5% 15/11/2031	295	0.67	
€250,000 Dana Financing Luxembourg 3% 15/07/2029	295	0.67	
US\$350,000 DaVita 3.75% 15/02/2031	340	0.77	
US\$272,000 Del Monte Foods 11.875% 15/05/2025	306	0.69	
US\$398,000 Delta Air Lines 3.75% 28/10/2029	405	0.91	
€116,000 Derichebourg 2.25% 15/07/2028	138	0.31	
€184,000 Dometic 2% 29/09/2028	211	0.48	
US\$200,000 Drax Finco 6.625% 01/11/2025	206	0.46	
€300,000 Eagle Intermediate Global 5.375% 01/05/2023	336	0.76	
€250,000 Eurofins Scientific Var. Rate 2.875% Perpetual	294	0.66	

# Investments

## Portfolio statement (continued)

as at Holding	30.09.21 \$'000	30.09.21 %	31.03.21 %
<b>Debt securities (continued)</b>			
<b>Corporate bonds (continued)</b>			
<b>Below investment grade corporate bonds (continued)</b>			
€100,000 Eurofins Scientific Var. Rate 3.25% Perpetual	123	0.28	
US\$200,000 Greenko Solar Mauritius 5.55% 29/01/2025	204	0.46	
€212,000 Grifols 2.25% 15/11/2027	246	0.55	
€200,000 Grifols Escrow Issuer 3.875% 15/10/2028	234	0.53	
US\$200,000 Hanesbrands 4.625% 15/05/2024	212	0.48	
US\$200,000 Hanesbrands 4.875% 15/05/2026	217	0.49	
US\$100,000 Hanesbrands 5.375% 15/05/2025	105	0.24	
US\$210,000 HCA 3.5% 01/09/2030	222	0.50	
US\$100,000 HCA 5.375% 01/09/2026	114	0.26	
£150,000 Heathrow Finance 4.375% 01/03/2027	204	0.46	
£100,000 Heathrow Finance 5.25% 01/03/2024	140	0.32	
US\$250,000 Hilton Worldwide Finance 4.875% 01/04/2027	258	0.58	
£300,000 Iceland Bondco 4.375% 15/05/2028	358	0.81	
US\$115,000 iHeartCommunications 8.375% 01/05/2027	122	0.28	
€200,000 Infineon Technologies Var. Rate 3.625% Perpetual	255	0.58	
€100,000 Infrastrutture Wireless Italiane 1.875% 08/07/2026	120	0.27	
€200,000 Intertrust 3.375% 15/11/2025	235	0.53	
€412,000 Intesa Sanpaolo Var. Rate 6.25% Perpetual	521	1.18	
€250,000 Intrum 3% 15/09/2027	288	0.65	
€100,000 Intrum 3.5% 15/07/2026	118	0.27	
€200,000 Italmatch Chemicals FRN 4.75% 30/09/2024	226	0.51	
US\$400,000 Jazz Securities 4.375% 15/01/2029	413	0.93	
US\$240,000 Kaisa 9.375% 30/06/2024	184	0.41	
US\$350,000 KB Home 4.8% 15/11/2029	381	0.86	
€200,000 KBC Var. Rate 4.25% Perpetual	245	0.55	
€200,000 KPN Var. Rate 2% Perpetual	235	0.53	
€100,000 Kraft Heinz Foods 2.25% 25/05/2028	126	0.28	
US\$500,000 Kraft Heinz Foods 4.25% 01/03/2031	568	1.28	
US\$612,000 KUO 5.75% 07/07/2027	630	1.42	
US\$230,000 KWG 6.3% 13/02/2026	207	0.47	



## Investments

## Portfolio statement (continued)

as at Holding	30.09.21 \$'000	30.09.21 %	31.03.21 %
<b>Debt securities (continued)</b>			
<b>Corporate bonds (continued)</b>			
<b>Below investment grade corporate bonds (continued)</b>			
€450,000 Levi Strauss 3.375% 15/03/2027	533	1.20	
US\$42,000 Levi Strauss 3.5% 01/03/2031	42	0.09	
US\$200,000 Liquid Telecommunications Financing 5.5% 04/09/2026	206	0.46	
€200,000 Lloyds Banking Var. Rate 4.947% Perpetual	254	0.57	
US\$450,000 Macy's Retail 5.875% 01/04/2029	492	1.11	
US\$173,000 Marriott Ownership Resorts 6.125% 15/09/2025	184	0.42	
US\$450,000 Mav Acquisition 8% 01/08/2029	428	0.97	
US\$130,000 Meritage Homes 3.875% 15/04/2029	136	0.31	
US\$200,000 Millicom International Cellular 4.5% 27/04/2031	208	0.47	
US\$180,000 Millicom International Cellular 6.625% 15/10/2026	189	0.43	
US\$200,000 Netflix 3.625% 15/06/2025	213	0.48	
€200,000 Netflix 3.625% 15/06/2030	277	0.62	
US\$300,000 Network i2i Var. Rate 3.975% Perpetual	302	0.68	
US\$265,000 Network i2i Var. Rate 5.65% Perpetual	282	0.64	
US\$303,000 New Red Finance 3.875% 15/01/2028	304	0.69	
€104,375 NewCo 8% 15/12/2022	122	0.28	
US\$450,000 Nielsen Finance 5.625% 01/10/2028	466	1.05	
€300,000 Nobian Finance 3.625% 15/07/2026	344	0.78	
£260,000 Ocado 4% 15/06/2024	352	0.79	
US\$200,000 Occidental Petroleum 4.4% 15/04/2046	200	0.45	
US\$400,000 Occidental Petroleum 6.625% 01/09/2030	494	1.11	
€100,000 OI European 2.875% 15/02/2025	117	0.26	
US\$350,000 Oriflame Investment 5.125% 04/05/2026	358	0.81	
US\$100,000 Owens-Brockway Glass Container 6.375% 15/08/2025	111	0.25	
US\$200,000 Owens-Brockway Glass Container 6.625% 13/05/2027	214	0.48	
€106,000 Paprec 4% 31/03/2025	125	0.28	
US\$214,000 Pilgrim's Pride 3.5% 01/03/2032	217	0.49	
US\$550,000 Pilgrim's Pride 4.25% 15/04/2031	585	1.32	
US\$100,000 Pilgrim's Pride 5.875% 30/09/2027	106	0.24	
US\$300,000 Post 5.5% 15/12/2029	319	0.72	

## Investments

## Portfolio statement (continued)

as at Holding	30.09.21 \$'000	30.09.21 %	31.03.21 %
<b>Debt securities (continued)</b>			
<b>Corporate bonds (continued)</b>			
<b>Below investment grade corporate bonds (continued)</b>			
US\$200,000 PRA Health Sciences 2.875% 15/07/2026	202	0.46	
£165,000 Premier Foods Finance 3.5% 15/10/2026	223	0.50	
US\$183,000 Prestige Brands 3.75% 01/04/2031	177	0.40	
US\$28,000 Range Resources 8.25% 15/01/2029	31	0.07	
US\$119,000 Renewable Energy 5.875% 01/06/2028	123	0.28	
€267,000 Repsol International Finance Var. Rate 4.5% 25/03/2075	336	0.76	
US\$200,000 Royal Caribbean Cruises 5.5% 01/04/2028	205	0.46	
US\$400,000 Sally Capital 5.625% 01/12/2025	410	0.92	
€424,000 Sappi Papier 3.625% 15/03/2028	504	1.14	
US\$300,000 Sealed Air 5.125% 01/12/2024	327	0.74	
€243,051 Selecta 8% 01/04/2026	285	0.64	
€47,402 Selecta 10% 01/07/2026	53	0.12	
€81,944 Selecta 12% 01/10/2026	52	0.12	
US\$108,000 Service Corporation International 3.375% 15/08/2030	108	0.24	
US\$85,000 Service Corporation International 5.125% 01/06/2029	92	0.21	
US\$400,000 Simpar Europe 5.2% 26/01/2031	398	0.90	
US\$500,000 Sirius XM Radio 5% 01/08/2027	521	1.18	
US\$46,000 SM Energy 10% 15/01/2025	51	0.11	
€300,000 SoftBank 3.875% 06/07/2032	329	0.74	
US\$300,000 Southwestern Energy 7.75% 01/10/2027	325	0.73	
US\$300,000 Sprint 7.875% 15/09/2023	335	0.76	
US\$150,000 Taylor Morrison Communities 5.125% 01/08/2030	162	0.37	
US\$98,000 Taylor Morrison Communities 5.875% 15/06/2027	112	0.25	
US\$305,000 TEGNA 4.625% 15/03/2028	309	0.70	
€400,000 Telefónica Europe Var. Rate 4.375% Perpetual	502	1.13	
US\$185,000 Tenet Healthcare 4.625% 15/07/2024	188	0.42	
US\$250,000 Tenet Healthcare 6.125% 01/10/2028	262	0.59	
€600,000 TI Automotive Finance 3.75% 15/04/2029	701	1.58	
US\$400,000 Triton Water 6.25% 01/04/2029	406	0.92	
US\$250,000 Uber Technologies 7.5% 15/05/2025	267	0.60	

## Investments

## Portfolio statement (continued)

as at Holding	30.09.21 \$'000	30.09.21 %	31.03.21 %
<b>Debt securities (continued)</b>			
<b>Corporate bonds (continued)</b>			
<b>Below investment grade corporate bonds (continued)</b>			
€350,000 UniCredit Var. Rate 7.5% Perpetual	478	1.08	
€224,000 Verisure 5.25% 15/02/2029	266	0.60	
US\$62,000 Videotron 5.375% 15/06/2024	68	0.15	
£350,000 Virgin Media Secured Finance 4.125% 15/08/2030	474	1.07	
£150,000 Virgin Media Secured Finance 5% 15/04/2027	209	0.47	
£100,000 Virgin Media Secured Finance 5.25% 15/05/2029	142	0.32	
£300,000 Virgin Media Vendor Financing Notes III 4.875% 15/07/2028	411	0.93	
US\$500,000 Vodafone Var. Rate 7% 04/04/2079	611	1.38	
US\$200,000 Wanda Properties International 7.25% 29/01/2024	193	0.44	
US\$200,000 Wanda Properties Overseas 6.875% 23/07/2023	193	0.44	
€242,000 WMG Acquisition 2.25% 15/08/2031	280	0.63	
€100,000 WMG Acquisition 2.75% 15/07/2028	119	0.27	
US\$200,000 Yum! Brands 4.625% 31/01/2032	212	0.48	
US\$200,000 Yuzhou 6.35% 13/01/2027	128	0.29	
US\$200,000 Yuzhou 7.85% 12/08/2026	133	0.30	
€280,000 Ziggo 4.25% 15/01/2027	333	0.75	
US\$200,000 Ziggo Bond 5.125% 28/02/2030	205	0.46	
US\$300,000 Ziggo Bond 6% 15/01/2027	311	0.70	
<b>Corporate bonds with no credit rating</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
US\$34,000 JC Penney 6.375% 15/10/2036 <sup>a</sup>	0	0.00	
<b>Government bonds</b>	<b>1,193</b>	<b>2.69</b>	<b>2.00</b>
<b>Investment grade government bonds</b>	<b>1,193</b>	<b>2.69</b>	<b>2.00</b>
US\$1,215,000 US Treasury Note 0.5% 28/02/2026	1,193	2.69	
<b>Debt derivatives</b>	<b>(10)</b>	<b>(0.02)</b>	<b>0.00</b>
<b>Interest rate futures</b>	<b>(10)</b>	<b>(0.02)</b>	<b>0.00</b>
170 5 Year US Treasury Note Dec 21	(19)	(0.04)	
(110) Euro Bobl Dec 2021	9	0.02	
<b>Currency</b>	<b>273</b>	<b>0.62</b>	<b>0.48</b>
<b>Forward currency contracts</b>	<b>273</b>	<b>0.62</b>	<b>0.48</b>
€77,709 Bought for \$90,673 (expires 20.10.21)	(1)	0.00	

# Investments

## Portfolio statement (continued)

as at Holding	30.09.21 \$'000	30.09.21 %	31.03.21 %
<b>Currency (continued)</b>			
<b>Forward currency contracts (continued)</b>			
€(14,167,368) Sold for \$16,607,093 (expires 20.10.21)	210	0.47	
£(2,464,516) Sold for \$3,374,609 (expires 20.10.21)	64	0.15	
<b>Portfolio of investments</b>	<b>44,490</b>	<b>100.37</b>	<b>93.74</b>
<b>Share class hedging</b>	<b>(1,297)</b>	<b>(2.93)</b>	<b>(1.45)</b>
<b>Forward currency contracts for share class hedging</b>	<b>(1,297)</b>	<b>(2.93)</b>	<b>(1.45)</b>
£34,051,613 Bought for \$47,073,553 (expires 20.10.21)	(1,324)	(2.99)	
£(1,046,343) Sold for \$1,432,773 (expires 20.10.21)	27	0.06	
<b>Total portfolio</b>	<b>43,193</b>	<b>97.44</b>	<b>92.29</b>
<b>Net other assets/(liabilities)</b>	<b>1,133</b>	<b>2.56</b>	<b>7.71</b>
<b>Net assets attributable to shareholders</b>	<b>44,326</b>	<b>100.00</b>	<b>100.00</b>

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

<sup>a</sup> Defaulted bond.

# Investments

## Portfolio transactions

for the six months to 30 September	2021 \$'000	2020 \$'000
Total purchases	17,729	11,270
Total sales	8,200	6,381

# 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-H' (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 (10), which is available free of charge either from our website at [www.mandg.co.uk/prospectuses](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

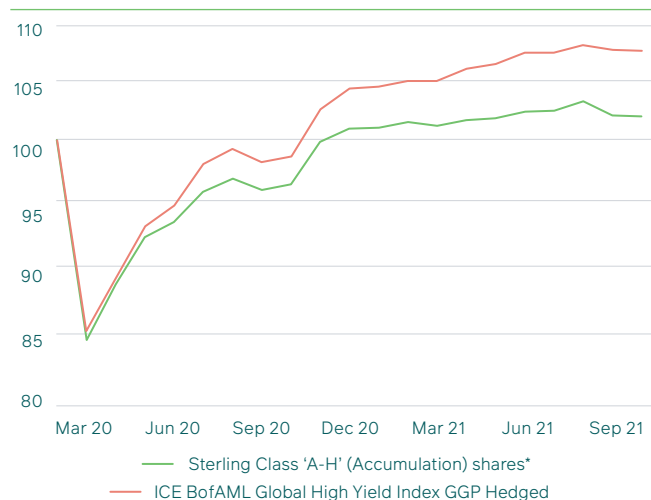
## Fund level performance

Fund net asset value as at	30.09.21 \$'000	31.03.21 \$'000	31.03.20 \$'000
Fund net asset value (NAV)	44,326	37,818	16,977

## 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-H' (Accumulation) shares.

February 2020 = 100, plotted monthly  
Chart date 1 October 2021



Source: Morningstar, Inc. and M&G

\* Income reinvested

## Long-term performance by share class

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

Share class	Six months 01.04.21 % <sup>a</sup>	Three years 01.10.18 % pa	Five years 03.10.16 % pa	Since launch % pa
<b>Sterling</b>				
Class 'A-H'	+0.6	n/a	n/a	+1.3
Class 'I-H'	+0.9	n/a	n/a	+1.8
Class 'L-H'	+0.9	n/a	n/a	+1.9
Class 'PP-H'	+0.9	n/a	n/a	+1.9
Class 'R-H'	+0.7	n/a	n/a	+1.5

<sup>a</sup> Not annualised.

# Financial highlights

## Operating charges and portfolio transaction costs

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

### Operating charges

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

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

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

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

## Portfolio transaction costs

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

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

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

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. As the fund invests mainly in fixed interest securities, the direct transaction costs paid on other investments are too small to be reflected in the table below. To give an indication of the indirect portfolio dealing costs the table shows the average portfolio dealing spread.

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

## Portfolio transaction costs

as at	30.09.21	31.03.21	31.03.20	Average <sup>a</sup>
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.64	0.65	1.66	0.98

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

# 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.

## Sterling Class 'A-H' Income share performance

The share class was launched on 25 February 2020.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	95.71	82.93	100.00
Return before operating charges	1.99	18.19	(16.51)
Operating charges	(0.50)	(1.13)	(0.12)
Return after operating charges	1.49	17.06	(16.63)
Distributions	(1.96)	(4.28)	(0.44)
Closing NAV	95.24	95.71	82.93
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.00	0.00	0.00
Operating charges	1.03	1.20	1.23
Return after charges	+1.56	+20.57	-16.63
Distribution yield	4.32	4.58	5.55
Other information			
Closing NAV (\$'000)	43	26	20
Closing NAV (%)	0.10	0.07	0.12
Number of shares	33,536	20,010	20,010
Highest share price (UK p)	97.54	98.20	100.00
Lowest share price (UK p)	96.20	83.89	79.05



# Financial highlights

## Sterling Class 'A-H' Accumulation share performance

The share class was launched on 25 February 2020.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	100.60	83.37	100.00
Return before operating charges	2.06	18.39	(16.51)
Operating charges	(0.53)	(1.16)	(0.12)
Return after operating charges	1.53	17.23	(16.63)
Distributions	(1.55)	(3.21)	(0.33)
Retained distributions	1.55	3.21	0.33
Closing NAV	102.13	100.60	83.37
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.00	0.00
Operating charges	1.03	1.20	1.23
Return after charges	+1.52	+20.67	-16.63
Distribution yield	3.25	3.54	4.44
<b>Other information</b>			
Closing NAV (\$'000)	28	28	21
Closing NAV (%)	0.06	0.07	0.12
Number of shares	20,000	20,000	20,000
Highest share price (UK p)	103.47	102.04	100.00
Lowest share price (UK p)	101.39	84.34	79.05

## Sterling Class 'I-H' Income share performance

The share class was launched on 25 February 2020.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	96.19	82.97	100.00
Return before operating charges	2.00	18.19	(16.52)
Operating charges	(0.31)	(0.68)	(0.07)
Return after operating charges	1.69	17.51	(16.59)
Distributions	(1.97)	(4.29)	(0.44)
Closing NAV	95.91	96.19	82.97
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.00	0.00
Operating charges	0.63	0.71	0.73
Return after charges	+1.76	+21.10	-16.59
Distribution yield	4.31	4.58	5.55
<b>Other information</b>			
Closing NAV (\$'000)	5,044	3,612	21
Closing NAV (%)	11.38	9.55	0.12
Number of shares	3,914,483	2,728,144	20,050
Highest share price (UK p)	98.15	98.63	100.00
Lowest share price (UK p)	96.87	83.94	79.08

# Financial highlights

## Sterling Class 'I-H' Accumulation share performance

The share class was launched on 25 February 2020.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	101.31	83.56	100.00
Return before operating charges	2.11	18.45	(16.38)
Operating charges	(0.32)	(0.70)	(0.06)
Return after operating charges	1.79	17.75	(16.44)
Distributions	(1.77)	(3.69)	(0.37)
Retained distributions	1.77	3.69	0.37
Closing NAV	103.10	101.31	83.56
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.00	0.00	0.00
Operating charges	0.63	0.71	0.73
Return after charges	+1.77	+21.24	-16.44
Distribution yield	3.66	3.94	4.90
Other information			
Closing NAV (\$'000)	17,283	12,530	1,345
Closing NAV (%)	38.99	33.13	7.92
Number of shares	12,478,245	8,986,142	1,302,583
Highest share price (UK p)	104.44	102.71	100.00
Lowest share price (UK p)	102.10	84.54	79.43

## Sterling Class 'L-H' Accumulation share performance

The share class was launched on 25 February 2020.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	101.29	83.42	100.00
Return before operating charges	2.08	18.41	(16.53)
Operating charges	(0.22)	(0.54)	(0.05)
Return after operating charges	1.86	17.87	(16.58)
Distributions	(1.87)	(3.84)	(0.39)
Retained distributions	1.87	3.84	0.39
Closing NAV	103.15	101.29	83.42
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.00	0.00	0.00
Operating charges	0.43	0.56	0.58
Return after charges	+1.84	+21.42	-16.58
Distribution yield	3.87	4.14	5.03
Other information			
Closing NAV (\$'000)	20,815	20,941	15,487
Closing NAV (%)	46.96	55.37	91.22
Number of shares	15,020,000	15,020,000	15,020,000
Highest share price (UK p)	104.47	102.67	100.00
Lowest share price (UK p)	102.09	84.40	79.09

# Financial highlights

## Sterling Class 'PP-H' Income share performance

The share class was launched on 25 February 2020.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	96.38	82.98	100.00
Return before operating charges	2.00	18.23	(16.53)
Operating charges	(0.26)	(0.54)	(0.05)
Return after operating charges	1.74	17.69	(16.58)
Distributions	(1.98)	(4.29)	(0.44)
Closing NAV	96.14	96.38	82.98
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.00	0.00
Operating charges	0.53	0.57	0.58
Return after charges	+1.81	+21.32	-16.58
Distribution yield	4.31	4.58	5.55
<b>Other information</b>			
Closing NAV (\$'000)	26	27	21
Closing NAV (%)	0.06	0.07	0.13
Number of shares	20,070	20,070	20,070
Highest share price (UK p)	98.39	98.82	100.00
Lowest share price (UK p)	97.11	83.95	79.09

## Sterling Class 'PP-H' Accumulation share performance

The share class was launched on 25 February 2020.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	101.29	83.42	100.00
Return before operating charges	2.11	18.45	(16.53)
Operating charges	(0.27)	(0.58)	(0.05)
Return after operating charges	1.84	17.87	(16.58)
Distributions	(1.82)	(3.83)	(0.39)
Retained distributions	1.82	3.83	0.39
Closing NAV	103.13	101.29	83.42
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.00	0.00
Operating charges	0.53	0.56	0.58
Return after charges	+1.82	+21.42	-16.58
Distribution yield	3.77	4.04	5.03
<b>Other information</b>			
Closing NAV (\$'000)	922	516	21
Closing NAV (%)	2.08	1.37	0.13
Number of shares	665,521	370,397	20,060
Highest share price (UK p)	104.46	102.68	100.00
Lowest share price (UK p)	102.07	84.40	79.09

# Financial highlights

## Sterling Class 'R-H' Income share performance

The share class was launched on 25 February 2020.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	95.95	82.95	100.00
Return before operating charges	1.98	18.19	(16.52)
Operating charges	(0.43)	(0.91)	(0.09)
Return after operating charges	1.55	17.28	(16.61)
Distributions	(1.97)	(4.28)	(0.44)
Closing NAV	95.53	95.95	82.95
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.00	0.00
Operating charges	0.88	0.96	0.98
Return after charges	+1.62	+20.83	-16.61
Distribution yield	4.32	4.58	5.55
<b>Other information</b>			
Closing NAV (\$'000)	62	64	20
Closing NAV (%)	0.14	0.17	0.12
Number of shares	48,350	48,350	20,030
Highest share price (UK p)	97.81	98.42	100.00
Lowest share price (UK p)	96.49	83.92	79.06

## Sterling Class 'R-H' Accumulation share performance

The share class was launched on 25 February 2020.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	100.85	83.39	100.00
Return before operating charges	2.09	18.41	(16.52)
Operating charges	(0.45)	(0.95)	(0.09)
Return after operating charges	1.64	17.46	(16.61)
Distributions	(1.63)	(3.44)	(0.35)
Retained distributions	1.63	3.44	0.35
Closing NAV	102.49	100.85	83.39
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.00	0.00
Operating charges	0.88	0.96	0.98
Return after charges	+1.63	+20.94	-16.61
Distribution yield	3.41	3.69	4.66
<b>Other information</b>			
Closing NAV (\$'000)	103	74	21
Closing NAV (%)	0.23	0.20	0.12
Number of shares	75,044	53,273	20,020
Highest share price (UK p)	103.84	102.28	100.00
Lowest share price (UK p)	101.64	84.36	79.06

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

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

# Financial statements and notes

## Financial statements

### Statement of total return

for the six months to 30 September	2021		2020	
	\$'000	\$'000	\$'000	\$'000
<b>Income</b>				
Net capital gains/(losses)		(1,235)		3,070
Revenue	873		531	
Expenses	(115)		(71)	
Net revenue/(expense) before taxation	758		460	
Taxation	0		0	
Net revenue/(expense) after taxation		758		460
<b>Total return before distributions</b>		<b>(477)</b>		<b>3,530</b>
Distributions		(763)		(457)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(1,240)</b>		<b>3,073</b>

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

for the six months to 30 September	2021		2020	
	\$'000	\$'000	\$'000	\$'000
<b>Opening net assets attributable to shareholders</b>		<b>37,818</b>		<b>16,977</b>
Amounts received on issue of shares	8,806		5,390	
Amounts paid on cancellation of shares	(1,772)		(6)	
		7,034		5,384
Dilution adjustments		28		27
Change in net assets attributable to shareholders from investment activities (see above)		(1,240)		3,073
Retained distributions on Accumulation shares		686		450
<b>Closing net assets attributable to shareholders</b>		<b>44,326</b>		<b>25,911</b>

The opening net assets attributable to shareholders for 2021 differs to the closing position in 2020 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

# Financial statements and notes

## Financial statements

### Balance sheet

as at	30 September 2021 \$'000	31 March 2021 \$'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	44,537	35,466
<b>Current assets</b>		
Debtors	611	1,924
Cash and bank balances	1,083	2,911
<b>Total assets</b>	<b>46,231</b>	<b>40,301</b>
<b>Liabilities</b>		
Investment liabilities	(1,344)	(563)
<b>Creditors</b>		
Bank overdrafts	(218)	0
Distribution payable	(52)	(42)
Other creditors	(291)	(1,878)
<b>Total liabilities</b>	<b>(1,905)</b>	<b>(2,483)</b>
<b>Net assets attributable to shareholders</b>	<b>44,326</b>	<b>37,818</b>

# Financial statements and notes

## Notes to the financial statements

### Accounting policies

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

### Distribution policy

In determining the amount available for distribution 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 deliver a higher total return (the combination of income and growth of capital), net of the ongoing charges figure, than that of the MSCI ACWI Index over any five-year period and;
- To deliver an income stream that increases every year in sterling terms.

## Investment policy

At least 80% of the fund is invested in publicly-listed equity securities issued by infrastructure companies, investment trusts and real estate investment trusts across any market capitalisation that are domiciled in any country. The minimum 80% allocation may include ordinary shares, preference shares and convertible bonds (the fund may hold up to a maximum of 20% in convertibles bonds). Infrastructure companies include those involved in the following business activities: utilities, energy, transport, health, education, security, communications and transactions. The fund is expected to exhibit lower volatility and offer a higher dividend yield than the MSCI ACWI Index which is consistent with the characteristics of infrastructure securities. The fund usually holds fewer than 50 companies.

The fund manager seeks to invest in companies with excellent capital discipline and the potential for long-term dividend growth. The fund manager believes rising dividends create upward pressure on the value of shares.

Sustainability considerations play an important role in assessing business models. Companies that derive more than 30% of their revenue from coal-fired and nuclear power are excluded from the investment universe. Industries including tobacco, alcohol, adult entertainment, gambling, and controversial weapons are also excluded. United Nations Global Compact principles on human rights, labour, environmental and anti-corruption are also considered in the analysis of companies.

The fund may also invest in collective investment schemes, other transferable securities, cash, near cash, other money market securities and warrants. Derivatives may be used for hedging and efficient portfolio management.

## Investment approach

The fund employs a bottom-up stock picking approach, driven by the fundamental analysis of individual companies. Dividend yield is not the primary consideration for stock selection.

The fund manager aims to create a portfolio with exposure to a broad range of countries and sectors. Stocks with different drivers of dividend growth are selected to construct a portfolio that has the potential to cope in a variety of market conditions.

Sustainability considerations encompassing Environmental, Social and Governance issues are fully integrated into the investment process with a focus on risks specific to infrastructure companies. The monitoring of these risks involves regular engagement with company management.

## 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.



# Authorised Corporate Director's Report

## Risk profile

The fund invests globally in the shares of infrastructure companies, including emerging markets, and is, therefore, subject to the price volatility of the global stockmarket and the performance of individual companies.

The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on shares of companies that have the potential to grow their dividends over the long term. Income distributions from the fund's holdings, however, are not guaranteed and may vary.

The fund usually invests in fewer than 50 companies, but is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. Diversification across industry, geography, infrastructure class and market capitalisation is key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



### The above number:

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

## Investment review

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

### Distribution summary

Over the six-month review period to 1 October 2021, the fund distributed income of 2.2485 pence per Sterling Class 'A' (Income) share. This is 8.7% lower than the distribution for the same period in the previous financial year.

The shortfall in distribution reflects an extremely difficult comparison with the same period last year when the distribution rose 25% owing to the exceptional opportunities presented by the COVID-driven market downturn. The strength of sterling, particularly against the US dollar, the main source of the fund's income, also provided an unhelpful obstacle for distributions paid in sterling. The progress in dividends on an underlying basis remained as solid as ever. (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.)

Despite the severe pressure on economic activity in the immediate aftermath of the pandemic, corporate cashflows have improved quickly, with the result that dividends and dividend growth have been restored widely as a signal of future confidence. The fund benefited from this backdrop of recovery with higher dividends from across the spectrum of listed infrastructure as well as a broad range of countries. The majority of holdings delivered dividend increases in the region of 5% to 10% in local currency, in line with previous years.

In the fund's 'economic' infrastructure category, utilities demonstrated the resilient nature of their business models, with our holdings continuing to deliver more impressive growth than the pedestrian progress more commonly associated with the sector. American Water Works raised its dividend by 10%, in line with the last three years, while China Gas Holdings matched this double-digit growth rate. Republic Services, a market leader in waste management and recycling, delivered an 8% increase. NextEra Energy Partners continued its

# Authorised Corporate Director's Report

policy of growing the dividend each quarter, with an annualised growth rate of 15%. Union Pacific, the US railroads company, raised its dividend by 10% in transportation infrastructure. Vinci, which owns and operates toll roads and airports, reinstated its interim dividend after cancelling the payment last year.

The fund's 'social' infrastructure category also provided a source of reliable dividends. SDCL Energy Efficiency Trust raised its dividend by 10% for the previous financial year and reiterated its commitment to dividend growth in the year ahead. Unite Group, the student accommodation provider which withdrew the dividend at this stage last year, announced its intention to restore the interim payment as a reflection of the company's resilience and its positive outlook for the new academic year.

The 'evolving' infrastructure category, which invests in the physical networks that support our increasingly digital economy, provided a more exciting source of growth. PrairieSky Royalty increased its dividend for the second time this year and stepped up the pace of dividend growth. The Canadian company boosted its dividend by 38%, following an 8% hike in February. The dividend is now 50% higher compared to the same period last year. American Tower continued its sequence of raising the dividend each quarter with an annualised growth rate of 15%.

The fund was not immune to dividend cuts. Transurban reduced its payment for the fiscal year ended 30 June 2021. Although the final dividend was 34% higher than last year, this was not enough to offset the halving of the interim dividend. Transurban, which owns and operates toll roads in Australia and North America, remains committed to its dividend and well placed for long-term growth with an attractive pipeline of new opportunities. We envisage a return to dividend growth at the appropriate time.

While a dividend cut should never be taken lightly, this disappointment was an exception rather than the rule. The majority of holdings continued to deliver dividend growth, at a rate which we believe is sustainable over the long term. We remain confident that the vast

majority of our holdings can keep growing their dividends in the core 5-10% range. We are conscious that a rising income stream is important to many of our investors and remain focused on meeting this objective.

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

## Performance against objective

Between 1 April 2021 (the start of the review period) and 1 October 2021, the M&G Global Listed Infrastructure Fund delivered a positive total return (the combination of income and growth of capital) across all its share classes, but underperformed its benchmark, the MSCI ACWI Index, which returned 8.0% in sterling. The fund's distribution for the six-month review period was lower than the same period last year.

The fund therefore did not meet its objective of outperforming its benchmark over this short timeframe, and increasing the income stream in sterling terms.

It is not possible to assess the fund's performance against its objective over five years because the fund was only launched on 5 October 2017.

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

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

Energy and financials outperformed among economically sensitive sectors, but industrials and

# Authorised Corporate Director's Report

materials underperformed. Technology benefited from the strength of Microsoft and Apple, but consumer discretionary lagged behind due to the weakness in Alibaba. Healthcare delivered gains ahead of the market, but was an outlier among defensive sectors. Consumer staples were left behind in the market rally, while utilities brought up the rear, thus providing a headwind for listed infrastructure strategies.

Against this backdrop, the fund generated a positive return but underperformed the MSCI ACWI Index. Utilities dominated the list of top detractors as investors took exception to perceived interest-rate sensitivity. Enel, China Gas Holdings and ContourGlobal led the detractors. Ørsted and Atmos Energy also featured among the laggards. All five companies own and operate physical assets which are critical to the smooth functioning of the global economy and have a pivotal role to play in the energy transition to combat climate change. The long-term investment case for these companies remains unchanged for us.

Not owning Microsoft and Apple also held back performance relative to the MSCI ACWI Index. These technology bellwethers are simply not infrastructure businesses and are therefore ineligible for our strategy, although the explosive growth in their new economy businesses is reflected in our digital infrastructure exposures.

Turning to the positive contributors, Keyera and ONEOK added value in a buoyant energy sector that accelerated towards the end of the review period as supply constraints became apparent, particularly in natural gas. The midstream companies, which own and operate pipelines, storage terminals and processing facilities, offer attractive long-term growth prospects, driven by their exposure to some of the most prolific basins in North America. The critical importance of these types of assets has been underscored by the subsequent tightness in commodity markets.

CoreSite outperformed in 'evolving' infrastructure. The data centre company is at the forefront of the long-term growth trend in digital infrastructure and we expect the proliferation of data to persist for many decades to

come. Vantage Towers, the communication towers company spun off by Vodafone, also rallied strongly.

A2A bucked the trend in utilities, while Sydney Airport jumped in transportation infrastructure after receiving an unsolicited takeover approach. We believe that this is another symbolic event which, in our view, highlights the latent value in listed infrastructure.

## Investment activities

We made two new purchases during the period under review. The number of holdings rose to 49, compared to our typical range of 40-50.

The market's aversion to perceived interest-rate sensitivity provided an opportunity to initiate a new holding in Eversource Energy, a multi-utility operating in the US northeast. Eversource is a company we know well and have tracked for many years, and the stock's underperformance provided a buying opportunity for a company with reliable growth (earnings and dividends are projected to grow at 5-7% per annum) and strong sustainability credentials (target for carbon neutrality by 2030, with a strong focus on growth in solar and offshore wind).

We also bought Xinyi Energy, a pure solar power company which provides exposure to the structural growth in Chinese renewables with the additional benefit of an attractive yield.

We also added to existing holdings including Ørsted and Enel, two companies at the forefront of the energy transition. We reduced exposure to Vinci and Ferrovial in transportation infrastructure, as well as Sydney Airport after the shares spiked. We also trimmed ONEOK and TC Energy in energy infrastructure to manage position size after their strong run.

## Outlook

Higher infrastructure spending may provide a favourable backdrop for listed infrastructure as an asset class, but our long-term approach is not reliant on fiscal expansion continuing or government initiatives having an immediate impact on economic growth. We acknowledge the tailwind of fiscal spending, but it is also important not to lose sight of the fact that listed

# Authorised Corporate Director's Report

infrastructure is a beneficiary of powerful trends that are likely to be more enduring. Thematic tailwinds such as renewable energy, clean transportation and digital connectivity are likely to persist for many decades to come.

We also take comfort from the value we see in listed infrastructure – value which private buyers have started to notice. We have seen three instances this year – Naturgy Energy, CCR and Sydney Airport – where private capital has offered to buy or taken a stake in one of the fund's holdings. We believe that these developments provide a clear indication that the reliable and growing cashflows from infrastructure assets are going cheap in the stockmarket. Investors with a long-term time horizon, such as those in the private sphere, are seeing attractive opportunities and acting on their convictions.

We continue to invest with a long-term view and remain confident that the portfolio is in good shape not only to weather the current environment, but to capture inflation-beating growth over the long term. We take comfort from the resilience and reliable growth provided by the fund's holdings and we are as excited as ever about the long-term opportunities in listed infrastructure.

## 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 30.09.21 £'000	as at 30.09.21 %	as at 31.03.21 %
<b>Equities</b>	<b>394,370</b>	<b>98.92</b>	<b>98.87</b>
<b>United Kingdom</b>	<b>66,317</b>	<b>16.63</b>	<b>15.48</b>
7,031,796 ContourGlobal	13,360	3.35	
4,606,017 HICL Infrastructure	7,711	1.93	
10,981,611 Home REIT	11,915	2.99	
4,867,371 International Public Partnerships	7,914	1.98	
661,309 National Grid	5,925	1.49	
12,024,036 SDCL Energy Efficiency Income Trust	13,647	3.42	
532,107 Unite REIT Plc	5,845	1.47	
<b>Belgium</b>	<b>5,925</b>	<b>1.49</b>	<b>1.59</b>
66,220 Elia	5,925	1.49	
<b>Denmark</b>	<b>7,769</b>	<b>1.95</b>	<b>1.13</b>
78,222 Ørsted	7,769	1.95	
<b>France</b>	<b>8,254</b>	<b>2.07</b>	<b>2.61</b>
105,836 Vinci	8,254	2.07	
<b>Germany</b>	<b>19,849</b>	<b>4.98</b>	<b>5.19</b>
1,287,719 E.ON	11,703	2.94	
325,162 Vantage Towers	8,146	2.04	
<b>Italy</b>	<b>29,106</b>	<b>7.30</b>	<b>7.52</b>
6,457,459 A2A	10,002	2.51	
2,268,818 Enel	13,090	3.28	
720,537 Infrastrutture Wireless Italiane	6,014	1.51	
<b>Spain</b>	<b>12,822</b>	<b>3.22</b>	<b>4.00</b>
366,157 Ferrovial	7,956	2.00	
258,920 Naturgy Energy	4,866	1.22	
<b>Switzerland</b>	<b>4,198</b>	<b>1.05</b>	<b>1.48</b>
31,891 Flughafen Zurich	4,198	1.05	
<b>United States</b>	<b>131,592</b>	<b>33.01</b>	<b>33.92</b>
228,186 AES	3,896	0.98	
39,944 American Tower REIT	8,028	2.01	
30,869 American Water Works	3,913	0.98	
92,437 Atmos Energy	6,117	1.54	
41,810 CME	6,105	1.53	

## Investments

## Portfolio statement (continued)

Holding	as at 30.09.21 £'000	as at 30.09.21 %	as at 31.03.21 %
<b>Equities (continued)</b>			
<b>United States (continued)</b>			
127,432 CoreSite Realty REIT	13,352	3.35	
87,189 Crown Castle International REIT	11,407	2.86	
272,236 CSX	6,150	1.54	
239,588 Edison International	10,063	2.52	
13,203 Equinix REIT	7,872	1.98	
97,529 Eversource Energy	5,961	1.50	
18,254 Mastercard	4,797	1.20	
66,448 NextEra Energy	3,875	0.97	
137,798 NextEra Energy Partners	7,748	1.94	
188,109 ONEOK	8,233	2.07	
64,938 Republic Services	5,921	1.49	
62,298 Sempra Energy	5,909	1.48	
51,492 Union Pacific	7,728	1.94	
26,780 Visa	4,517	1.13	
<b>Canada</b>	<b>62,470</b>	<b>15.67</b>	<b>14.02</b>
106,332 Franco Nevada	10,195	2.56	
1,073,236 Gibson Energy	14,442	3.62	
642,277 Keyera	11,970	3.00	
1,767,513 PrairieSky Royalty	14,142	3.55	
327,243 TC Energy	11,721	2.94	
<b>Brazil</b>	<b>8,082</b>	<b>2.03</b>	<b>1.99</b>
4,961,599 CCR	8,082	2.03	
<b>Australia</b>	<b>17,156</b>	<b>4.30</b>	<b>4.71</b>
904,692 Sydney Airport	3,984	1.00	
173,853 Transurban	1,317	0.33	
1,564,675 Transurban Stapled Units	11,855	2.97	
<b>China</b>	<b>10,650</b>	<b>2.67</b>	<b>2.47</b>
4,441,000 China Gas	9,740	2.44	
2,098,000 Xinyi Energy	910	0.23	
<b>Hong Kong</b>	<b>4,084</b>	<b>1.02</b>	<b>0.90</b>
1,017,624 MTR	4,084	1.02	

# Investments

## Portfolio statement (continued)

Holding	as at 30.09.21 £'000	as at 30.09.21 %	as at 31.03.21 %
<b>Equities (continued)</b>			
<b>Singapore</b>	<b>6,096</b>	<b>1.53</b>	<b>1.86</b>
11,263,200 NetLink NBN Trust	6,096	1.53	
<b>Portfolio of investments</b>	<b>394,370</b>	<b>98.92</b>	<b>98.87</b>
<b>Cash equivalents</b>	<b>2,559</b>	<b>0.64</b>	<b>0.63</b>
<b>'AAA' rated money market funds<sup>a</sup></b>	<b>2,559</b>	<b>0.64</b>	<b>0.63</b>
2,559,000 Northern Trust Global Fund - Sterling	2,559	0.64	
<b>Share class hedging</b>	<b>(23)</b>	<b>0.00</b>	<b>0.00</b>
<b>Forward currency contracts for share class hedging</b>	<b>(23)</b>	<b>0.00</b>	<b>0.00</b>
AU\$(107,621) Sold for £56,985 (expires 20.10.21)	(1)	0.00	
BRL7,926 Bought for £1,084 (expires 20.10.21)	0	0.00	
BRL(209,828) Sold for £28,854 (expires 20.10.21)	0	0.00	
CA\$14,271 Bought for £8,189 (expires 20.10.21)	0	0.00	
CA\$(319,276) Sold for £182,070 (expires 20.10.21)	(4)	0.00	
CHF1,321 Bought for £1,048 (expires 20.10.21)	0	0.00	
CHF(20,609) Sold for £16,260 (expires 20.10.21)	0	0.00	
DKK17,711 Bought for £2,047 (expires 20.10.21)	0	0.00	
DKK(254,354) Sold for £29,270 (expires 20.10.21)	0	0.00	
€18,206 Bought for £15,647 (expires 20.10.21)	0	0.00	
€(323,575) Sold for £276,830 (expires 20.10.21)	(2)	0.00	
HK\$13,200 Bought for £1,239 (expires 20.10.21)	0	0.00	
HK\$(535,486) Sold for £49,809 (expires 20.10.21)	(1)	0.00	
SG\$1,367 Bought for £742 (expires 20.10.21)	0	0.00	
SG\$(40,170) Sold for £21,661 (expires 20.10.21)	0	0.00	
US\$42,914 Bought for £31,519 (expires 20.10.21)	0	0.00	
US\$(715,564) Sold for £517,598 (expires 20.10.21)	(15)	0.00	
<b>Total portfolio</b>	<b>396,906</b>	<b>99.56</b>	<b>99.50</b>
<b>Net other assets/(liabilities)</b>	<b>1,754</b>	<b>0.44</b>	<b>0.50</b>
<b>Net assets attributable to shareholders</b>	<b>398,660</b>	<b>100.00</b>	<b>100.00</b>

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

<sup>a</sup> 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  
30 September 2021

Largest purchases	£'000
Home REIT	7,550
Eversource Energy	6,085
Ørsted	4,943
Enel	4,837
Gibson Energy	4,628
PrairieSky Royalty	4,549
ContourGlobal	4,443
Keyera	4,295
SDCL Energy Efficiency Income Trust	4,289
China Gas	4,240
Other purchases	54,073
<b>Total purchases</b>	<b>103,932</b>

Largest sales	£'000
Ferrovial	3,235
Sydney Airport	3,161
TC Energy	3,142
CoreSite Realty REIT	2,904
Vinci	2,643
Crown Castle International REIT	2,224
SDCL Energy Efficiency Income Trust	2,090
Home REIT	1,627
Visa	1,595
Flughafen Zurich	1,500
Other sales	22,076
<b>Total sales</b>	<b>46,197</b>

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



# Financial highlights

## Fund performance

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

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

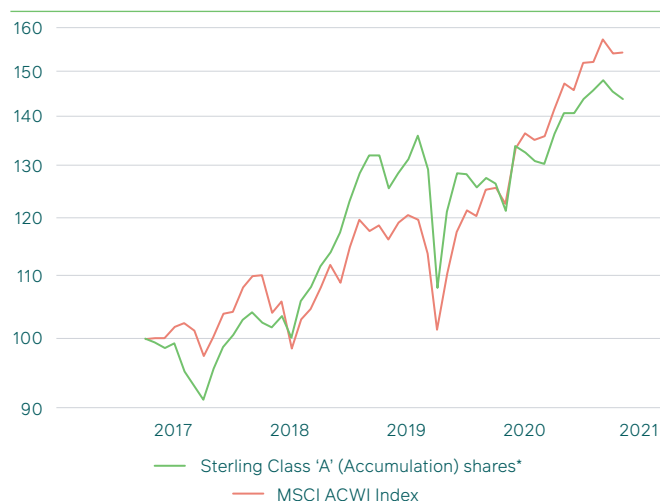
## Fund level performance

Fund net asset value as at	30.09.21 £'000	31.03.21 £'000	31.03.20 £'000
Fund net asset value (NAV)	398,660	322,931	218,793

## Performance since launch

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

October 2017 = 100, plotted monthly  
Chart date 1 October 2021



Source: Morningstar, Inc. and M&G

\* Income reinvested

## Long-term performance by share class

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

Share class	Six months 01.04.21 % <sup>a</sup>	Three years 01.10.18 % pa	Five years 03.10.16 % pa	Since launch % pa
<b>Sterling</b>				
Class 'A'	+5.1	+11.6	n/a	+9.5
Class 'I'	+5.3	+11.9	n/a	+9.8
Class 'I-H'	+3.8	n/a	n/a	+3.8
Class 'L'	+5.4	+12.2	n/a	+10.1
Class 'PP'	+5.4	n/a	n/a	+10.4
Class 'PP-H'	+4.2	n/a	n/a	+3.4

<sup>a</sup> Not annualised.

## Operating charges and portfolio transaction costs

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

### Operating charges

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

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

# Financial highlights

- **Ongoing charges from underlying funds:** Ongoing charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

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

## Portfolio transaction costs

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

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

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

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. The table below shows direct portfolio transaction costs paid by the fund before and after that

part of the dilution adjustment relating to direct portfolio transaction costs. To give an indication of the indirect portfolio dealing costs the table also shows the average portfolio dealing spread.

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

## Portfolio transaction costs

Direct portfolio transaction costs <sup>b</sup>	Six months to 30.09.21 %	Year to 31.03.21 %	Year to 31.03.20 %	Average <sup>a</sup> %
Broker commission	0.02	0.04	0.06	0.04
Taxes	0.04	0.05	0.11	0.07
Costs before dilution adjustments	0.06	0.09	0.17	0.11
Dilution adjustments <sup>c</sup>	(0.04)	(0.05)	(0.17)	(0.09)
Total direct portfolio transaction costs	0.02	0.04	0.00	0.02
as at Indirect portfolio transaction costs	30.09.21 %	31.03.21 %	31.03.20 %	Average <sup>a</sup> %
Average portfolio dealing spread	0.20	0.18	0.32	0.23

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

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

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

## Specific share class performance

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

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

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

# Financial highlights

## Sterling Class 'A' Income share performance

The share class was launched on 5 October 2017.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	121.32	99.28	106.29
Return before operating charges	8.70	27.34	(1.96)
Operating charges	(0.70)	(1.28)	(1.32)
Return after operating charges	8.00	26.06	(3.28)
Distributions	(2.25)	(4.02)	(3.73)
Closing NAV	127.07	121.32	99.28
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.04	0.10	0.21
Dilution adjustments <sup>a</sup>	(0.02)	(0.06)	(0.21)
Total direct transaction costs	0.02	0.04	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.02	0.04	0.00
Operating charges <sup>c</sup>	1.10	1.10	1.12
Return after charges	+6.59	+26.25	-3.09
Historic yield	3.00	3.33	3.59
<b>Other information</b>			
Closing NAV (£'000)	849	605	534
Closing NAV (%)	0.21	0.19	0.24
Number of shares	667,755	498,513	538,070
Highest share price (UK p)	131.53	122.98	131.99
Lowest share price (UK p)	122.14	96.41	91.96

## Sterling Class 'A' Accumulation share performance

The share class was launched on 5 October 2017.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	135.93	107.51	111.44
Return before operating charges	9.79	29.83	(2.53)
Operating charges	(0.79)	(1.41)	(1.40)
Return after operating charges	9.00	28.42	(3.93)
Distributions	(1.75)	(3.01)	(2.57)
Retained distributions	1.75	3.01	2.57
Closing NAV	144.93	135.93	107.51
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.05	0.11	0.22
Dilution adjustments <sup>a</sup>	(0.03)	(0.07)	(0.22)
Total direct transaction costs	0.02	0.04	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.02	0.04	0.00
Operating charges <sup>c</sup>	1.10	1.10	1.12
Return after charges	+6.62	+26.43	-3.53
Historic yield	1.90	2.25	2.29
<b>Other information</b>			
Closing NAV (£'000)	4,755	4,174	622
Closing NAV (%)	1.19	1.29	0.28
Number of shares	3,280,744	3,070,894	578,400
Highest share price (UK p)	148.89	136.68	141.79
Lowest share price (UK p)	136.87	104.41	98.79

# Financial highlights

## Sterling Class 'I' Income share performance

The share class was launched on 5 October 2017.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	122.27	99.81	106.60
Return before operating charges	8.80	27.48	(2.02)
Operating charges	(0.45)	(0.97)	(1.03)
Return after operating charges	8.35	26.51	(3.05)
Distributions	(2.27)	(4.05)	(3.74)
Closing NAV	128.35	122.27	99.81
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.10	0.21
Dilution adjustments <sup>a</sup>	(0.03)	(0.06)	(0.21)
Total direct transaction costs	0.01	0.04	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.02	0.04	0.00
Operating charges <sup>c</sup>	0.70	0.83	0.89
Return after charges	+6.83	+26.56	-2.86
Historic yield	3.00	3.33	3.58
Other information			
Closing NAV (£'000)	52,058	51,064	37,912
Closing NAV (%)	13.06	15.81	17.33
Number of shares	40,560,537	41,763,506	37,984,956
Highest share price (UK p)	132.80	123.84	132.65
Lowest share price (UK p)	123.11	96.92	92.45

## Sterling Class 'I' Accumulation share performance

The share class was launched on 5 October 2017.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	137.02	108.09	111.77
Return before operating charges	9.87	30.00	(2.57)
Operating charges	(0.51)	(1.07)	(1.11)
Return after operating charges	9.36	28.93	(3.68)
Distributions	(2.05)	(3.37)	(2.88)
Retained distributions	2.05	3.37	2.88
Closing NAV	146.38	137.02	108.09
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.11	0.22
Dilution adjustments <sup>a</sup>	(0.03)	(0.07)	(0.22)
Total direct transaction costs	0.02	0.04	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.02	0.04	0.00
Operating charges <sup>c</sup>	0.70	0.83	0.88
Return after charges	+6.83	+26.76	-3.29
Historic yield	2.22	2.46	2.54
Other information			
Closing NAV (£'000)	220,260	168,388	120,921
Closing NAV (%)	55.26	52.13	55.27
Number of shares	150,468,455	122,888,688	111,876,045
Highest share price (UK p)	150.34	137.77	142.50
Lowest share price (UK p)	137.96	104.97	99.31

# Financial highlights

## Sterling Class 'I-H' Income share performance

The share class was launched on 24 January 2020.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	97.09	75.58	100.00
Return before operating charges	5.46	25.36	(23.76)
Operating charges	(0.37)	(0.77)	(0.15)
Return after operating charges	5.09	24.59	(23.91)
Distributions	(1.78)	(3.08)	(0.51)
Closing NAV	100.40	97.09	75.58
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.03	0.08	0.03
Dilution adjustments <sup>a</sup>	(0.02)	(0.05)	(0.03)
Total direct transaction costs	0.01	0.03	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.02	0.04	0.00
Operating charges	0.73	0.87	0.88
Return after charges	+5.24	+32.54	-23.91
Historic yield	2.98	3.09	3.58
<b>Other information</b>			
Closing NAV (£'000)	72	67	15
Closing NAV (%)	0.02	0.02	0.01
Number of shares	71,464	69,461	20,010
Highest share price (UK p)	105.28	98.10	103.22
Lowest share price (UK p)	97.81	73.79	66.53

## Sterling Class 'I-H' Accumulation share performance

The share class was launched on 24 January 2020.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	101.76	76.11	100.00
Return before operating charges	5.45	26.44	(23.75)
Operating charges	(0.39)	(0.79)	(0.14)
Return after operating charges	5.06	25.65	(23.89)
Distributions	(1.49)	(2.36)	(0.36)
Retained distributions	1.49	2.36	0.36
Closing NAV	106.82	101.76	76.11
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.03	0.08	0.03
Dilution adjustments <sup>a</sup>	(0.02)	(0.05)	(0.03)
Total direct transaction costs	0.01	0.03	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.02	0.04	0.00
Operating charges	0.73	0.87	0.88
Return after charges	+4.97	+33.70	-23.89
Historic yield	2.18	2.28	2.52
<b>Other information</b>			
Closing NAV (£'000)	758	989	68
Closing NAV (%)	0.19	0.31	0.03
Number of shares	710,032	971,964	89,418
Highest share price (UK p)	111.18	102.26	103.16
Lowest share price (UK p)	102.52	74.25	66.49

# Financial highlights

## Sterling Class 'L' Income share performance

The share class was launched on 5 October 2017.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	123.33	100.43	107.01
Return before operating charges	8.88	27.66	(2.09)
Operating charges	(0.33)	(0.69)	(0.72)
Return after operating charges	8.55	26.97	(2.81)
Distributions	(2.29)	(4.07)	(3.77)
Closing NAV	129.59	123.33	100.43
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.10	0.21
Dilution adjustments <sup>a</sup>	(0.03)	(0.06)	(0.21)
Total direct transaction costs	0.01	0.04	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.02	0.04	0.00
Operating charges <sup>c</sup>	0.50	0.59	0.64
Return after charges	+6.93	+26.85	-2.63
Historic yield	2.99	3.25	3.59
Other information			
Closing NAV (£'000)	12,877	11,901	8,047
Closing NAV (%)	3.23	3.69	3.68
Number of shares	9,936,835	9,649,357	8,012,055
Highest share price (UK p)	134.07	124.83	133.45
Lowest share price (UK p)	124.18	97.52	93.02

## Sterling Class 'L' Accumulation share performance

The share class was launched on 5 October 2017.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	138.21	108.76	112.19
Return before operating charges	9.96	30.21	(2.64)
Operating charges	(0.37)	(0.76)	(0.79)
Return after operating charges	9.59	29.45	(3.43)
Distributions	(2.21)	(3.71)	(3.20)
Retained distributions	2.21	3.71	3.20
Closing NAV	147.80	138.21	108.76
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.11	0.22
Dilution adjustments <sup>a</sup>	(0.03)	(0.07)	(0.22)
Total direct transaction costs	0.02	0.04	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.02	0.04	0.00
Operating charges <sup>c</sup>	0.50	0.59	0.64
Return after charges	+6.94	+27.08	-3.06
Historic yield	2.43	2.75	2.81
Other information			
Closing NAV (£'000)	67,702	59,029	46,020
Closing NAV (%)	16.98	18.28	21.03
Number of shares	45,807,451	42,709,953	42,314,416
Highest share price (UK p)	151.77	138.96	143.35
Lowest share price (UK p)	139.16	105.63	99.92

# 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 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	101.02	82.30	100.00
Return before operating charges	7.26	22.68	(15.18)
Operating charges	(0.32)	(0.62)	(0.40)
Return after operating charges	6.94	22.06	(15.58)
Distributions	(1.87)	(3.34)	(2.12)
Closing NAV	106.09	101.02	82.30
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.09	0.11
Dilution adjustments <sup>a</sup>	(0.02)	(0.05)	(0.11)
Total direct transaction costs	0.01	0.04	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.02	0.04	0.00
Operating charges	0.60	0.64	0.65
Return after charges	+6.87	+26.80	-15.58
Historic yield	2.99	3.32	3.59
Other information			
Closing NAV (£'000)	14,160	6,751	3,698
Closing NAV (%)	3.55	2.09	1.69
Number of shares	13,347,128	6,682,942	4,492,893
Highest share price (UK p)	109.77	102.26	109.38
Lowest share price (UK p)	101.71	79.92	76.23

## Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	120.51	94.88	100.00
Return before operating charges	8.68	26.36	(4.42)
Operating charges	(0.38)	(0.73)	(0.70)
Return after operating charges	8.30	25.63	(5.12)
Distributions	(1.87)	(3.15)	(2.76)
Retained distributions	1.87	3.15	2.76
Closing NAV	128.81	120.51	94.88
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.10	0.18
Dilution adjustments <sup>a</sup>	(0.02)	(0.06)	(0.18)
Total direct transaction costs	0.02	0.04	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.02	0.04	0.00
Operating charges <sup>c</sup>	0.60	0.64	0.68
Return after charges	+6.89	+27.01	-5.12
Historic yield	2.34	2.63	2.78
Other information			
Closing NAV (£'000)	24,654	19,849	926
Closing NAV (%)	6.18	6.15	0.42
Number of shares	19,140,745	16,470,771	975,955
Highest share price (UK p)	132.28	121.17	125.07
Lowest share price (UK p)	121.34	92.15	87.18

# Financial highlights

## Sterling Class 'PP-H' Income share performance

The share class was launched on 24 January 2020.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	97.05	75.60	100.00
Return before operating charges	5.48	25.13	(23.77)
Operating charges	(0.32)	(0.60)	(0.12)
Return after operating charges	5.16	24.53	(23.89)
Distributions	(1.78)	(3.08)	(0.51)
Closing NAV	100.43	97.05	75.60
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.08	0.03
Dilution adjustments <sup>a</sup>	(0.02)	(0.05)	(0.03)
Total direct transaction costs	0.01	0.03	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.02	0.04	0.00
Operating charges	0.63	0.67	0.68
Return after charges	+5.32	+32.45	-23.89
Historic yield	2.97	3.09	3.59
Other information			
Closing NAV (£'000)	20	19	15
Closing NAV (%)	0.01	0.01	0.01
Number of shares	20,030	20,030	20,030
Highest share price (UK p)	105.30	98.06	103.22
Lowest share price (UK p)	97.78	73.81	66.55

## Sterling Class 'PP-H' Accumulation share performance

The share class was launched on 24 January 2020.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	100.90	76.10	100.00
Return before operating charges	5.66	25.42	(23.78)
Operating charges	(0.33)	(0.62)	(0.12)
Return after operating charges	5.33	24.80	(23.90)
Distributions	(1.53)	(2.52)	(0.39)
Retained distributions	1.53	2.52	0.39
Closing NAV	106.23	100.90	76.10
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.08	0.03
Dilution adjustments <sup>a</sup>	(0.02)	(0.05)	(0.03)
Total direct transaction costs	0.01	0.03	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.02	0.04	0.00
Operating charges	0.63	0.67	0.68
Return after charges	+5.28	+32.59	-23.90
Historic yield	2.31	2.46	2.76
Other information			
Closing NAV (£'000)	495	95	15
Closing NAV (%)	0.12	0.03	0.01
Number of shares	466,111	93,740	20,020
Highest share price (UK p)	110.59	101.39	103.22
Lowest share price (UK p)	101.65	74.32	66.55

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

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

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



# Financial statements and notes

## Financial statements

### Statement of total return

for the six months to 30 September	2021		2020	
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital gains/(losses)		17,386		33,061
Revenue	7,296		6,409	
Expenses	(1,231)		(1,085)	
Net revenue/(expense) before taxation	6,065		5,324	
Taxation	(633)		(492)	
Net revenue/(expense) after taxation		5,432		4,832
<b>Total return before distributions</b>		<b>22,818</b>		<b>37,893</b>
Distributions		(5,623)		(5,033)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>17,195</b>		<b>32,860</b>

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

for the six months to 30 September	2021		2020	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>322,931</b>		<b>218,793</b>
Amounts received on issue of shares	74,897		71,044	
Amounts paid on cancellation of shares	(20,919)		(29,826)	
		53,978		41,218
Dilution adjustments		151		159
Change in net assets attributable to shareholders from investment activities (see above)		17,195		32,860
Retained distributions on Accumulation shares		4,405		3,794
<b>Closing net assets attributable to shareholders</b>		<b>398,660</b>		<b>296,824</b>

The opening net assets attributable to shareholders for 2021 differs to the closing position in 2020 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

# Financial statements and notes

## Financial statements

### Balance sheet

as at	30 September 2021 £'000	31 March 2021 £'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	394,370	319,298
<b>Current assets</b>		
Debtors	2,827	3,798
Cash and bank balances	1,078	872
Cash equivalents	2,559	2,036
<b>Total assets</b>	<b>400,834</b>	<b>326,004</b>
<b>Liabilities</b>		
Investment liabilities	(23)	(10)
<b>Creditors</b>		
Distribution payable	(597)	(394)
Other creditors	(1,554)	(2,669)
<b>Total liabilities</b>	<b>(2,174)</b>	<b>(3,073)</b>
<b>Net assets attributable to shareholders</b>	<b>398,660</b>	<b>322,931</b>

# Financial statements and notes

## Notes to the financial statements

### Accounting policies

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

### Distribution policy

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

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## Investment objective

The fund has two aims:

- To provide a higher total return (the combination of capital growth and income), net of the ongoing charges figure, than the MSCI ACWI Index over any five-year period; and
- To invest in companies that aim to have a positive societal impact through addressing the world's major social and environmental challenges.

## Investment policy

At least 80% of the fund is invested in the equity 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 stocks.

Assessment and measurement of the ability to deliver positive social and/or environmental impact and generate financial returns will be conducted at a company level using M&G's impact assessment methodology. This focuses on three criteria:

- Investment credentials: the quality and durability of the company's business model and its ability to produce sustainable economic returns;
- Intention: the company's purpose as evidenced by the alignment of its mission statement with its corporate actions and strategy; and
- Impact: the scale of the net positive societal impact and the company's progress towards addressing specified social and environmental challenges.

Certain investments which are considered by M&G to conflict with the fund's aim to invest in companies with a positive societal impact are excluded from the investment universe. The following are excluded:

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

The fund manager has discretion to invest in companies with limited exposure to fossil fuels but which are driving or significantly participating in the transition to a more sustainable economy.

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

Derivatives may be used for efficient portfolio management and hedging.

## Investment approach

The fund is a concentrated portfolio of global stocks, investing over the long term in companies that make a positive social and/or environmental impact alongside a financial return, using a disciplined stock selection process. Sustainability and impact considerations are fundamental in determining the fund's investment universe and assessing business models. The fund embraces the United Nations Sustainable Development Goals framework and invests in companies focused on areas including climate action, pollution reduction, circular economy, health and wellbeing, education and innovation, and working conditions.

The fund invests in three categories of positive impact companies:

- "Pioneers", whose products or services have a transformational effect on society or the environment;
- "Enablers", which provide the tools for others to deliver positive social or environmental impact; and

# Authorised Corporate Director's Report

- “Leaders”, which spearhead the development of sustainability in their industries.

Investing in these categories provides diversification across industries and maturity of business models.

Dialogue with the companies in which the fund invests is fundamental to the investment approach. The objective is to support and influence their contribution to the world's major social and environmental challenges.

## 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 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.

An annual report is published to provide an assessment of the positive, societal and environmental impact of each holding in the fund.

## 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 businesses that have a positive impact on society through addressing the world's major social and/or environmental challenges.

The fund is a concentrated portfolio, usually holding fewer than 40 stocks. The fund mainly invests in the

shares of large and medium-sized companies, which are normally traded with relative ease, however these stocks could potentially experience a degree of illiquidity in times of market distress.

The fund may also invest in emerging markets which are generally more sensitive to economic and political factors, and where investments may be less easily bought and sold.

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.

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



### The above number:

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

# Authorised Corporate Director's Report

## Investment review

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

### Performance against objective

Between 1 April 2021 (the start of the review period) and 1 October 2021, the M&G Positive Impact Fund delivered a positive total return (the combination of income and growth of capital) across all of its sterling share classes, but lagged its benchmark, the MSCI ACWI Index, which returned 8.0% over the same period under review.

The fund was launched in November 2018, and thus cannot yet be measured on its five-year performance objective.

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.

The fund's second objective is to invest in companies that have a positive impact on society through addressing the world's major social and/or environmental challenges. Please see the fund's 2020 Annual Impact Report on the M&G website for further details:

<https://www.mandg.com/dam/investments/common/gb/en/documents/funds-literature/report-annual/annual-impact-report-mandg-positive-impact-fund.pdf>

### Performance review

Global financial markets delivered positive returns in the six months under review, as vaccine rollouts picked up pace across much of the developed world, and governments in most developed markets continued to ease COVID-related restrictions, with activity levels subsequently picking up.

Outside of developed markets, though, stocks did not fare as well, particularly as growth concerns were focused on Asia, where inconsistent vaccine progress saw various countries overwhelmed by coronavirus resurgence. Markets were further spooked by a Chinese regulatory crackdown on the education tech

sector, adding to worries of a slower-than-expected post-pandemic recovery.

Moving through the period under review, confidence was bolstered by strong economic data and good company financial results. We also saw the US Senate pass a well-received landmark US\$1.0 trillion infrastructure package, and Chinese markets stabilising following a tumultuous sell-off in July. However, that confidence was eventually undermined, as a potential peak in the rate of economic growth, global supply disruptions and fears of rising inflation hit investor sentiment.

Markets were further disrupted globally as the payment deadline loomed for debt-laden Chinese property developer Evergrande, with investors fearing a liquidity crisis – the company is estimated to have some US\$300 billion in liabilities, with far-reaching consequences if it were to default on its debt. Elsewhere, investors responded negatively to the easing of economic stimulus in Europe and the potential for interest rate rises in the US, which also saw the US dollar hit a one-year high.

The end of the period saw oil prices reaching three-year highs as well, with global supplies tightening amid recovery of fuel demand and hurricane Ida's hit to US production. In light of this, the energy sector was the top performer for the period, while information technology, healthcare and financials delivered good performance as well. Conversely, utilities, consumer discretionary and materials were particularly weak.

For the fund, stock selection within the information technology sector was the largest driver of underperformance, while selection within utilities, financials and consumer discretionary also weighed on relative returns. In addition, the fund's above-index position in industrials (a sector which underperformed), below index positions in technology and financials, and lack of holdings in energy (all sectors which outperformed) also dragged on relative performance.

At an individual stock level, the fund's largest detractor was Danish renewable energy leader Ørsted. Sentiment in the company has been suppressed since the

# Authorised Corporate Director's Report

beginning of 2021, after it was beaten in the last round of bids for new offshore wind contract auctions by the US state of New York. Investors were concerned by the wins of energy company Equinor, with its strategic partner BP, and that bids were becoming more competitive. The company went on to deliver ongoing operational success, including a number of new strategic partnerships and a €500 million backing from the European Investment Bank, but some investors expressed concern over spending inflation, given the rising cost of materials used by Ørsted. Sentiment was also hit by the announcement that up to 10 of Ørsted's offshore windfarms around the UK and Europe would need urgent repairs because their subsea cables had been eroded by rocks on the seabed, and there would be significant cost over the next two years to undertake repairs. More broadly, utilities fell out of favour during the period under review, with renewables seeing a general reversal to their strong share price performance in 2020.

US fibre laser manufacturer IPG Photonics dragged on returns as well. The company's shares declined after it published quarterly revenue and earnings that were short of analyst expectations. While IPG saw improved underlying demand in cutting applications in Europe and the US, and robust growth in welding applications across most geographies, this was offset by reduced demand in China and an impact from supply chain constraints.

Other laggards included US childcare and education provider Bright Horizons, US-listed solar energy specialist SolarEdge and Indian financial institution HDFC Bank.

On the upside, the fund's above-index position in healthcare and below-index positions in the consumer sectors were supportive, as was stock selection within industrials, healthcare and communication services. The largest individual contributor was Danish pharmaceutical company Novo Nordisk. The company's shares have performed well in light of ongoing operational success; in July, for example, Novo announced a deal to buy an experimental rare disease treatment from Dublin-based biotech company

Prothena. Novo has shown an interest in expanding its research into blood disease and cardiovascular treatments. Prothena's PRX004, the drug Novo is acquiring, has been developed to treat ATTR amyloidosis, a rare progressive protein disorder with symptoms tied to nerve and heart damage.

Other supportive holdings included US medical technology and analytical equipment business Thermo Fisher Scientific, US testing and diagnostic solutions provider Agilent and Georgian lender Bank of Georgia.

## Investment activities

We run a concentrated portfolio of around 30 holdings, maintaining a watchlist of impactful companies – approved by M&G's Positive Impact team – that we would like to own when we believe the timing and price are right. We monitor our watchlist closely, waiting patiently for short-term issues to create buying opportunities.

During the review period, two such opportunities presented themselves. The first was Japanese affordable home reseller KATITAS, the largest buyer and seller of vacant homes in Japan. The company purchases and sells used and vacant homes at affordable prices, primarily to the country's low-to-middle income groups. Japan has a significant vacant home issue, with some 8.5 million (and growing) vacant homes in the country as a result of a shrinking and ageing population. KATITAS purchases these homes and refurbishes/remodels them, before selling them on. This results in more affordable housing, typically half the price of a newly built property. Mortgage rates are typically lower than the average rent in rural areas. This also leads to significantly lower carbon emissions than newly built properties (as the refurbishing process uses fewer carbon-intensive operations than building from scratch) making it impactful from a social inclusion as well as an environmental perspective. We think KATITAS's activities are most closely aligned with Sustainable Development Goal 11: sustainable cities and communities.

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We also purchased shares in British DNA sequencing specialist Oxford Nanopore (ON). We think ON benefits from the 'razor, razor-blade' business model (in which a main, durable product is sold to support ongoing purchase of a complementary, consumable product), leasing DNA sequencing equipment to the customer and then receiving a recurring stream of high-margin consumables revenue. The devices are small and cost as little as £1,000, meaning they are accessible for researchers (who are often budget-strapped) portable, so can be used in remote and rural locations, and relatively easy to use. The company's goal is to disrupt the way that biological analyses are currently performed, and open up new applications that have a profound, positive impact on society. We believe that genomics will drive a revolution in healthcare. There are more than 300 million rare disease patients globally, and the average time for diagnosis is eight years. Genomics, meanwhile, offers potential for much faster diagnosis and deeper understanding of these diseases. We think that ON's business activities most closely align with Sustainable Development Goal 3: Good health and well-being.

Conversely, we sold the holdings in rail operator East Japan Railway and South African financial services group Sanlam. These were both small positions in companies where we no longer found it easy to identify clear support from both a price and quality perspective, driven by changes in underlying fundamentals at both companies. This was also in line with our continuing shift towards more clear-cut impact cases, which we believe is true for KATITAS and ON.

## Outlook

In November 2021, the UK will host the 26th United Nations climate change conference, COP 26. It was at COP 21 in 2015 that 191 countries signed the Paris agreement on climate change, in an effort to limit global temperature rises to below 2°C from pre-industrial levels, to help avoid the most cataclysmic effects of climate change.

As COP 26 approaches, the summit will bring together the 197 nations and territories who are members of the UNFCCC (United Nations Framework Convention on

Climate Change). This will be the first COP since the US re-joined the Paris Agreement and China committed to target a peak in emissions by 2030, and net carbon neutrality by 2060. We expect the key for COP26 will be countries setting intermediate targets for the next 10-15 years. The movement of the world's largest economies in this direction should provide a strong growth tailwind for companies that are well placed from a carbon perspective, including those providing solutions to the challenges of climate change.

We continue to believe that our portfolio of impactful companies should benefit from the increased demand for social and environmental solutions, especially as government spending increases to provide COVID-19-related recovery packages. We think this is likely to be a clear growth path for many companies held in the fund, particularly those in the renewable energy and energy efficiency space.

The fund embraces the United Nations Sustainable Development Goals (SDG) framework and invests in companies focused on six key areas, mapped against the SDGs. On the environmental side, these are: climate action; environmental solutions; and circular economy. On the social side, these are: improving health, saving lives; better work & education; and social inclusion.

We remain confident in the quality of the stocks within our portfolio, and believe they will continue to deliver positive impacts to society, as well as financial returns. As long-term investors, our focus is on the ability of our holdings to generate long-term value for society and our investors, and we continue to be optimistic about their prospects.



# Authorised Corporate Director's Report

As mentioned at the beginning of this report's commentary, the fund's 2020 Annual Impact Report is available on our website: <https://www.mandg.com/dam/investments/common/gb/en/documents/funds-literature/report-annual/annual-impact-report-mandg-positive-impact-fund.pdf>

## **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 30.09.21 \$'000	as at 30.09.21 %	as at 31.03.21 %
<b>Equities</b>	<b>254,270</b>	<b>90.24</b>	<b>94.46</b>
<b>Containers &amp; packaging</b>	<b>7,016</b>	<b>2.49</b>	<b>2.75</b>
1,259,888 DS Smith	7,016	2.49	
<b>Building products</b>	<b>23,247</b>	<b>8.25</b>	<b>8.24</b>
194,094 Johnson Controls International	13,678	4.85	
22,494 ROCKWOOL International	9,569	3.40	
<b>Electrical equipment</b>	<b>15,069</b>	<b>5.35</b>	<b>5.53</b>
290,919 Ceres Power	4,276	1.52	
65,196 Schneider Electric	10,793	3.83	
<b>Commercial services &amp; supplies</b>	<b>18,404</b>	<b>6.53</b>	<b>6.68</b>
741,781 Brambles	5,732	2.03	
61,873 Republic Services	7,579	2.69	
23,203 UniFirst	5,093	1.81	
<b>Road &amp; rail</b>	<b>0</b>	<b>0.00</b>	<b>1.33</b>
<b>Diversified consumer services</b>	<b>6,106</b>	<b>2.17</b>	<b>2.79</b>
38,435 Bright Horizons Family Solutions	5,534	1.97	
907,155 Cogna Educação	459	0.16	
220,095 Cogna Educação ADR	113	0.04	
<b>Health care equipment &amp; supplies</b>	<b>8,004</b>	<b>2.84</b>	<b>3.00</b>
31,792 Becton Dickinson	8,004	2.84	
<b>Health care providers &amp; services</b>	<b>24,932</b>	<b>8.85</b>	<b>9.00</b>
87,628 Fresenius Medical Care	6,174	2.19	
62,640 Quest Diagnostics	9,251	3.28	
23,742 UnitedHealth	9,507	3.38	
<b>Biotechnology</b>	<b>10,018</b>	<b>3.55</b>	<b>4.19<sup>a</sup></b>
328,979 Grifols	4,831	1.71	
1,081,506 PureTech Health	5,187	1.84	
<b>Pharmaceuticals</b>	<b>23,463</b>	<b>8.33</b>	<b>7.27</b>
26,737 ALK-Abelló	11,099	3.94	
127,730 Novo Nordisk	12,364	4.39	
<b>Life sciences tools &amp; services</b>	<b>28,019</b>	<b>9.94</b>	<b>8.75<sup>a</sup></b>
53,331 Agilent Technologies	8,532	3.03	

## Investments

## Portfolio statement (continued)

Holding	as at 30.09.21 \$'000	as at 30.09.21 %	as at 31.03.21 %
<b>Equities (continued)</b>			
<b>Life sciences tools &amp; services (continued)</b>			
18,737 Illumina	7,712	2.73	
20,305 Thermo Fisher Scientific	11,775	4.18	
<b>Banks</b>	<b>16,175</b>	<b>5.74</b>	<b>6.03</b>
248,683 Bank of Georgia	5,172	1.84	
150,250 HDFC Bank ADR	11,003	3.90	
<b>Insurance</b>	<b>4,676</b>	<b>1.66</b>	<b>3.04</b>
82,577 AMERISAFE	4,676	1.66	
<b>Software</b>	<b>9,241</b>	<b>3.28</b>	<b>3.46</b>
27,105 Ansys	9,241	3.28	
<b>Electronic equipment, instruments &amp; components</b>	<b>13,457</b>	<b>4.77</b>	<b>5.58</b>
105,300 Horiba	7,350	2.61	
38,388 IPG Photonics	6,107	2.16	
<b>Semiconductors &amp; semiconductor equipment</b>	<b>21,419</b>	<b>7.60</b>	<b>7.75</b>
269,008 ON Semiconductor	12,331	4.38	
34,703 SolarEdge Technologies	9,088	3.22	
<b>Diversified telecommunication services</b>	<b>5,967</b>	<b>2.12</b>	<b>1.83</b>
2,472,841 Helios Towers	5,967	2.12	
<b>Wireless telecommunication services</b>	<b>8,108</b>	<b>2.88</b>	<b>2.69</b>
21,056,399 Safaricom	8,108	2.88	
<b>Electric utilities</b>	<b>10,218</b>	<b>3.63</b>	<b>4.55</b>
76,575 Ørsted	10,218	3.63	
<b>Real estate management &amp; development</b>	<b>731</b>	<b>0.26</b>	<b>0.00</b>
20,700 Katitas	731	0.26	
<b>Total portfolio</b>	<b>254,270</b>	<b>90.24</b>	<b>94.46</b>
<b>Net other assets/(liabilities)</b>	<b>27,489</b>	<b>9.76</b>	<b>5.54</b>
<b>Net assets attributable to shareholders</b>	<b>281,759</b>	<b>100.00</b>	<b>100.00</b>

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

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

# Investments

Top portfolio transactions for the six months to 30 September 2021

Largest purchases	\$'000
Ørsted	2,118
Johnson Controls International	1,870
ALK-Abelló	1,743
Helios Towers	1,673
ON Semiconductor	1,603
Novo Nordisk	1,582
HDFC Bank ADR	1,568
ROCKWOOL International	1,557
Schneider Electric	1,542
Thermo Fisher Scientific	1,464
Other purchases	24,143
<b>Total purchases</b>	<b>40,863</b>

Sales	\$'000
Sanlam	3,159
East Japan Railway	2,951
<b>Total sales</b>	<b>6,110</b>

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

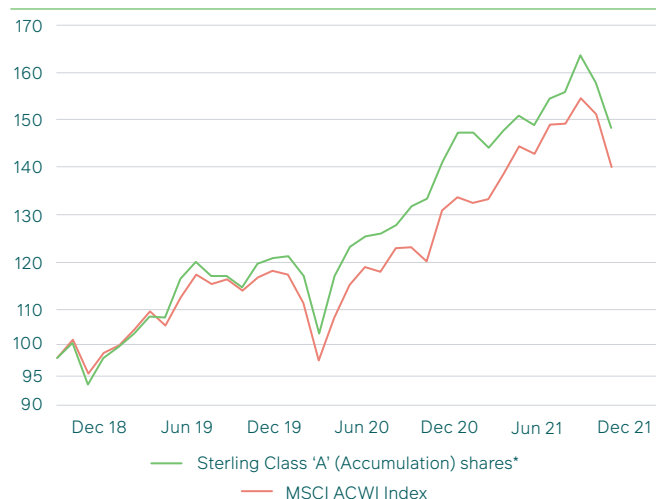
## Fund level performance

Fund net asset value as at	30.09.21 \$'000	31.03.21 \$'000	31.03.20 \$'000
Fund net asset value (NAV)	281,759	223,073	75,565

## 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 2018 = 100, plotted monthly  
Chart date 1 October 2021



Source: Morningstar, Inc. and M&G

\* Income reinvested

## Long-term performance by share class

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

Share class	Six months 01.04.21 % <sup>a</sup>	Three years 01.10.18 % pa	Five years 03.10.16 % pa	Since launch % pa
<b>Sterling</b>				
Class 'A'	+5.1	n/a	n/a	+16.8
Class 'I'	+5.3	n/a	n/a	+17.4
Class 'L'	+5.4	n/a	n/a	+17.7
Class 'PP'	+5.4	n/a	n/a	+16.7
Class 'R'	+5.2	n/a	n/a	+17.1

<sup>a</sup> Not annualised.

## Operating charges and portfolio transaction costs

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

### Operating charges

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

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

# Financial highlights

- **Ongoing charges from underlying funds:** Ongoing charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

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

## Portfolio transaction costs

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

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

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

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. The table below shows direct portfolio transaction costs paid by the fund before and after that

part of the dilution adjustment relating to direct portfolio transaction costs. To give an indication of the indirect portfolio dealing costs the table also shows the average portfolio dealing spread.

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

## Portfolio transaction costs

Direct portfolio transaction costs <sup>b</sup>	Six months to 30.09.21 %	Year to 31.03.21 %	Year to 31.03.20 %	Average <sup>a</sup> %
Broker commission	0.01	0.03	0.06	0.03
Taxes	0.03	0.06	0.09	0.06
Costs before dilution adjustments	0.04	0.09	0.15	0.09
Dilution adjustments <sup>c</sup>	(0.04)	(0.05)	(0.14)	(0.08)
Total direct portfolio transaction costs	0.00	0.04	0.01	0.01
as at Indirect portfolio transaction costs	30.09.21 %	31.03.21 %	31.03.20 %	Average %
Average portfolio dealing spread	0.11	0.11	0.18	0.13

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

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

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

## Specific share class performance

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

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

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

# Financial highlights

## Sterling Class 'A' Income share performance

The share class was launched on 20 November 2018.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	143.11	102.67	104.48
Return before operating charges	10.65	43.47	1.50
Operating charges	(0.82)	(1.75)	(1.60)
Return after operating charges	9.83	41.72	(0.10)
Distributions	n/a	(1.28)	(1.71)
Closing NAV	152.94	143.11	102.67
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.03	0.13	0.17
Dilution adjustments <sup>a</sup>	(0.03)	(0.07)	(0.16)
Total direct transaction costs	0.00	0.06	0.01
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.04	0.01
Operating charges <sup>c</sup>	1.10	1.30	1.46
Return after charges	+6.87	+40.64	-0.10
Historic yield	0.85	1.19	1.61
<b>Other information</b>			
Closing NAV (\$'000)	2,906	2,225	447
Closing NAV (%)	1.03	1.00	0.59
Number of shares	1,414,287	1,129,519	352,220
Highest share price (UK p)	159.47	151.77	128.15
Lowest share price (UK p)	139.16	99.59	98.73

## Sterling Class 'A' Accumulation share performance

The share class was launched on 20 November 2018.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	147.38	104.75	104.86
Return before operating charges	10.98	44.42	1.60
Operating charges	(0.85)	(1.79)	(1.71)
Return after operating charges	10.13	42.63	(0.11)
Distributions	n/a	0.00	0.00
Retained distributions	n/a	0.00	0.00
Closing NAV	157.51	147.38	104.75
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.03	0.13	0.17
Dilution adjustments <sup>a</sup>	(0.03)	(0.08)	(0.16)
Total direct transaction costs	0.00	0.05	0.01
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.04	0.01
Operating charges <sup>c</sup>	1.10	1.30	1.47
Return after charges	+6.87	+40.70	-0.10
Historic yield	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	334	241	30
Closing NAV (%)	0.12	0.11	0.04
Number of shares	157,912	118,591	23,368
Highest share price (UK p)	164.24	154.93	128.62
Lowest share price (UK p)	143.31	101.67	99.09

# Financial highlights

## Sterling Class 'I' Income share performance

The share class was launched on 20 November 2018.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	145.03	103.56	104.76
Return before operating charges	10.82	43.88	1.46
Operating charges	(0.53)	(1.12)	(0.94)
Return after operating charges	10.29	42.76	0.52
Distributions	n/a	(1.29)	(1.72)
Closing NAV	155.32	145.03	103.56
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.03	0.13	0.16
Dilution adjustments <sup>a</sup>	(0.03)	(0.07)	(0.15)
Total direct transaction costs	0.00	0.06	0.01
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.04	0.01
Operating charges <sup>c</sup>	0.70	0.82	0.87
Return after charges	+7.10	+41.29	+0.50
Historic yield	0.86	1.18	1.61
<b>Other information</b>			
Closing NAV (\$'000)	15,999	13,753	4,420
Closing NAV (%)	5.68	6.17	5.85
Number of shares	7,667,235	6,889,460	3,453,258
Highest share price (UK p)	161.91	153.68	129.18
Lowest share price (UK p)	141.10	100.45	99.57

## Sterling Class 'I' Accumulation share performance

The share class was launched on 20 November 2018.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	149.37	105.65	105.14
Return before operating charges	11.14	44.85	1.52
Operating charges	(0.55)	(1.13)	(1.01)
Return after operating charges	10.59	43.72	0.51
Distributions	n/a	(0.26)	(0.68)
Retained distributions	n/a	0.26	0.68
Closing NAV	159.96	149.37	105.65
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.03	0.13	0.17
Dilution adjustments <sup>a</sup>	(0.03)	(0.07)	(0.16)
Total direct transaction costs	0.00	0.06	0.01
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.04	0.01
Operating charges <sup>c</sup>	0.70	0.83	0.88
Return after charges	+7.09	+41.38	+0.49
Historic yield	0.16	0.45	0.62
<b>Other information</b>			
Closing NAV (\$'000)	106,380	89,274	48,891
Closing NAV (%)	37.76	40.03	64.70
Number of shares	49,501,065	43,423,623	37,437,214
Highest share price (UK p)	166.73	156.88	129.65
Lowest share price (UK p)	145.31	102.54	99.92



# Financial highlights

## Sterling Class 'L' Income share performance

The share class was launched on 20 November 2018.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	145.89	103.91	104.85
Return before operating charges	10.89	44.09	1.51
Operating charges	(0.38)	(0.81)	(0.73)
Return after operating charges	10.51	43.28	0.78
Distributions	n/a	(1.30)	(1.72)
Closing NAV	156.40	145.89	103.91
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.13	0.17
Dilution adjustments <sup>a</sup>	(0.03)	(0.08)	(0.16)
Total direct transaction costs	0.00	0.05	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.00	0.04	0.01
Operating charges <sup>c</sup>	0.50	0.58	0.63
Return after charges	+7.20	+41.65	+0.74
Historic yield	0.84	1.17	1.61
Other information			
Closing NAV (\$'000)	115,901	82,716	3,448
Closing NAV (%)	41.13	37.08	4.56
Number of shares	55,158,365	41,192,766	2,684,848
Highest share price (UK p)	163.00	154.51	129.58
Lowest share price (UK p)	141.97	100.80	99.90

## Sterling Class 'L' Accumulation share performance

The share class was launched on 20 November 2018.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	150.24	106.02	105.23
Return before operating charges	11.20	45.02	1.53
Operating charges	(0.39)	(0.80)	(0.74)
Return after operating charges	10.81	44.22	0.79
Distributions	n/a	(0.57)	(0.98)
Retained distributions	n/a	0.57	0.98
Closing NAV	161.05	150.24	106.02
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.13	0.17
Dilution adjustments <sup>a</sup>	(0.03)	(0.07)	(0.16)
Total direct transaction costs	0.00	0.06	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.00	0.04	0.01
Operating charges <sup>c</sup>	0.50	0.59	0.63
Return after charges	+7.20	+41.71	+0.75
Historic yield	0.36	0.65	0.90
Other information			
Closing NAV (\$'000)	32,378	29,764	17,621
Closing NAV (%)	11.49	13.34	23.32
Number of shares	14,963,900	14,393,332	13,447,028
Highest share price (UK p)	167.85	157.71	130.05
Lowest share price (UK p)	146.20	102.89	100.26

# 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 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	125.31	89.30	100.00
Return before operating charges	9.35	37.86	(8.80)
Operating charges	(0.40)	(0.73)	(0.44)
Return after operating charges	8.95	37.13	(9.24)
Distributions	n/a	(1.12)	(1.46)
Closing NAV	134.26	125.31	89.30
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.03	0.11	0.10
Dilution adjustments <sup>a</sup>	(0.03)	(0.06)	(0.09)
Total direct transaction costs	0.00	0.05	0.01
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.04	0.01
Operating charges	0.60	0.64	0.65
Return after charges	+7.14	+41.58	-9.24
Historic yield	0.84	1.16	1.59
<b>Other information</b>			
Closing NAV (\$'000)	26	33	30
Closing NAV (%)	0.01	0.01	0.04
Number of shares	14,223	19,223	27,000
Highest share price (UK p)	139.94	132.73	111.34
Lowest share price (UK p)	121.92	86.63	85.83

## Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	138.19	97.57	100.00
Return before operating charges	10.33	41.47	(1.71)
Operating charges	(0.44)	(0.85)	(0.72)
Return after operating charges	9.89	40.62	(2.43)
Distributions	n/a	(0.46)	(0.85)
Retained distributions	n/a	0.46	0.85
Closing NAV	148.08	138.19	97.57
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.03	0.13	0.16
Dilution adjustments <sup>a</sup>	(0.03)	(0.07)	(0.14)
Total direct transaction costs	0.00	0.06	0.02
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.04	0.01
Operating charges <sup>c</sup>	0.60	0.64	0.68
Return after charges	+7.16	+41.63	-2.43
Historic yield	0.31	0.61	0.84
<b>Other information</b>			
Closing NAV (\$'000)	2,869	1,103	60
Closing NAV (%)	1.02	0.49	0.08
Number of shares	1,441,837	579,929	49,464
Highest share price (UK p)	154.33	145.09	119.70
Lowest share price (UK p)	134.46	94.69	92.27

# Financial highlights

## Sterling Class 'R' Income share performance

The share class was launched on 20 November 2018.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	144.18	103.20	104.67
Return before operating charges	10.76	43.72	1.55
Operating charges	(0.72)	(1.45)	(1.31)
Return after operating charges	10.04	42.27	0.24
Distributions	n/a	(1.29)	(1.71)
Closing NAV	154.22	144.18	103.20
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.03	0.13	0.17
Dilution adjustments <sup>a</sup>	(0.03)	(0.07)	(0.16)
Total direct transaction costs	0.00	0.06	0.01
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.04	0.01
Operating charges <sup>c</sup>	0.95	1.07	1.12
Return after charges	+6.96	+40.96	+0.23
Historic yield	0.85	1.18	1.61
<b>Other information</b>			
Closing NAV (\$'000)	1,191	942	320
Closing NAV (%)	0.42	0.42	0.42
Number of shares	575,012	474,803	250,556
Highest share price (UK p)	160.78	152.86	128.78
Lowest share price (UK p)	140.23	100.11	99.23

## Sterling Class 'R' Accumulation share performance

The share class was launched on 20 November 2018.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	148.50	105.30	105.04
Return before operating charges	11.06	44.71	1.58
Operating charges	(0.74)	(1.51)	(1.32)
Return after operating charges	10.32	43.20	0.26
Distributions	n/a	0.00	(0.38)
Retained distributions	n/a	0.00	0.38
Closing NAV	158.82	148.50	105.30
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.03	0.13	0.17
Dilution adjustments <sup>a</sup>	(0.03)	(0.08)	(0.16)
Total direct transaction costs	0.00	0.05	0.01
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.04	0.01
Operating charges <sup>c</sup>	0.95	1.06	1.13
Return after charges	+6.95	+41.03	+0.25
Historic yield	0.00	0.25	0.35
<b>Other information</b>			
Closing NAV (\$'000)	3,775	3,022	298
Closing NAV (%)	1.34	1.35	0.40
Number of shares	1,769,189	1,478,362	229,267
Highest share price (UK p)	165.58	156.04	129.24
Lowest share price (UK p)	144.42	102.19	99.59

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

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

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

# Financial statements and notes

## Financial statements

### Statement of total return

for the six months to 30 September	2021		2020	
	\$'000	\$'000	\$'000	\$'000
<b>Income</b>				
Net capital gains/(losses)		8,748		25,184
Revenue	1,545		771	
Expenses	(784)		(424)	
Net revenue/(expense) before taxation	761		347	
Taxation	(153)		(77)	
Net revenue/(expense) after taxation		608		270
<b>Total return before equalisation</b>		<b>9,356</b>		<b>25,454</b>
Equalisation		151		146
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>9,507</b>		<b>25,600</b>

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

for the six months to 30 September	2021		2020	
	\$'000	\$'000	\$'000	\$'000
<b>Opening net assets attributable to shareholders</b>		<b>223,073</b>		<b>75,565</b>
Amounts received on issue of shares	59,422		47,036	
Amounts paid on cancellation of shares	(10,360)		(1,725)	
		49,062		45,311
Dilution adjustments		117		75
Change in net assets attributable to shareholders from investment activities (see above)		9,507		25,600
<b>Closing net assets attributable to shareholders</b>		<b>281,759</b>		<b>146,551</b>

The opening net assets attributable to shareholders for 2021 differs to the closing position in 2020 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

# Financial statements and notes

## Financial statements

### Balance sheet

as at	30 September 2021 \$'000	31 March 2021 \$'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	254,270	210,722
<b>Current assets</b>		
Debtors	7,397	1,465
Cash and bank balances	23,790	12,155
<b>Total assets</b>	<b>285,457</b>	<b>224,342</b>
<b>Liabilities</b>		
<b>Creditors</b>		
Distribution payable	0	(888)
Other creditors	(3,698)	(381)
<b>Total liabilities</b>	<b>(3,698)</b>	<b>(1,269)</b>
<b>Net assets attributable to shareholders</b>	<b>281,759</b>	<b>223,073</b>

# Financial statements and notes

## Notes to the financial statements

### Accounting policies

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

### Distribution policy

In determining the amount available for distribution 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 protect the value of capital and income from inflation by providing a total return (the combination of capital growth and income), net of the ongoing charge figure, that is consistent with or higher than UK inflation (as measured by the UK Consumer Prices Index), over any three-year period. There is no guarantee that the fund will achieve its objective over this, or any other, period. The income distributions and the value of your investment may rise and fall, and investors may not recoup the original amount they invested.

## Investment policy

At least 70% of the fund is invested, directly or indirectly, in investment grade corporate debt securities (typically inflation-linked corporate bonds and floating rate notes), denominated in sterling or hedged back to sterling. These securities can be issued by companies from anywhere in the world, including emerging markets.

The fund's indirect exposure to inflation-linked corporate bonds is achieved by investing through a combination of instruments. These include a combination of inflation-linked government bonds with credit derivatives, such as credit default swaps (CDS) to create synthetic positions.

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

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

## Investment approach

The fund typically seeks to maintain a low sensitivity to movements in interest rates to help mitigate the negative impact of rising bond yields which are common during periods of rising inflation.

The fund manager believes that "synthetic" inflation-linked corporate bonds can offer a similar return profile to physical inflation-linked corporate bonds while benefiting from enhanced market depth and liquidity.

The fund's investment style combines top-down and bottom-up analysis, and the fund manager is assisted in the selection of individual bonds by a team of credit analysts.

## Benchmark

Benchmark: UK Consumer Prices 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.

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

## Risk profile

The fund invests in fixed interest assets that would be expected to perform well in an inflationary environment, such as inflation-linked bonds issued by companies and governments. It is therefore subject to the price volatility of the global bond market as well as the performance of individual issuers.

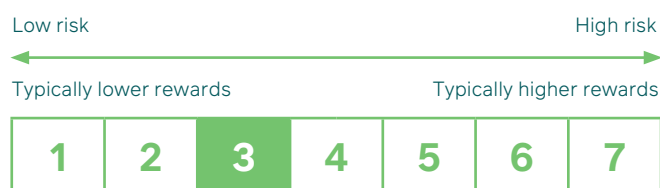
The fund's focus is on investment grade, or high-quality corporate bonds, which are securities that are normally traded with relative ease. The fund's exposure to index-linked bonds may be achieved either directly or by investing in a combination of assets, including government securities and credit derivatives. In association with the use of derivatives, including those instruments not traded through an exchange, collateral

# Authorised Corporate Director's Report

is deposited in order to mitigate the risk that a counterparty may default on its obligations or become insolvent.

Portfolio diversification is 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.

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



## The above number:

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

## Investment review

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

### Performance against objective

Between 1 April 2021 (the start of the review period) and 1 October 2021, the M&G UK Inflation Linked Corporate Bond Fund delivered a positive total return (the combination of income and growth of capital) across all its share classes. Returns in this period were behind the change in the UK Consumer Prices Index (CPI), which the fund seeks to match or exceed over a rolling three-year period. However, over three years, the fund's annualised returns were ahead of the CPI, which stood at 1.8% pa.

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

### Performance review

The fund invests in a range of instruments that can help to mitigate the potentially damaging effects of inflation. It is mainly invested in inflation-linked bonds issued by high-quality companies, where both the value of the loan and the interest payments are adjusted in line with inflation until they mature. Bonds are loans that are extended by an investor to an issuing entity – such as a company or government – in exchange for regular interest payments. Bonds issued by companies are referred to as 'corporate bonds', while those issued by governments are called 'government bonds'.

During the six months under review, the rollout of COVID-19 vaccinations continued to gather pace globally, allowing most nations to ease restrictions and economic activity to largely normalise. Economic growth (as indicated by GDP growth rates) among the world's largest economies was mostly very positive during the period, although some countries registered negative second-quarter growth rates as temporary lockdown measures were reintroduced.

Towards the end of the summer, much of the developed world appeared to be at or just past the peak rate of economic growth according to some of the well-publicised global business sentiment surveys. However, the recovery appeared to be increasingly uneven and delicate among some countries, with many experiencing a variety of fresh post-lockdown challenges, including renewed virus outbreaks, varying vaccination take-up rates, supply chain blockages and constrained energy markets. Most developed countries saw the prices of goods and services surge in the spring. Inflation remained elevated during the summer months, driven by strong post-lockdown demand combined with supply bottlenecks of some raw materials.

In this environment, the majority of stockmarkets across developed nations registered positive returns during the six-month period. However, in China, doubts over



# Authorised Corporate Director's Report

the financial health of the property sector upset investor appetite for the country, contributing to some disappointing investment returns from emerging market shares and bonds more broadly, particularly in Asia. In contrast, oil-producing nations such as Russia and the United Arab Emirates registered healthy gains as oil prices rose by more than 20% in US dollar terms during the period.

In the US, UK and Europe, fears about persistently high inflation, supply chain issues and rumours surrounding the imminent withdrawal of central bank support measures contributed to particularly volatile financial markets in September. As a result, core government bond yields – which had been falling for much of the period as central banks consistently dampened speculation they would be withdrawing stimulus measures – began sharply rising again, pushing down bond prices, which move inversely to yields. The government bond sell-off towards the end of the period particularly affected UK government bonds (also known as gilts), as many investors speculated the Bank of England would be the first major central bank to raise interest rates.

Corporate bonds delivered mostly positive returns in the period, although returns were held back by the rise in government bond yields. From a regional perspective, US corporate bonds outperformed UK and European corporate bonds, both in the investment grade and high yield (below investment grade, therefore riskier) segments.

Currency markets held relatively steady during the period. The US dollar strengthened slightly against sterling, the euro and yen, while emerging market currencies were notably weaker versus the US dollar amid growing risk aversion towards the end of the period.

The fund delivered a positive return during the review period, with performance driven by a rise in inflation expectations along with continued resilience in credit markets.

## Investment activities

The fund remains cautiously positioned from a duration (sensitivity to movements in interest rates) perspective, and we reduced interest rate risk in the quarter. We believe the Bank of England will start to scale back its stimulus measures later in the year, which could leave the gilt market with less support. We think this will put further upward pressure on gilt yields and, in this environment, we do not want to be holding too much interest rate risk.

With signs that inflationary pressures are continuing to build, we believe the Bank of England will also need to increase interest rates in 2022 in order to preserve its inflation targeting credibility. This could have a dampening impact on inflation, and with UK inflation-linked bond valuations looking expensive to us, we have been reducing our UK inflation-linked exposure.

The fund remains defensively positioned in terms of its corporate bond exposure, with a focus on highly-rated names carrying low levels of debt. Following the significant rally in corporate bond markets in the past 18 months, we believe the risk/reward characteristics no longer look particularly attractive.

## Outlook

We believe UK inflation is likely to move higher in the short term due to base effects, supply disruptions and imbalances between supply and demand in the recovery phase. We think longer-term inflationary pressures will build more slowly, although the scale of the ongoing monetary and fiscal stimulus measures could have a powerful cumulative impact over time.

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Against this, we need to acknowledge some of the longer-term factors that could see inflationary pressures subside as stimulus packages unwind, such as the potential long-term economic damage caused by the pandemic. However, with the emergence of several forces that are likely to put upward pressure on inflation, we think it prudent to include at least some inflation-linked protection within a well-balanced portfolio.

## **Ben Lord**

Fund manager

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

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

## Investments

## Portfolio statement

Holding	as at 30.09.21 £'000	as at 30.09.21 %	as at 31.03.21 %
<b>Fixed income</b>	<b>1,147,913</b>	<b>98.33</b>	<b>95.81</b>
<b>Debt securities</b>	<b>1,141,463</b>	<b>97.78</b>	<b>94.43</b>
<b>'AAA' credit rated bonds</b>	<b>68,018</b>	<b>5.83</b>	<b>6.72</b>
£1,588,000 Economic Master Issuer 2020-1 FRN 0.52% 25/06/2072	1,594	0.14	
£148,000 European Investment Bank 2.1% 22/11/2022	237	0.02	
£3,301,626 European Investment Bank 4.528% 31/03/2034	8,381	0.72	
£5,208,000 European Investment Bank FRN 1.051% 08/09/2025	5,388	0.46	
£3,924,129 Finsbury Square 2018-2 FRN 0% 12/09/2068	3,934	0.34	
£1,662,935 Friary No. 6 FRN 0% 21/11/2067	1,677	0.14	
£1,137,524 Gemgarto 2021-1 FRN 0.64% 16/12/2067	1,143	0.10	
£869,805 Hops Hill No. 1 FRN 1% 27/05/2054	877	0.08	
US\$7,500,000 International Bank for Reconstruction & Development FRN 0% 11/02/2031	5,593	0.48	
£4,680,693 Jupiter Mortgage No. 1 FRN 0.85% 20/07/2060	4,698	0.40	
£1,683,000 Lanebrook Mortgage Transaction 2021-1 FRN 0% 20/07/2058	1,685	0.14	
£1,636,494 London Wall Mortgage Capital FRN 0.8% 15/05/2051	1,647	0.14	
£3,360,000 Nationwide Building Society FRN 0% 24/02/2031	3,364	0.29	
£2,302,000 PCL Funding IV FRN 1.1% 15/09/2024	2,315	0.20	
£1,222,357 Polaris RMBS FRN 1.3% 27/04/2057	1,228	0.11	
£1,901,605 Residential Mortgage Securities 32 FRN 1.3% 20/06/2070	1,921	0.17	
£1,913,430 Stratton Mortgage Funding 2021-1 FRN 0.9% 25/09/2051	1,921	0.16	
£6,409,000 Taurus 2021-4 FRN 0% 17/08/2031	6,429	0.55	
£3,640,000 Together Asset Backed Securitisation 2021-1st1 FRN 0% 12/07/2063	3,644	0.31	
£3,420,682 Towd Point Mortgage Funding 2019-Vantage2 FRN 1.25% 20/02/2054	3,438	0.29	
£3,482,332 Tower Bridge Funding 2021-1 FRN 0.949% 21/07/2064	3,495	0.30	
£3,406,000 Twin Bridges 2021-2 FRN 0% 12/09/2055	3,409	0.29	
<b>'AA' credit rated bonds</b>	<b>711,371</b>	<b>60.94</b>	<b>54.94</b>
£4,463,000 First Abu Dhabi Bank 1.375% 19/02/2023	4,492	0.38	
£994,000 Jupiter Mortgage No. 1 0% 20/07/2060	1,003	0.09	
£5,134,000 New York Life Global Funding 0.75% 14/12/2028	4,918	0.42	
£3,036,000 New York Life Global Funding 1.25% 17/12/2026	3,047	0.26	
€1,500,000 Réseau Ferré de France 2.45% 28/02/2023	1,824	0.16	

## Investments

## Portfolio statement (continued)

Holding	as at 30.09.21 £'000	as at 30.09.21 %	as at 31.03.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'AA' credit rated bonds (continued)</b>			
£703,882 Telereal Securitisation 1.366% 10/12/2031	708	0.06	
£187,448,761 UK Treasury IL 0.125% 22/03/2024	260,670	22.33	
£76,182,517 UK Treasury IL 0.125% 22/03/2026	105,258	9.02	
£50,000 UK Treasury IL 0.125% 10/08/2028	68	0.01	
£182,517 UK Treasury IL 1.25% 22/11/2027	375	0.03	
£40,874,830 UK Treasury IL 1.875% 22/11/2022	65,908	5.64	
£72,100,000 UK Treasury IL 2.5% 17/07/2024	263,100	22.54	
<b>'A' credit rated bonds</b>	<b>46,473</b>	<b>3.98</b>	<b>4.91</b>
£1,350,000 Anglian Water Services Financing 3.666% 30/07/2024	2,765	0.24	
£14,919 Baglan Moor Healthcare 3.92% 30/04/2029	32	0.00	
£7,800,000 Banco Santander 1.375% 31/07/2024	7,882	0.68	
€6,642,000 Bank of America FRN 0.455% 22/09/2026	5,835	0.50	
£2,495,000 Bank of America Var. Rate 1.667% 02/06/2029	2,482	0.21	
£3,236,000 BMW International Investment 0.75% 08/03/2024	3,233	0.28	
€1,374,000 Booking 0.1% 08/03/2025	1,187	0.10	
€2,980,000 Comcast 0% 14/09/2026	2,554	0.22	
£2,126,000 Cooperatieve Rabobank IL 2.25% 22/11/2022	3,378	0.29	
£4,129,000 JPMorgan Chase Var. Rate 0.991% 28/04/2026	4,093	0.35	
£598,898 Nationwide Building Society 4.25% 23/02/2024	1,966	0.17	
US\$2,898,212 Project Silver 3.967% 15/07/2044	2,138	0.18	
£2,712,000 Realty Income 1.125% 13/07/2027	2,671	0.23	
US\$800,000 Saudi Arabian Oil 1.25% 24/11/2023	599	0.05	
£2,212,000 Toyota Motor Credit 0.75% 19/11/2026	2,160	0.18	
US\$2,538,000 UBS FRN 0.5% 09/08/2024	1,898	0.16	
€1,813,000 Yorkshire Building Society 0.625% 21/09/2025	1,600	0.14	
<b>'BBB' credit rated bonds</b>	<b>261,271</b>	<b>22.38</b>	<b>22.68</b>
US\$2,308,000 Altria 2.35% 06/05/2025	1,779	0.15	
£2,923,000 Australia & New Zealand Banking Var. Rate 1.809% 16/09/2031	2,904	0.25	
£3,800,000 Banco Santander 1.5% 14/04/2026	3,790	0.32	
£7,100,000 Banco Santander Var. Rate 2.25% 04/10/2032	7,073	0.61	

## Investments

## Portfolio statement (continued)

Holding	as at 30.09.21 £'000	as at 30.09.21 %	as at 31.03.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'BBB' credit rated bonds (continued)</b>			
€2,300,000 Bankinter Var. Rate 1.25% 23/12/2032	1,984	0.17	
€2,890,000 Barclays FRN 0.453% 12/05/2026	2,544	0.22	
US\$5,796,000 BAT Capital 3.222% 15/08/2024	4,573	0.39	
US\$2,242,000 BAT International Finance 1.668% 25/03/2026	1,667	0.14	
€3,000,000 BAT Netherlands Finance 2.375% 07/10/2024	2,750	0.24	
€2,400,000 Bayer 0.375% 06/07/2024	2,092	0.18	
€1,300,000 Bayerische Landesbank Var. Rate 1% 23/09/2031	1,125	0.10	
£3,000,000 BNP Paribas Var. Rate 2% 24/05/2031	2,999	0.26	
US\$1,220,000 Boeing 2.196% 04/02/2026	915	0.08	
US\$2,500,000 Boeing 2.75% 01/02/2026	1,933	0.17	
£5,000,000 BP Capital Markets Var. Rate 4.25% Perpetual	5,314	0.46	
€2,948,000 Citigroup Var. Rate 1.25% 06/07/2026	2,643	0.23	
£1,290,000 Cooperatieve Rabobank 4.625% 23/05/2029	1,510	0.13	
£1,300,000 Crédit Agricole Var. Rate 1.874% 09/12/2031	1,289	0.11	
€2,013,000 CTP 0.625% 27/11/2023	1,755	0.15	
€3,000,000 Davide Campari-Milano 1.25% 06/10/2027	2,635	0.23	
£10,000,000 Deutsche Pfandbriefbank 1.75% 21/11/2022	10,085	0.86	
US\$424,000 DXC Technology 1.8% 15/09/2026	315	0.03	
€4,000,000 Enel Var. Rate 1.375% Perpetual	3,406	0.29	
US\$9,126,000 Energy Transfer 4.05% 15/03/2025	7,320	0.63	
€3,191,000 Fraport Frankfurt Airport Services Worldwide 1.625% 09/07/2024	2,837	0.24	
£3,819,000 Goldman Sachs 1.5% 07/12/2027	3,775	0.32	
€4,057,000 Goldman Sachs FRN 0.453% 30/04/2024	3,534	0.30	
€5,000,000 Goldman Sachs FRN 0.454% 23/09/2027	4,394	0.38	
US\$5,000,000 Goldman Sachs FRN 6.25% 10/09/2027	3,712	0.32	
£3,816,000 Hammerson 3.5% 27/10/2025	3,978	0.34	
€1,333,000 Holding d'Infrastructures et des Metiers de l'Environnement 0.125% 16/09/2025	1,148	0.10	
€4,000,000 Iliad 0.75% 11/02/2024	3,401	0.29	
€3,010,000 Informa 2.125% 06/10/2025	2,745	0.24	

## Investments

## Portfolio statement (continued)

Holding	as at 30.09.21 £'000	as at 30.09.21 %	as at 31.03.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'BBB' credit rated bonds (continued)</b>			
€5,000,000 InterContinental Hotels 1.625% 08/10/2024	4,476	0.38	
£3,000,000 KBC Var. Rate 1.25% 21/09/2027	2,973	0.25	
£4,259,000 Leeds Building Society Var. Rate 1.5% 16/03/2027	4,237	0.36	
£10,000,000 Lloyds Banking Var. Rate 1.875% 15/01/2026	10,158	0.87	
£2,359,000 Lloyds Banking Var. Rate 1.985% 15/12/2031	2,357	0.20	
€1,440,000 Logisor Financing 1.5% 13/07/2026	1,300	0.11	
€7,002,000 Morgan Stanley FRN 0.406% 29/10/2027	6,064	0.52	
£7,500,000 NatWest Var. Rate 2.875% 19/09/2026	7,888	0.68	
£2,829,000 NatWest Var. Rate 3.125% 28/03/2027	3,008	0.26	
£2,072,000 Nordea Bank Var. Rate 1.625% 09/12/2032	2,029	0.17	
€5,000,000 Orange Var. Rate 5% Perpetual	5,116	0.44	
£9,103,000 Ørsted 0.375% 16/05/2034	11,331	0.97	
US\$5,000,000 Pacific Gas and Electric 2.95% 01/03/2026	3,802	0.33	
€5,737,000 Prosus 1.288% 13/07/2029	4,863	0.42	
€3,000,000 Quadient 2.25% 03/02/2025	2,653	0.23	
€1,646,000 Ryanair 0.875% 25/05/2026	1,440	0.12	
€5,000,000 Ryanair 2.875% 15/09/2025	4,719	0.40	
€1,800,000 Safran 0.125% 16/03/2026	1,553	0.13	
£3,517,000 Southern Water Services Finance 1.625% 30/03/2027	3,497	0.30	
£1,452,000 Southern Water Services Finance 3.816% 31/03/2023	2,681	0.23	
£3,722,000 Swedbank Var. Rate 1.375% 08/12/2027	3,707	0.32	
€7,500,000 Terna - Rete Elettrica Nazionale 2.731% 15/09/2023	8,198	0.70	
£10,136,000 Tesco 3.322% 05/11/2025	21,734	1.86	
€7,500,000 TotalEnergies Var. Rate 2.625% Perpetual	6,806	0.58	
€1,800,000 Traton Finance Luxembourg 0.125% 24/03/2025	1,550	0.13	
€992,000 Tritax EuroBox 0.95% 02/06/2026	864	0.07	
€8,900,000 Upjohn Finance 1.023% 23/06/2024	7,874	0.67	
€2,042,000 Volkswagen Financial Services 0% 12/02/2025	1,753	0.15	
£2,100,000 Volkswagen Financial Services 1.125% 18/09/2023	2,105	0.18	
€3,509,000 Volkswagen Financial Services 3% 06/04/2025	3,322	0.28	

## Investments

## Portfolio statement (continued)

Holding	as at 30.09.21 £'000	as at 30.09.21 %	as at 31.03.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'BBB' credit rated bonds (continued)</b>			
€2,200,000 Volkswagen Leasing 0% 12/07/2023	1,897	0.16	
€1,714,000 Volkswagen Leasing 0.25% 12/01/2026	1,478	0.13	
€2,582,000 Volkswagen Leasing 0.375% 20/07/2026	2,228	0.19	
US\$3,500,000 Wells Fargo Var. Rate 2.188% 30/04/2026	2,686	0.23	
£5,000,000 Whitbread 2.375% 31/05/2027	5,000	0.43	
<b>'BB' credit rated bonds</b>	<b>54,330</b>	<b>4.65</b>	<b>5.18</b>
€4,200,000 Banco de Sabadell Var. Rate 0.875% 16/06/2028	3,560	0.31	
US\$920,000 Carnival 11.5% 01/04/2023	765	0.07	
€1,400,000 Cellnex Finance 0.75% 15/11/2026	1,195	0.10	
€3,300,000 Cellnex Finance 1% 15/09/2027	2,794	0.24	
£7,495,000 Ford Motor Credit 4.535% 06/03/2025	7,979	0.68	
€1,868,000 GTC Aurora Luxembourg 2.25% 23/06/2026	1,636	0.14	
€3,500,000 Iliad 2.375% 17/06/2026	3,003	0.26	
€2,800,000 Mahle 2.375% 14/05/2028	2,373	0.20	
€1,447,000 NatWest Var. Rate 1.043% 14/09/2032	1,242	0.11	
£2,496,000 NatWest Var. Rate 2.105% 28/11/2031	2,494	0.21	
US\$2,244,000 NatWest Var. Rate 3.754% 01/11/2029	1,775	0.15	
£7,500,000 NGG Finance Var. Rate 5.625% 18/06/2073	8,304	0.71	
£3,000,000 Petroleos Mexicanos 3.75% 16/11/2025	2,930	0.25	
€3,000,000 Rolls-Royce 4.625% 16/02/2026	2,858	0.24	
US\$3,159,000 United Airlines 4.375% 15/04/2026	2,416	0.21	
£5,000,000 Vodafone Var. Rate 4.875% 03/10/2078	5,382	0.46	
€4,000,000 ZF Finance 3% 21/09/2025	3,624	0.31	
<b>Bonds with no credit rating</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>Debt derivatives</b>	<b>6,450</b>	<b>0.55</b>	<b>1.38</b>
<b>Credit default swaps</b>	<b>15,936</b>	<b>1.36</b>	<b>1.31</b>
€(12,500,000) Airbus Jun 2025	261	0.02	
US\$(17,500,000) America Movil Dec 2023	158	0.01	
€(3,100,000) Anglo American Capital Dec 2025	459	0.04	
€(7,500,000) Anglo American Capital Jun 2024	793	0.07	

## Investments

## Portfolio statement (continued)

Holding	as at 30.09.21 £'000	as at 30.09.21 %	as at 31.03.21 %
<b>Fixed income (continued)</b>			
<b>Debt derivatives (continued)</b>			
<b>Credit default swaps (continued)</b>			
€(2,500,000) Anglo American Capital Jun 2026	395	0.03	
€(5,000,000) Anglo American Dec 2025	740	0.06	
€(13,500,000) Anheuser-Busch InBev Dec 2023	174	0.02	
€(5,000,000) Anheuser-Busch InBev Dec 2025	95	0.01	
€(5,000,000) Aroundtown Dec 2022	34	0.00	
US\$(5,000,000) AT&T Dec 2025	83	0.01	
€(5,000,000) Bayer Dec 2024	84	0.01	
€(5,000,000) Bayer Jun 2024	76	0.01	
€(7,500,000) BNP Paribas Dec 2025	155	0.01	
US\$(3,000,000) Boeing Jun 2025	10	0.00	
US\$(3,700,000) Boeing Jun 2026	0	0.00	
€(10,000,000) BP Capital Markets Jun 2025	206	0.02	
€(7,500,000) Crédit Agricole Dec 2025	156	0.01	
US\$(5,000,000) CVS Health Dec 2025	106	0.01	
US\$(7,500,000) CVS Health Dec 2027	150	0.01	
€(16,000,000) Daimler AG Dec 2025	353	0.03	
US\$(5,000,000) Daimler AG Dec 2025	11	0.00	
US\$(5,000,000) Dow Chemical Dec 2025	76	0.01	
€(12,500,000) Électricité de France Dec 2025	274	0.02	
€(10,000,000) Enel Societa Per Azioni Dec 2025	199	0.02	
US\$(5,000,000) Energy Transfer Operating Dec 2024	44	0.00	
US\$(5,000,000) Energy Transfer Operating Dec 2025	38	0.00	
US\$(10,500,000) Fedex Jun 2026	242	0.02	
US\$(7,000,000) Firstenergy Corporation Dec 2025	104	0.01	
US\$(5,000,000) General Electric Dec 2023	54	0.00	
US\$(5,000,000) General Electric Dec 2025	62	0.01	
US\$(7,500,000) General Electric Dec 2028	(14)	0.00	
US\$(5,000,000) General Motors Dec 2024	514	0.04	
US\$(5,000,000) General Motors Dec 2025	640	0.05	
€(6,300,000) Glencore Finance Europe Dec 2025	911	0.08	



## Investments

## Portfolio statement (continued)

Holding	as at 30.09.21 £'000	as at 30.09.21 %	as at 31.03.21 %
<b>Fixed income (continued)</b>			
<b>Debt derivatives (continued)</b>			
<b>Credit default swaps (continued)</b>			
€(5,000,000) Imperial Brands Dec 2024	69	0.01	
€(4,700,000) Imperial Brands Finance Dec 2025	55	0.00	
€(290,000,000) Markit iTraxx Europe Series 35 V1 5 Year Jun 2024	5,174	0.44	
€(6,000,000) Next Group Jun 2026	76	0.01	
US\$(5,000,000) Omnicom Dec 2025	97	0.01	
€(5,000,000) Orange Dec 2025	133	0.01	
€(4,500,000) Tesco Jun 2026	68	0.01	
US\$(5,000,000) Verizon Communications Dec 2025	88	0.01	
€(7,500,000) Vodafone Dec 2024	146	0.01	
€(4,000,000) Volkswagen International Finance Dec 2025	76	0.01	
US\$(7,500,000) Walt Disney Dec 2024	144	0.01	
€(13,100,000) Wendel Dec 2025	2,167	0.19	
<b>Interest rate swaps</b>	<b>(10,524)</b>	<b>(0.90)</b>	<b>0.04</b>
£40,000,000 Pay 0.006% Receive VAR Oct 2025	1,103	0.09	
£15,000,000 Pay 0.163% Receive VAR Mar 2025	239	0.02	
£15,000,000 Pay 0.198% Receive VAR Mar 2025	218	0.02	
£20,000,000 Pay 0.253% Receive VAR Mar 2025	245	0.02	
£22,500,000 Pay 0.3225% Receive VAR Mar 2025	220	0.02	
£17,500,000 Pay 0.36580% Receive VAR Mar 2026	233	0.02	
£100,000,000 Pay 0.37760% Receive VAR May 2025	875	0.08	
£5,000,000 Pay 0.4570% Receive VAR Feb 2070	664	0.06	
£50,000,000 Pay 0.5073% Receive VAR Sep 2026	546	0.05	
£65,000,000 Pay 0.50840% Receive VAR Jun 2026	565	0.05	
£42,500,000 Pay 0.57% Receive VAR Nov 2024	(112)	(0.01)	
£17,500,000 Pay 3.89% Receive VAR Sep 2024	(61)	(0.01)	
£50,000,000 Pay VAR Receive 3.251% Feb 2025	(2,079)	(0.18)	
£5,000,000 Pay VAR Receive 3.28100% Jun 2071	(940)	(0.08)	
£50,000,000 Pay VAR Receive 3.2825% Jul 2025	(2,896)	(0.25)	
£75,000,000 Pay VAR Receive 3.59500% Jun 2026	(3,435)	(0.29)	
£50,000,000 Pay VAR Receive 3.61000% Jun 2026	(2,248)	(0.19)	

## Investments

## Portfolio statement (continued)

Holding	as at 30.09.21 £'000	as at 30.09.21 %	as at 31.03.21 %
<b>Fixed income (continued)</b>			
<b>Debt derivatives (continued)</b>			
<b>Interest rate swaps (continued)</b>			
£50,000,000 Pay VAR Receive 3.62500% Jun 2026	(2,206)	(0.19)	
£25,000,000 Pay VAR Receive 3.90000% Sep 2031	(430)	(0.04)	
£50,000,000 Pay VAR Receive 3.95300% Sep 2031	(517)	(0.04)	
£25,000,000 Pay VAR Receive 3.97400% Sep 2031	(190)	(0.02)	
£25,000,000 Pay VAR Receive 4.02300% Sep 2026	(347)	(0.03)	
£25,000,000 Pay VAR Receive 4.04150% Sep 2031	29	0.00	
<b>Interest rate futures</b>	<b>1,038</b>	<b>0.09</b>	<b>0.03</b>
(190) 5 Year US Treasury Note Dec 21	131	0.01	
51 Euro-Bobl Dec 21	(36)	0.00	
(128) Euro-Bund Dec 21	251	0.02	
(200) Long Gilt Dec 21	692	0.06	
<b>Currency</b>	<b>(2,110)</b>	<b>(0.18)</b>	<b>0.05</b>
<b>Forward currency contracts</b>	<b>(2,110)</b>	<b>(0.18)</b>	<b>0.05</b>
€16,125,989 Bought for £13,919,960 (expires 20.10.21)	(28)	0.00	
€(195,781,162) Sold for £167,583,165 (expires 20.10.21)	(1,076)	(0.09)	
US\$692,195 Bought for £506,619 (expires 20.10.21)	9	0.00	
US\$(71,661,163) Sold for £52,323,383 (expires 20.10.21)	(1,015)	(0.09)	
<b>Portfolio of investments</b>	<b>1,145,803</b>	<b>98.15</b>	<b>95.86</b>
<b>Cash equivalents</b>	<b>29,476</b>	<b>2.52</b>	<b>1.54</b>
<b>'AAA' rated money market funds<sup>a</sup></b>	<b>29,476</b>	<b>2.52</b>	<b>1.54</b>
29,476,000 Northern Trust Global Fund - Sterling	29,476	2.52	
<b>Total portfolio</b>	<b>1,175,279</b>	<b>100.67</b>	<b>97.40</b>
<b>Net other assets/(liabilities)</b>	<b>(7,849)</b>	<b>(0.67)</b>	<b>2.60</b>
<b>Net assets attributable to shareholders</b>	<b>1,167,430</b>	<b>100.00</b>	<b>100.00</b>

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

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

# Investments

## Portfolio transactions

for the six months to 30 September	2021 £'000	2020 £'000
Total purchases	305,419	237,839
Total sales	109,803	238,048

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

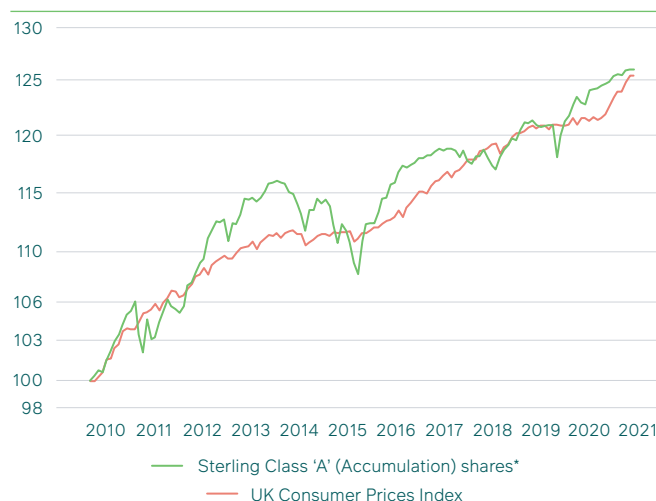
## Fund level performance

Fund net asset value as at	30.09.21 £'000	31.03.21 £'000	31.03.20 £'000
Fund net asset value (NAV)	1,167,430	977,033	640,731

## 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 2010 = 100, plotted monthly  
Chart date 1 October 2021



Source: Morningstar, Inc. and M&G

\* Income reinvested

## Long-term performance by share class

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

Share class	Six months 01.04.21 % <sup>a</sup>	Three years 01.10.18 % pa	Five years 03.10.16 % pa	Since launch % pa
<b>Sterling</b>				
Class 'A'	+0.9	+2.1	+1.9	+2.1
Class 'I'	+1.1	+2.6	+2.4	+2.6
Class 'PP'	+1.2	n/a	n/a	+2.8
Class 'R'	+1.0	+2.3	+2.1	+2.1

<sup>a</sup> Not annualised.

## Operating charges and portfolio transaction costs

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

### Operating charges

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

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

# Financial highlights

- **Ongoing charges from underlying funds:** Ongoing charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

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

## Portfolio transaction costs

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

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

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

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. As the fund invests mainly in fixed interest securities, the direct transaction costs paid on other

investments are too small to be reflected in the table below. To give an indication of the indirect portfolio dealing costs the table shows the average portfolio dealing spread.

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

## Portfolio transaction costs

as at Indirect portfolio transaction costs	30.09.21 %	31.03.21 %	31.03.20 %	Average <sup>a</sup> %
Average portfolio dealing spread	0.20	0.22	0.47	0.30

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

## Specific share class performance

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

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

# Financial highlights

## Sterling Class 'A' Income share performance

The share class was launched on 16 September 2010.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	118.31	112.29	114.10
Return before operating charges	2.00	7.35	0.32
Operating charges	(0.50)	(1.30)	(1.39)
Return after operating charges	1.50	6.05	(1.07)
Distributions	(0.12)	(0.03)	(0.74)
Closing NAV	119.69	118.31	112.29
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.00	0.00
Operating charges <sup>c</sup>	0.84	1.11	1.15
Return after charges	+1.27	+5.39	-0.94
Distribution yield	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (£'000)	2,273	2,268	2,547
Closing NAV (%)	0.20	0.23	0.40
Number of shares	1,898,792	1,916,807	2,267,975
Highest share price (UK p)	120.00	118.66	116.14
Lowest share price (UK p)	118.65	111.99	111.07

## Sterling Class 'A' Accumulation share performance

The share class was launched on 16 September 2010.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	124.46	118.09	119.18
Return before operating charges	2.11	7.74	0.31
Operating charges	(0.53)	(1.37)	(1.40)
Return after operating charges	1.58	6.37	(1.09)
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	126.04	124.46	118.09
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.00	0.00
Operating charges <sup>c</sup>	0.84	1.11	1.15
Return after charges	+1.27	+5.39	-0.91
Distribution yield	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (£'000)	18,364	18,545	20,042
Closing NAV (%)	1.57	1.90	3.13
Number of shares	14,569,691	14,900,129	16,971,111
Highest share price (UK p)	126.24	124.83	121.36
Lowest share price (UK p)	124.82	117.77	116.57

# Financial highlights

## Sterling Class 'I' Income share performance

The share class was launched on 16 September 2010.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	122.35	115.55	116.80
Return before operating charges	2.08	7.58	0.30
Operating charges	(0.27)	(0.75)	(0.77)
Return after operating charges	1.81	6.83	(0.47)
Distributions	(0.13)	(0.03)	(0.78)
Closing NAV	124.03	122.35	115.55
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.00	0.00	0.00
Operating charges <sup>c</sup>	0.44	0.62	0.65
Return after charges	+1.48	+5.91	-0.40
Distribution yield	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	624,953	629,862	349,131
Closing NAV (%)	53.53	64.47	54.49
Number of shares	503,883,382	514,805,754	302,141,204
Highest share price (UK p)	124.33	122.71	119.23
Lowest share price (UK p)	122.70	115.25	114.28

## Sterling Class 'I' Accumulation share performance

The share class was launched on 16 September 2010.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	130.62	123.33	123.84
Return before operating charges	2.21	8.09	0.31
Operating charges	(0.29)	(0.80)	(0.82)
Return after operating charges	1.92	7.29	(0.51)
Distributions	0.00	0.00	(0.17)
Retained distributions	0.00	0.00	0.17
Closing NAV	132.54	130.62	123.33
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>b</sup>	0.00	0.00	0.00
Operating charges <sup>c</sup>	0.44	0.62	0.65
Return after charges	+1.47	+5.91	-0.41
Distribution yield	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	272,993	310,375	267,522
Closing NAV (%)	23.38	31.77	41.75
Number of shares	205,970,756	237,625,417	216,918,305
Highest share price (UK p)	132.73	130.99	126.49
Lowest share price (UK p)	130.99	123.01	121.72

# 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 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	103.20	97.31	100.00
Return before operating charges	1.73	6.36	(1.71)
Operating charges	(0.17)	(0.44)	(0.33)
Return after operating charges	1.56	5.92	(2.04)
Distributions	(0.10)	(0.03)	(0.65)
Closing NAV	104.66	103.20	97.31
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.00	0.00
Operating charges	0.34	0.47	0.50
Return after charges	+1.51	+6.08	-2.04
Distribution yield	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (£'000)	184,321	2,281	244
Closing NAV (%)	15.79	0.23	0.04
Number of shares	176,106,349	2,210,648	250,312
Highest share price (UK p)	104.91	103.49	100.32
Lowest share price (UK p)	103.49	97.06	96.24

## Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	105.46	99.44	100.00
Return before operating charges	1.79	6.52	(0.06)
Operating charges	(0.18)	(0.50)	(0.50)
Return after operating charges	1.61	6.02	(0.56)
Distributions	0.00	0.00	(0.21)
Retained distributions	0.00	0.00	0.21
Closing NAV	107.07	105.46	99.44
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.00	0.00
Operating charges <sup>c</sup>	0.34	0.47	0.50
Return after charges	+1.53	+6.05	-0.56
Distribution yield	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (£'000)	63,700	12,946	288
Closing NAV (%)	5.46	1.32	0.04
Number of shares	59,492,128	12,275,516	290,074
Highest share price (UK p)	107.22	105.77	101.98
Lowest share price (UK p)	105.77	99.18	98.14



# 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 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	114.88	108.77	110.22
Return before operating charges	1.95	7.14	0.29
Operating charges	(0.40)	(1.00)	(1.01)
Return after operating charges	1.55	6.14	(0.72)
Distributions	(0.12)	(0.03)	(0.73)
Closing NAV	116.31	114.88	108.77
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.00	0.00
Operating charges <sup>c</sup>	0.69	0.88	0.90
Return after charges	+1.35	+5.64	-0.65
Distribution yield	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (£'000)	210	208	401
Closing NAV (%)	0.02	0.02	0.06
Number of shares	180,538	180,942	368,700
Highest share price (UK p)	116.60	115.21	112.37
Lowest share price (UK p)	115.21	108.48	107.59

## Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 30.09.21 UK p	Year to 31.03.21 UK p	Year to 31.03.20 UK p
Opening NAV	119.55	113.17	113.93
Return before operating charges	2.03	7.41	0.29
Operating charges	(0.42)	(1.03)	(1.05)
Return after operating charges	1.61	6.38	(0.76)
Distributions	0.00	0.00	(0.02)
Retained distributions	0.00	0.00	0.02
Closing NAV	121.16	119.55	113.17
<b>Direct transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>a</sup>	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>b</sup>	0.00	0.00	0.00
Operating charges <sup>c</sup>	0.69	0.87	0.90
Return after charges	+1.35	+5.64	-0.67
Distribution yield	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (£'000)	616	548	556
Closing NAV (%)	0.05	0.06	0.09
Number of shares	508,672	458,449	491,438
Highest share price (UK p)	121.35	119.90	116.14
Lowest share price (UK p)	119.90	112.87	111.70

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

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

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

# Financial statements and notes

## Financial statements

### Statement of total return

for the six months to 30 September	2021		2020	
	£'000	£'000	£'000	£'000
<b>Income</b>				
Net capital gains/(losses)		(4,526)		25,648
Revenue	22,038		2,059	
Expenses	(2,335)		(2,166)	
Net revenue/(expense) before taxation	19,703		(107)	
Taxation	(1)		0	
Net revenue/(expense) after taxation		19,702		(107)
<b>Total return before distributions</b>		<b>15,176</b>		<b>25,541</b>
Distributions		(607)		(58)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>14,569</b>		<b>25,483</b>

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

for the six months to 30 September	2021		2020	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>977,033</b>		<b>640,731</b>
Amounts received on issue of shares	447,312		51,106	
Amounts paid on cancellation of shares	(271,771)		(43,542)	
		175,541		7,564
Dilution adjustments		287		102
Change in net assets attributable to shareholders from investment activities (see above)		14,569		25,483
Retained distributions on Accumulation shares		0		(1)
<b>Closing net assets attributable to shareholders</b>		<b>1,167,430</b>		<b>673,879</b>

The opening net assets attributable to shareholders for 2021 differs to the closing position in 2020 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

# Financial statements and notes

## Financial statements

### Balance sheet

as at	30 September 2021 £'000	31 March 2021 £'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	1,163,433	938,875
<b>Current assets</b>		
Debtors	13,954	33,829
Cash and bank balances	33,792	25,886
Cash equivalents	29,476	15,056
<b>Total assets</b>	<b>1,240,655</b>	<b>1,013,646</b>
<b>Liabilities</b>		
Investment liabilities	(17,630)	(2,280)
<b>Creditors</b>		
Overdrawn positions at futures clearing houses and collateral manager	(5,195)	(2,882)
Distribution payable	(816)	0
Other creditors	(49,584)	(31,451)
<b>Total liabilities</b>	<b>(73,225)</b>	<b>(36,613)</b>
<b>Net assets attributable to shareholders</b>	<b>1,167,430</b>	<b>977,033</b>

# Financial statements and notes

## Notes to the financial statements

### Accounting policies

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

### Distribution policy

To contribute to the preservation of the share value in real terms, the amount available for distribution has been calculated to disregard the change in the Retail Prices Index during the accounting period in respect of interest from index-linked gilt-edged securities.

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

## Glossary

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

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

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

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

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

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

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

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

**Bunds** Fixed income securities issued by the German government.

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

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

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

**Cash equivalents** Deposits or investments with similar characteristics to cash.

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

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

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

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

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

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

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

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

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

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

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

## Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Equities** Shares of ownership in a company.

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

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

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

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

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

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

## Glossary

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

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

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

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

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

**Gilts** Fixed income securities issued by the UK government.

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

**Hedging** A method of reducing unnecessary or unintended risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Glossary

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

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

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

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

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

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

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

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

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

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

**Near cash** Deposits or investments with similar characteristics to cash.

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

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

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

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

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

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

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

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

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

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

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

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

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



## Glossary

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

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

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

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

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

**Risk-free asset** An asset that notionally carries no risk of nonpayment by the borrower such as a high-quality fixed income security issued by a government or cash.

**Risk/reward ratio** A ratio comparing the expected returns of an investment with the amount of risk undertaken.

**Safe-haven assets** Refers to assets that investors perceive to be relatively safe from suffering a loss in times of market turmoil.

**Security** Financial term for a paper asset – usually a share in a company or a fixed income security also known as a bond.

**Share class** Each M&G fund has different share classes, such as A, R and I. Each has a different level of charges and minimum investment. Details on charges and minimum investments can be found in the Key Investor Information Documents.

**Share class hedging** Activities undertaken in respect of hedged shares to mitigate the impact on performance of exchange rate movements between the fund's currency exposure and the investor's chosen currency.

**Short position** A way for a fund manager to express his or her view that the market might fall in value.

**Short selling** This often refers to the practice whereby an investor sells an asset they do not own. The investor borrows the asset from someone who does own it and pays a fee. The investor must eventually return the borrowed asset by buying it in the open market. If the asset has fallen in price, the investor buys it for less than they sold it for, thus making a profit. The contrary may also occur.

**Short-dated corporate bonds** Fixed income securities issued by companies and repaid over relatively short periods.

**Short-dated government bonds** Fixed income securities issued by governments and repaid over relatively short periods.

**Sovereign debt** Debt of a government. Also referred to as government bonds.

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

**Suspended** Temporarily halting the trading of a listed security on the stock exchange. It can be voluntary (requested by the issuing company) or imposed by regulators. Typically, trading suspensions are introduced ahead of important news announcements, following technical glitches, or due to regulatory concerns.

**Swing pricing** Swing pricing is a method of protecting long-term shareholders in the fund from bearing the costs of transactions carried out by shorter-term investors. When investors buy or sell shares in the fund, the fund manager has to buy or sell underlying securities to either invest the cash obtained from investors, or to provide them with cash in exchange for their shares. Swing pricing essentially adjusts the fund shares' daily price to take into account the costs of buying or selling the underlying securities held by the fund. This ensures that transaction costs such as brokerage fees and administrative charges are borne by those investors who trade shares in the fund, not by those who remain invested in the fund. (Also see dilution adjustment).

**Top-down investing** An investment approach that analyses economic factors, ie surveys the 'big picture', before selecting which companies to invest in. The top-down investor will look at which industries are likely to generate the best returns in certain economic conditions and limit the search to that area.

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

**Treasuries** Fixed income securities issued by the US government.

## Glossary

**Triple A or AAA rated** The highest possible rating a fixed income security, also called a bond, can be assigned by credit rating agencies. Bonds that are rated AAA are perceived to have the lowest risk of default. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

**UCITS** Stands for Undertakings for Collective Investment in Transferable Securities. This is the European regulatory framework for an investment vehicle that can be marketed across the European Union and is designed to enhance the single market in financial assets while maintaining high levels of investor protection.

**Unconstrained** The term used to describe the mandate of a fund whereby the manager has the freedom to invest according to his or her own strategy, not being obliged to allocate capital according to the weightings of any index, for example.

**Underlying value** The fundamental value of a company, reflecting both tangible and intangible assets, rather than the current market value.

**Underlying yield** Refers to the income received by a managed fund, and is usually expressed annually as a percentage based on the fund's current value.

**Underweight** If a portfolio is 'underweight' a stock, it holds a smaller proportion of that stock than the comparable index or sector.

**Unit trust** A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

**Unit/share type** Type of units/shares held by investors in a trust or fund (unit/share types differ by features such as whether income is to be paid out as cash or reinvested on the payment date).

**Unlisted/unquoted stocks** Shares of ownership in companies that are not listed on a public exchange, known as private companies.

**Valuation** The worth of an asset or company based on its current price.

**Volatile** When the value of a particular share, market or sector swings up and down fairly frequently and/or significantly, it is considered volatile.

**Volatility** The degree to which a given security, fund, or index rapidly changes. It is calculated as the degree of deviation from the norm for that type of investment over a given time period. The higher the volatility, the riskier the security tends to be.

**Warrant** A security issued by a company that gives the holder the right to buy shares in that company at a specified price and within a certain timeframe.

**Yield** This refers to either the interest received from a fixed income security or to the dividends received from a share. It is usually expressed as a percentage based on the investment's costs, its current market value or its face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

**Yield (equity)** Refers to the dividends received by a holder of company shares and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

**Yield (bonds)** This refers to the interest received from a fixed income security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

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

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