

M&G Investment Funds (4)

Annual Long Report and audited Financial Statements
for the year ended 31 October 2020

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M&G Investment Funds (4)

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (4) presents its Annual Long Report and audited Financial Statements for the year ended 31 October 2020.

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

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

Company information

M&G Investment Funds (4) is an umbrella Open-Ended Investment Company (OEIC) and contains four sub-funds, hereinafter referred to as 'funds' in the rest of this report. Each fund is a non-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 20 February 2002 and was launched on 20 June 2002. The M&G Sustainable Multi Asset Fund was launched on 14 February 2019.

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

As at 31 October 2020, none of the funds held shares of the other funds within this OEIC.

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

Fund managers

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

M&G Episode Allocation Fund

Tony Finding & Juan Nevado

M&G Episode Growth Fund

Craig Simpson & Eric Lonergan

At the start of the review period Jenny Rodgers was co-fund manager.

M&G Managed Growth Fund

David Fishwick

M&G Sustainable Multi Asset Fund

Maria Municchi

ACD

M&G Securities Limited,
10 Fenchurch Avenue, London EC3M 5AG, UK
Telephone: 0800 390 390 (UK only)

(Authorised and regulated by the Financial Conduct Authority. M&G Securities Limited is a member of the Investment Association and of The Investing and Saving Alliance (formerly Tax Incentivised Savings Association))

Directors of the ACD

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

* Resigned 30 June 2020.

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)

* DST Financial Services Europe Ltd changed its name to SS&C Financial Services Europe Ltd on 31 March 2020.

Depositary

NatWest Trustee & Depositary Services Limited, House A, Floor 0,
Gogarburn, 175 Glasgow Road, 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

M&G Investment Funds (4)

Authorised Corporate Director's Report

Important information

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

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

Global financial markets have been reacting to the outbreak. All markets have incurred increased volatility and uncertainty since the onset of the pandemic.

The ACD has also noted the 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.

The COVID-19 pandemic is an unprecedented event and the eventual impact on the global economy and markets will largely depend on the scale and duration of the outbreak. The ACD will continue to monitor this situation.

Investor information

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

Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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.

M&G Investment Funds (4)

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
12 January 2021

M&G Investment Funds (4)

Depository's Responsibilities and Report

Statement of the Depository's Responsibilities and Report of the Depository to the Shareholders of M&G Investment Funds (4) ('the Company') for the year ended 31 October 2020

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

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

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

The Depository must ensure that:

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

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

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

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

Edinburgh
12 January 2021

NatWest Trustee and
Depository Services Limited

M&G Investment Funds (4)

Independent Auditor's Report

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

Opinion

We have audited the financial statements of M&G Investment Funds (4) ("the Company") for the year ended 31 October 2020 which comprise the Statement of Total Return and Statement of Change in Net Assets Attributable to Shareholders together with the Balance Sheet for each of the Company's funds, the accounting policies of the Company, the related notes for each fund and the Distribution Tables, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company comprising each of its funds as at 31 October 2020 and of the net revenue and the net capital losses on the scheme property of the Company comprising each of its funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis for opinion

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

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the ACD's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the ACD has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The ACD is responsible for the other information.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the rules of the Collective Investment Schemes sourcebook of the Financial Conduct Authority

In our opinion:

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

M&G Investment Funds (4)

Independent Auditor's Report

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter in relation to which the rules of the Collective Investment Schemes sourcebook of the Financial Conduct Authority require us to report to you if, in our opinion:

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

Responsibilities of the Authorised Corporate Director (ACD)

As explained more fully in the ACDs' responsibilities statement set out on page 3, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the ACD determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Company's shareholders, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other

purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Edinburgh
12 January 2021

Ernst & Young LLP
Statutory Auditor

M&G Investment Funds (4)

Financial statements and notes

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

Notes to the financial statements

1 Statement of compliance

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

2 Summary of significant accounting policies

a) Basis of preparation

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

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

b) Functional and presentational currency

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

c) Exchange rates

Transactions in currencies other than each fund's functional currency are translated at the rate of exchange ruling on the date of the transaction and where applicable assets and liabilities are translated into the fund's functional currency at the rate of exchange ruling as at 12 noon on 30 October 2020 being the last business day of the accounting period.

d) Investments – recognition and valuation

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

At the end of the reporting period all investments have been measured at their fair value using the prices and the portfolio holdings determined at 12 noon on 30 October 2020, being the last valuation point of the accounting period, as this is not materially different from a valuation carried out at close of business on the balance sheet date.

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

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

e) Recognition of income and expenses

- Dividends, including ordinary stock dividends, from equity investments are recognised when the security is quoted ex-dividend.
- Distributions from collective investment schemes are recognised when the scheme is priced ex-distribution.
- Interest income, including coupons from debt securities and bank interest is recognised on an accruals basis.

M&G Investment Funds (4)

Financial statements and notes

Notes to the financial statements

2 Summary of significant accounting policies (continued)

e) Recognition of income and expenses (continued)

- Underwriting commission is recognised when the issue takes place.
- Revenue from derivatives is recognised on an accruals basis.
- Fee rebates from investing in other collective investment schemes are recognised on an accruals basis.
- Expenses are recognised on an accruals basis.

f) Treatment of income and expenses

- Any increases or decreases in the fair value of investments and gains and losses realised on sales of investments are treated as capital and recognised in net capital gains / (losses).
- The value of any enhancement to a stock dividend is treated as capital.
- Ordinary equity dividends, including ordinary stock dividends are treated as revenue.
- Special dividends, share buy backs or additional share issues may be treated as revenue or capital depending on the facts of each particular case.
- Distributions from collective investment schemes are treated as revenue in nature, except for any element of equalisation, which represents the average amount of income included in the price paid for the collective investment scheme, which is treated as capital.
- Debt security interest comprises the coupon interest and the difference between the purchase price and the expected maturity price spread over its expected remaining life. This is treated as revenue with the difference adjusting the cost of the shares and treated as capital.
- Other interest income, such as bank interest is treated as revenue.
- Underwriting commission is treated as revenue, except where the fund is required to take up all or some of the shares underwritten, in which case a proportion of the commission received is deducted from the cost of the shares and treated as capital.

- The treatment of the income on derivative contracts depends upon the nature of the transaction. Both motive and circumstances are used to determine whether the returns should be treated as capital or revenue. Where positions are undertaken to protect or enhance capital, and the circumstances support this, the returns are recognised in net capital gains; similarly where the motives and circumstances are to generate or protect revenue, and the circumstances support this, the returns are included within net revenue before taxation. Where positions generate total returns it will generally be appropriate to apportion such returns between capital and revenue to properly reflect the nature of the transaction.
- Expenses relating to the purchase and sale of investments are treated as capital; all other expenses are treated as revenue.
- Rebates of charges from holdings in collective investment schemes are treated as revenue or capital in accordance with the underlying scheme's distribution policy.

g) Tax

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

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

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

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

h) Allocation of returns to share classes

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

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

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

M&G Investment Funds (4)

Financial statements and notes

Notes to the financial statements

3 Risk management policies

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

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

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

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

Market risk

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

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

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

Commitment approach

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

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

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

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

Value at Risk approach

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

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

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

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

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

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

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

Liquidity risk following market events of early 2020

The market events of early 2020 have meant that in some cases, particularly in the fixed income area, available market liquidity has declined. The liquidity monitoring and escalation process at M&G remains the same but is now monitored and reported on a more frequent basis as the liquidity picture has changed faster than in more normal markets.

Liquidity risk

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

M&G Investment Funds (4)

Financial statements and notes

Notes to the financial statements

3 Risk management policies (continued)

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

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

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

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

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

Credit risk

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

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

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

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

M&G Episode Allocation Fund

Authorised Corporate Director's Report

Investment objective

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

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

Investment policy

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

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

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

Investment approach

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

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

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

Benchmark

Benchmark: 3-month GBP LIBOR + 5%.

The fund is actively managed. The benchmark is a target which the fund seeks to achieve. The rate has been chosen as the fund's target benchmark as it is an achievable performance target given

the fund's investment policy. The target benchmark is used solely to measure the fund's performance objective and does not constrain the fund's portfolio construction.

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

Risk profile

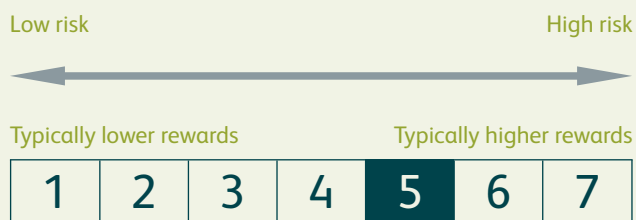
The fund invests globally in a broad range of assets, including company shares (equities), fixed income securities (bonds), currencies and other assets such as property shares and convertible bonds. The fund is, therefore, subject to the price volatility of global financial and currency markets. Exposure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

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

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

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

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



The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has changed during this period. From 1 November 2019 to 9 July 2020 the risk number was 4.

M&G Episode Allocation Fund

Authorised Corporate Director's Report

Investment review

As at 2 November 2020, for the year ended 31 October 2020

Performance against objective

Between 1 November 2019 (the start of the review period) and 2 November 2020, the M&G Episode Allocation Fund produced a negative total return (the combination of income and growth of capital) which was below 3-month LIBOR + 5.0% across all of its share classes.

The fund's objective is to achieve a total return of at least 5% per annum above the 3-month GBP LIBOR rate, before any charges are taken, over any five-year period. LIBOR is the rate at which banks borrow money from each other. Over five years, the fund has not met its objective; the annualised five-year returns were positive but were behind three-month LIBOR + 5.0% of 5.5% 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

Investor sentiment improved steadily throughout the first half of the period as hopes of a trade deal between the US and China grew. Risk appetite was further boosted by a widely anticipated cut in US interest rates, improving economic data and corporate earnings that were largely better than feared. However, this was totally eclipsed by the collapse of sentiment in the early months of 2020 as investors grew increasingly afraid of the economic impact of the COVID-19 pandemic and the measures being taken to contain the spread of the virus.

Investors considered the prospect of a global recession, brought on by travel restrictions and disruption to global supply chains that would lead to dramatic drops in corporate earnings and dividend payments. The prices of equities (company shares) fell sharply, despite governments and central banks announcing unprecedented levels of support for economies, companies and individuals.

Corporate bonds (bonds issued by companies) and emerging market government bonds also declined substantially, while US and UK government bonds and gold were among the few assets to rise modestly during this time. However, during the late spring and summer many financial markets rebounded, following indications that the rate of COVID-19 infection was slowing, alongside the gradual reopening of parts of the economy. Some markets, particularly in the US, reached new highs, driven primarily by the strength of the technology sector. But towards the end of the period a resurgence in the number of COVID-19 cases, particularly in Europe and the US, caused investor sentiment to deteriorate in October. Restrictions on travel and social gatherings were imposed in parts of France, Germany and the UK, amongst others, and this threatened to derail the economic recovery that had been taking place. Other negative factors to beset financial markets included the continued lack of agreement on a relief package in the US and growing uncertainty over the US presidential election.

This environment weighed particularly on the fund's equity holdings, with the largest losses coming from exposure to Europe and the UK, where COVID-19 concerns were compounded by uncertainty around Brexit. The fund's banking positions cost significant performance as the financial sector was particularly affected. However, the allocation to US equities delivered some gains.

The fund's holdings of emerging market government bonds also detracted, adversely affected by currency weakness in Mexico, South Africa and Brazil. However, corporate bonds were a positive contributor, led by exposure to mining bonds. Property detracted as the sector experienced severe turbulence, while the allocation to convertibles (securities that share the characteristics of both equities and bonds) produced a flat return. The fund's significant cash balance offered some relief during the period.

Investment activities

During the extreme volatility in March, we reduced portfolio risk by reducing exposure to mining bonds and closing the position in the M&G Global Convertibles Fund, which had performed well. We then took advantage of the extreme price volatility to add to equity exposure, meaning that the equity allocations moved back towards the top of the fund's typical range for that asset class of 20%-60%. The fund had had a relatively high allocation to cash, which has given us ample opportunity to respond. In addition, following material price declines in debt markets, we looked to take advantage and purchased exchange-traded funds (ETFs), giving the fund exposure to investment grade US corporate bonds and emerging market government bonds, denominated in both local currencies and US dollars. This increased our exposure to a range of emerging market currencies, which, in our opinion, looked oversold. At the same time, we reduced the fund's exposure to the US dollar.

Over the summer, we reduced our equity exposure (which had been at its maximum weighting) across almost all regions, as well as in the banking sector. This was in response to a sharp rise in equity prices as the major 'episode' that occurred in March unwound. However, we remained overweight in equities in relation to the neutral weighting, as we believed it was appropriate to retain a relatively pro-risk stance. We also opened a 5% position in US 30-year Treasuries, which we later increased to 10%, as we believed they had potential to add value to the portfolio, as well as having diversification properties.

Towards the end of the period, we added to the fund's US equity holding, increasing exposure to the S&P 500 Index from 5% to 10%, following price weakness that we believe is driven by market pessimism rather than a change to fundamentals. The US equity market is very liquid and global, and at times exhibits signs of myopia, making it a useful tactical addition to the portfolio at times when we see signs of 'episodic' price action in global equities.

M&G Episode Allocation Fund

Authorised Corporate Director's Report

Outlook

We believe that the price changes that we have seen have not been about genuine economic fears, but rather the market grappling with shifts in sentiment. Our belief that the price weakness towards the end of the period was 'episodic' was based upon the fact that we think market fundamentals were unchanged, as company earnings for the third quarter were broadly ahead of expectations. There have been other various encouraging signs in recent months – such as the amount of government support that has filled the gap of GDP collapse, as well as the potential for a COVID-19 vaccine, and signs of progress on Brexit negotiations. The lack of diversification provided by US Treasuries at this time, while disappointing, also suggested to us that the weakness was not fundamental. We consider that the market has already priced current negative expectations into forward earnings.

As ever, we will look to take advantage of situations where we consider that prices are being driven by investor emotion, while attempting to protect the portfolio against genuine shifts in fundamentals. We, therefore, retain our focus on diversified equities, credit and emerging market bonds, whilst maintaining portfolio balance, particularly with long-dated government bonds.

Tony Finding & Juan Nevado

Co-fund managers

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

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

M&G Episode Allocation Fund

Authorised Corporate Director's Report

Portfolio statement

as at 31 October		2020	2020	2019 ^[a]
Holding		£'000	%	%
	EQUITIES	19,033	4.24	7.45
	United Kingdom	1,829	0.41	0.67
	UK equities	1,829	0.41	0.67
6,500,004	Lloyds Banking	1,829	0.41	
	Ireland	0	0.00	0.44
	Italy	0	0.00	0.90
	Spain	0	0.00	0.36
	United States	15,119	3.37	4.15
	US equities	15,119	3.37	4.15
28,780	American Express	2,018	0.45	
164,658	Bank of America	2,984	0.66	
72,493	Bank of New York Mellon	1,915	0.43	
85,159	Citigroup	2,732	0.61	
52,701	JPMorgan Chase	3,944	0.88	
93,775	Wells Fargo	1,526	0.34	
	Canada	2,085	0.46	0.48
	Canadian equities	2,085	0.46	0.48
90,000	Methanex	2,085	0.46	
	Russia	0	0.00	0.45
	EQUITY DERIVATIVES	(10,191)	(2.27)	1.28
	Other	(10,191)	(2.27)	1.28
	Other equity futures	(10,191)	(2.27)	1.28
78	DAX Index Dec 2020	(2,936)	(0.65)	
430	Euro Stoxx 50 Index Dec 2020	(1,358)	(0.30)	
296	FTSE 100 Index Dec 2020	(1,345)	(0.30)	
149	FTSE MIB Index Dec 2020	(1,266)	(0.28)	
151	Hang Seng China Enterprise Index Nov 2020	(196)	(0.04)	
61	Hang Seng Index Nov 2020	(167)	(0.04)	
174	IBEX 35 Index Nov 2020	(753)	(0.17)	
161	KOSPI 200 Index Dec 2020	(383)	(0.09)	
313	MSCI Singapore Index Nov 2020	(182)	(0.04)	
148	MSCI Taiwan Index Nov 2020	(185)	(0.04)	
361	S&P 500 E-Mini Index Jun 2020	(845)	(0.19)	
324	TOPIX Index Dec 2020	(575)	(0.13)	
	EQUITY PORTFOLIOS	29,894	6.67	8.41
	United Kingdom ^{[b][c]}	20,553	4.58	4.95
7,176,137	M&G Recovery Fund Sterling Class 'C' (Accumulation)	20,553	4.58	
	France	1,560	0.35	0.44
2,850,882	Lyxor MSCI Greece ETF	1,560	0.35	
	Indonesia	5,149	1.15	1.22
566,433	Xtrackers MSCI Indonesia Swap	5,149	1.15	
	Other ^{[b][c]}	2,632	0.59	1.80
1,319,182	M&G Global Dividend Fund	2,632	0.59	
	FIXED INCOME	292,689	65.30	54.51
	United Kingdom	60,763	13.56	12.78
	Government bonds	55,699	12.43	11.91
£30,400,000	UK Treasury 0% 11/01/2021	30,399	6.78	
£11,300,000	UK Treasury 0% 25/01/2021	11,300	2.52	
£14,000,000	UK Treasury 0% 26/04/2021	14,000	3.13	
	Below investment grade corporate bonds	5,064	1.13	0.87
US\$5,777,000	Anglo American Capital 4.875% 14/05/2025	5,064	1.13	
	United States	178,023	39.72	29.73
	Government bonds	173,115	38.62	28.00
US\$30,300,000	US Treasury 0% 12/11/2020	23,336	5.21	
US\$17,500,000	US Treasury 0% 27/11/2020	13,477	3.01	
US\$39,000,000	US Treasury 0% 10/12/2020	30,034	6.70	
US\$17,400,000	US Treasury 0% 28/01/2021	13,398	2.99	
US\$28,900,000	US Treasury 0% 01/04/2021	22,249	4.96	
US\$30,300,000	US Treasury 0% 08/04/2021	23,326	5.20	
US\$66,975,000	US Treasury 1.25% 15/05/2050	47,295	10.55	

M&G Episode Allocation Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at 31 October Holding		2020 £'000	2020 %	2019 ^[a] %
	FIXED INCOME (continued)			
	United States (continued)			
	Below investment grade corporate bonds	4,908	1.10	1.73
US\$5,800,000	Glencore Funding 4.625% 29/04/2024	4,908	1.10	
	Australia	3,880	0.86	1.38
	Investment grade corporate bonds	3,880	0.86	0.67
US\$4,473,000	Rio Tinto Finance 3.75% 15/06/2025	3,880	0.86	
	Below investment grade corporate bonds	0	0.00	0.71
	Argentina	1,828	0.41	0.38
	Government bonds	1,828	0.41	0.38
US\$281,837	Argentina (Republic of) 1% 09/07/2029	89	0.02	
US\$2,343,419	Argentina (Republic of) 0.125% 09/07/2030	659	0.15	
US\$4,293,320	Argentina (Republic of) 0.125% 09/07/2035	1,080	0.24	
	Brazil	5,083	1.13	1.38
	Government bonds	5,083	1.13	1.38
BRL34,790,000	Brazil (Federal Republic of) 10% 01/01/2023	5,083	1.13	
	Mexico	24,102	5.38	4.88
	Government bonds	24,102	5.38	4.88
MXN610,000,000	Mexico (United Mexican States) 8% 07/11/2047	24,102	5.38	
	South Africa	12,808	2.86	2.79
	Government bonds	12,808	2.86	2.79
ZAR344,000,000	South Africa (Republic of) 8.5% 31/01/2037	12,808	2.86	
	Turkey	6,202	1.38	1.19
	Government bonds	6,202	1.38	1.19
US\$8,628,000	Turkey (Republic of) 6.125% 24/10/2028	6,202	1.38	
	FIXED INCOME PORTFOLIOS	56,067	12.51	4.69
	Other	56,067	12.51	4.69
211,735	iShares JPMorgan EM Local Government Bond ETF	8,963	2.00	
109,513	iShares JPMorgan USD EM Bond ETF	9,209	2.05	
93,689	iShares USD Corporate Bond ETF	9,271	2.07	
94,530	iShares USD High Yield Corporate Bond ETF	7,255	1.62	
9,136,258	M&G Global High Yield Bond Fund Sterling Class 'X' (Accumulation) ^{[b][c]}	12,471	2.78	
72,210	M&G Total Return Credit Investment Fund Sterling Class 'C' (Accumulation) ^{[b][c]}	8,898	1.99	
	PROPERTY	32,143	7.17	6.78
	United Kingdom ^{[b][c][d]}	32,143	7.17	6.78
3,436,039	M&G Property Portfolio Sterling Class 'I' (Income)	32,143	7.17	
	CURRENCY	(656)	(0.15)	2.96
	Forward currency contracts	(656)	(0.15)	2.96
€(14,676,070)	Sold for £13,288,330 (expires 13.11.20)	91	0.02	
HK\$37,604,696	Bought for £3,716,824 (expires 13.11.20)	18	0.00	
¥542,906,736	Bought for £3,901,092 (expires 13.11.20)	103	0.02	
KRW9,373,455,992	Bought for \$7,789,079 (expires 13.11.20)	363	0.08	
CHF(9,325,605)	Sold for £7,858,389 (expires 13.11.20)	19	0.01	
US\$(299,939,166)	Sold for £229,744,363 (expires 13.11.20)	(1,250)	(0.28)	
Portfolio of investments		418,979	93.47	86.08
	CASH EQUIVALENTS	0	0.00	9.21
	'AAA' rated money market funds ^[e]	0	0.00	9.21
Total portfolio (notes 2c & 2d on page 7)		418,979	93.47	95.29
Net other assets / (liabilities)		29,249	6.53	4.71
Net assets attributable to shareholders		448,228	100.00	100.00

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

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

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

^[c] Related party.

^[d] Suspended.

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

M&G Episode Allocation Fund

Financial highlights

Fund performance

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

The following chart and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (4), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

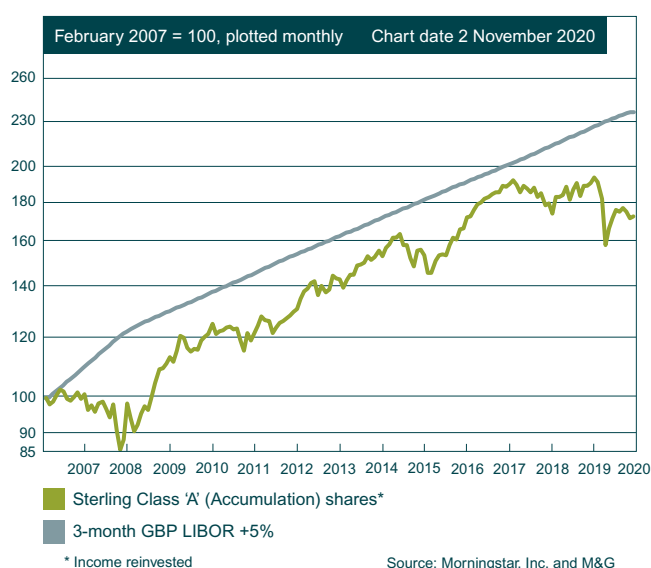
Fund level performance

Fund net asset value

as at 31 October	2020 £'000	2019 £'000	2018 £'000
Fund net asset value (NAV)	448,228	551,822	609,767

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.



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.

Long-term performance by share class

	One year 01.11.19 % ^[a]	Three years 01.11.17 % pa	Five years 02.11.15 % pa	Since launch % pa
Sterling ^[b]				
Class 'A'	-9.0	-3.1	+2.1	+4.1 ^[c]
Class 'I'	-8.6	-2.6	+2.6	+4.5 ^[d]
Class 'PP'	-8.4	n/a	n/a	-0.9 ^[e]
Class 'R'	-8.8	-2.8	+2.4	+4.3 ^[d]
Class 'X'	-9.0	-3.1	+2.1	+4.1 ^[c]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

^[c] 16 February 2007, the launch date of the fund.

^[d] 3 August 2012, the launch date of the share class.

^[e] 8 April 2019, the launch date of the share class.

M&G Episode Allocation Fund

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. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge. 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.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 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 or by calling M&G Customer Relations.

Portfolio transaction costs

for the year to 31 October	2020	2019	2018	Average ^[a]
	%	%	%	%
Direct portfolio transaction costs ^[b]				
Broker commission	0.01	0.01	0.01	0.01
Taxes	0.01	0.01	0.01	0.01
Costs before dilution adjustments	0.02	0.02	0.02	0.02
Dilution adjustments ^[c]	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.02	0.02	0.02

as at 31 October	2020	2019	2018	Average ^[a]
	%	%	%	%
Indirect portfolio transaction costs				
Average portfolio dealing spread	0.58	0.60	0.50	0.56

^[a] Average of first three columns.

^[b] As a percentage of average net asset value.

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

M&G Episode Allocation Fund

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.

Historic yields for the current year are calculated as at 13 November 2020.

Sterling Class 'A' Income share performance

The share class was launched on 16 February 2007. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	141.15	136.37	147.87
Return before operating charges and after direct portfolio transaction costs	(11.52)	10.98	(5.80)
Operating charges	(1.72)	(2.07)	(2.35)
Return after operating charges	(13.24)	8.91	(8.15)
Distributions	(3.11)	(4.13)	(3.35)
Closing NAV	124.80	141.15	136.37
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.02	0.03
Dilution adjustments ^[a]	0.00	(0.01)	0.00
Total direct portfolio transaction costs	0.02	0.01	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.02
Operating charges ^[c]	1.30	1.53	1.61
Return after operating charges	-9.38	+6.53	-5.51
Historic yield	2.33	2.83	2.43
Effect on yield of charges offset against capital	1.30	1.45	1.50
Other information			
Closing NAV (£'000)	19,520	24,364	23,824
Closing NAV percentage of total fund NAV (%)	4.36	4.42	3.90
Number of shares	15,641,473	17,261,364	17,470,632
Highest share price (UK p)	146.91	145.10	152.31
Lowest share price (UK p)	110.34	131.61	136.08

Sterling Class 'A' Accumulation share performance

The share class was launched on 16 February 2007. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	189.31	177.65	188.23
Return before operating charges and after direct portfolio transaction costs	(15.52)	14.40	(7.56)
Operating charges	(2.34)	(2.74)	(3.02)
Return after operating charges	(17.86)	11.66	(10.58)
Distributions	(1.92)	(2.80)	(1.52)
Retained distributions	1.92	2.80	1.52
Closing NAV	171.45	189.31	177.65
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.03	0.04
Dilution adjustments ^[a]	0.00	(0.01)	0.00
Total direct portfolio transaction costs	0.03	0.02	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.02
Operating charges ^[c]	1.30	1.53	1.61
Return after operating charges	-9.43	+6.56	-5.62
Historic yield	1.04	1.36	0.85
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	35,123	80,073	152,423
Closing NAV percentage of total fund NAV (%)	7.84	14.51	25.00
Number of shares	20,485,908	42,297,803	85,800,043
Highest share price (UK p)	197.03	191.65	193.87
Lowest share price (UK p)	149.05	171.45	176.14

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,345.22	1,290.75	1,389.12
Return before operating charges and after direct portfolio transaction costs	(111.24)	102.38	(56.99)
Operating charges	(10.11)	(10.55)	(11.89)
Return after operating charges	(121.35)	91.83	(68.88)
Distributions	(28.45)	(37.36)	(29.49)
Closing NAV	1,195.42	1,345.22	1,290.75
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.22	0.21	0.31
Dilution adjustments ^[a]	(0.01)	(0.06)	(0.03)
Total direct portfolio transaction costs	0.21	0.15	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.02
Operating charges ^[c]	0.80	0.84	0.86
Return after operating charges	-9.02	+7.11	-4.96
Historic yield	2.22	2.67	2.26
Effect on yield of charges offset against capital	0.80	0.76	0.75
Other information			
Closing NAV (£'000)	24,469	35,778	74,319
Closing NAV percentage of total fund NAV (%)	5.45	6.48	12.19
Number of shares	2,046,883	2,659,623	5,757,820
Highest share price (UK p)	1,401.31	1,380.49	1,432.80
Lowest share price (UK p)	1,053.47	1,246.80	1,287.39

M&G Episode Allocation Fund

Financial highlights

Specific share class performance

Sterling Class 'T' Accumulation share performance

The share class was launched on 3 August 2012. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,567.39	1,462.83	1,540.63
Return before operating charges and after direct portfolio transaction costs	(130.40)	116.66	(64.55)
Operating charges	(11.86)	(12.10)	(13.25)
Return after operating charges	(142.26)	104.56	(77.80)
Distributions	(21.78)	(31.44)	(21.64)
Retained distributions	21.78	31.44	21.64
Closing NAV	1,425.13	1,567.39	1,462.83
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.26	0.24	0.35
Dilution adjustments ^[a]	(0.02)	(0.07)	(0.03)
Total direct portfolio transaction costs	0.24	0.17	0.32
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.02
Operating charges ^[c]	0.80	0.84	0.86
Return after operating charges	-9.08	+7.15	-5.05
Historic yield	1.42	1.92	1.47
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	228,922	295,131	340,028
Closing NAV percentage of total fund NAV (%)	51.07	53.48	55.76
Number of shares	16,063,244	18,829,434	23,244,607
Highest share price (UK p)	1,632.67	1,585.06	1,589.05
Lowest share price (UK p)	1,235.97	1,413.02	1,450.31

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	101.72	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(8.47)	2.49	n/a
Operating charges	(0.52)	(0.16)	n/a
Return after operating charges	(8.99)	2.33	n/a
Distributions	(2.11)	(0.61)	n/a
Closing NAV	90.62	101.72	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.00	n/a
Dilution adjustments ^[a]	0.00	0.00	n/a
Total direct portfolio transaction costs	0.02	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	n/a
Operating charges	0.55	0.55	n/a
Return after operating charges	-8.84	+2.33	n/a
Historic yield	2.17	2.67	n/a
Effect on yield of charges offset against capital	0.55	0.55	n/a
Other information			
Closing NAV (£'000)	28	31	n/a
Closing NAV percentage of total fund NAV (%)	0.01	0.01	n/a
Number of shares	31,373	30,000	n/a
Highest share price (UK p)	106.01	102.89	n/a
Lowest share price (UK p)	79.73	97.98	n/a

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	101.13	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(8.48)	1.45	n/a
Operating charges	(0.52)	(0.32)	n/a
Return after operating charges	(9.00)	1.13	n/a
Distributions	(1.60)	(1.67)	n/a
Retained distributions	1.60	1.67	n/a
Closing NAV	92.13	101.13	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.01	n/a
Dilution adjustments ^[a]	0.00	0.00	n/a
Total direct portfolio transaction costs	0.02	0.01	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	n/a
Operating charges ^[c]	0.55	0.60	n/a
Return after operating charges	-8.90	+1.13	n/a
Historic yield	1.61	2.16	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (£'000)	125,342	98,419	n/a
Closing NAV percentage of total fund NAV (%)	27.96	17.84	n/a
Number of shares	136,050,674	97,324,104	n/a
Highest share price (UK p)	105.38	102.22	n/a
Lowest share price (UK p)	79.80	96.49	n/a

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	132.43	127.39	137.44
Return before operating charges and after direct portfolio transaction costs	(10.88)	10.16	(5.56)
Operating charges	(1.30)	(1.37)	(1.51)
Return after operating charges	(12.18)	8.79	(7.07)
Distributions	(2.86)	(3.75)	(2.98)
Closing NAV	117.39	132.43	127.39
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.02	0.03
Dilution adjustments ^[a]	0.00	(0.01)	0.00
Total direct portfolio transaction costs	0.02	0.01	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.02
Operating charges ^[c]	1.05	1.09	1.11
Return after operating charges	-9.20	+6.90	-5.14
Historic yield	2.27	2.73	2.32
Effect on yield of charges offset against capital	1.05	1.01	1.00
Other information			
Closing NAV (£'000)	2,060	2,444	2,375
Closing NAV percentage of total fund NAV (%)	0.46	0.44	0.39
Number of shares	1,755,031	1,846,002	1,864,132
Highest share price (UK p)	137.90	136.01	141.70
Lowest share price (UK p)	103.62	123.01	127.08

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Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	154.73	144.69	152.71
Return before operating charges and after direct portfolio transaction costs	(12.80)	11.61	(6.33)
Operating charges	(1.53)	(1.57)	(1.69)
Return after operating charges	(14.33)	10.04	(8.02)
Distributions	(1.86)	(2.81)	(1.84)
Retained distributions	1.86	2.81	1.84
Closing NAV	140.40	154.73	144.69
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.02	0.03
Dilution adjustments ^[a]	0.00	(0.01)	0.00
Total direct portfolio transaction costs	0.03	0.01	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.02
Operating charges ^[c]	1.05	1.09	1.11
Return after operating charges	-9.26	+6.94	-5.25
Historic yield	1.23	1.73	1.26
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	2,579	2,902	2,517
Closing NAV percentage of total fund NAV (%)	0.58	0.53	0.41
Number of shares	1,836,758	1,875,715	1,739,064
Highest share price (UK p)	161.11	156.55	157.42
Lowest share price (UK p)	121.92	139.72	143.46

Sterling Class 'X' Income share performance

The share class was launched on 16 February 2007. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	141.23	136.45	147.96
Return before operating charges and after direct portfolio transaction costs	(11.52)	10.99	(5.80)
Operating charges	(1.72)	(2.08)	(2.36)
Return after operating charges	(13.24)	8.91	(8.16)
Distributions	(3.11)	(4.13)	(3.35)
Closing NAV	124.88	141.23	136.45
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.02	0.03
Dilution adjustments ^[a]	0.00	(0.01)	0.00
Total direct portfolio transaction costs	0.02	0.01	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.02
Operating charges ^[c]	1.30	1.53	1.61
Return after operating charges	-9.37	+6.53	-5.52
Historic yield	2.33	2.83	2.43
Effect on yield of charges offset against capital	1.30	1.45	1.50
Other information			
Closing NAV (£'000)	7,923	9,674	10,766
Closing NAV percentage of total fund NAV (%)	1.77	1.75	1.77
Number of shares	6,345,151	6,849,848	7,890,136
Highest share price (UK p)	147.00	145.19	152.40
Lowest share price (UK p)	110.41	131.69	136.16

Sterling Class 'X' Accumulation share performance

The share class was launched on 16 February 2007. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	189.49	177.82	188.41
Return before operating charges and after direct portfolio transaction costs	(15.56)	14.41	(7.57)
Operating charges	(2.33)	(2.74)	(3.02)
Return after operating charges	(17.89)	11.67	(10.59)
Distributions	(1.91)	(2.80)	(1.52)
Retained distributions	1.91	2.80	1.52
Closing NAV	171.60	189.49	177.82
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.03	0.04
Dilution adjustments ^[a]	0.00	(0.01)	0.00
Total direct portfolio transaction costs	0.03	0.02	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.02
Operating charges ^[c]	1.30	1.53	1.61
Return after operating charges	-9.44	+6.56	-5.62
Historic yield	1.04	1.36	0.85
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	2,262	3,006	3,515
Closing NAV percentage of total fund NAV (%)	0.50	0.54	0.58
Number of shares	1,318,045	1,586,220	1,976,583
Highest share price (UK p)	197.22	191.84	194.06
Lowest share price (UK p)	149.19	171.61	176.32

^[a] In respect of direct portfolio transaction costs.

^[b] As a percentage of average net asset value.

^[c] Following the change in charging structure, you may see variances between the comparative and current year figures.

M&G Episode Allocation Fund

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Financial statements

Statement of total return

		2020	2019
for the year to 31 October	Note	£'000	£'000
Income			
Net capital gains / (losses)	3	(55,691)	26,359
Revenue	5	12,911	17,469
Expenses	6	(4,269)	(5,525)
Net revenue / (expense) before taxation		8,642	11,944
Taxation	7	(1,452)	(1,965)
Net revenue / (expense) after taxation		7,190	9,979
Total return before distributions		(48,501)	36,338
Distributions	8	(7,919)	(10,865)
Change in net assets attributable to shareholders from investment activities		(56,420)	25,473

Statement of change in net assets attributable to shareholders

	2020	2019
for the year to 31 October	£'000	£'000
Opening net assets attributable to shareholders	551,822	609,767
Amounts received on issue of shares	49,720	132,305
Amounts paid on cancellation of shares	(103,498)	(224,966)
	(53,778)	(92,661)
Dilution adjustments	179	445
Change in net assets attributable to shareholders from investment activities (see above)	(56,420)	25,473
Retained distributions on Accumulation shares	6,425	8,798
Closing net assets attributable to shareholders	448,228	551,822

M&G Episode Allocation Fund

Financial statements and notes

Financial statements (continued)

Balance sheet

as at 31 October	Note	2020 £'000	2019 £'000
Assets			
Fixed assets			
Investments		430,420	476,176
Current assets			
Debtors	9	2,105	2,385
Cash and bank balances	10	33,985	32,315
Cash equivalents		0	50,811
Total assets		466,510	561,687
Liabilities			
Investment liabilities		(11,441)	(1,146)
Creditors			
Bank overdrafts		(1,817)	0
Overdrawn positions at futures clearing houses and collateral manager		(554)	(6,844)
Distribution payable		(243)	(468)
Other creditors	11	(4,227)	(1,407)
Total liabilities		(18,282)	(9,865)
Net assets attributable to shareholders		448,228	551,822

M&G Episode Allocation Fund

Financial statements and notes

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 7 and 8.

2 Distribution policies

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

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

3 Net capital gains / (losses)

	2020 £'000	2019 £'000
for the year to 31 October		
Non-derivative securities	(37,376)	4,796
Derivative contracts	(18,394)	18,224
Currency gains / (losses)	(273)	2,932
Management charge rebates taken to capital	315	351
Administration charge rebates taken to capital	0	51
Transaction charges	0	(7)
Rebate of ongoing charges from underlying funds taken to capital	37	12
Net capital gains / (losses) ^[a]	(55,691)	26,359

^[a] Includes realised gains of £6,355,000 and unrealised losses of £62,398,000. (2019: realised gains of £455,000 and unrealised gains of £25,497,000). Certain realised gains and losses in the current year were unrealised in the prior year.

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 17.

	2020 £'000	% of transaction	2019 £'000	% of transaction
for the year to 31 October				
a) Purchases				
Debt securities ^[a]	584,229		696,124	
Collective investment schemes				
Collective investment schemes before transaction costs	35,540		1,401	
Commissions	10	0.03	0	0.00
Collective investment schemes after transaction costs	35,550		1,401	
Total purchases after transaction costs	619,779		697,525	
b) Sales				
Equities				
Equities before transaction costs	8,822		2,832	
Commissions	(4)	0.05	(1)	0.03
Equities after transaction costs	8,818		2,831	
Debt securities ^[a]	586,956		789,755	
Collective investment schemes				
Collective investment schemes before transaction costs	10,337		34,510	
Commissions	(2)	0.02	(9)	0.03
Collective investment schemes after transaction costs	10,335		34,501	
Total sales after transaction costs	606,109		827,087	
c) Direct portfolio transaction costs	2020 £'000	% of average NAV	2019 £'000	% of average NAV
Commissions paid				
Equities	4	0.00	1	0.00
Collective investment schemes	12	0.00	9	0.00
Derivatives	21	0.01	25	0.00
Total commissions paid	37	0.01	35	0.00
Taxes paid				
Collective investment schemes	0	0.00	0	0.00
Derivatives	50	0.01	51	0.01
Total taxes paid	50	0.01	51	0.01
Total direct portfolio transaction costs ^[b]	87	0.02	86	0.01
d) Indirect portfolio transaction costs		%		%
Portfolio dealing spread ^[c]		0.58		0.60

^[a] These transaction types do not attract direct portfolio transaction costs.

^[b] Costs before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

^[c] Average portfolio dealing spread at the balance sheet date.

M&G Episode Allocation Fund

Financial statements and notes

Notes to the financial statements

5 Revenue

	2020	2019
for the year to 31 October	£'000	£'000
Administration charge rebates	0	51
Bank interest	11	39
Derivative revenue	733	596
Distributions from collective investment schemes: non-taxable	1,515	1,757
Distributions from collective investment schemes: taxable	1,199	546
Distributions from collective investment schemes: property income dividends	1,342	1,258
Dividends from equity investments: non-taxable	714	1,370
Dividends from equity investments: taxable	75	179
Interest distributions	263	198
Interest on debt securities	6,708	11,193
Management charge rebates	205	250
Rebate of ongoing charges from underlying funds	146	32
Total revenue	12,911	17,469

Revenue includes currency gains/losses.

6 Expenses

	2020	2019
for the year to 31 October	£'000	£'000
Payable to the ACD or associate		
Annual charge	4,255	1,303
Annual management charge ^[a] ^[c]	0	3,531
Administration charge ^[b] ^[c]	0	603
	4,255	5,437
Payable to the Depositary or associate		
Depositary's charge (including VAT) ^[c]	0	27
Other expenses		
Audit fee (including VAT) ^[c] ^[d]	0	8
Dividend charges	0	13
Interest payable	19	7
Legal fees	0	3
Safe custody charge ^[c]	(5)	30
	14	61
Total expenses	4,269	5,525

^[a] This charge excludes management charge rebates received from M&G Securities Limited, or an associate, in relation to the annual management charge of the underlying collective investment schemes for which M&G Securities Limited, or an associate, acts as Authorised Corporate Director.

These rebates have been recognised as either capital or revenue in notes 3 and 5 and amount to £315,000 (2019: £351,000) and £205,000 (2019: £250,000).

^[b] This charge excludes administration charge rebates received from M&G Securities Limited, or an associate, in relation to the administration charge of the underlying collective investment schemes for which M&G Securities Limited, or an associate, acts as Authorised Corporate Director.

These rebates have been recognised as either capital or revenue in notes 3 and 5 and amount to £nil (2019: £51,000) and £nil (2019: £51,000).

^[c] The segregated charges shown above for annual management, administration, depositary, audit and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

^[d] Audit fees for the financial year ending 2020 were £11,000 (including VAT).

7 Taxation

	2020	2019
for the year to 31 October	£'000	£'000
a) Analysis of charge in the year		
Corporation tax	1,363	1,816
Withholding tax	99	139
Deferred tax (note 7c)	(10)	10
Total taxation	1,452	1,965
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	8,642	11,944
Corporation tax at 20%	1,728	2,389
Effects of:		
Tax on management and administration charge rebates taken to capital	71	82
Dividends from equity investments: non-taxable	(143)	(274)
Total double taxation relief	0	(20)
Distributions from collective investment schemes: non-taxable	(303)	(351)
Withholding tax	99	139
Total tax charge (note 7a)	1,452	1,965

c) Provision for deferred taxation		
Provision at the start of the year	64	54
Deferred tax in profit and loss account (note 7a)	(10)	10
Provision at the end of the year	54	64

The fund has not recognised a deferred tax asset in the current financial year (2019: same).

8 Distributions

	2020		2019	
for the year to 31 October	Inc ^[a]	Acc ^[b]	Inc ^[a]	Acc ^[b]
	£'000	£'000	£'000	£'000
Dividend distributions				
First interim	507	2,352	509	1,978
Second interim	365	1,593	496	1,955
Third interim	336	1,546	630	2,840
Final	243	934	468	2,025
Total net distributions		7,876		10,901
Income deducted on cancellation of shares		182		395
Income received on issue of shares		(139)		(431)
Distributions	7,919		10,865	
Net revenue / (expense) per statement of total return	7,190		9,979	
Expenses offset against capital	667		815	
Tax on charges taken to capital	62		71	
Distributions	7,919		10,865	

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

	2020	2019
as at 31 October	£'000	£'000
Amounts receivable on issues of shares	0	89
Debt security interest receivable	1,611	1,632
Distributions receivable	268	510
Dividends receivable	112	23
Futures interest receivable	97	94
Management charge rebates	6	10
Rebate of ongoing charges from underlying funds	6	5
Withholding tax recoverable	5	22
Total debtors	2,105	2,385

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Notes to the financial statements

10 Cash and bank balances

	2020 £'000	2019 £'000
as at 31 October		
Amounts held at futures clearing houses and collateral manager	26,148	11,501
Cash held as bank balances	7,837	20,814
Total cash and bank balances	33,985	32,315

11 Other creditors

	2020 £'000	2019 £'000
as at 31 October		
Amounts payable on cancellation of shares	1,484	251
Annual charge payable	112	131
Corporation tax payable	567	950
Deferred taxation	54	64
Expenses payable	0	11
Purchases awaiting settlement	2,010	0
Total other creditors	4,227	1,407

12 Contingent assets, liabilities and outstanding commitments.

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2019: same).

13 Shares in issue

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

Share class	Opening 01.11.19	Movements		Closing 31.10.20
		Issued	Cancelled	
Sterling				
Class 'A' Income	17,261,364	674,041	(2,293,932)	15,641,473
Class 'A' Accumulation	42,297,803	1,960,549	(23,772,444)	20,485,908
Class 'T' Income	2,659,623	19,134	(631,874)	2,046,883
Class 'T' Accumulation	18,829,434	426,112	(3,192,302)	16,063,244
Class 'PP' Income	30,000	2,462	(1,089)	31,373
Class 'PP' Accumulation	97,324,104	39,511,318	(784,748)	136,050,674
Class 'R' Income	1,846,002	234,539	(325,510)	1,755,031
Class 'R' Accumulation	1,875,715	405,947	(444,904)	1,836,758
Class 'X' Income	6,849,848	91,211	(595,908)	6,345,151
Class 'X' Accumulation	1,586,220	7,483	(275,658)	1,318,045

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual charge [a] %
Sterling			
Class 'A'	n/a	n/a	1.30
Class 'T'	n/a	n/a	0.80
Class 'PP'	n/a	n/a	0.55
Class 'R'	n/a	n/a	1.05
Class 'X'	n/a	n/a	1.30

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

15 Related parties

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

Amounts paid to M&G Securities Limited in respect of the annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end from the annual charge are disclosed in note 11.

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

During the year, there were transactions in shares in related parties of M&G Securities Limited with a total value of £5,843,000 (2019: £5,289,000).

At the balance sheet date, the fund held shares in related parties of M&G Securities Limited with a value of £76,697,000 (2019: £93,434,000).

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 10.01% (2019: 11.38%) of the fund's shares.

16 Events after the balance sheet date

Between 31 October 2020 and 6 January 2021 the value of investments has risen. For further details on the share class movements, please refer to the below table:

Net asset	31.10.20	06.01.21	% Change
Sterling			
Class 'A' Income	124.80	139.40	11.70
Class 'A' Accumulation	171.45	191.49	11.69
Class 'T' Income	1,195.42	1,336.25	11.78
Class 'T' Accumulation	1,425.13	1,592.96	11.78
Class 'PP' Income	90.62	101.33	11.82
Class 'PP' Accumulation	92.13	103.02	11.82
Class 'R' Income	117.39	131.17	11.74
Class 'R' Accumulation	140.40	156.88	11.74
Class 'X' Income	124.88	139.48	11.69
Class 'X' Accumulation	171.60	191.67	11.70

17 Fair value analysis

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

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

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

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17 Fair value analysis (continued)

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 October	Assets	Liabilities	Assets	Liabilities
Basis of valuation	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Level 1	289,254	(10,191)	284,915	(227)
Level 2	109,023	(1,250)	191,261	(919)
Level 3	32,143	0	0	0
	430,420	(11,441)	476,176	(1,146)

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 9 to 10.

19 Market risk sensitivity and exposure

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

The VaR limit set during the financial year to 31 October 2020 was 13% (2019: 13%).

The lowest, highest and average VaR, as well as utilisation of VaR with reference to the limit above, are calculated during the financial years ended 31 October 2020 and 31 October 2019.

	2020	2020	2019	2019
for the year to	% of VaR	Utilisation of VaR [a]	% of VaR	Utilisation of VaR [a]
31 October		13%		13%
Lowest	4.57	35.15	3.89	29.89
Highest	14.45 [b]	111.15	5.73	44.08
Average	9.24	71.11	5.13	39.49

[a] The VaR on the fund has been divided by its maximum limit.

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

20 Credit risk

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

as at 31 October	2020	2019
	£'000	£'000
Investment grade securities	266,768	264,364
Below investment grade securities	25,921	36,412
Unrated securities	97,551	0
Other investments	28,739	174,254
Total	418,979	475,030

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

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

	Forward currency contracts	Futures
as at 31 October 2019	£'000	£'000
Bank of America Merrill Lynch	0	7,057
Citigroup	(830)	0
JPMorgan	13,996	0
National Australia Bank	(89)	0
State Street Bank	121	0
UBS	3,163	0
Total	16,361	7,057

21 Leverage risk

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

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21 Leverage risk (continued)

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

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 31 October 2020 and 31 October 2019 are disclosed in the table below.

for the year to 31 October	2020 ^[a] £'000	2020 ^[a] % ^[b]	2019 ^[a] £'000	2019 ^[a] % ^[b]
Lowest	967,785	187	468,520	85
Highest	1,769,815	385	1,784,864	320
Average	1,094,888	219	783,466	147

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

^[b] Expressed as a percentage over net assets.

22 Dividend distribution tables

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

Quarterly distribution periods

	Start	End	Xd	Payment
First interim	01.11.19	31.01.20	03.02.20	31.03.20
Second interim	01.02.20	30.04.20	01.05.20	30.06.20
Third interim	01.05.20	31.07.20	03.08.20	30.09.20
Final	01.08.20	31.10.20	02.11.20	31.12.20

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

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

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

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.6540	0.3705	1.0245	0.9710
Second interim	0.1947	0.5678	0.7625	0.9719
Third interim	0.2347	0.5129	0.7476	1.2509
Final	0.2209	0.3560	0.5769	0.9322

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.4510	0.3076	0.7586	0.6172
Second interim	0.2982	0.1837	0.4819	0.6064
Third interim	0.3837	0.0712	0.4549	0.9564
Final	0.0860	0.1405	0.2265	0.6194

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	4.1253	5.3058	9.4311	8.7197
Second interim	3.0909	3.8871	6.9780	8.7347
Third interim	3.4392	3.4007	6.8399	11.3759
Final	2.5747	2.6309	5.2056	8.5274

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	3.9714	3.8840	7.8554	7.2423
Second interim	2.8660	2.5414	5.4074	7.2330
Third interim	3.2013	2.0242	5.2255	10.2262
Final	1.5370	1.7508	3.2878	6.7394

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.4169	0.2859	0.7028	n/a
Second interim	0.3374	0.1810	0.5184	n/a
Third interim	0.2866	0.2229	0.5095	n/a
Final	0.2160	0.1679	0.3839	0.6099

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.5019	0.0557	0.5576	n/a
Second interim	0.1584	0.2363	0.3947	0.4788
Third interim	0.0935	0.2908	0.3843	0.7093
Final	0.1584	0.1003	0.2587	0.4861

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.5685	0.3763	0.9448	0.8754
Second interim	0.4702	0.2310	0.7012	0.8773
Third interim	0.3262	0.3612	0.6874	1.1397
Final	0.2123	0.3144	0.5267	0.8569

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22 Dividend distribution tables (continued)

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.2158	0.4822	0.6980	0.6437
Second interim	0.2596	0.2042	0.4638	0.6414
Third interim	0.3005	0.1432	0.4437	0.9354
Final	0.1651	0.0851	0.2502	0.5866

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.5279	0.4970	1.0249	0.9712
Second interim	0.2806	0.4823	0.7629	0.9725
Third interim	0.3603	0.3878	0.7481	1.2520
Final	0.2552	0.3222	0.5774	0.9328

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.4805	0.2789	0.7594	0.6177
Second interim	0.3141	0.1683	0.4824	0.6069
Third interim	0.2297	0.2256	0.4553	0.9573
Final	0.1373	0.0785	0.2158	0.6197

M&G Episode Growth Fund

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Investment objective

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

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

Investment policy

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

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

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

Investment approach

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

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

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

Benchmark

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

The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The composite index has been chosen as the fund's target benchmark as it best reflects the

scope of the fund's investment policy. The target benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

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

Risk profile

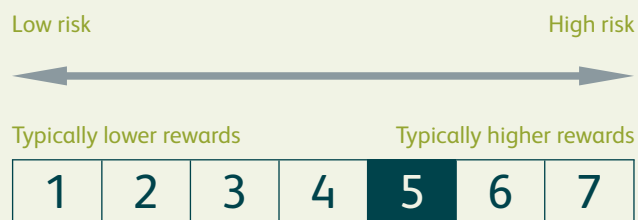
The fund invests globally in a broad range of assets, including company shares (equities), fixed income securities (bonds), currencies and other assets such as property shares and convertible bonds. The fund is, therefore, subject to the price volatility of global financial and currency markets. Exposure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

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

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

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

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



The above number:

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

M&G Episode Growth Fund

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Investment review

As at 2 November 2020, for the year ended 31 October 2020

Performance against objective

Between 1 November 2019 (the start of the review period) and 2 November 2020, the M&G Episode Growth Fund delivered a flat total return (the combination of income and growth of capital) across all share classes. The fund was behind its benchmark, which returned 5.5%. The benchmark is a composite index made up of two thirds global company shares (as measured by the MSCI ACWI Index) and one third global bonds (as measured by the Bloomberg Barclays Global Aggregate GBP Hedged Index).

Over five years, the fund has not met its objective of delivering a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than the composite index. The benchmark returned 11.1% pa 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

Investor sentiment improved steadily throughout the first half of the period as hopes of a trade deal between the US and China grew. Risk appetite was further boosted by a widely anticipated cut in US interest rates, improving economic data and corporate earnings that were largely better than feared. However, this was totally eclipsed by the collapse of sentiment in the early months of 2020 as investors grew increasingly afraid of the economic impact of the COVID-19 pandemic and the measures being taken to contain the spread of the virus.

Investors considered the prospect of a global recession, brought on by travel restrictions and disruption to global supply chains that would lead to dramatic drops in corporate earnings and dividend payments. The prices of equities (company shares) fell sharply, despite governments and central banks announcing unprecedented levels of support for economies, companies and individuals.

Corporate bonds (bonds issued by companies) and emerging market government bonds also declined substantially, while US and UK government bonds and gold were among the few assets to rise modestly during this time. However, during the late spring and summer many financial markets rebounded, following indications that the rate of COVID-19 infection was slowing, alongside the gradual reopening of parts of the economy. Some markets, particularly in the US, reached new highs, driven primarily by the strength of the technology sector. But towards the end of the period a resurgence in the number of COVID-19 cases, particularly in Europe and the US, caused investor sentiment to deteriorate in October. Restrictions on travel and social gatherings were imposed in parts of France, Germany and the UK, amongst others, and this threatened to derail the economic recovery that had been taking place. Other negative

factors to beset financial markets included the continued lack of agreement on a relief package in the US and growing uncertainty over the US presidential election.

This environment weighed on the fund's equity holdings, where substantial gains from the exposure to the US and Europe were outweighed by losses from weaker areas, in particular the portfolio's holdings of banking stocks. For UK equities, another significant detractor, COVID-19 concerns were compounded by uncertainty around Brexit.

The fund's holdings of government bonds also detracted, adversely affected by losses from Italy. However, these were offset to a certain extent by positive returns from holding US Treasuries and, within non-mainstream government bonds, exposure to Chile. Investment grade corporate bonds were a positive contributor, as was an indirect exposure (via derivatives) to European corporate bonds.

Investment activities

At the beginning of the period we changed the emphasis of our allocation to equities, reducing our exposure to financials and technology as both sectors had rallied significantly, while increasing our broad equity exposure, and opening a new position in Hong Kong equities.

During the extreme volatility in March, we initially decreased the equity weighting (and the much smaller weighting to emerging market government bonds) to raise cash and reduce risk in the fund, while opening a position in US investment grade credit to capitalise on short-term gains. We then increased our equity weighting again to its highest point of 85% during the period when we started to see evidence that the price falls were likely to be temporary, and reduced the credit position. We also closed our short position in mainstream government bonds (UK and Germany) on the basis that they offered less poor value than previously.

In April and May, we reduced our equity exposure across almost all regions, as well as in the banking sector. This was in response to a sharp rise in equity prices as the major 'episode' that occurred in March unwound. We then further reduced risk in the portfolio by rebalancing the fund's equity portion, closing a position in the technology-focused Nasdaq index in favour of broader exposure. During the summer, we opened a 5% position in 30-year US Treasuries, which we gradually increased to 20%, as we believed they had potential to add value to the portfolio, as well as having diversification properties.

Towards the end of the period, we increased the fund's overall equity holding, adding exposure to the DAX and FTSE 100 indices, following price weakness in Germany and the UK that we believed was driven by market pessimism rather than a change to fundamentals. At the same time, we closed our position in US equities, held via the S&P 500 Index.

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Outlook

We believe the price changes that we have seen have not been about genuine economic fears, but rather the market grappling with shifts in sentiment. Our belief that the price weakness towards the end of the period was 'episodic' was based upon the fact that we think market fundamentals were unchanged, as company earnings for the third quarter were broadly ahead of expectations. There have been other various encouraging signs in recent months – such as the amount of government support that has filled the gap of GDP collapse, as well as the potential for a COVID-19 vaccine, and signs of progress on Brexit negotiations. The lack of diversification provided by US Treasuries at this time, while disappointing, also suggested to us that the weakness was not fundamental. We consider that the market has already priced current negative expectations into forward earnings.

As ever, we will look to take advantage of situations where we consider that prices are being driven by investor emotion, while attempting to protect the portfolio against genuine shifts in fundamentals.

Craig Simpson & Eric Lonergan

Co-fund managers

At the start of the review period Jenny Rodgers was co-fund manager.

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.

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Portfolio statement

as at 31 October Holding		2020 £'000	2020 %	2019 ^[a] %
EQUITIES		356,250	45.67	66.55
Equities		15,977	2.05	25.18
United Kingdom		0	0.00	1.21
Ireland		0	0.00	1.75
Italy		0	0.00	4.62
Spain		0	0.00	1.25
United States		0	0.00	13.22
Russia		15,977	2.05	3.13
57,909	LUKOIL ADR	2,287	0.29	
56,330	Magnit GDR	594	0.08	
94,543	Mail.Ru GDR	1,922	0.25	
175,668	Mobile TeleSystems ADR	1,065	0.14	
693,712	Sberbank of Russia ADR	5,495	0.70	
101,711	Yandex	4,614	0.59	
Equity portfolios		363,075	46.54	41.34
United Kingdom ^{[b][c]}		34,619	4.44	8.77
5,747,373	M&G Recovery Fund Sterling Class 'C' (Accumulation)	16,461	2.11	
5,686,589	M&G Smaller Companies Fund	18,158	2.33	
Japan ^{[b][c]}		32,451	4.16	4.19
32,830,000	M&G Japan Fund	15,782	2.02	
3,696,000	M&G Japan Smaller Companies Fund	16,669	2.14	
South Korea		0	0.00	2.05
Turkey		0	0.00	2.62
Other		296,005	37.94	23.71
5,033,965	iShares Core MSCI World	242,781	31.12	
2,165,061	M&G Asian Fund ^{[b][c]}	28,757	3.68	
4,015,340	M&G Global Dividend Fund ^{[b][c]}	8,013	1.03	
4,962,329	M&G Pan European Select Smaller Companies Fund ^{[b][c]}	16,454	2.11	
Equity derivatives		(22,802)	(2.92)	0.03
Equity index futures		(22,802)	(2.92)	0.03
339	DAX Index Dec 2020	(7,780)	(1.00)	
(286)	Euro BPT Futures Dec 2020	(1,033)	(0.13)	
1,392	Euro STOXX 50 Index Dec 2020	(4,397)	(0.56)	
1,478	FTSE 100 Index Dec 2020	(4,673)	(0.60)	
307	Hang Seng China Enterprise Index Nov 2020	(399)	(0.05)	
864	US Treasury Ultra Bond Futures Dec 2020	(4,520)	(0.58)	
FIXED INCOME		282,757	36.25	27.47
Fixed income portfolios		10,779	1.38	1.27
Other		10,779	1.38	1.27
1,226,000	M&G (Lux) Emerging Markets Hard Currency Bond Fund Euro Class 'CI' (Accumulation) ^{[b][c]}	10,779	1.38	
Government bonds		271,978	34.87	26.01
United Kingdom		271,978	34.87	13.96
£43,343,174	UK Treasury 0% 21/12/2020	43,342	5.56	
£38,682,000	UK Treasury 0% 29/12/2020	38,679	4.96	
£28,870,000	UK Treasury 0% 18/01/2021	28,869	3.70	
£39,362,000	UK Treasury 0% 01/02/2021	39,363	5.04	
£30,636,900	UK Treasury 0% 22/03/2021	30,637	3.93	
£54,975,000	UK Treasury 0% 29/03/2021	54,975	7.05	
£36,106,000	UK Treasury 0% 12/03/2021	36,113	4.63	
Brazil		0	0.00	3.26
Mexico		0	0.00	3.33
Indonesia		0	0.00	2.45
South Africa		0	0.00	3.01
Debt derivatives		0	0.00	0.19
Interest rate futures		0	0.00	0.19
CURRENCY		2,076	0.27	1.37
Forward currency contracts		2,076	0.27	1.37
AU\$(25,271,208)	Sold for £13,869,482 (expires 13.11.20)	160	0.02	
AU\$(6,386,898)	Sold for £3,534,821 (expires 05.02.21)	71	0.01	
CNY33,099,071	Bought for \$4,642,129 (expires 05.03.21)	192	0.02	

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Portfolio statement (continued)

as at 31 October Holding		2020 £'000	2020 %	2019 ^[a] %
CURRENCY (continued)				
Forward currency contracts (continued)				
€74,821,156	Bought for €67,784,534 (expires 13.11.20)	(504)	(0.07)	
€(7,033,079)	Sold for €6,383,826 (expires 13.11.20)	60	0.01	
IDR135,681,883,923	Bought for \$9,127,607 (expires 13.11.20)	109	0.01	
¥1,102,757,120	Bought for £7,923,933 (expires 13.11.20)	209	0.03	
¥(817,585,194)	Sold for £5,974,000 (expires 13.11.20)	(56)	(0.01)	
KRW18,653,686,012	Bought for \$15,738,718 (expires 13.11.20)	539	0.07	
MXN222,198,475	Bought for \$9,814,767 (expires 13.11.20)	457	0.06	
SG\$ (6,730,689)	Sold for £3,825,888 (expires 05.02.21)	29	0.00	
SG\$(10,545,846)	Sold for £5,891,511 (expires 13.11.20)	(61)	(0.01)	
TRY20,178,781	Bought for \$2,643,797 (expires 13.11.20)	(184)	(0.02)	
TRY68,598,018	Bought for \$8,266,315 (expires 05.02.21)	(328)	(0.04)	
US\$63,551,700	Bought for £47,980,138 (expires 13.11.20)	963	0.12	
US\$4,507,255	Bought for RUB344,234,854 (expires 13.11.20)	127	0.02	
US\$6,223,377	Bought for RUB484,505,438 (expires 05.02.21)	125	0.02	
US\$15,604,856	Bought for €13,227,873 (expires 13.11.20)	123	0.02	
US\$4,007,140	Bought for TWD112,171,859 (expires 05.02.21)	65	0.01	
US\$24,842,521	Bought for £19,116,568 (expires 05.02.21)	4	0.00	
US\$18,198,338	Bought for HKD141,074,606 (expires 13.11.20)	3	0.00	
US\$5,190,688	Bought for PHP255,467,496 (expires 13.11.20)	(69)	(0.01)	
US\$8,738,594	Bought for TWD254,057,156 (expires 13.11.20)	(111)	(0.01)	
US\$20,158,010	Bought for KRW23,089,589,825 (expires 05.02.21)	(149)	(0.02)	
US\$22,747,614	Bought for CNY161,233,338 (expires 05.03.21)	(834)	(0.11)	
US\$34,668,584	Bought for £28,466,080 (expires 05.03.21)	(1,787)	(0.23)	
US\$(40,382,628)	Sold for £33,344,477 (expires 05.03.21)	2,268	0.29	
US\$(36,765,434)	Sold for £28,364,267 (expires 05.02.21)	68	0.01	
US\$(11,310,434)	Sold for £8,685,568 (expires 13.11.20)	(25)	0.00	
ZAR172,121,101	Bought for \$9,793,464 (expires 13.11.20)	612	0.08	
Portfolio of investments (notes 2c & 2d on page 7)		641,083	82.19	95.39
Net other assets / (liabilities)		138,957	17.81	4.61
Net assets attributable to shareholders		780,040	100.00	100.00

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

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

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

^[c] Related party.

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Fund performance

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

The following chart and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (4), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

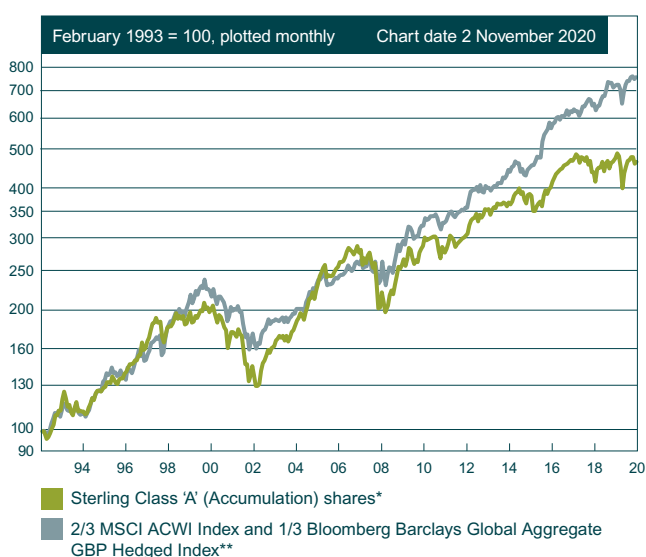
Fund level performance

Fund net asset value

as at 31 October	2020 £'000	2019 £'000	2018 £'000
Fund net asset value (NAV)	780,040	850,720	854,877

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.



* Income reinvested.

**Prior to 10 December 2019 the benchmark was the blend of 2/3 MSCI ACWI Index and 1/3 Bloomberg Barclays Global Aggregate Index. Thereafter it is the blend of 2/3 MSCI ACWI Index and 1/3 Bloomberg Barclays Global Aggregate GBP hedged Index.

Source: Morningstar, Inc. and M&G

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.

Long-term performance by share class

	One year 01.11.19 % ^[a]	Three years 01.11.17 % pa	Five years 02.11.15 % pa	Since launch % pa
Sterling ^[b]				
Class 'A'	-0.4	-0.5	+3.9	+7.2 ^[c]
Class 'C'	+0.8	+0.8	+5.3	+6.4 ^[d]
Class 'I'	+0.1	+0.1	+4.7	+6.4 ^[e]
Class 'PP'	+0.3	n/a	n/a	+0.8 ^[f]
Class 'R'	-0.2	-0.1	+4.5	+6.2 ^[e]
Class 'X'	-0.4	-0.5	+4.0	+5.9 ^[g]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

^[c] 1 October 2002, the launch date of the share class.

^[d] 16 June 2011, the launch date of the share class.

^[e] 3 August 2012, the launch date of the share class.

^[f] 8 April 2019, the launch date of the share class.

^[g] 26 February 1993, the end of the initial offer period of the predecessor unit trust.

M&G Episode Growth Fund

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. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge. 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.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 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 or by calling M&G Customer Relations.

Portfolio transaction costs

for the year to 31 October	2020	2019	2018	Average ^[a]
	%	%	%	%
Direct portfolio transaction costs ^[b]				
Broker commission	0.04	0.02	0.02	0.03
Taxes	0.01	0.02	0.01	0.01
Costs before dilution adjustments	0.05	0.04	0.03	0.04
Dilution adjustments ^[c]	0.00	(0.01)	0.00	0.00
Total direct portfolio transaction costs	0.05	0.03	0.03	0.04

as at 31 October	2020	2019	2018	Average ^[a]
	%	%	%	%
Indirect portfolio transaction costs				
Average portfolio dealing spread	0.02	0.07	0.12	0.07

^[a] Average of first three columns.

^[b] As a percentage of average net asset value.

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

M&G Episode Growth Fund

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.

Historic yields for the current year are calculated as at 13 November 2020.

Sterling Class 'A' Income share performance

The share class was launched on 1 October 2002. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	56.83	54.77	60.73
Return before operating charges and after direct portfolio transaction costs	0.08	4.71	(3.28)
Operating charges	(0.78)	(0.93)	(1.08)
Return after operating charges	(0.70)	3.78	(4.36)
Distributions	(0.96)	(1.72)	(1.60)
Closing NAV	55.17	56.83	54.77
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.02	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.03	0.02	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.03	0.03
Operating charges ^[c]	1.40	1.68	1.81
Return after operating charges	-1.23	+6.90	-7.18
Historic yield	1.61	3.15	2.88
Effect on yield of charges offset against capital	1.40	1.59	1.66
Other information			
Closing NAV (£'000)	200,442	212,583	210,542
Closing NAV percentage of total fund NAV (%)	25.70	24.99	24.63
Number of shares	363,342,468	374,084,815	384,401,684
Highest share price (UK p)	60.69	58.75	63.38
Lowest share price (UK p)	44.20	51.33	54.32

Sterling Class 'A' Accumulation share performance

The share class was launched on 1 October 2002. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	84.07	78.63	84.86
Return before operating charges and after direct portfolio transaction costs	0.15	6.80	(4.71)
Operating charges	(1.18)	(1.36)	(1.52)
Return after operating charges	(1.03)	5.44	(6.23)
Distributions	(0.26)	(1.23)	(0.87)
Retained distributions	0.26	1.23	0.87
Closing NAV	83.04	84.07	78.63
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.03	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.05	0.03	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.03	0.03
Operating charges ^[c]	1.40	1.68	1.81
Return after operating charges	-1.23	+6.92	-7.34
Historic yield	0.29	1.54	1.10
Effect on yield of charges offset against capital	0.00	0.01	0.01
Other information			
Closing NAV (£'000)	43,847	53,395	42,404
Closing NAV percentage of total fund NAV (%)	5.62	6.28	4.96
Number of shares	52,799,836	63,512,148	53,929,963
Highest share price (UK p)	89.78	85.11	88.57
Lowest share price (UK p)	65.66	73.69	77.23

Sterling Class 'C' Income share performance

Sterling Class 'C' shares are not generally available to all investors. The share class was launched on 16 June 2011. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	64.07	60.88	66.53
Return before operating charges and after direct portfolio transaction costs	(0.04)	5.09	(3.82)
Operating charges	0.00	(0.12)	(0.19)
Return after operating charges	(0.04)	4.97	(4.01)
Distributions	(0.98)	(1.78)	(1.64)
Closing NAV	63.05	64.07	60.88
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.03	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.03	0.03	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.03	0.03
Operating charges ^[c]	0.00	0.21	0.31
Return after operating charges	-0.06	+8.16	-6.03
Historic yield	1.47	2.92	2.66
Effect on yield of charges offset against capital	0.00	0.12	0.16
Other information			
Closing NAV (£'000)	13,123	13,900	13,280
Closing NAV percentage of total fund NAV (%)	1.68	1.63	1.55
Number of shares	20,814,944	21,694,183	21,812,609
Highest share price (UK p)	68.59	65.71	69.67
Lowest share price (UK p)	50.09	57.16	60.34

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Financial highlights

Specific share class performance

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,415.98	1,354.67	1,489.59
Return before operating charges and after direct portfolio transaction costs	1.49	114.89	(82.81)
Operating charges	(12.58)	(12.62)	(13.96)
Return after operating charges	(11.09)	102.27	(96.77)
Distributions	(23.56)	(40.96)	(38.15)
Closing NAV	1,381.33	1,415.98	1,354.67
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.76	0.57	0.43
Dilution adjustments ^[a]	(0.04)	(0.07)	(0.07)
Total direct portfolio transaction costs	0.72	0.50	0.36
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.03	0.03
Operating charges ^[c]	0.90	0.92	0.96
Return after operating charges	-0.78	+7.55	-6.50
Historic yield	1.61	3.04	2.77
Effect on yield of charges offset against capital	0.90	0.83	0.81
Other information			
Closing NAV (£'000)	36,106	40,724	43,569
Closing NAV percentage of total fund NAV (%)	4.63	4.79	5.10
Number of shares	2,613,826	2,876,060	3,216,203
Highest share price (UK p)	1,513.49	1,458.22	1,557.87
Lowest share price (UK p)	1,103.41	1,270.91	1,342.96

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,670.54	1,552.94	1,663.67
Return before operating charges and after direct portfolio transaction costs	2.34	132.19	(95.04)
Operating charges	(14.94)	(14.59)	(15.69)
Return after operating charges	(12.60)	117.60	(110.73)
Distributions	(13.40)	(35.07)	(30.44)
Retained distributions	13.40	35.07	30.44
Closing NAV	1,657.94	1,670.54	1,552.94
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.90	0.66	0.48
Dilution adjustments ^[a]	(0.05)	(0.08)	(0.08)
Total direct portfolio transaction costs	0.85	0.58	0.40
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.03	0.03
Operating charges ^[c]	0.90	0.92	0.96
Return after operating charges	-0.75	+7.57	-6.66
Historic yield	0.75	2.27	1.94
Effect on yield of charges offset against capital	0.00	0.01	0.01
Other information			
Closing NAV (£'000)	42,567	46,830	55,169
Closing NAV percentage of total fund NAV (%)	5.46	5.50	6.45
Number of shares	2,567,439	2,803,288	3,552,534
Highest share price (UK p)	1,785.74	1,689.19	1,739.91
Lowest share price (UK p)	1,307.25	1,456.95	1,525.23

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	102.37	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	0.06	3.26	n/a
Operating charges	(0.66)	(0.23)	n/a
Return after operating charges	(0.60)	3.03	n/a
Distributions	(1.66)	(0.66)	n/a
Closing NAV	100.11	102.37	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.01	n/a
Dilution adjustments ^[a]	0.00	0.00	n/a
Total direct portfolio transaction costs	0.05	0.01	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.03	n/a
Operating charges	0.65	0.66	n/a
Return after operating charges	-0.59	+3.03	n/a
Historic yield	1.56	3.04	n/a
Effect on yield of charges offset against capital	0.65	0.65	n/a
Other information			
Closing NAV (£'000)	25	24	n/a
Closing NAV percentage of total fund NAV (%)	0.00	0.00	n/a
Number of shares	24,503	23,405	n/a
Highest share price (UK p)	109.46	104.00	n/a
Lowest share price (UK p)	79.84	96.80	n/a

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	100.91	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	0.08	1.32	n/a
Operating charges	(0.65)	(0.41)	n/a
Return after operating charges	(0.57)	0.91	n/a
Distributions	(1.03)	(1.86)	n/a
Retained distributions	1.03	1.86	n/a
Closing NAV	100.34	100.91	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.02	n/a
Dilution adjustments ^[a]	0.00	0.00	n/a
Total direct portfolio transaction costs	0.05	0.02	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.03	n/a
Operating charges ^[c]	0.65	0.70	n/a
Return after operating charges	-0.56	+0.91	n/a
Historic yield	0.97	2.51	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (£'000)	346	381	n/a
Closing NAV percentage of total fund NAV (%)	0.04	0.04	n/a
Number of shares	345,319	377,553	n/a
Highest share price (UK p)	107.91	101.96	n/a
Lowest share price (UK p)	79.02	94.81	n/a

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Specific share class performance

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	139.74	133.98	147.62
Return before operating charges and after direct portfolio transaction costs	0.18	11.41	(8.16)
Operating charges	(1.58)	(1.54)	(1.67)
Return after operating charges	(1.40)	9.87	(9.83)
Distributions	(2.35)	(4.11)	(3.81)
Closing NAV	135.99	139.74	133.98
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.06	0.04
Dilution adjustments ^[a]	0.00	(0.01)	(0.01)
Total direct portfolio transaction costs	0.07	0.05	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.03	0.03
Operating charges ^[c]	1.15	1.13	1.16
Return after operating charges	-1.00	+7.37	-6.66
Historic yield	1.61	3.08	2.81
Effect on yield of charges offset against capital	1.15	1.05	1.01
Other information			
Closing NAV (£'000)	7,111	7,150	6,518
Closing NAV percentage of total fund NAV (%)	0.91	0.84	0.76
Number of shares	5,229,244	5,116,344	4,864,877
Highest share price (UK p)	149.31	144.10	154.31
Lowest share price (UK p)	108.79	125.67	132.84

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	165.01	153.65	164.82
Return before operating charges and after direct portfolio transaction costs	0.26	13.15	(9.29)
Operating charges	(1.88)	(1.79)	(1.88)
Return after operating charges	(1.62)	11.36	(11.17)
Distributions	(0.91)	(3.20)	(2.72)
Retained distributions	0.91	3.20	2.72
Closing NAV	163.39	165.01	153.65
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.07	0.05
Dilution adjustments ^[a]	0.00	(0.01)	(0.01)
Total direct portfolio transaction costs	0.09	0.06	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.03	0.03
Operating charges ^[c]	1.15	1.13	1.16
Return after operating charges	-0.98	+7.39	-6.78
Historic yield	0.52	2.14	1.73
Effect on yield of charges offset against capital	0.00	0.01	0.01
Other information			
Closing NAV (£'000)	37,745	37,795	33,030
Closing NAV percentage of total fund NAV (%)	4.84	4.44	3.87
Number of shares	23,101,734	22,904,820	21,497,305
Highest share price (UK p)	176.30	166.95	172.35
Lowest share price (UK p)	129.00	144.12	150.91

Sterling Class 'X' Income share performance

The share class was launched on 26 February 1993. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	56.66	54.61	60.55
Return before operating charges and after direct portfolio transaction costs	0.07	4.70	(3.27)
Operating charges	(0.78)	(0.93)	(1.08)
Return after operating charges	(0.71)	3.77	(4.35)
Distributions	(0.95)	(1.72)	(1.59)
Closing NAV	55.00	56.66	54.61
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.02	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.03	0.02	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.03	0.03
Operating charges ^[c]	1.40	1.68	1.81
Return after operating charges	-1.25	+6.90	-7.18
Historic yield	1.61	3.15	2.88
Effect on yield of charges offset against capital	1.40	1.60	1.66
Other information			
Closing NAV (£'000)	398,728	437,938	450,365
Closing NAV percentage of total fund NAV (%)	51.12	51.49	52.68
Number of shares	724,902,117	772,921,455	824,721,229
Highest share price (UK p)	60.51	58.57	63.19
Lowest share price (UK p)	44.07	51.18	54.16

^[a] In respect of direct portfolio transaction costs.

^[b] As a percentage of average net asset value.

^[c] Following the change in charging structure, you may see variances between the comparative and current year figures.

M&G Episode Growth Fund

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 October	Note	2020		2019	
		£'000	£'000	£'000	£'000
Income					
Net capital gains / (losses)	3		(12,749)		43,721
Revenue	5	14,266		27,146	
Expenses	6	(10,692)		(12,601)	
Net revenue / (expense) before taxation		3,574		14,545	
Taxation	7	(659)		(816)	
Net revenue / (expense) after taxation			2,915		13,729
Total return before distributions			(9,834)		57,450
Distributions	8		(12,351)		(24,553)
Change in net assets attributable to shareholders from investment activities			(22,185)		32,897

Statement of change in net assets attributable to shareholders

for the year to 31 October	2020		2019	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		850,720		854,877
Amounts received on issue of shares	64,382		77,618	
Amounts paid on cancellation of shares	(113,654)		(117,354)	
		(49,272)		(39,736)
Dilution adjustments		67		107
Change in net assets attributable to shareholders from investment activities (see above)		(22,185)		32,897
Retained distributions on Accumulation shares		705		2,561
Unclaimed distributions		5		14
Closing net assets attributable to shareholders		780,040		850,720

M&G Episode Growth Fund

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Financial statements (continued)

Balance sheet

as at 31 October	Note	2020 £'000	2019 £'000
Assets			
Fixed assets			
Investments		667,993	812,956
Current assets			
Debtors	9	9,323	3,971
Cash and bank balances	10	136,759	43,896
Total assets		814,075	860,823
Liabilities			
Investment liabilities		(26,910)	(1,461)
Creditors			
Overdrawn positions at futures clearing houses and collateral manager		0	(2,140)
Distribution payable		(2,721)	(5,068)
Other creditors	11	(4,404)	(1,434)
Total liabilities		(34,035)	(10,103)
Net assets attributable to shareholders		780,040	850,720

M&G Episode Growth Fund

Financial statements and notes

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 7 and 8.

2 Distribution policies

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

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

3 Net capital gains / (losses)

for the year to 31 October	2020 £'000	2019 £'000
Non-derivative securities	(33,468)	30,956
Derivative contracts	23,772	8,034
Currency gains / (losses)	(4,687)	2,261
Management charge rebates taken to capital	1,585	2,290
Administration charge rebates taken to capital	0	174
Transaction charges	(1)	(7)
Rebate of ongoing charges from underlying funds taken to capital	50	13
Net capital gains / (losses) ^[a]	(12,749)	43,721

^[a] Include realised gains of £47,828,000 and unrealised losses of £62,211,000 (2019: realised losses of £35,619,000 and unrealised gains of £76,870,000). Certain realised gains and losses in the current year were unrealised in the prior year.

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 35.

for the year to 31 October	2020 £'000	% of transaction	2019 £'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	43,340		74,307	
Commissions	30	0.07	27	0.04
Taxes	42	0.10	105	0.14
Equities after transaction costs	43,412		74,439	
Debt securities ^[a]	877,077		626,998	
Collective investment schemes				
Collective investment schemes before transaction costs	328,213		119,670	
Commissions	98	0.03	35	0.03
Collective investment schemes after transaction costs	328,311		119,705	
Total purchases after transaction costs	1,248,800		821,142	
b) Sales				
Equities				
Equities before transaction costs	234,925		93,435	
Commissions	(104)	0.04	(42)	0.05
Taxes	(40)	0.02	(1)	0.00
Equities after transaction costs	234,781		93,392	
Debt securities ^[a]	829,138		536,737	
Collective investment schemes				
Collective investment schemes before transaction costs	288,176		235,097	
Commissions	(64)	0.02	(71)	0.03
Collective investment schemes after transaction costs	288,112		235,026	
Total sales after transaction costs	1,352,031		865,155	
c) Direct portfolio transaction costs				
Commissions paid				
Equities	134	0.02	69	0.01
Collective investment schemes	162	0.02	106	0.01
Derivatives	23	0.00	27	0.00
Total commissions paid	319	0.04	202	0.02
Taxes paid				
Equities	82	0.01	106	0.01
Derivatives	38	0.00	43	0.01
Total taxes paid	120	0.01	149	0.02
Total direct portfolio transaction costs ^[b]	439	0.05	351	0.04
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^[c]				
		0.02		0.07

^[a] These transaction types do not attract direct portfolio transaction costs.

^[b] Costs before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

^[c] Average portfolio dealing spread at the balance sheet date.

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5 Revenue

	2020	2019
for the year to 31 October	£'000	£'000
Administration charge rebates	0	69
Bank interest	25	73
Derivative revenue	1,579	72
Distributions from collective investment schemes: non-taxable	5,218	10,156
Distributions from collective investment schemes: taxable	0	233
Distributions from collective investment schemes: property income dividends	0	1
Dividends from equity investments: non-taxable	1,800	5,579
Dividends from equity investments: taxable	998	1,652
Interest distributions	0	45
Interest on debt securities	4,046	9,077
Management charge rebates	84	68
Rebate of ongoing charges from underlying funds	516	121
Total revenue	14,266	27,146

Revenue includes currency gains/losses.

6 Expenses

	2020	2019
for the year to 31 October	£'000	£'000
Payable to the ACD or associate		
Annual charge	10,664	2,771
Annual management charge ^[a] ^[c]	0	8,667
Administration charge ^[b] ^[c]	0	962
	10,664	12,400
Payable to the Depositary or associate		
Depositary's charge (including VAT) ^[c]	0	37
Other expenses		
Audit fee (including VAT) ^[c] ^[d]	0	8
Dividend charges	10	81
Interest payable	24	12
Legal fees	0	3
Professional fees	0	7
Safe custody charge ^[c]	(6)	50
Tax fees (including VAT)	0	3
	28	164
Total expenses	10,692	12,601

^[a] This charge excludes management charge rebates received from M&G Securities Limited, or an associate, in relation to the annual management charge of the underlying collective investment schemes for which M&G Securities Limited, or an associate, acts as Authorised Corporate Director. These rebates have been recognised as either capital or revenue in notes 3 and 5 and amount to £1,585,000 (2019: £2,290,000) and £84,000 (2019: £68,000).

^[b] This charge excludes administration charge rebates received from M&G Securities Limited, or an associate, in relation to the administration charge of the underlying collective investment schemes for which M&G Securities Limited, or an associate, acts as Authorised Corporate Director. These rebates have been recognised as either capital or revenue in notes 3 and 5 and amount to £nil (2019: £174,000) and £nil (2019: £69,000).

^[c] The segregated charges shown above for annual management, administration, depositary, audit and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

^[d] Audit fees for the financial year ending 2020 were £11,000 (including VAT).

7 Taxation

	2020	2019
for the year to 31 October	£'000	£'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	356	816
Capital gains tax (India)	303	0
Deferred tax (note 7c)	0	0
Total taxation	659	816
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	3,574	14,545
Corporation tax at 20%	715	2,909
Effects of:		
Tax on management and administration charge rebates taken to capital	327	493
Dividends from equity investments: non-taxable	(360)	(1,115)
Distributions from collective investment schemes: non-taxable	(1,044)	(2,031)
Current year expenses not utilised	388	(209)
Withholding tax	356	816
Withholding tax expensed	(26)	(47)
Capital gains tax (India)	303	0
Total tax charge (note 7a)	659	816
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of £4,891,000 (2019: £4,503,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

	2020	2019
for the year to 31 October	Inc ^[a]	Acc ^[b]
	£'000	£'000
Dividend distributions		
First interim	3,036	192
Second interim	3,466	295
Third interim	2,345	81
Final	2,721	137
	12,273	605
Total net distributions	12,273	24,439
Income deducted on cancellation of shares	126	382
Income received on issue of shares	(48)	(268)
Distributions	12,351	24,553
Net revenue / (expense) per statement of total return		
	2,915	13,729
Expenses offset against capital	9,161	10,949
Sharing of relief between classes	300	367
Tax on management and administration charge rebates taken to capital	(327)	(493)
Capital gains tax offset against capital	303	0
Undistributed income brought forward	0	1
Undistributed income carried forward	(1)	0
Distributions	12,351	24,553

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

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9 Debtors

	2020	2019
as at 31 October	£'000	£'000
Amounts receivable on issues of shares	87	1,017
Debt security interest receivable	0	2,547
Distributions receivable	1,489	197
Dividends receivable	0	101
Futures interest receivable	414	0
Management charge rebates	48	62
Rebate of ongoing charges from underlying funds	15	14
Sales awaiting settlement	7,229	0
Withholding tax recoverable	41	33
Total debtors	9,323	3,971

10 Cash and bank balances

	2020	2019
as at 31 October	£'000	£'000
Amounts held at futures clearing houses and collateral manager	59,202	5,985
Cash held as bank balances	77,557	37,911
Total cash and bank balances	136,759	43,896

11 Other creditors

	2020	2019
as at 31 October	£'000	£'000
Amounts payable on cancellation of shares	4,077	1,086
Annual charge payable	320	309
Bank interest payable	0	1
Expenses payable	0	14
Purchases awaiting settlement	7	0
Futures interest payable	0	24
Total other creditors	4,404	1,434

12 Contingent assets, liabilities and outstanding commitments.

There were no contingent liabilities or outstanding commitments at the balance sheet date (2019: same).

13 Shares in issue

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

Share class	Opening 01.11.19	Movements		Closing 31.10.20
		Issued	Cancelled	
Sterling				
Class 'A' Income	374,084,815	9,941,948	(20,684,295)	363,342,468
Class 'A' Accumulation	63,512,148	49,323,197	(60,035,509)	52,799,836
Class 'C' Income	21,694,183	3,445,955	(4,325,194)	20,814,944
Class 'T' Income	2,876,060	113,188	(375,422)	2,613,826
Class 'T' Accumulation	2,803,288	239,377	(475,226)	2,567,439
Class 'PP' Income	23,405	1,098	0	24,503
Class 'PP' Accumulation	377,553	5,858	(38,092)	345,319
Class 'R' Income	5,116,344	667,284	(554,384)	5,229,244
Class 'R' Accumulation	22,904,820	1,743,308	(1,546,394)	23,101,734
Class 'X' Income	772,921,455	9,358,152	(57,377,490)	724,902,117

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual charge ^[a] %
Sterling			
Class 'A'	n/a	n/a	1.40
Class 'C'	n/a	n/a	0.00
Class 'T'	n/a	n/a	0.90
Class 'PP'	n/a	n/a	0.65
Class 'R'	n/a	n/a	1.15
Class 'X'	n/a	n/a	1.40

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

15 Related parties

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

Amounts paid to M&G Securities Limited in respect of the annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end from the annual charge are disclosed in note 11.

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

During the year, there were transactions in shares in related parties of M&G Securities Limited with a total value of £77,401,000 (2019: £1,424,000).

At the balance sheet date, the fund held shares in related parties of M&G Securities Limited with a value of £131,073,000 (2019: £218,029,000).

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 10.73% (2019: 10.91%) of the fund's shares.

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16 Events after the balance sheet date

Between 31 October 2020 and 6 January 2021 the value of investments has risen. For further details on the share class movements, please refer to the below table:

Net asset	31.10.20	06.01.21	% Change
Sterling			
Class 'A' Income	55.17	60.85	10.30
Class 'A' Accumulation	83.04	91.60	10.30
Class 'C' Income	63.05	69.71	10.57
Class 'I' Income	1,381.33	1,525.09	10.41
Class 'I' Accumulation	1,657.94	1,830.45	10.41
Class 'PP' Income	100.11	110.58	10.46
Class 'PP' Accumulation	100.34	110.84	10.46
Class 'R' Income	135.99	150.07	10.35
Class 'R' Accumulation	163.39	180.30	10.35
Class 'X' Income	55.00	60.67	10.31

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights. However no such financial instruments were held.

	Assets 2020	Liabilities 2020	Assets 2019	Liabilities 2019
as at 31 October	£'000	£'000	£'000	£'000
Basis of valuation				
Level 1	530,736	(22,802)	479,335	(24)
Level 2	137,257	(4,108)	333,621	(1,437)
Level 3	0	0	0	0
	667,993	(26,910)	812,956	(1,461)

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 9 to 10.

19 Market risk sensitivity and exposure

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

The VaR limit set during the financial year to 31 October 2020 was 20% (2019: 20%).

The lowest, highest and average VaR, as well as utilisation of VaR with reference to the limit above, are calculated during the financial years ended 31 October 2020 and 31 October 2019.

	2020 % of VaR	2020 Utilisation of VaR [a]	2019 % of VaR	2019 Utilisation of VaR [a]
for the year to 31 October		20%		20%
Lowest	5.31	26.55	5.29	26.46
Highest	19.08	95.40	7.68	38.40
Average	11.07	55.34	6.52	32.60

[a] The VaR on the fund has been divided by its maximum limit.

20 Credit risk

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

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

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

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20 Credit risk (continued)

	Forward currency contracts £'000	Futures £'000
as at 31 October 2019		
Bank of America Merrill Lynch	0	1,856
Barclays Bank	2,294	0
BNP Paribas	59	0
Citigroup	(497)	0
Goldman Sachs	172	0
JPMorgan	5,501	0
Merrill Lynch	8	0
Morgan Stanley International	14	0
National Australia Bank	168	0
Royal Bank of Canada (UK)	141	0
Standard Chartered Bank	(26)	0
State Street Bank	1,520	0
UBS	2,277	0
Total	11,631	1,856

21 Leverage risk

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

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

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 31 October 2020 and 31 October 2019 are disclosed in the table below.

for the year to 31 October	2020 £'000	2020 ^[a] % ^[b]	2019 £'000	2019 ^[a] % ^[b]
Lowest	1,377,574	172	722,060	84
Highest	3,352,795	418	1,685,683	195
Average	1,857,893	230	1,182,972	132

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

^[b] Expressed as a percentage over net assets.

22 Dividend distribution tables

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

Quarterly distribution periods

	Start	End	Xd	Payment
First interim	01.11.19	31.01.20	03.02.20	31.03.20
Second interim	01.02.20	30.04.20	01.05.20	30.06.20
Third interim	01.05.20	31.07.20	03.08.20	30.09.20
Final	01.08.20	31.10.20	02.11.20	31.12.20

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

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

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

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income 2020 UK p	Equalisation 2020 UK p	2020 UK p	2019 UK p
First interim	0.1002	0.1465	0.2467	0.3344
Second interim	0.1380	0.1469	0.2849	0.3789
Third interim	0.0740	0.1209	0.1949	0.6005
Final	0.0768	0.1529	0.2297	0.4072

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income 2020 UK p	Equalisation 2020 UK p	2020 UK p	2019 UK p
First interim	0.0318	0.0361	0.0679	0.1708
Second interim	0.1136	0.0416	0.1552	0.2225
Third interim	0.0009	0.0000	0.0009	0.5326
Final	0.0348	0.0028	0.0376	0.3059

Sterling Class 'C' Income shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income 2020 UK p	Equalisation 2020 UK p	2020 UK p	2019 UK p
First interim	0.0082	0.2409	0.2491	0.3384
Second interim	0.2402	0.0542	0.2944	0.3876
Third interim	0.0186	0.1851	0.2037	0.6478
Final	0.0272	0.2072	0.2344	0.4051

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income 2020 UK p	Equalisation 2020 UK p	2020 UK p	2019 UK p
First interim	1.8679	4.1041	5.9720	7.8690
Second interim	3.7113	3.2325	6.9438	8.9531
Third interim	2.5930	2.3824	4.9754	14.7298
Final	3.8478	1.8228	5.6706	9.4060

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income 2020 UK p	Equalisation 2020 UK p	2020 UK p	2019 UK p
First interim	1.7742	1.6592	3.4334	6.2262
Second interim	3.4615	1.4556	4.9171	7.3809
Third interim	0.9419	1.1921	2.1340	14.0287
Final	0.2732	2.6450	2.9182	7.4349

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22 Dividend distribution tables (continued)

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.1761	0.2430	0.4191	n/a
Second interim	0.4901	0.0000	0.4901	n/a
Third interim	0.3489	0.0000	0.3489	n/a
Final	0.3977	0.0000	0.3977	0.6551

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.1335	0.1253	0.2588	n/a
Second interim	0.2435	0.0997	0.3432	0.4637
Third interim	0.1209	0.0722	0.1931	0.8903
Final	0.0827	0.1508	0.2335	0.5055

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.2451	0.3613	0.6064	0.7907
Second interim	0.4020	0.2994	0.7014	0.8987
Third interim	0.2672	0.2127	0.4799	1.4688
Final	0.3370	0.2290	0.5660	0.9477

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.0584	0.1759	0.2343	0.5548
Second interim	0.2690	0.1260	0.3950	0.6672
Third interim	0.0510	0.0532	0.1042	1.3211
Final	0.0668	0.1127	0.1795	0.6554

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.1193	0.1266	0.2459	0.3336
Second interim	0.1272	0.1570	0.2842	0.3776
Third interim	0.0765	0.1177	0.1942	0.5989
Final	0.0565	0.1725	0.2290	0.4059

M&G Managed Growth Fund

Authorised Corporate Director's Report

Investment objective

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

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

Investment policy

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

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

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

Investment approach

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

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

Benchmark

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

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

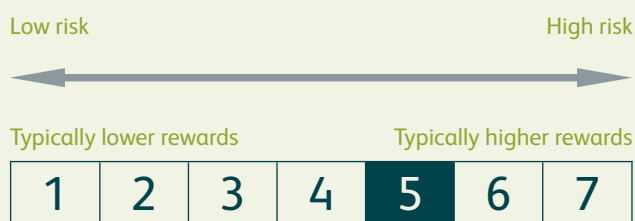
For unhedged share classes, the benchmark is shown in the share class currency.

Risk profile

The fund is exposed to company shares directly and through other funds that invest in company shares. It is, therefore, subject to the price volatility of the global stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

Diversification across industries and market capitalisation is key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 2 November 2020, for the year ended 31 October 2020

Performance against objective

Between 1 November 2019 (the start of the review period) and 2 November 2020, the M&G Managed Growth Fund delivered a negative total return (the combination of capital growth and income) across all share classes and lagged its target benchmark, which is a composite index comprising 85% MSCI ACWI Index and 15% Bloomberg Barclays Global Aggregate GBP Hedged Index. The benchmark returned 6.0% over this period.

Over five years, the fund has delivered a positive total return across all share classes, but has not met its objective of delivering a higher total return, net of the ongoing charge figure, than that of a composite index comprising 85% global company shares and 15% global bonds (as measured by the MSCI ACWI Index and Bloomberg Barclays Global Aggregate GBP Hedged Index, respectively), over any five-year period*. The composite index returned 12.9% pa over five years.

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

* Prior to 31 August 2018 the benchmark was the FTSE World Index. Thereafter it is the blend of 85% MSCI ACWI Index and 15% Bloomberg Barclays Global Aggregate GBP Hedged Index.

M&G Managed Growth Fund

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Investment performance

The 12 months under review proved one of the most remarkable periods for investors on record, dominated by the outbreak of the COVID-19 pandemic, which prompted lockdowns around the world and led to a sharp drop in economic activity. This caused panic selling of equities (company shares) in the first quarter of 2020, with most stockmarkets falling to multi-year lows. Although there was a strong rebound in many countries, share prices in several areas remain below the levels of 12 months before. In general, bond markets performed better than equities. Against this background, the fund delivered a negative absolute return.

(Equities are shares representing ownership stakes in companies. Bonds are loans that are extended by an investor to an issuer – such as a company or government – usually in exchange for regular interest payments. Bonds issued by companies are referred to as ‘corporate bonds’, while those issued by governments are called ‘government bonds’.)

The review period began with positive investor sentiment in the hope that the US and China could reach a trade agreement, and many stockmarkets reached record highs. However, the outbreak of a new virus, initially in China, changed everything. As COVID-19 spread to every part of the world, virtually the entire global economy was shut down, forcing vast numbers of workers to be furloughed or laid off. Unsurprisingly, this led to a collapse in investor sentiment as investors contemplated the imminent self-imposed recession and the inevitable fall in company earnings.

Stockmarkets around the world tumbled, led by those in Latin America, other emerging markets, the UK and Europe. In terms of industry sectors, the shares of oil & gas companies fell the most as the oil price plummeted, followed by financials, industrials and travel businesses. Among the few stockmarkets to rise during this period were the technology-dominated Nasdaq Index in the US as well as China, along with shares in the technology and healthcare sectors. Meanwhile, core government bond markets, such as in the US, the UK, Japan and Germany, benefited from their ‘safe haven’ status.

The panic selling subsided in April 2020 as central banks and governments around the world pledged unprecedented levels of support for their economies and the number of infections began to decline. As lockdown restrictions were eased, investors’ focus shifted to the possibility of a rapid recovery in the global economy. Many stockmarkets experienced strong rallies, with technology stocks continuing to lead the way, and share prices in many countries reclaimed the ground lost in the pandemic and even reached new record highs. However, a resurgence in the number of people being infected by the virus, particularly in Europe and the US, caused enthusiasm for riskier assets to falter towards the end of the 12 months, particularly as travel restrictions were reimposed, raising the prospects that economic growth might stall again.

Taking the 12 months as a whole, global equities generated a moderately positive return overall, in sterling terms, although there was a great deal of diversity in performance. The

technology-dominated Nasdaq Index was the runaway leader, although the Chinese stockmarket also delivered a strongly positive return. Emerging markets and the broader US markets enjoyed more modest gains, while Japan finished the period close to where it started. On the other hand, share prices in the UK and Italy fell sharply, with the rest of Europe and Hong Kong also weak. Bond markets, by contrast, generally rose over the review period, led by government bonds from the US and UK, with investment grade corporate bonds not far behind.

Throughout the review period, the fund had a high weighting of equities as we believed that the asset class was more attractively valued than bonds. While this stance was initially successful, with equity markets rallying as investors cheered the progress of trade talks, it meant we suffered when the spread of COVID-19, plus the measures imposed to contain it, led to panic selling of risky assets, such as equities. We then participated as equity markets rallied although, as a multi-asset fund, we underperformed pure equity funds. Towards the end of the review period, we were once again affected when equities suffered further weakness.

The largest detractors to fund performance included holdings in funds that experienced large sell-offs during the risk-off environment when investors contemplated the impact of the virus and which have not been able to recover from the losses. The largest negative contributor was a holding in a fund that invests in US financial companies. The earnings of these businesses are expected to be hit hard by low interest rates and the expectation that loan defaults are likely to rise during the pandemic-induced economic slowdown. Other disappointing holdings included the M&G Global Emerging Markets Fund, whose performance was adversely affected by having little exposure to China but a large representation of financial companies and the M&G Japan Fund, where a bias towards economically sensitive companies hampered returns.

Many of the fund’s holdings follow the ‘value’ style of investing, where the manager tries to identify companies whose share prices trade below the fundamental value of the business. This style of investing was hard hit during the coronavirus crisis, and meant that stakes in the M&G Recovery Fund, M&G North American Value Fund and M&G (Lux) European Strategic Value Fund all cost value.

On the other hand, investors’ desire for reliable cashflow streams benefited the quality companies held by the M&G Global Select Fund which, as well as having a high representation of healthcare businesses and limited exposure to the energy sector, enabled the fund to add value. A similar focus on financially robust companies and a high weighting of healthcare and technology companies supported the M&G Positive Impact Fund. Meanwhile, the M&G (Lux) Global Target Return Fund was helped by the fund manager having reduced weightings in equities and currencies before investor sentiment deteriorated. The fund also benefited from having a reasonably high weighting in US government bonds.

Drilling down into the individual holdings of each fund in which we have stakes, overall, our holdings of shares in financial, energy and industrial companies acted as a headwind to performance as

M&G Managed Growth Fund

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Investment performance (continued)

all were affected by the coronavirus-induced reduction in economic activity. Conversely, having a good degree of exposure to healthcare and technology businesses was beneficial.

Relative to its benchmark, the fund's performance was hampered by having little exposure to bond markets, which performed well over the review period. In our opinion, most mainstream government bonds were overvalued throughout the 12 months so we tended to avoid funds invested in bonds from, for example, Germany, Japan or the UK. The exception was the US, where we believe comparatively higher yields should mean government bonds behave differently if company shares experience weakness. Several of our multi-asset funds increased exposure to longer dated US government bonds, including the M&G (Lux) Episode Macro Fund and the M&G (Lux) Sustainable Income Fund, to take advantage of this potential diversification.

Investment activities

There were only two changes to our holdings during the period. The Luxembourg-domiciled M&G (Lux) Pan European Dividend Fund was merged into the M&G (Lux) European Strategic Value Fund, a larger fund with a similar investment universe. Meanwhile, the UK-listed M&G Episode Macro Fund was closed and replaced with the M&G (Lux) Episode Macro Fund, which is listed in Luxembourg and run by the same manager and to the same strategy.

In terms of underlying holdings, the largest change was a reduction in the weighting of financial companies, which followed the decision by the managers of our multi-asset funds to reduce their focus on the sector and diversify their equity exposure.

Outlook

The global economic background appears to signal general improvement, although the recovery is likely to be uneven and highly conditional upon the imposition or easing of lockdown conditions around the world. Governments and central banks remain highly supportive of their economies. This seems to have enabled investors to move on from the uncertain situation in which they found themselves in March. The fact that investors now seem to have a better understanding of the risks being faced by the economy, such as the implications of more virus cases and further lockdowns, means that, in our opinion, the risk of panic-selling now seems less than when we were still learning about the virus.

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

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

David Fishwick

Fund manager

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

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

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Portfolio statement

as at 31 October		2020	2020	2019
Holding		£'000	%	%
	EQUITIES	723,033	99.65	98.47
	Equity portfolios	723,033	99.65	98.47
	United Kingdom ^{[a][b]}	36,819	5.07	16.59
7,047,967	M&G Positive Impact Fund Sterling Class 'I' (Accumulation)	9,522	1.31	
28,231,285	M&G Recovery Fund Sterling Class 'C' (Income)	27,297	3.76	
	United States	160,688	22.15	22.56
481,008	Invesco Financials S&P US Select Sector ETF	63,442	8.75	
1,293,203	M&G North American Dividend Fund ^{[a][b]}	28,755	3.96	
59,692,713	M&G North American Value Fund ^{[a][b]}	68,491	9.44	
	Japan ^{[a][b]}	64,983	8.96	8.96
135,184,281	M&G Japan Fund	64,983	8.96	
	Asia Pacific ^{[a][b]}	45,209	6.23	5.71
3,403,675	M&G Asian Fund	45,209	6.23	
	Other ^{[a][b]}	415,334	57.24	44.65
26,954,916	M&G Global Emerging Markets Fund	58,665	8.08	
17,342,342	M&G Global Select Fund	77,945	10.74	
2,280,285	M&G Global Strategic Value Fund Euro Class 'C' (Accumulation)	19,863	2.74	
3,914,094	M&G Global Themes Fund	38,284	5.27	
8,464,960	M&G (Lux) Episode Macro Fund Sterling Class 'SI-H' (Accumulation)	81,462	11.23	
4,924,641	M&G (Lux) European Strategic Value Fund Euro Class 'C' (Accumulation)	34,676	4.78	
1,861,939	M&G (Lux) Global Target Return Fund Euro Class 'CI' (Accumulation)	17,034	2.35	
4,596,520	M&G (Lux) Pan European Select Fund Euro Class 'A' (Accumulation)	79,206	10.92	
864,441	M&G (Lux) Sustainable Allocation Fund Euro Class 'CI' (Accumulation)	8,199	1.13	
	CURRENCY	38	0.01	1.14
	Forward currency contracts	38	0.01	1.14
AUS\$(12,014,327)	Sold for £6,593,768 (expires 13.11.20)	76	0.01	
DKK(183,505,867)	Sold for £22,324,950 (expires 13.11.20)	165	0.02	
€(38,229,297)	Sold for £34,614,411 (expires 13.11.20)	238	0.03	
€(33,167,239)	Sold for £30,102,802 (expires 05.02.21)	236	0.03	
¥(2,100,095,984)	Sold for £15,399,855 (expires 05.02.21)	(99)	(0.01)	
¥(2,894,424,592)	Sold for £20,798,076 (expires 13.11.20)	(549)	(0.07)	
THB64,470,135	Bought for \$2,069,176 (expires 13.11.20)	(1)	0.00	
CHF(11,540,220)	Sold for £9,724,574 (expires 13.11.20)	23	0.01	
CHF(5,487,057)	Sold for £4,643,398 (expires 05.02.21)	21	0.00	
US\$1,381,539	Bought for TWD38,673,425 (expires 05.02.21)	22	0.00	
US\$13,601,247	Bought for TWD395,469,854 (expires 13.11.20)	(173)	(0.02)	
US\$(83,234,579)	Sold for £64,214,877 (expires 05.02.21)	153	0.02	
US\$(27,276,227)	Sold for £20,932,763 (expires 13.11.20)	(74)	(0.01)	
Portfolio of Investments (notes 2c & 2d on page 7)		723,071	99.66	99.61
Net other assets / (liabilities)		2,484	0.34	0.39
Net assets attributable to shareholders		725,555	100.00	100.00

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

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

^[b] Related party.

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Top portfolio transactions

for the year to 31 October 2020	
Purchases ^[a] ^[b]	£'000
M&G (Lux) Episode Macro Fund Sterling Class 'SI-H' (Accumulation)	83,175
M&G Episode Macro Fund Sterling Class 'S-H' (Accumulation)	599
M&G Global Strategic Value Fund Euro Class 'C' (Accumulation)	282
M&G Positive Impact Fund Sterling Class 'I' (Accumulation)	48
Total purchases	84,104
Sales	£'000
M&G Episode Macro Fund Sterling Class 'S-H' (Accumulation) ^[a] ^[b]	91,405
M&G Global Select Fund ^[a] ^[b]	1,945
M&G (Lux) Pan European Select Fund Euro Class 'A' (Accumulation) ^[a] ^[b]	1,675
M&G Global Themes Fund ^[a] ^[b]	1,669
M&G North American Value Fund ^[a] ^[b]	701
Invesco Financials S&P US Select Sector ETF	413
M&G Global Emerging Markets Fund ^[a] ^[b]	45
Total sales	97,853

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

^[b] Related party.

M&G Managed Growth Fund

Financial highlights

Fund performance

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

The following chart and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (4), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

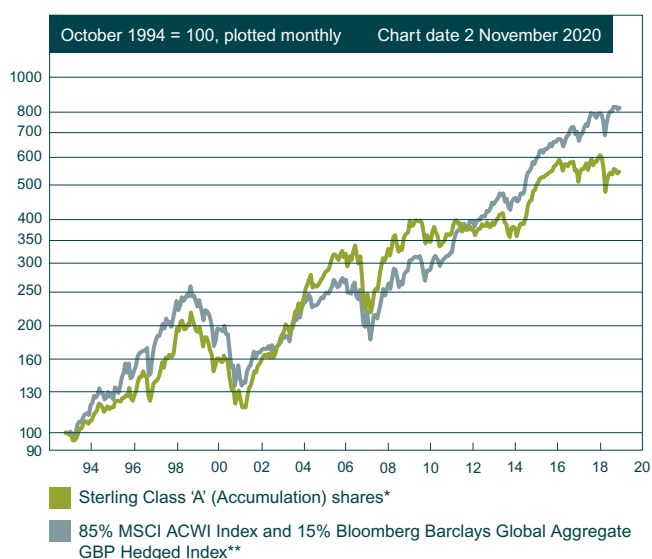
Fund level performance

Fund net asset value

as at 31 October	2020 £'000	2019 £'000	2018 £'000
Fund net asset value (NAV)	725,555	818,294	782,891

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.



* Income reinvested.

**Prior to 31 August 2018 the benchmark was the FTSE World Index. From 1 September 2018 to 9 December 2019 it was the blend of 85% MSCI ACWI Index and 15% BBGBarc Global Aggregate Index. Thereafter it is the blend of 85% MSCI ACWI Index and 15% BBGBarc Global Aggregate GBP Hedged Index.

Source: Morningstar, Inc. and M&G

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.

Long-term performance by share class

	One year 01.11.19 % ^[a]	Three years 01.11.17 % pa	Five years 02.11.15 % pa	Since launch % pa
Sterling ^[b]				
Class 'A'	-6.6	-1.3	+7.8	+8.7 ^[c]
Class 'C'	-5.8	-0.4	+8.8	+13.1 ^[d]
Class 'I'	-6.4	-1.0	+8.2	+6.2 ^[e]
Class 'PP'	-6.3	n/a	n/a	-2.6 ^[f]
Class 'R'	-6.6	-1.2	+7.9	+6.0 ^[e]
Class 'X'	-6.7	-1.5	+7.6	+6.6 ^[g]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

^[c] 1 October 2002, the launch date of the share class.

^[d] 21 June 2012, the launch date of the share class.

^[e] 3 August 2012, the launch date of the share class.

^[f] 8 April 2019, the launch date of the share class.

^[g] 28 October 1994, the end of the initial offer period of the predecessor unit trust.

M&G Managed Growth Fund

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. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge. 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.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 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 or by calling M&G Customer Relations.

Portfolio transaction costs

for the year to 31 October	2020	2019	2018	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.00	0.00	0.00	0.00
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.00	0.00	0.00	0.00
Dilution adjustments ^[c]	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00	0.00

as at 31 October	2020	2019	2018	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.04	0.01	0.02	0.02

^[a] Average of first three columns.

^[b] As a percentage of average net asset value.

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

M&G Managed Growth Fund

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.

Historic yields for the current year are calculated as at 13 November 2020.

Sterling Class 'A' Income share performance

The share class was launched on 1 October 2002. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	109.25	104.63	110.72
Return before operating charges and after direct portfolio transaction costs	(7.48)	8.49	(1.86)
Operating charges	(1.44)	(1.71)	(1.89)
Return after operating charges	(8.92)	6.78	(3.75)
Distributions	(2.37)	(2.16)	(2.34)
Closing NAV	97.96	109.25	104.63
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.40	1.64	1.70
Return after operating charges	-8.16	+6.48	-3.39
Historic yield	2.20	2.03	2.20
Effect on yield of charges offset against capital	1.40	1.58	1.65
Other information			
Closing NAV (£'000)	66,703	74,641	59,530
Closing NAV percentage of total fund NAV (%)	9.19	9.12	7.60
Number of shares	68,093,463	68,320,016	56,897,945
Highest share price (UK p)	116.05	113.40	116.92
Lowest share price (UK p)	82.70	96.39	104.33

Sterling Class 'A' Accumulation share performance

The share class was launched on 1 October 2002. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	126.61	118.70	122.60
Return before operating charges and after direct portfolio transaction costs	(8.62)	9.84	(1.80)
Operating charges	(1.68)	(1.93)	(2.10)
Return after operating charges	(10.30)	7.91	(3.90)
Distributions	(1.25)	(0.84)	(0.86)
Retained distributions	1.25	0.84	0.86
Closing NAV	116.31	126.61	118.70
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.40	1.64	1.70
Return after operating charges	-8.14	+6.66	-3.18
Historic yield	1.01	0.66	0.71
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	43,090	50,986	31,990
Closing NAV percentage of total fund NAV (%)	5.94	6.23	4.09
Number of shares	37,047,557	40,269,806	26,951,068
Highest share price (UK p)	134.51	129.52	129.56
Lowest share price (UK p)	95.89	109.38	116.50

Sterling Class 'C' Income share performance

Sterling Class 'C' shares are not generally available to all investors. The share class was launched on 21 June 2012. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	113.81	107.60	112.35
Return before operating charges and after direct portfolio transaction costs	(7.83)	8.47	(2.30)
Operating charges	0.00	(0.15)	(0.22)
Return after operating charges	(7.83)	8.32	(2.52)
Distributions	(2.40)	(2.11)	(2.23)
Closing NAV	103.58	113.81	107.60
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.00	0.17	0.20
Return after operating charges	-6.88	+7.73	-2.24
Historic yield	2.08	1.86	2.04
Effect on yield of charges offset against capital	0.00	0.11	0.15
Other information			
Closing NAV (£'000)	137,065	129,564	132,094
Closing NAV percentage of total fund NAV (%)	18.89	15.83	16.87
Number of shares	132,322,233	113,839,830	122,761,058
Highest share price (UK p)	121.19	117.75	118.99
Lowest share price (UK p)	86.52	99.31	107.20

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Financial highlights

Specific share class performance

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,583.68	1,507.01	1,583.06
Return before operating charges and after direct portfolio transaction costs	(108.52)	120.60	(29.73)
Operating charges	(13.49)	(14.20)	(15.07)
Return after operating charges	(122.01)	106.40	(44.80)
Distributions	(33.72)	(29.73)	(31.25)
Closing NAV	1,427.95	1,583.68	1,507.01
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.01
Dilution adjustments ^[a]	0.00	(0.01)	(0.01)
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.90	0.96	0.95
Return after operating charges	-7.70	+7.06	-2.83
Historic yield	2.12	1.88	2.04
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (£'000)	41,865	51,391	49,208
Closing NAV percentage of total fund NAV (%)	5.77	6.28	6.29
Number of shares	2,931,783	3,245,060	3,265,239
Highest share price (UK p)	1,683.64	1,641.80	1,674.05
Lowest share price (UK p)	1,200.36	1,389.63	1,501.46

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,761.01	1,644.60	1,692.88
Return before operating charges and after direct portfolio transaction costs	(119.88)	131.95	(32.12)
Operating charges	(15.07)	(15.54)	(16.16)
Return after operating charges	(134.95)	116.41	(48.28)
Distributions	(23.44)	(18.95)	(19.50)
Retained distributions	23.44	18.95	19.50
Closing NAV	1,626.06	1,761.01	1,644.60
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.01
Dilution adjustments ^[a]	0.00	(0.01)	(0.01)
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.90	0.96	0.95
Return after operating charges	-7.66	+7.08	-2.85
Historic yield	1.31	1.06	1.17
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	60,932	73,927	69,418
Closing NAV percentage of total fund NAV (%)	8.40	9.03	8.87
Number of shares	3,747,180	4,197,964	4,220,955
Highest share price (UK p)	1,872.18	1,800.39	1,790.10
Lowest share price (UK p)	1,334.78	1,516.41	1,614.10

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	100.68	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(6.90)	2.36	n/a
Operating charges	(0.71)	(0.20)	n/a
Return after operating charges	(7.61)	2.16	n/a
Distributions	(2.12)	(1.48)	n/a
Closing NAV	90.95	100.68	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	n/a
Dilution adjustments ^[a]	0.00	0.00	n/a
Total direct portfolio transaction costs	0.00	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	n/a
Operating charges	0.75	0.75	n/a
Return after operating charges	-7.56	+2.16	n/a
Historic yield	2.09	1.88	n/a
Effect on yield of charges offset against capital	0.75	0.75	n/a
Other information			
Closing NAV (£'000)	18	20	n/a
Closing NAV percentage of total fund NAV (%)	0.00	0.00	n/a
Number of shares	20,000	20,000	n/a
Highest share price (UK p)	107.07	102.88	n/a
Lowest share price (UK p)	76.35	97.49	n/a

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	102.41	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(7.00)	2.86	n/a
Operating charges	(0.72)	(0.45)	n/a
Return after operating charges	(7.72)	2.41	n/a
Distributions	(1.51)	(1.05)	n/a
Retained distributions	1.51	1.05	n/a
Closing NAV	94.69	102.41	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	n/a
Dilution adjustments ^[a]	0.00	0.00	n/a
Total direct portfolio transaction costs	0.00	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	n/a
Operating charges ^[c]	0.75	0.80	n/a
Return after operating charges	-7.54	+2.41	n/a
Historic yield	1.45	1.21	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (£'000)	187	141	n/a
Closing NAV percentage of total fund NAV (%)	0.03	0.02	n/a
Number of shares	197,663	138,018	n/a
Highest share price (UK p)	108.91	104.67	n/a
Lowest share price (UK p)	77.67	96.44	n/a

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Specific share class performance

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	157.30	150.06	158.00
Return before operating charges and after direct portfolio transaction costs	(10.79)	12.07	(2.87)
Operating charges	(1.71)	(1.80)	(1.90)
Return after operating charges	(12.50)	10.27	(4.77)
Distributions	(3.41)	(3.03)	(3.17)
Closing NAV	141.39	157.30	150.06
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.15	1.21	1.20
Return after operating charges	-7.95	+6.84	-3.02
Historic yield	2.17	1.92	2.08
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (£'000)	4,497	4,594	3,870
Closing NAV percentage of total fund NAV (%)	0.62	0.56	0.49
Number of shares	3,180,873	2,920,820	2,579,278
Highest share price (UK p)	167.15	163.19	166.99
Lowest share price (UK p)	119.13	138.33	149.54

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	173.49	162.35	167.44
Return before operating charges and after direct portfolio transaction costs	(11.82)	13.09	(3.07)
Operating charges	(1.89)	(1.95)	(2.02)
Return after operating charges	(13.71)	11.14	(5.09)
Distributions	(1.89)	(1.45)	(1.50)
Retained distributions	1.89	1.45	1.50
Closing NAV	159.78	173.49	162.35
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.15	1.21	1.20
Return after operating charges	-7.90	+6.86	-3.04
Historic yield	1.08	0.83	0.91
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	37,194	40,235	33,609
Closing NAV percentage of total fund NAV (%)	5.13	4.92	4.29
Number of shares	23,277,690	23,191,252	20,702,347
Highest share price (UK p)	184.36	177.46	176.98
Lowest share price (UK p)	131.40	149.65	159.34

Sterling Class 'X' Income share performance

The share class was launched on 28 October 1994. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	108.77	104.22	110.29
Return before operating charges and after direct portfolio transaction costs	(7.45)	8.50	(1.83)
Operating charges	(1.44)	(1.71)	(1.88)
Return after operating charges	(8.89)	6.79	(3.71)
Distributions	(2.44)	(2.24)	(2.36)
Closing NAV	97.44	108.77	104.22
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.40	1.64	1.70
Return after operating charges	-8.17	+6.52	-3.36
Historic yield	2.29	2.05	2.23
Effect on yield of charges offset against capital	1.40	1.59	1.65
Other information			
Closing NAV (£'000)	334,004	392,795	403,172
Closing NAV percentage of total fund NAV (%)	46.03	48.01	51.50
Number of shares	342,768,627	361,123,855	386,864,680
Highest share price (UK p)	115.54	112.96	116.47
Lowest share price (UK p)	82.35	96.02	103.93

^[a] In respect of direct portfolio transaction costs.

^[b] As a percentage of average net asset value.

^[c] Following the change in charging structure, you may see variances between the comparative and current year figures.

M&G Managed Growth Fund

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Statement of total return

		2020	2019
for the year to 31 October	Note	£'000	£'000
Income			
Net capital gains / (losses)	3	(69,718)	47,395
Revenue	5	17,746	16,269
Expenses	6	(8,234)	(9,793)
Net revenue / (expense) before taxation		9,512	6,476
Taxation	7	0	0
Net revenue / (expense) after taxation		9,512	6,476
Total return before distributions		(60,206)	53,871
Distributions	8	(16,236)	(14,796)
Change in net assets attributable to shareholders from investment activities		(76,442)	39,075

Statement of change in net assets attributable to shareholders

	2020	2019
for the year to 31 October	£'000	£'000
Opening net assets attributable to shareholders	818,294	782,891
Amounts received on issue of shares	56,649	73,919
Amounts paid on cancellation of shares	(74,774)	(79,076)
	(18,125)	(5,157)
Dilution adjustments	24	12
Change in net assets attributable to shareholders from investment activities (see above)	(76,442)	39,075
Retained distributions on Accumulation shares	1,801	1,471
Unclaimed distributions	3	2
Closing net assets attributable to shareholders	725,555	818,294

M&G Managed Growth Fund

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Financial statements (continued)

Balance sheet

as at 31 October	Note	2020 £'000	2019 £'000
Assets			
Fixed assets			
Investments		723,967	815,425
Current assets			
Debtors	9	1,468	491
Cash and bank balances	10	11,855	13,153
Total assets		737,290	829,069
Liabilities			
Investment liabilities		(896)	(291)
Creditors			
Distribution payable		(9,567)	(9,479)
Other creditors	11	(1,272)	(1,005)
Total liabilities		(11,735)	(10,775)
Net assets attributable to shareholders		725,555	818,294

M&G Managed Growth Fund

Financial statements and notes

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 7 and 8.

2 Distribution policies

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

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

3 Net capital gains / (losses)

	2020 £'000	2019 £'000
for the year to 31 October		
Non-derivative securities	(69,736)	37,433
Derivative contracts	(5,675)	12,202
Currency gains / (losses)	92	(8,824)
Management charge rebates taken to capital	5,502	6,069
Administration charge rebates taken to capital	0	489
Transaction charges	0	(2)
Rebate of ongoing charges from underlying funds taken to capital	99	28
Net capital gains / (losses) ^[a]	(69,718)	47,395

^[a] Includes realised gains of £16,115,000 and unrealised losses of £91,434,000 (2019: realised gains of £18,595,000 and unrealised gains of £22,216,000). Certain realised gains and losses in the current year were unrealised in the prior year.

4 Portfolio transactions and associated costs

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

	2020 £'000	% of transaction	2019 £'000	% of transaction
for the year to 31 October				
a) Purchases				
Collective investment schemes	84,104		58,444	
b) Sales				
Collective investment schemes				
Collective investment schemes before transaction costs	97,854		113,995	
Commissions	(1)	0.00	(4)	0.00
Collective investment schemes after transaction costs	97,853		113,991	
c) Direct portfolio transaction costs	2020 £'000	% of average NAV	2019 £'000	% of average NAV
Commissions paid				
Collective investment schemes	1	0.00	4	0.00
Total direct portfolio transaction costs ^[a]	1	0.00	4	0.00
d) Indirect portfolio transaction costs		%		%
Portfolio dealing spread ^[b]		0.04		0.01

^[a] Costs before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

^[b] Average portfolio dealing spread at the balance sheet date.

5 Revenue

	2020 £'000	2019 £'000
for the year to 31 October		
Administration charge rebates	0	227
Bank interest	10	36
Distributions from collective investment schemes: non-taxable	13,889	12,394
Dividends from equity investments: non-taxable	9	(7)
Interest distributions	0	(1)
Management charge rebates	3,838	3,620
Total revenue	17,746	16,269

Revenue includes currency gains/losses.

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6 Expenses

	2020 £'000	2019 £'000
for the year to 31 October		
Payable to the ACD or associate		
Annual charge	8,220	2,264
Annual management charge ^[a] ^[c]	0	6,577
Administration charge ^[b] ^[c]	0	888
	8,220	9,729
Payable to the Depositary or associate		
Depositary's charge (including VAT) ^[c]	0	36
Other expenses		
Audit fee (including VAT) ^[c] ^[d]	0	7
Interest payable	15	21
Safe custody charge ^[c]	(1)	0
	14	28
Total expenses	8,234	9,793

^[a] This charge excludes management charge rebates received from M&G Securities Limited, or an associate, in relation to the annual management charge of the underlying collective investment schemes for which M&G Securities Limited, or an associate, acts as Authorised Corporate Director. These rebates have been recognised as either capital or revenue in notes 3 and 5 and amount to £5,502,000 (2019: £6,069,00) and £3,838,000 (2019: £3,620,000).

^[b] This charge excludes administration charge rebates received from M&G Securities Limited, or an associate, in relation to the administration charge of the underlying collective investment schemes for which M&G Securities Limited, or an associate, acts as Authorised Corporate Director. These rebates have been recognised as either capital or revenue in notes 3 and 5 and amount to £nil (2019: £489,000) and £nil (2019: £227,000).

^[c] The segregated charges shown above for annual management, administration, depositary, audit and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

^[d] Audit fees for the financial year ending 2020 were £9,000 (including VAT).

7 Taxation

	2020 £'000	2019 £'000
for the year to 31 October		
a) Analysis of charge in the year		
Corporation tax	0	0
Deferred tax (note 7c)	0	0
Total taxation	0	0
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	9,512	6,476
Corporation tax at 20%	1,903	1,295
Effects of:		
Tax on management and administration charge rebates taken to capital	1,120	1,317
Dividends from equity investments: non-taxable	(2)	2
Distributions from collective investment schemes: non-taxable	(2,778)	(2,479)
Current year expenses not utilised	(125)	(253)
Offshore realised / unrealised gains from capital	(118)	118
Total tax charge (note 7a)	0	0
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of £3,460,000 (2019: £3,585,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

	2020		2019	
for the year to 31 October	Inc ^[a]	Acc ^[b]	Inc ^[a]	Acc ^[b]
	£'000	£'000	£'000	£'000
Dividend distributions				
Interim	4,809	326	3,609	84
Final	9,567	1,475	9,479	1,387
Total net distributions		16,177		14,559
Income deducted on cancellation of shares		374		333
Income received on issue of shares		(315)		(96)
Distributions		16,236		14,796
Net revenue / (expense) per statement of total return	9,512		6,476	
Expenses offset against capital	6,522		8,048	
Tax on charges taken to capital	202		272	
Distributions		16,236		14,796

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

	2020 £'000	2019 £'000
as at 31 October		
Amounts receivable on issues of shares	184	205
Dividends receivable	1,005	15
Management charge rebates due	276	268
Rebate of ongoing charges from underlying funds	3	3
Total debtors	1,468	491

10 Cash and bank balances

	2020 £'000	2019 £'000
as at 31 October		
Amounts held at futures clearing houses and collateral manager	1,546	1,770
Cash held as bank balances	10,309	11,383
Total cash and bank balances	11,855	13,153

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11 Other creditors

as at 31 October	2020 £'000	2019 £'000
Amounts payable on cancellation of shares	365	752
Annual charge payable	241	246
Expenses payable	0	7
Purchases awaiting settlement	666	0
Total other creditors	1,272	1,005

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2019: same).

13 Shares in issue

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

Share class	Opening 01.11.19	Movements		Closing 31.10.20
		Issued	Cancelled	
Sterling				
Class 'A' Income	68,320,016	3,927,863	(4,154,416)	68,093,463
Class 'A' Accumulation	40,269,806	859,567	(4,081,816)	37,047,557
Class 'C' Income	113,839,830	37,017,064	(18,534,661)	132,322,233
Class 'T' Income	3,245,060	115,028	(428,305)	2,931,783
Class 'T' Accumulation	4,197,964	148,806	(599,590)	3,747,180
Class 'PP' Income	20,000	0	0	20,000
Class 'PP' Accumulation	138,018	63,558	(3,913)	197,663
Class 'R' Income	2,920,820	589,405	(329,352)	3,180,873
Class 'R' Accumulation	23,191,252	1,971,878	(1,885,440)	23,277,690
Class 'X' Income	361,123,855	6,569,504	(24,924,732)	342,768,627

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual charge ^[a] %
Sterling			
Class 'A'	n/a	n/a	1.40
Class 'C'	n/a	n/a	0.00
Class 'T'	n/a	n/a	0.90
Class 'PP'	n/a	n/a	0.75
Class 'R'	n/a	n/a	1.15
Class 'X'	n/a	n/a	1.40

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

15 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the fund except with in specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to

shareholders' and note 8. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end from the annual charge are disclosed in note 11.

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

During the year, there were transactions in shares in related parties of M&G Securities Limited with a total value of £181,544,000 (2019: £157,338,000).

At the balance sheet date, the fund held shares in related parties of M&G Securities Limited with a value of £659,591,000 (2019: £728,055,000).

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 23.16% (2019: 20.03%) of the fund's shares.

16 Events after the balance sheet date

Between 31 October 2020 and 6 January 2021 the value of investments has risen. For further details on the share class movements, please refer to the below table:

Net asset	31.10.20	06.01.21	% Change
Sterling			
Class 'A' Income	97.96	113.91	16.28
Class 'A' Accumulation	116.31	135.27	16.30
Class 'C' Income	103.58	120.66	16.49
Class 'T' Income	1,427.95	1,661.44	16.35
Class 'T' Accumulation	1,626.06	1,891.47	16.32
Class 'PP' Income	90.95	105.84	16.37
Class 'PP' Accumulation	94.69	110.17	16.35
Class 'R' Income	141.39	164.46	16.32
Class 'R' Accumulation	159.78	185.87	16.33
Class 'X' Income	97.44	113.32	16.30

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

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17 Fair value analysis (continued)

Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights. However no such financial instruments were held.

as at 31 October	Assets	Liabilities	Assets	Liabilities
Basis of valuation	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Level 1	63,442	0	77,777	0
Level 2	660,525	(896)	737,648	(291)
Level 3	0	0	0	0
	723,967	(896)	815,425	(291)

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 9 to 10.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by £36,154,000 (2019: £40,757,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

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

21 Interest rate risk sensitivity and exposure

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

22 Credit risk

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

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

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

	Forward currency contracts £'000
as at 31 October 2019	
Bank of America Merrill Lynch	3
BNP Paribas	32
JPMorgan	3004
Morgan Stanley International	37
State Street Bank	516
UBS	5,710
Total	9,302

23 Dividend distribution tables

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

Semi-annual distribution periods

	Start	End	Xd	Payment
Interim	01.11.19	30.04.20	01.05.20	30.06.20
Final	01.05.20	31.10.20	02.11.20	31.12.20

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

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

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

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Financial statements and notes

Notes to the financial statements

23 Dividend distribution tables (continued)

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Interim	0.3816	0.3947	0.7763	0.6090
Final	1.0011	0.5923	1.5934	1.5551

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Interim	0.0123	0.1216	0.1339	0.0000
Final	0.7341	0.3795	1.1136	0.8365

Sterling Class 'C' Income shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Interim	0.0795	0.6930	0.7725	0.5541
Final	0.8315	0.7918	1.6233	1.5605

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Interim	5.9008	5.1267	11.0275	7.7491
Final	13.6295	9.0652	22.6947	21.9841

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Interim	2.8190	2.2529	5.0719	1.9649
Final	12.2670	6.0999	18.3669	16.9875

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Interim	0.6863	0.0000	0.6863	0.1251
Final	1.4289	0.0000	1.4289	1.3577

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Interim	0.2655	0.1018	0.3673	n/a
Final	0.7780	0.3649	1.1429	1.0541

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Interim	0.3361	0.7822	1.1183	0.8065
Final	1.2492	1.0471	2.2963	2.2237

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Interim	0.0963	0.1998	0.2961	0.0000
Final	1.1366	0.4621	1.5987	1.4490

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Interim	0.6295	0.1747	0.8042	0.6179
Final	1.1840	0.4484	1.6324	1.6232

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Investment objective

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

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

Investment policy

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

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

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

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

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

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

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

Investment approach

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

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

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

Benchmark

Benchmark: None.

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

Risk profile

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

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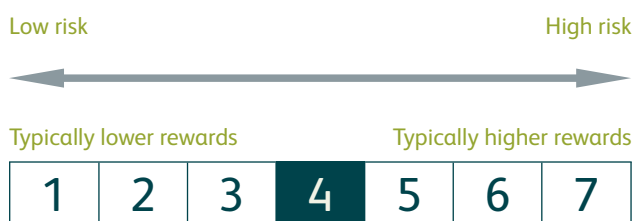
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Risk profile (continued)

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

The blend of assets held in the fund is regularly adjusted, depending on where the fund manager sees the most value, and to manage risks, including liquidity, credit, currency and market risks. The fund's risk 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 2 November 2020, for the year ended 31 October 2020

Performance against objective

Between 1 November 2019 (the start of the review period) and 2 November 2020, the M&G Sustainable Multi Asset Fund recorded negative returns across all share classes.

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

Performance review

The 12 months under review has been dominated by the effects of the COVID-19 pandemic, which emerged from China early in 2020, subsequently spread globally and remains one of the most influential factors for economies and markets. As the disease reached Europe and North America in the early spring months, stockmarkets that had until that time during the review period generally being moving gradually higher, experienced significant weakness and volatility. In the months since mid to late March, share indices have recovered ground to varying degrees, with some markets, such as the broad US market S&P 500 Index, exceeding the levels of a year ago. Share prices in the technology sector, exemplified by the NASDAQ Composite Index in the US,

rapidly made up the ground lost and made further gains during the summer months. Only since September has that area of the world's equity markets seemingly paused its advance and experienced some more volatility. The UK's FTSE 100 Index, and most European stock indices, have yet to fully recover to where they were at the start of the period.

Bond markets were also affected by the outbreak. Yields on government bonds in the US, UK, Germany and elsewhere declined sharply (and prices rose) as equity prices fell and have remained close to such low levels since then, with occasional bouts of volatility. Corporate bonds declined in value initially, reflecting concerns about riskier investments being more susceptible to the expected economic weakness. In a similar vein to the equity markets, they have subsequently recovered much of the ground lost.

We have retained a preference for holding equities in the fund, as we believe they offer more attractive value than bonds. Within that allocation we hold a basket of technology stocks that have performed well overall, including some notably strong returns from companies such as Apple and Microsoft. We have also maintained a preference for the banking sector and have held a basket of bank stocks. Of these, the European banks have proved to be less resilient and resulted in a drag on fund returns. The weakness of these banking stocks proved to be the most substantial contributor to the fund's negative returns during the review period, with further negative contributions from European and Japanese stocks generally. The US holdings provided positive returns, as did the basket of technology stocks overall.

Bond yields, particularly those of mainstream developed, or core markets, such as the US, Germany, UK and Japan, remain low by historic standards, and some are even negative. With the exception of the US Treasury market, we continue to believe such levels do not represent compelling absolute value. The fund's holdings of US Treasuries contributed positively to the fund's returns and was an area where we were more active, adding to holdings when we believed yields had risen too high and scaling back at times when yields had declined further than we believed were justified. During the period under review we also held bonds from peripheral European government bonds from Italy, at times, as we believed they offered good value, particularly relative to German government bonds. These made a positive contribution overall as the yield spread between the two governments narrowed over time, in favour of Italy.

As well as peripheral European governments the fund held positions in a number of emerging market countries, where yields are usually higher than in developed markets. We have held bonds from countries such as Mexico, Brazil, Colombia and South Africa, among others. While the bonds themselves mostly performed positively during the review period, their respective currencies have weakened against sterling, so that the overall contribution to fund returns were negative.

Once the preferred asset allocation for the fund has been determined, which is done using M&G's multi-asset investment process, the largest portion of the fund is invested in a diversified

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Performance review (continued)

range of securities that have favourable environmental, social and governance (ESG) characteristics. Each eligible investment is assessed by reference to independent analysis (provided by MSCI, Morgan Stanley Capital International), which scores companies and governments for their ESG qualities. Government bonds are additionally assessed qualitatively on environmental and societal aspects. ESG scores can range from 0 (the lowest) to 10 (the highest) and at the end of the review period the average ESG score of the ESG-screened investments held in the fund was 6.8.

A separate portion of the fund is dedicated to positive impact investments. These are investments that seek to address the six impact areas we have identified. They are climate action, environmental solutions, circular economy, social inclusion, better work and education and better health, saving lives. The impact investments usually represent 10-30% of the total fund, and we have been adding to this part of the fund in recent months, such that it is now in the upper part of that range.

Each impact area captures at least two of the United Nations Sustainable Development Goals (SDGs) and each positive impact investment is required to be deliberately it is addressing and making a net positive contribution to at least one of the SDGs. The largest component within the fund at the end of the review period is that which addresses climate action. In pursuit of this, the fund held a number of investments in companies that focus on green infrastructure. These include companies such as Hannon Armstrong Sustainable Infrastructure Capital, Greencoat Renewables and Greencoat UK Wind. The former performed particularly well generating a positive contribution to the fund's returns over the period.

Investment activities

We have maintained a preference for equities over bonds throughout the review period, based on our belief that they offer better long-term value. However we have made changes to the constituents of the equity portion of the fund over time. Following the initial stockmarket setbacks in February and March, as COVID-19 took hold in Europe and North America, we added to the fund's equity allocation. This included some additions to the basket of European bank stocks as valuation levels had become more compelling in our view. Later, following the first phase of the equity market recovery in the second quarter of 2020, we scaled back that allocation to bank stocks, in Europe as well as Japan. More recently, following another, more modest setback, we added further to the equity allocation with a focus on US equities. As at the end of the review period, the proportion of the fund held in equities was approximately 46%, compared to the neutral allocation of 40%.

The bond allocation in the fund includes issues from companies (corporate bonds), governments, (from developed markets and emerging markets) as well as supranational bodies such as the International Bank for Reconstruction and Development. Some holdings are green bonds or social bonds. Both areas are a growing section of the bond market, especially the latter, given impetus by the efforts to combat the effects of COVID-19. We

have been active in our positioning in US Treasuries during the period under review, increasing and reducing the holdings tactically, in response to the volatility in the market. Within Europe, for much of the period we maintained an allocation to Italian government bonds on valuation grounds as we believed the additional yield they carried was attractive. This position was reduced at times over the course of the year and was closed completely in September after the market has strengthened further. The emerging market government bonds we hold are usually issued in the local currency, as an undervalued currency often adds attraction to the value we see. Throughout the period we have also added some sustainable bonds to the fund. In April we purchased a social bond, issued by the Inter-American Development Bank, where the proceeds are intended to help alleviate the effects of COVID-19 on the economies of the region. In June, we added a green bond issued in euros, by the Chilean government.

We have also been active in other parts of the positive impact portion of the fund, adding new holdings and increasing existing ones in such areas as green infrastructure and renewable energy technology, through companies such as Hannon Armstrong Sustainable Infrastructure Capital, Inc and SolarEdge Technologies, Inc, each seeking to contribute to the UN Sustainable Development Goals.

Outlook

As the world continues to face the COVID-19 pandemic, the economic outlook remains unclear. At the same time the social and environmental consequences of the disease are also still unfolding. Governments and central banks around the world have been providing large-scale support in an attempt to alleviate the depth and breadth of the effects. The timing and pace of any economic recovery is also unknown, as the world experiences new waves of the pandemic, particularly during the Northern Hemisphere winter.

At the same time, it is unlikely that the social and environmental imperatives that underpin the UN Sustainable Development Goals will have been lessened by any significant degree, if at all. The need to make a positive impact on such things as reducing carbon emissions in pursuit of climate action and improving education standards in developing countries to enhance social inclusion remains strong. We believe that the demand from investors to pursue responsible and sustainable business and investment strategies is only likely to get stronger, and so we position the fund to not only help make that difference, but also with the aim to facilitate achieving the returns set by the fund's objective.

Maria Municchi Fund manager

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

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

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Portfolio statement

as at 31 October		2020	2020	2019
Holding		£'000	%	%
	EQUITIES	7,518	50.98	53.19
	United Kingdom	714	4.84	3.20
	UK equities	714	4.84	3.20
6,599	Bank of Georgia	57	0.39	
21,973	DS Smith	61	0.41	
111,494	Greencoat UK Wind	149	1.01	
103,000	Home Reit	102	0.69	
38,115	Legal & General	70	0.47	
23,132	Marks & Spencer	21	0.14	
84,494	Octopus Renewables Infrastructure Trust	92	0.62	
16,704	Sainsbury (I)	34	0.23	
4,629	Segro REIT	42	0.29	
4,202	Travis Perkins	45	0.31	
6,709	WPP	41	0.28	
	Belgium	53	0.36	0.43
	Belgian equities	53	0.36	0.43
1,396	KBC	53	0.36	
	Denmark	288	1.95	1.53
	Danish equities	288	1.95	1.53
368	ALK-Abelló	93	0.63	
1,583	Novo-Nordisk	80	0.54	
948	Ørsted	115	0.78	
	France	414	2.81	3.07
	French equities	414	2.81	3.07
3,795	BNP Paribas	101	0.68	
975	Capgemini	87	0.59	
1,827	Danone	76	0.52	
141	Kering	65	0.44	
912	Schneider Electric	85	0.58	
	Germany	202	1.37	1.54
	German equities	202	1.37	1.54
1,961	Daimler	78	0.53	
1,201	Fresenius Medical Care	72	0.49	
284	Münchener Rückversicherungs-Gesellschaft	52	0.35	
	Guernsey	132	0.90	1.03
	Guernsey equities	132	0.90	1.03
97,469	Renewables Infrastructure	132	0.90	
	Ireland	171	1.16	0.62
	Irish equities	171	1.16	0.62
164,908	Greencoat Renewables [a]	171	1.16	
	Italy	229	1.55	2.21
	Italian equities	229	1.55	2.21
4,119	Assicurazioni Generali	42	0.28	
10,188	Autogrill	29	0.20	
11,705	Enel	74	0.50	
66,603	Intesa Sanpaolo	84	0.57	
	Netherlands	78	0.53	1.34
	Dutch equities	78	0.53	1.34
14,955	ING	78	0.53	
	Spain	386	2.62	4.20
	Spanish equities	386	2.62	4.20
45,155	Banco Santander	69	0.47	
19,730	Bankinter	56	0.38	
33,765	BBVA	73	0.50	
4,697	CIE Automotive	70	0.47	
2,634	Grifols	55	0.37	
2,286	Inditex	44	0.30	
7,762	Telefónica	19	0.13	
	Switzerland	0	0.00	0.52
	United States	2,621	17.77	11.94
	US equities	2,621	17.77	11.94
1,072	Agilent Technologies	84	0.57	
126	Alphabet	151	1.02	

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Portfolio statement (continued)

as at 31 October Holding		2020 £'000	2020 %	2019 %
	EQUITIES (continued)			
	United States (continued)			
	US equities (continued)			
1,609	American Express	113	0.77	
2,266	Apple	200	1.36	
5,094	Bank of New York Mellon	135	0.92	
284	BlackRock	132	0.90	
757	Bright Horizons Family Solutions	94	0.64	
5,252	Hannon Armstrong Sustainable Infrastructure Capital REIT	174	1.18	
631	Home Depot	131	0.89	
2,691	Johnson Controls International	88	0.60	
12,274	KeyCorp	120	0.81	
337	Lam Research	92	0.62	
1,087	M&T Bank	83	0.56	
1,142	Microsoft	180	1.22	
216	NVIDIA	87	0.59	
1,491	PNC Financial Services	126	0.85	
1,125	Quest Diagnostics	106	0.72	
995	Republic Services	67	0.45	
398	SolarEdge Technologies	83	0.56	
804	Texas Instruments	90	0.61	
410	UnitedHealth	96	0.65	
564	Visa	80	0.54	
1,636	Xylem	109	0.74	
	Brazil	56	0.38	0.46
	Brazilian equities	56	0.38	0.46
91,980	Cogna Educacao	56	0.38	
	Japan	1,271	8.62	12.78
	Japanese equities	1,271	8.62	12.78
17,473	Chiba Bank	69	0.47	
5,580	Daiwa House Industry	113	0.77	
4,661	Honda Motor	84	0.57	
1,570	Horiba	59	0.40	
3,257	Murata Manufacturing	174	1.18	
17,319	Obayashi	111	0.75	
10,801	ORIX	97	0.66	
14,065	Panasonic	99	0.67	
33,237	Resona	84	0.57	
11,855	Sekisui Chemical	141	0.95	
4,301	Sumitomo Mitsui Financial	91	0.62	
5,168	Sumitomo Mitsui Trust	106	0.72	
1,296	West Japan Railway	43	0.29	
	Australia	56	0.38	0.42
	Australian equities	56	0.38	0.42
10,792	Brambles	56	0.38	
	Hong Kong	219	1.48	2.42
	Hong Kong equities	219	1.48	2.42
8,752	AIA	64	0.43	
40,000	Kerry Properties	75	0.51	
166,000	Lenovo	80	0.54	
	India	88	0.60	0.53
	Indian equities	88	0.60	0.53
1,996	HDFC Bank ADR	88	0.60	
	South Korea	131	0.89	1.02
	South Korean equities	131	0.89	1.02
2,857	LG	131	0.89	
	Taiwan	353	2.39	3.01
	Taiwanese equities	353	2.39	3.01
33,000	ASE Technology	56	0.38	
48,616	Cathay Financial	50	0.34	
128,121	E.Sun Financial	84	0.57	
14,000	Taiwan Semiconductor Manufacturing	163	1.10	

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Portfolio statement (continued)

as at 31 October Holding		2020 £'000	2020 %	2019 %
	EQUITIES (continued)			
	South Africa	56	0.38	0.46
	South African equities	56	0.38	0.46
24,547	Sanlam	56	0.38	
	Georgia	0	0.00	0.46
	FIXED INCOME	6,837	46.36	37.94
	United Kingdom	1,314	8.91	3.92
	Government bonds	1,220	8.27	3.92
£670,000	UK Treasury 0% 25/01/2021	670	4.54	
£550,000	UK Treasury 0% 29/03/2021	550	3.73	
	Below investment grade corporate bonds	94	0.64	0.00
€100,000	Vodafone 0.9% 24/11/2026	94	0.64	
	France	224	1.52	0.44
	Investment grade corporate bonds	151	1.02	0.44
US\$64,000	Électricité de France 3.625% 13/10/2025	55	0.37	
€100,000	Unibail-Rodamco-Westfield 2.5% 26/02/2024	96	0.65	
	Below investment grade corporate bonds	73	0.50	0.00
€100,000	Casino Guichard Perrachon 4.498% 07/03/2024	73	0.50	
	Germany	66	0.45	0.41
	Investment grade corporate bonds	66	0.45	0.41
US\$84,000	KFW 2% 30/11/2021	66	0.45	
	Italy	0	0.00	4.93
	Government bonds	0	0.00	4.93
	Portugal	98	0.66	0.00
	Below investment grade corporate bonds	98	0.66	0.00
€100,000	EDP - Energias de Portugal 1.625% 15/04/2027	98	0.66	
	Sweden	78	0.53	0.00
	Below investment grade corporate bonds	78	0.53	0.00
€100,000	Intrum 3% 15/09/2027	78	0.53	
	United States	3,676	24.93	16.73
	Government bonds	2,390	16.21	12.08
US\$960,600	US Treasury 2.75% 15/08/2042	927	6.29	
US\$1,432,400	US Treasury 3% 15/02/2048	1,463	9.92	
	Investment grade corporate bonds	955	6.48	4.65
US\$82,000	Apple 2.85% 23/02/2023	67	0.45	
US\$83,000	Bank of America 3.499% 17/05/2022	65	0.44	
US\$147,000	Inter-American Development Bank 0.875% 03/04/2025	115	0.78	
IDR770,000,000	Inter-American Development Bank 5.5% 07/02/2023	41	0.28	
IDR5,170,000,000	Inter-American Development Bank 7.875% 14/03/2023	289	1.96	
BRL2,220,000	International Bank for Reconstruction & Development 0% 30/01/2024	243	1.65	
US\$157,000	International Bank for Reconstruction & Development 2.5% 22/11/2027	135	0.92	
	Below investment grade corporate bonds	331	2.24	0.00
US\$62,000	Avis Budget Car Rental / Avis Budget Finance 5.25% 15/03/2025	45	0.31	
US\$58,000	DaVita 3.75% 15/02/2031	43	0.29	
US\$53,000	Hanesbrands 4.625% 15/05/2024	43	0.29	
US\$83,000	HCA 5% 15/03/2024	71	0.48	
US\$50,000	KB Home 4.8% 15/11/2029	42	0.28	
US\$54,000	Levi Strauss 5% 01/05/2025	43	0.29	
US\$55,000	Xylem 2.25% 30/01/2031	44	0.30	
	Brazil	0	0.00	2.25
	Government bonds	0	0.00	1.82
	Below investment grade corporate bonds	0	0.00	0.43
	Chile	221	1.50	0.96
	Government bonds	221	1.50	0.96
€242,000	Chile (Republic of) 1.25% 29/01/2040	221	1.50	
	Colombia	229	1.55	1.43
	Government bonds	229	1.55	1.43
COP941,900,000	Colombia (Republic of) 10% 24/07/2024	229	1.55	
	Mexico	321	2.18	2.93
	Government bonds	321	2.18	2.93
MXN7,690,000	Mexico (United Mexican States) 8.5% 18/11/2038	321	2.18	

M&G Sustainable Multi Asset Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at 31 October Holding		2020 £'000	2020 %	2019 %
	FIXED INCOME (continued)			
	Peru	242	1.64	0.90
	Government bonds	242	1.64	0.90
PEN918,000	Peru (Republic of) 6.95% 12/08/2031	242	1.64	
	South Africa	288	1.95	2.76
	Government bonds	288	1.95	2.76
ZAR9,229,871	South Africa (Republic of) 6.25% 31/03/2036	288	1.95	
	Cayman Islands	80	0.54	0.00
	Below investment grade corporate bonds	80	0.54	0.00
US\$92,000	Fibria Overseas Finance 5.5% 17/01/2027	80	0.54	
	Interest rate futures	0	0.00	0.28
	FIXED INCOME PORTFOLIOS	0	0.00	1.78
	Other	0	0.00	1.78
	CURRENCY	(31)	(0.21)	4.26
	Forward currency contracts	(31)	(0.21)	4.26
DKK(1,939,777)	Sold for £235,989 (expires 13.11.20)	2	0.01	
€563,034	Bought for £509,726 (expires 13.11.20)	(3)	(0.02)	
€(3,003,768)	Sold for £2,720,334 (expires 13.11.20)	19	0.13	
¥10,747,588	Bought for £78,563 (expires 13.11.20)	1	0.01	
¥(88,870,172)	Sold for £639,488 (expires 13.11.20)	(16)	(0.11)	
US\$542,199	Bought for £417,235 (expires 13.11.20)	0	0.00	
US\$522,972	Bought for TWD15,198,603 (expires 13.11.20)	(9)	(0.06)	
US\$(8,134,325)	Sold for £6,239,886 (expires 13.11.20)	(25)	(0.17)	
Total portfolio (notes 2c & 2d on page 7)		14,324	97.13	97.17
Net other assets / (liabilities)		423	2.87	2.83
Net assets attributable to shareholders		14,747	100.00	100.00

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

[a] AIM quoted.

M&G Sustainable Multi Asset Fund

Financial highlights

Fund performance

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

The following chart and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (4), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

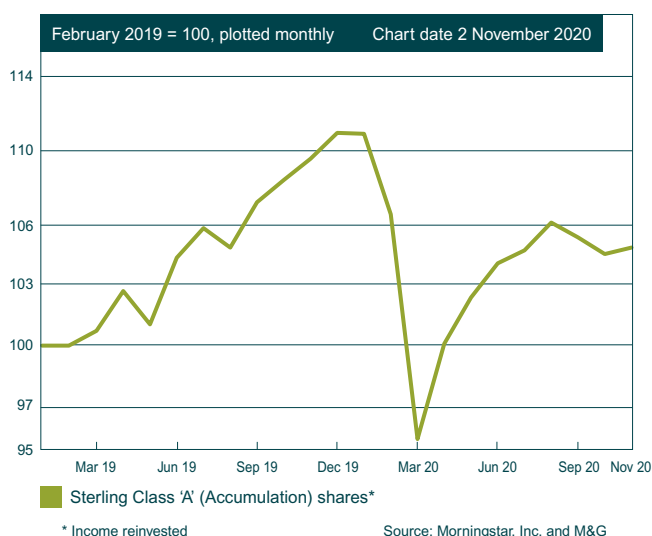
Fund level performance

Fund net asset value

as at 31 October	2020 £'000	2019 £'000
Fund net asset value (NAV)	14,747	12,080

Performance since launch

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



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.

Long-term performance by share class

	One year 01.11.19 % ^[a]	Three years 01.11.17 % pa	Five years 02.11.15 % pa	Since launch % pa
Sterling ^[b]				
Class 'A'	-3.3	n/a	n/a	+2.9 ^[c]
Class 'I'	-2.9	n/a	n/a	+3.3 ^[c]
Class 'L'	-2.7	n/a	n/a	+3.5 ^[c]
Class 'PP'	-2.8	n/a	n/a	+2.2 ^[d]
Class 'R'	-3.1	n/a	n/a	+3.1 ^[c]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

^[c] 20 February 2019, the launch date of the share class.

^[d] 8 April 2019, the launch date of the share class.

M&G Sustainable Multi Asset Fund

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. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge. 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.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 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 or by calling M&G Customer Relations.

Portfolio transaction costs

for the year to 31 October	2020	2019	Average ^[a]
	%	%	%
Direct portfolio transaction costs ^[b]			
Broker commission	0.01	0.04	0.03
Taxes	0.01	0.08	0.04
Costs before dilution adjustments	0.02	0.12	0.07
Dilution adjustments ^[c]	(0.02)	(0.12)	(0.07)
Total direct portfolio transaction costs	0.00	0.00	0.00

as at 31 October	2020	2019	Average ^[a]
	%	%	%
Indirect portfolio transaction costs			
Average portfolio dealing spread	0.24	0.13	0.19

^[a] Average of first two columns.

^[b] As a percentage of average net asset value.

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

M&G Sustainable Multi Asset Fund

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.

Historic yields for the current year are calculated as at 13 November 2020.

Sterling Class 'A' Income share performance

The share class was launched on 20 February 2019. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	105.57	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(2.60)	9.24	n/a
Operating charges	(1.24)	(1.11)	n/a
Return after operating charges	(3.84)	8.13	n/a
Distributions	(2.60)	(2.56)	n/a
Closing NAV	99.13	105.57	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.08	n/a
Dilution adjustments ^[a]	(0.02)	(0.08)	n/a
Total direct portfolio transaction costs	0.00	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	n/a
Operating charges ^[c]	1.24	1.44	n/a
Return after operating charges	-3.64	+8.13	n/a
Historic yield	2.47	3.24	n/a
Effect on yield of charges offset against capital	1.24	1.36	n/a
Other information			
Closing NAV (£'000)	500	94	n/a
Closing NAV percentage of total fund NAV (%)	3.39	0.78	n/a
Number of shares	504,845	88,880	n/a
Highest share price (UK p)	110.42	107.12	n/a
Lowest share price (UK p)	86.76	99.17	n/a

Sterling Class 'A' Accumulation share performance

The share class was launched on 20 February 2019. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	108.19	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(2.63)	9.30	n/a
Operating charges	(1.30)	(1.11)	n/a
Return after operating charges	(3.93)	8.19	n/a
Distributions	(1.36)	(1.59)	n/a
Retained distributions	1.36	1.59	n/a
Closing NAV	104.26	108.19	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.08	n/a
Dilution adjustments ^[a]	(0.02)	(0.08)	n/a
Total direct portfolio transaction costs	0.00	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	n/a
Operating charges ^[c]	1.25	1.43	n/a
Return after operating charges	-3.63	+8.19	n/a
Historic yield	1.24	1.77	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (£'000)	48	43	n/a
Closing NAV percentage of total fund NAV (%)	0.33	0.36	n/a
Number of shares	45,914	40,271	n/a
Highest share price (UK p)	113.71	108.92	n/a
Lowest share price (UK p)	89.34	99.17	n/a

Sterling Class 'I' Income share performance

The share class was launched on 20 February 2019. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	106.03	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(2.71)	9.13	n/a
Operating charges	(0.75)	(0.61)	n/a
Return after operating charges	(3.46)	8.52	n/a
Distributions	(2.51)	(2.49)	n/a
Closing NAV	100.06	106.03	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.08	n/a
Dilution adjustments ^[a]	(0.02)	(0.08)	n/a
Total direct portfolio transaction costs	0.00	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	n/a
Operating charges ^[c]	0.74	0.82	n/a
Return after operating charges	-3.26	+8.52	n/a
Historic yield	2.37	3.22	n/a
Effect on yield of charges offset against capital	0.74	0.75	n/a
Other information			
Closing NAV (£'000)	827	207	n/a
Closing NAV percentage of total fund NAV (%)	5.60	1.71	n/a
Number of shares	825,993	195,127	n/a
Highest share price (UK p)	111.07	107.56	n/a
Lowest share price (UK p)	87.30	99.19	n/a

M&G Sustainable Multi Asset Fund

Financial highlights

Specific share class performance

Sterling Class 'T' Accumulation share performance

The share class was launched on 20 February 2019. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	108.59	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(2.73)	9.21	n/a
Operating charges	(0.78)	(0.62)	n/a
Return after operating charges	(3.51)	8.59	n/a
Distributions	(1.80)	(1.97)	n/a
Retained distributions	1.80	1.97	n/a
Closing NAV	105.08	108.59	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.09	n/a
Dilution adjustments ^[a]	(0.02)	(0.09)	n/a
Total direct portfolio transaction costs	0.00	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	n/a
Operating charges ^[c]	0.75	0.82	n/a
Return after operating charges	-3.23	+8.59	n/a
Historic yield	1.62	2.45	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (£'000)	1,364	431	n/a
Closing NAV percentage of total fund NAV (%)	9.25	3.57	n/a
Number of shares	1,297,852	396,896	n/a
Highest share price (UK p)	114.27	109.32	n/a
Lowest share price (UK p)	89.82	99.19	n/a

Sterling Class 'L' Income share performance

The share class was launched on 20 February 2019. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	106.22	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(2.75)	9.14	n/a
Operating charges	(0.51)	(0.46)	n/a
Return after operating charges	(3.26)	8.68	n/a
Distributions	(2.47)	(2.46)	n/a
Closing NAV	100.49	106.22	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.08	n/a
Dilution adjustments ^[a]	(0.02)	(0.08)	n/a
Total direct portfolio transaction costs	0.00	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	n/a
Operating charges ^[c]	0.50	0.57	n/a
Return after operating charges	-3.07	+8.68	n/a
Historic yield	2.32	3.22	n/a
Effect on yield of charges offset against capital	0.50	0.50	n/a
Other information			
Closing NAV (£'000)	21	22	n/a
Closing NAV percentage of total fund NAV (%)	0.14	0.18	n/a
Number of shares	20,700	20,700	n/a
Highest share price (UK p)	111.35	107.74	n/a
Lowest share price (UK p)	87.53	99.20	n/a

Sterling Class 'L' Accumulation share performance

The share class was launched on 20 February 2019. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	108.73	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(2.78)	9.25	n/a
Operating charges	(0.53)	(0.52)	n/a
Return after operating charges	(3.31)	8.73	n/a
Distributions	(2.02)	(2.12)	n/a
Retained distributions	2.02	2.12	n/a
Closing NAV	105.42	108.73	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.08	n/a
Dilution adjustments ^[a]	(0.02)	(0.08)	n/a
Total direct portfolio transaction costs	0.00	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	n/a
Operating charges ^[c]	0.50	0.60	n/a
Return after operating charges	-3.04	+8.73	n/a
Historic yield	1.81	2.67	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (£'000)	10,883	10,974	n/a
Closing NAV percentage of total fund NAV (%)	73.80	90.85	n/a
Number of shares	10,323,625	10,092,332	n/a
Highest share price (UK p)	114.50	109.47	n/a
Lowest share price (UK p)	90.01	99.20	n/a

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	103.29	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(2.67)	4.21	n/a
Operating charges	(0.53)	(0.16)	n/a
Return after operating charges	(3.20)	4.05	n/a
Distributions	(2.42)	(0.76)	n/a
Closing NAV	97.67	103.29	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	n/a
Dilution adjustments ^[a]	(0.02)	(0.03)	n/a
Total direct portfolio transaction costs	0.00	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	n/a
Operating charges	0.54	0.55	n/a
Return after operating charges	-3.10	+4.05	n/a
Historic yield	2.33	3.22	n/a
Effect on yield of charges offset against capital	0.54	0.55	n/a
Other information			
Closing NAV (£'000)	180	21	n/a
Closing NAV percentage of total fund NAV (%)	1.22	0.17	n/a
Number of shares	184,341	20,000	n/a
Highest share price (UK p)	108.27	104.75	n/a
Lowest share price (UK p)	85.11	99.11	n/a

M&G Sustainable Multi Asset Fund

Financial highlights

Specific share class performance

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	106.17	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(2.69)	6.57	n/a
Operating charges	(0.56)	(0.40)	n/a
Return after operating charges	(3.25)	6.17	n/a
Distributions	(1.93)	(2.04)	n/a
Retained distributions	1.93	2.04	n/a
Closing NAV	102.92	106.17	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.07	n/a
Dilution adjustments ^[a]	(0.02)	(0.07)	n/a
Total direct portfolio transaction costs	0.00	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	n/a
Operating charges ^[c]	0.54	0.61	n/a
Return after operating charges	-3.06	+6.17	n/a
Historic yield	1.77	2.63	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (£'000)	373	51	n/a
Closing NAV percentage of total fund NAV (%)	2.53	0.42	n/a
Number of shares	362,089	47,891	n/a
Highest share price (UK p)	111.78	106.88	n/a
Lowest share price (UK p)	87.87	98.41	n/a

Sterling Class 'R' Income share performance

The share class was launched on 20 February 2019. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	105.85	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(2.64)	9.16	n/a
Operating charges	(1.01)	(0.79)	n/a
Return after operating charges	(3.65)	8.37	n/a
Distributions	(2.56)	(2.52)	n/a
Closing NAV	99.64	105.85	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.08	n/a
Dilution adjustments ^[a]	(0.02)	(0.08)	n/a
Total direct portfolio transaction costs	0.00	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	n/a
Operating charges ^[c]	0.99	1.06	n/a
Return after operating charges	-3.45	+8.37	n/a
Historic yield	2.42	3.23	n/a
Effect on yield of charges offset against capital	0.99	1.00	n/a
Other information			
Closing NAV (£'000)	143	56	n/a
Closing NAV percentage of total fund NAV (%)	0.97	0.46	n/a
Number of shares	143,782	52,573	n/a
Highest share price (UK p)	110.80	107.39	n/a
Lowest share price (UK p)	87.07	99.18	n/a

Sterling Class 'R' Accumulation share performance

The share class was launched on 20 February 2019. for the year to 31 October			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	108.50	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(2.73)	9.33	n/a
Operating charges	(1.04)	(0.83)	n/a
Return after operating charges	(3.77)	8.50	n/a
Distributions	(1.59)	(1.83)	n/a
Retained distributions	1.59	1.83	n/a
Closing NAV	104.73	108.50	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.08	n/a
Dilution adjustments ^[a]	(0.02)	(0.08)	n/a
Total direct portfolio transaction costs	0.00	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	n/a
Operating charges ^[c]	0.99	1.10	n/a
Return after operating charges	-3.47	+8.50	n/a
Historic yield	1.43	2.22	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (£'000)	408	181	n/a
Closing NAV percentage of total fund NAV (%)	2.77	1.50	n/a
Number of shares	389,543	167,195	n/a
Highest share price (UK p)	114.06	109.18	n/a
Lowest share price (UK p)	89.63	99.18	n/a

^[a] In respect of direct portfolio transaction costs.

^[b] As a percentage of average net asset value.

^[c] Following the change in charging structure, you may see variances between the comparative and current year figures.

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Statement of total return

		2020		2019	
for the year to 31 October	Note	£'000	£'000	£'000	£'000
Income					
Net capital gains / (losses)	3		(613)		767
Revenue	5	367		297	
Expenses	6	(75)		(37)	
Net revenue / (expense) before taxation		292		260	
Taxation	7	(42)		(32)	
Net revenue / (expense) after taxation			250		228
Total return before distributions			(363)		995
Distributions	8		(259)		(229)
Change in net assets attributable to shareholders from investment activities			(622)		766

Statement of change in net assets attributable to shareholders

		2020		2019	
for the year to 31 October		£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders			12,080		0
Amounts received on issue of shares		3,237		21,537	
Amounts paid on cancellation of shares		(189)		(10,461)	
			3,048		11,076
Dilution adjustments			6		16
Change in net assets attributable to shareholders from investment activities (see above)			(622)		766
Retained distributions on Accumulation shares			235		222
Closing net assets attributable to shareholders			14,747		12,080

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Balance sheet

as at 31 October	Note	2020 £'000	2019 £'000
Assets			
Fixed assets			
Investments		14,377	11,800
Current assets			
Debtors	9	145	125
Cash and bank balances	10	311	257
Total assets		14,833	12,182
Liabilities			
Investment liabilities		(53)	(62)
Creditors			
Overdrawn positions at futures clearing houses and collateral manager		0	(17)
Distribution payable		(10)	(3)
Other creditors	11	(23)	(20)
Total liabilities		(86)	(102)
Net assets attributable to shareholders		14,747	12,080

M&G Sustainable Multi Asset Fund

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Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 7 and 8.

2 Distribution policies

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

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

3 Net capital gains / (losses)

for the year to 31 October	2020 £'000	2019 £'000
Non-derivative securities	(433)	807
Derivative contracts	(187)	(85)
Currency gains / (losses)	7	48
Transaction charges	0	(3)
Net capital gains / (losses) ^[a]	(613)	767

^[a] Include realised gains of £643,000 and unrealised losses of £1,256,000 (2019: realised losses of £443,000 and unrealised gains of £1,213,000). Certain realised gains and losses in the current year were unrealised in the prior year.

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 72.

for the year to 31 October	2020 £'000	% of transaction	2019 £'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	2,583		6,069	
Commissions	1	0.04	2	0.03
Taxes	2	0.08	3	0.05
Equities after transaction costs	2,586		6,074	
Debt securities ^[a]	6,540		5,975	
Collective investment schemes				
Collective investment schemes before transaction costs	53		725	
Taxes	0	0.00	1	0.07
Collective investment schemes after transaction costs	53		726	
Other transaction types				
Corporate actions	0		4	
Total purchases after transaction costs	9,179		12,779	
b) Sales				
Equities	997		160	
Debt securities ^[a]	4,359		1,934	
Collective investment schemes	217		297	
Total sales after transaction costs	5,573		2,391	
c) Direct portfolio transaction costs				
	2020 £'000	% of average NAV	2019 £'000	% of average NAV
Commissions paid				
Equities	1	0.01	2	0.04
Taxes paid				
Equities	2	0.01	3	0.06
Collective investment schemes	0	0.00	1	0.02
Total direct portfolio transaction costs ^[b]	3	0.02	6	0.12
d) Indirect portfolio transaction costs				
		%		%
Portfolio dealing spread ^[c]		0.24		0.13

^[a] These transaction types do not attract direct portfolio transaction costs.

^[b] Costs before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

^[c] Average portfolio dealing spread at the balance sheet date.

5 Revenue

for the year to 31 October	2020 £'000	2019 £'000
Derivative revenue	(2)	(3)
Distributions from collective investment schemes: property income dividends	1	1
Dividends from equity investments: non-taxable	178	166
Dividends from equity investments: taxable	3	0
Interest on debt securities	184	132
Rebate of ongoing charges from underlying funds	0	1
Stock dividends	3	0
Total revenue	367	297

Revenue includes currency gains/losses.

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6 Expenses

	2020	2019
for the year to 31 October	£'000	£'000
Payable to the ACD or associate		
Annual charge	76	15
Annual management charge ^[a]	0	11
Administration charge ^[a]	0	7
	76	33
Payable to the Depositary or associate		
Depositary's charge (including VAT) ^[a]	0	1
Other expenses		
Legal fees	0	2
Safe custody charge ^[a]	(1)	1
	(1)	3
Total expenses	75	37

^[a] The segregated charges shown above for annual management, administration, depositary and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

Audit fees for the financial year ending 2020 were £8,000 (including VAT).

7 Taxation

	2020	2019
for the year to 31 October	£'000	£'000
a) Analysis of charge in the year		
Corporation tax	22	19
Withholding tax	21	14
Double taxation relief	(1)	(1)
Deferred tax (note 7c)	0	0
Total taxation	42	32
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	292	260
Corporation tax at 20%	58	52
Effects of:		
Dividends from equity investments: non-taxable	(36)	(33)
Total double taxation relief	(1)	(1)
Withholding tax	21	14
Total tax charge (note 7a)	42	32
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

There is no provision required for deferred taxation at the current date for the current period.

8 Distributions

	2020		2019	
for the year to 31 October	Inc ^[a]	Acc ^[b]	Inc ^[a]	Acc ^[b]
Dividend distributions	£'000	£'000	£'000	£'000
First interim	3	39	n/a	n/a
Second interim	11	77	1	60
Third interim	9	59	2	90
Final	10	60	3	72
Total net distributions		268		228
Income deducted on cancellation of shares		1		65
Income received on issue of shares		(10)		(64)
Distributions		259		229
Net revenue / (expense) per statement of total return		250		228
Expenses offset against capital		9		1
Distributions		259		229

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

	2020	2019
as at 31 October	£'000	£'000
Amounts receivable on issues of shares	54	40
Debt security interest receivable	62	50
Dividends receivable	23	27
Withholding tax recoverable	6	8
Total debtors	145	125

10 Cash and bank balances

	2020	2019
as at 31 October	£'000	£'000
Cash held as bank balances	311	257
Total cash and bank balances	311	257

11 Other creditors

	2020	2019
as at 31 October	£'000	£'000
Annual charge payable	2	2
Corporation tax payable	21	17
Expenses payable	0	1
Total other creditors	23	20

12 Contingent assets, liabilities and outstanding commitments

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

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13 Shares in issue

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

Share class	Opening 01.11.19	Movements		Closing 31.10.20
		Issued	Cancelled	
Sterling				
Class 'A' Income	88,880	417,716	(1,751)	504,845
Class 'A' Accumulation	40,271	7,245	(1,602)	45,914
Class 'I' Income	195,127	658,311	(27,445)	825,993
Class 'I' Accumulation	396,896	1,001,065	(100,109)	1,297,852
Class 'L' Income	20,700	0	0	20,700
Class 'L' Accumulation	10,092,332	234,698	(3,405)	10,323,625
Class 'PP' Income	20,000	167,433	(3,092)	184,341
Class 'PP' Accumulation	47,891	315,619	(1,421)	362,089
Class 'R' Income	52,573	93,218	(2,009)	143,782
Class 'R' Accumulation	167,195	262,361	(40,013)	389,543

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual charge ^[a] %
Sterling			
Class 'A'	n/a	n/a	1.25
Class 'I'	n/a	n/a	0.75
Class 'L'	n/a	n/a	0.50
Class 'PP'	n/a	n/a	0.55
Class 'R'	n/a	n/a	1.00

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

15 Related parties

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

Amounts paid to M&G Securities Limited in respect of the annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end from the annual charge are disclosed in note 11.

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

During the year, there were transactions in shares in related parties of M&G Securities Limited with a total value of £217,000 (2019: £201,000).

At the balance sheet date, the fund held shares in related parties of M&G Securities Limited with a value of £nil (2019: £215,000).

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 71.45% (2019: 90.57%) of the fund's shares.

16 Events after the balance sheet date

Between 31 October 2020 and 6 January 2021 the value of investments has risen. For further details on the share class movements, please refer to the below table:

Net asset	31.10.20	06.01.21	% Change
Sterling			
Class 'A' Income	99.13	109.37	10.33
Class 'A' Accumulation	104.26	115.03	10.33
Class 'I' Income	100.06	110.48	10.42
Class 'I' Accumulation	105.08	116.04	10.43
Class 'L' Income	100.49	111.00	10.46
Class 'L' Accumulation	105.42	116.45	10.46
Class 'PP' Income	97.67	107.87	10.45
Class 'PP' Accumulation	102.92	113.65	10.42
Class 'R' Income	99.64	109.98	10.37
Class 'R' Accumulation	104.73	115.59	10.37

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights. However no such financial instruments were held.

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17 Fair value analysis (continued)

as at 31 October	Assets	Liabilities	Assets	Liabilities
Basis of valuation	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Level 1	11,120	0	8,391	0
Level 2	3,257	(53)	3,409	(62)
Level 3	0	0	0	0
	14,377	(53)	11,800	(62)

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 9 to 10.

19 Market risk sensitivity and exposure

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

The VaR limit set during the financial year to 31 October 2020 was 12% (2019: 12%).

The lowest, highest and average VaR, as well as utilisation of VaR with reference to the limit above, are calculated during the financial years ended 31 October 2020 and 31 October 2019.

	2020	2020 Utilisation of VaR [a]	2019	2019 Utilisation of VaR [a]
for the year to 31 October	% of VaR	12%	% of VaR	12%
Lowest	3.66	30.50	3.94	32.83
Highest	14.30 [b]	119.17	4.73	39.42
Average	8.93	74.44	4.34	36.15

[a] The VaR on the fund has been divided by its maximum limit.

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

20 Credit risk

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

as at 31 October	2020 £'000	2019 £'000
Investment grade securities	6,180	3,997
Below investment grade securities	655	553
Unrated securities	0	450
Other investments	7,489	6,738
Total	14,324	11,738

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

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

as at 31 October 2019	Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch	0	34
Barclays Bank	3	0
Citigroup	(14)	0
HSBC	159	0
JPMorgan	268	0
National Australia Bank	1	0
Royal Bank of Canada	(10)	0
State Street Bank	9	0
UBS	98	0
Total	514	34

21 Leverage risk

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

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

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21 Leverage risk (continued)

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 31 October 2020 and 31 October 2019 are disclosed in the table below.

for the year to 31 October	2020 £'000	2020 ^[a] % ^[b]	2019 £'000	2019 ^[a] % ^[b]
Lowest	20,577	145	9,279	83
Highest	46,738	366	29,009	263
Average	23,965	180	11,248	100

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

^[b] Expressed as a percentage over net assets.

22 Dividend distribution tables

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

Quarterly distribution periods

	Start	End	Xd	Payment
First interim	01.11.19	31.01.20	03.02.20	31.03.20
Second interim	01.02.20	30.04.20	01.05.20	30.06.20
Third interim	01.05.20	31.07.20	03.08.20	30.09.20
Final	01.08.20	31.10.20	02.11.20	31.12.20

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

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

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

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.1179	0.4049	0.5228	n/a
Second interim	0.3479	0.4603	0.8082	0.6961
Third interim	0.3796	0.2525	0.6321	1.0327
Final	0.2341	0.4007	0.6348	0.8330

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.0977	0.0941	0.1918	n/a
Second interim	0.2476	0.2680	0.5156	0.4340
Third interim	0.0268	0.3066	0.3334	0.6503
Final	0.1743	0.1471	0.3214	0.5013

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.2948	0.2034	0.4982	n/a
Second interim	0.3664	0.4213	0.7877	0.6801
Third interim	0.1528	0.4588	0.6116	0.9984
Final	0.1563	0.4574	0.6137	0.8096

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.1822	0.1224	0.3046	n/a
Second interim	0.2881	0.3334	0.6215	0.5447
Third interim	0.1878	0.2520	0.4398	0.8094
Final	0.2407	0.1955	0.4362	0.6166

Sterling Class 'L' Income shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.4879	0.0000	0.4879	n/a
Second interim	0.7781	0.0000	0.7781	0.6749
Third interim	0.5998	0.0000	0.5998	0.9823
Final	0.6043	0.0000	0.6043	0.7989

Sterling Class 'L' Accumulation shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.2134	0.1457	0.3591	n/a
Second interim	0.5495	0.1234	0.6729	0.5822
Third interim	0.1985	0.2944	0.4929	0.8615
Final	0.2477	0.2430	0.4907	0.6715

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.0861	0.3926	0.4787	n/a
Second interim	0.2107	0.5504	0.7611	n/a
Third interim	0.2295	0.3573	0.5868	n/a
Final	0.0697	0.5197	0.5894	0.7573

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22 Dividend distribution tables (continued)

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.1168	0.2252	0.3420	n/a
Second interim	0.1071	0.5400	0.6471	0.5683
Third interim	0.2313	0.2397	0.4710	0.8302
Final	0.0985	0.3715	0.4700	0.6464

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.3471	0.1635	0.5106	n/a
Second interim	0.0417	0.7586	0.8003	0.6881
Third interim	0.3938	0.2285	0.6223	1.0090
Final	0.2151	0.4096	0.6247	0.8227

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 October	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.0666	0.1831	0.2497	n/a
Second interim	0.2943	0.2753	0.5696	0.5083
Third interim	0.1383	0.2487	0.3870	0.7567
Final	0.1885	0.1920	0.3805	0.5614

M&G Investment Funds (4)

Other regulatory disclosures

Alternative Investment Fund Managers Directive (AIFMD)

In accordance with the AIFMD we are required to report to investors on the 'leverage' of the fund and any 'special arrangements' that exist in relation to the fund's assets.

Leverage

Under AIFMD, leverage is defined as any method by which the fund increases its exposure through borrowing or the use of derivatives. This exposure must be calculated in two ways, the 'gross method' and the 'commitment method'. The fund must not exceed maximum exposures under both methods.

'Gross method' is calculated as the sum of all positions of the fund (both positive and negative), that is, all eligible assets, liabilities and derivatives, including derivatives held for risk reduction purposes.

'Commitment method' exposure is also calculated as the sum of all positions of the fund (both positive and negative), but after netting off derivative and security positions as specified by AIFMD rules.

Therefore as at 31 October 2020 the total amount of leverage is as follows:

Gross method:

M&G Episode Allocation Fund 229%
M&G Episode Growth Fund 206%
M&G Sustainable Multi Asset Fund 169%
M&G Managed Growth Fund 133%

Commitment method:

M&G Episode Allocation Fund 148%
M&G Episode Growth Fund 262%
M&G Sustainable Multi Asset Fund 101%
M&G Managed Growth Fund 114%

Special arrangements

A 'Special Arrangement' is an arrangement in relation to fund assets that results in an investor or group of investors receiving different redemption rights to those generally available to investors in a given share class.

The fund had no assets subject to special arrangements for the period ending 31 October 2020.

Remuneration

In line with the requirements of the Alternative Investment Fund Managers Directive ("AIFMD"), M&G Securities Limited (the "AIFM") is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under the AIFMD.

The remuneration policy is designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of employees is in line with the risk policies and objectives of the alternative investment funds managed by the AIFM. Further details of the remuneration policy can be found here: <https://www.mandgplc.com/our-business/mandg-investments/mandg-investments-business-policies>. The remuneration policy and its implementation is reviewed on an annual basis, or more frequently where required, and is approved by the M&G plc Board Remuneration Committee.

The AIFM is required under the AIFMD to make quantitative disclosures of remuneration. These disclosures are made in line with M&G's interpretation of currently available guidance on quantitative remuneration disclosures. As market or regulatory guidance evolves, M&G may consider it appropriate to make changes to the way in which quantitative disclosures are calculated. Members of staff and senior management typically provide both AIFMD and non-AIFMD related services and have a number of areas of responsibility. Therefore, only the portion of remuneration for those individuals' services which may be attributable to the AIFM is included in the remuneration figures disclosed. Accordingly the figures are not representative of any individual's actual remuneration.

M&G Securities Limited does not directly employ any staff members. However, for the financial year ended 31 December 2019, aggregate remuneration of £2,263,768 (£496,699 in respect of fixed remuneration and £1,767,069 in respect of variable remuneration) was paid to individuals whose actions may have a material impact on the risk profile of the AIFM, of which £55,360 related to senior management.

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.

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.

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.

Glossary

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'.

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.

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

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.

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.

Glossary

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.

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.

Glossary

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.

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).

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.

