



M&G Investment Funds (10)

Interim Long Report and unaudited Financial Statements
for the six months ended 30 September 2020

Contents

M&G Investment Funds (10)

Authorised Corporate Director's Report	Page 1
---	---------------

Directors' statement	Page 3
----------------------	--------

Financial statements and notes	Page 4
---------------------------------------	---------------

Authorised Corporate Director's Reports, including the financial highlights and financial statements and notes for:

M&G Absolute Return Bond Fund	Page 5
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M&G Global Enhanced Equity Premia Fund	Page 20
--	---------

M&G Global High Yield ESG Bond Fund	Page 33
-------------------------------------	---------

M&G Global Listed Infrastructure Fund	Page 45
---------------------------------------	---------

M&G Positive Impact Fund	Page 61
--------------------------	---------

M&G UK Inflation Linked Corporate Bond Fund	Page 75
---	---------

Glossary	Page 88
-----------------	----------------

M&G Investment Funds (10)

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (10) presents its Interim Long Report and unaudited Financial Statements for the six months ended 30 September 2020.

The unaudited financial statements of M&G Investment Funds (10) and the investment report and unaudited financial statements and notes of each sub-fund are presented in their individual sections of this report as set out in the contents page.

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

Company information

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

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

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

As at 30 September 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 Absolute Return Bond Fund

Jim Leaviss and Wolfgang Bauer

M&G Global Enhanced Equity Premia Fund

Gautam Samarth and Marc Beckenstrater

At the start of the review period Gautam Samarth was the sole fund manager.

M&G Global High Yield ESG Bond Fund

James Tomlins and Stefan Isaacs

M&G Global Listed Infrastructure Fund

Alex Araujo

M&G Positive Impact Fund

John William Olsen

M&G UK Inflation Linked Corporate Bond Fund

Ben Lord

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, Drummond House, 1 Redheughs Avenue, Edinburgh EH12 9RH, UK
(Authorised and regulated by the Financial Conduct Authority)

M&G Investment Funds (10)

Authorised Corporate Director's Report

Independent auditor

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

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.

Annual value assessment

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

Important information

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.

The M&G Absolute Return Bond Fund Euro Z-H Accumulation share class closed on 4 August 2020 and is not available for investment.

Investor information

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

Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

M&G Investment Funds (10)

Authorised Corporate Director's Report

Authorised Corporate Director's Responsibilities

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

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

Directors' statement

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

M&G Securities Limited
13 November 2020

M&G Investment Funds (10)

Financial statements and notes

The financial statements for M&G Investment Funds (10) comprise the individual financial statements for each fund and the notes below.

Notes to the financial statements

Accounting policies

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

The interim financial statements have been prepared on the same basis as the audited financial statements for the year ended 31 March 2020. They are prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014 and amended in June 2017.

M&G Absolute Return Bond Fund

Authorised Corporate Director's Report

Investment objective

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

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

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

Investment policy

The fund invests at least 70% in fixed and variable rate securities (including, but not limited to, corporate bonds and government and public securities), currencies, cash, near cash and deposits. These may be from anywhere in the world and denominated in any currency.

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

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

Investment approach

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

Benchmark

Benchmark: 3-month GBP LIBOR + 2.5%.

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

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

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

For unhedged share classes, the rate is shown in the share class currency. For Euro hedged share classes, the benchmark is the 3-month EURIBOR + 2.5%.

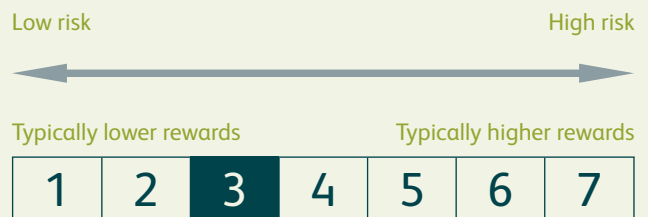
Risk profile

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

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

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

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



The above number:

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

M&G Absolute Return Bond Fund

Authorised Corporate Director's Report

Investment review

As at 1 October 2020, for the six months ended 30 September 2020

Performance against objective

Between 1 April 2020 (the start of the review period) and 1 October 2020, the M&G Absolute Return Bond Fund delivered a positive return (the combination of capital growth and income), and was also ahead of three-month GBP LIBOR + 2.5% across all share classes. Three-month GBP LIBOR + 2.5% stood at 1.4% over the period.

The fund's objective is to achieve a total return of at least 2.5% per annum above the three-month GBP LIBOR rate, before any charges are taken, in any market condition and over any three-year period. LIBOR is the rate at which banks borrow money from each other. Over three years, the three-month GBP LIBOR + 2.5% stood at 3.2% pa.

Over three years, the fund is marginally behind its benchmark and therefore has not met its objective. This was largely as a result of the sharp downturn in financial markets in March 2020. However, we believe the fund remains well placed to meet its objective as asset prices recover.

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

Following the unprecedented market turbulence in the early part of 2020, investor sentiment recovered strongly from April onwards, helped by a slowing in new COVID-19 cases and signs of a gradual pick-up in economic activity. Markets were also buoyed by the unprecedented stimulus measures announced by governments and central banks around the world. While September saw some renewed weakness amid concerns over a resurgence in virus case numbers, along with political uncertainty ahead of the upcoming US presidential election, market sentiment remained relatively upbeat overall.

Against this backdrop, fixed income markets recorded solid returns in the period. Within corporate bond markets, US and European high yield outperformed investment grade, mirroring the robust demand for riskier areas of fixed income. The performance of government bonds was more muted as investors shifted out of UK gilts, US Treasuries and German bunds for either corporate bonds or issues from European peripheral markets. Italian government bonds (BTPs) and Spanish government bonds both delivered solid returns, boosted by progress on the EU Recovery Fund.

The M&G Absolute Return Bond Fund is a flexible, multi-strategy bond fund that targets steady positive returns, with a specific focus on minimising volatility and monthly losses in difficult market conditions. As a highly diversified portfolio, the fund provides exposure to a broad range of fixed income strategies across global corporate bond, government bond and currency markets.

The fund draws on the best ideas of M&G's Public Fixed Income team, giving investors access to an extensive range of investment knowledge across global bond markets. The team has long-running experience in managing flexible bond strategies and has demonstrated the ability to manage risk during periods of heightened volatility, such as during the global financial crisis and the eurozone debt crisis. The team members adopt a disciplined investment process, combining macroeconomic analysis, stock selection and robust risk management.

The fund delivered a solid return during the review period, with performance mainly driven by a strong recovery across our corporate bond positions.

Investment activities

In the early part of the period, we trimmed the fund's duration (sensitivity to movements in interest rates) given the strength in government bond markets at this time. We also took the opportunity to reduce or sell a number of our corporate bond positions which had recovered strongly, but where we saw only limited further upside. This included a number of US high yield positions, as well as a couple of long-dated investment grade corporate bonds.

We saw a heavy supply of new corporate bond issuance over the period, although we remained very selective in this space. While we did participate in a number of deals early in the period, in general we thought valuations had become less attractive, while the average credit quality of companies tapping the primary market had also deteriorated.

In July, we added a small amount of duration due to rising concerns surrounding the global economic recovery. In particular, we topped up our US dollar duration position as we believed US Treasuries, even after their earlier gains, still offered good upside potential in the event of a more pronounced economic downturn.

During this period, we also took the opportunity to sell some of our lower rated, more cyclical corporate bond positions which had recovered strongly. We reinvested the proceeds into more defensive names, including a number of new issues in the mortgage-backed securities (MBS) market.

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

Outlook

With global interest rates likely to remain close to zero for the foreseeable future, we continue to find value in selected areas within the fixed income market, both in relative and absolute terms. A strong demand for income, coupled with the ongoing support of the world's central banks, should provide a solid foundation for valuations, in our view. As economic activity has picked up in recent months, we would also highlight the marked fall in credit downgrades amongst corporate bond issuers.

M&G Absolute Return Bond Fund

Authorised Corporate Director's Report

Outlook (continued)

Nevertheless, given the strength of the recovery in markets over the past few months, we think a more selective approach will be needed to help identify the attractive pockets of value that can still be found in fixed income markets. We believe the fund's flexible and diversified investment approach leaves it well placed to capture these opportunities, while at the same time maintaining a strong focus on minimising losses in the event of further market weakness.

Jim Leaviss and Wolfgang Bauer

Co-fund managers

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

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

M&G Absolute Return Bond Fund

Authorised Corporate Director's Report

Portfolio statement

as at Holding		30.09.20 £'000	30.09.20 %	31.03.20 %
	FIXED INCOME	22,534	84.58	93.34
	Debt securities	23,082	86.64	93.65
	'AAA' credit rated bonds	4,449	16.70	9.26
£113,004	Albion No. 4 FRN 0.7431% 17/08/2062	114	0.43	
AU\$900,000	Australia (Commonwealth of) 1.75% 21/06/2051	500	1.88	
£250,000	CPPIB Capital 1.125% 14/12/2029	257	0.96	
£206,105	Dukinfield FRN 1.3066% 20/12/2052	206	0.77	
£300,000	Economic Master Issuer 2020-1 FRN	301	1.13	
£188,064	Finsbury Square 2020-1 FRN 0.8593% 16/03/2070	188	0.71	
£100,000	Germany (Federal Republic of) IL 0.1% 15/04/2023	101	0.38	
€353,000	Harvest CLO VIII FRN 0.73% 15/01/2031	321	1.20	
€150,000	Netherlands Government Bond 0% 15/07/2030	143	0.54	
NOK2,000,000	Norway (Kingdom of) 2% 24/05/2023	173	0.65	
€178,711	Paragon Mortgages No. 11 FRN 0% 15/10/2041	163	0.61	
£114,000	PCL Funding III FRN 0.699% 15/06/2023	113	0.42	
£97,357	Precise Mortgage Funding 2020-1B FRN 0.9858% 16/10/2056	97	0.36	
£190,081	Residential Mortgage Securities No. 30 FRN 0.8566% 20/03/2050	190	0.71	
US\$250,000	RIN II FRN 1.8995% 10/09/2030	194	0.73	
€356,790	Shamrock Residential 2019-1 FRN 0.324% 24/11/2057	325	1.22	
£232,000	Sound Point Euro CLO III Funding FRN 0.95% 15/04/2033	211	0.79	
£344,946	Together Asset Backed Securitisation 2019-1 FRN 1.33% 15/07/2061	345	1.30	
£294,544	Together Asset Backed Securitisation 2020-1 FRN 1.51% 15/12/2061	295	1.11	
£118,104	Towd Point Mortgage Funding 2019-Vantage2 FRN 1.2628% 20/02/2054	119	0.45	
£92,978	Tower Bridge Funding No. 3 FRN 1.2566% 20/12/2061	93	0.35	
	'AA' credit rated bonds	1,637	6.15	9.13
€200,000	Deutsche Bahn Finance 0.375% 23/06/2029	187	0.70	
€500,000	Exxon Mobil 0.142% 26/06/2024	458	1.72	
€221,000	New York Life Global Funding 0.25% 23/01/2027	202	0.76	
€615,157	Paragon Mortgages No. 13 FRN 0% 15/01/2039	549	2.06	
US\$200,000	US Treasury 0.625% 15/05/2030	156	0.59	
US\$100,000	US Treasury IL 0.125% 15/04/2021	85	0.32	
	'A' credit rated bonds	2,934	11.01	18.59
€100,000	Allianz Var. Rate 3.375% Perpetual	98	0.37	
€95,000	BMW International Investment 0.75% 08/03/2024	95	0.36	
US\$200,000	Boubyan Sukuk 2.593% 18/02/2025	159	0.60	
€250,000	BP Capital Markets 1.104% 15/11/2034	231	0.87	
€189,000	Chubb 0.875% 15/12/2029	176	0.66	
US\$46,000	Comcast 4.95% 15/10/2058	52	0.19	
€50,000	Comcast 5.5% 23/11/2029	68	0.26	
€200,000	Deutsche Pfandbriefbank 1.75% 21/11/2022	201	0.75	
US\$300,000	DIB Sukuk 2.95% 16/01/2026	241	0.90	
¥57,000,000	Japan (Govt. of) IL 0.1% 10/03/2029	421	1.58	
¥23,000,000	Japan (Govt. of) 0.4% 20/03/2050	161	0.60	
MYR1,000,000	Malaysia (Govt. of) 3.882% 10/03/2022	193	0.72	
€131,000	Medtronic Global 0.375% 15/10/2028	120	0.45	
€100,000	Medtronic Global 1.75% 02/07/2049	95	0.36	
US\$233,886	Project Silver 3.967% 15/07/2044	170	0.64	
US\$300,000	QNB Finance 2.625% 12/05/2025	242	0.91	
€126,000	State Grid Overseas Investment 2016 0.797% 05/08/2026	117	0.44	
€100,000	State Grid Overseas Investment 2016 1.375% 02/05/2025	94	0.35	
	'BBB' credit rated bonds	9,325	35.00	31.06
£71,000	AA Bond 2.875% 31/01/2022	71	0.27	
US\$101,000	Altria 3.4% 06/05/2030	86	0.32	
€150,000	American International Var. Rate 1.246% 15/03/2037	117	0.44	
€150,000	ASR Nederland Var. Rate 5% Perpetual	151	0.57	
€100,000	AT&T 4.875% 01/06/2044	134	0.50	
€200,000	Banco Bilbao Vizcaya Argentaria 0.5% 14/01/2027	178	0.67	
€200,000	Banco Bilbao Vizcaya Argentaria Var. Rate 1% 16/01/2030	174	0.65	
US\$112,000	BAT International Finance 1.668% 25/03/2026	87	0.33	
€100,000	Bayer 0.75% 06/01/2027	92	0.35	
US\$200,000	Bayer US Finance II FRN 1.2604% 15/12/2023	157	0.59	
US\$145,000	Boeing 3.25% 01/02/2035	104	0.39	
COP200,000,000	Bogota Distrito Capital 9.75% 26/07/2028	46	0.17	
€200,000	Channel Link Enterprises Finance Var. Rate 1.761% 30/06/2050	181	0.68	
€250,000	Commerzbank 0.375% 01/09/2027	226	0.85	

M&G Absolute Return Bond Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at Holding		30.09.20 £'000	30.09.20 %	31.03.20 %
	FIXED INCOME (continued)			
	Debt securities (continued)			
	'BBB' credit rated bonds (continued)			
€200,000	Daimler 1.125% 06/11/2031	184	0.69	
US\$50,000	Deutsche Telekom International Finance 8.75% 15/06/2030	61	0.23	
€110,000	DH Europe Finance II 1.8% 18/09/2049	101	0.38	
£156,000	DP World 4.25% 25/09/2030	171	0.64	
US\$221,000	DuPont de Nemours 2.169% 01/05/2023	174	0.65	
€150,000	ELM Var. Rate 3.375% 29/09/2047	149	0.56	
US\$79,000	Energy Transfer Operating 5.8% 15/06/2038	61	0.23	
US\$195,000	Energy Transfer Operating 6.125% 15/12/2045	154	0.58	
€62,000	Engie 5.95% 16/03/2111	119	0.45	
€100,000	FFP 1.875% 30/10/2026	86	0.32	
£100,000	GE Capital UK Funding Unlimited 5.875% 18/01/2033	121	0.45	
£316,210	Greene King Finance FRN 2.5591% 15/12/2033	272	1.02	
£150,000	Hammerson 6% 23/02/2026	151	0.57	
€141,000	Heathrow Funding 1.875% 14/03/2034	120	0.45	
€100,000	Iliad 2.375% 17/06/2026	92	0.35	
€100,000	Infineon Technologies 1.125% 24/06/2026	94	0.35	
£114,000	Informa 2.125% 06/10/25	114	0.43	
£100,000	Italy (Republic of) 6% 04/08/2028	127	0.48	
£100,000	KPN 5.75% 17/09/2029	127	0.48	
US\$150,000	Lear 5.25% 15/05/2049	127	0.48	
£184,000	Legal & General Var. Rate 3.75% 26/11/2049	188	0.71	
€100,000	Lloyds Banking Var. Rate 1.75% 07/09/2028	92	0.35	
€100,000	Logicor Financing 1.625% 15/07/2027	93	0.35	
£250,000	Logicor Financing 2.75% 15/01/2030	254	0.95	
US\$200,000	McDonald's 3.625% 01/09/2049	175	0.66	
€100,000	Mexico (United Mexican States) 1.125% 17/01/2030	84	0.32	
US\$225,000	Mexico (United Mexican States) 4.5% 31/01/2050	183	0.69	
MXN3,480,000	Mexico (United Mexican States) 10% 05/12/2024	145	0.54	
US\$55,157	Mitchells & Butlers Finance FRN 0.7004% 15/12/2030	36	0.13	
€100,000	Mohawk Capital Finance 1.75% 12/06/2027	86	0.32	
US\$100,000	Mylan 5.4% 29/11/2043	98	0.37	
£200,000	National Express 2.375% 20/11/2028	195	0.73	
US\$200,000	Natwest Var. Rate 2.359% 22/05/2024	160	0.60	
US\$200,000	Natwest Var. Rate 4.892% 18/05/2029	181	0.68	
€250,000	Philippines (Republic of) 0.7% 03/02/2029	222	0.83	
US\$116,000	PVH 4.625% 10/07/2025	94	0.35	
€200,000	Quadient 2.25% 03/02/2025	176	0.66	
€200,000	RCI Banque FRN 0% 12/01/2023	178	0.67	
€70,000	Romania (Republic of) 3.875% 29/10/2035	73	0.27	
€44,000	Romania (Republic of) 4.625% 03/04/2049	49	0.18	
RUB7,500,000	Russia (Federation of) 8.15% 03/02/2027	84	0.31	
€165,000	Samhallsbyggnadsbolaget i Norden 1% 12/08/2027	144	0.54	
€259,000	Santander FRN 0.357% 27/03/2024	233	0.87	
€103,000	Santander Var. Rate 0.391% 28/02/2025	93	0.35	
US\$507,043	S-JETS 3.967% 15/08/2042	358	1.34	
€131,000	Takeda Pharmaceutical 1.375% 09/07/2032	124	0.47	
US\$300,000	Tesco 6.15% 15/11/2037	301	1.13	
€200,000	Unibail-Rodamco-Westfield 0.875% 29/03/2032	170	0.64	
€100,000	UniCredit Leasing Corp IFN 0.502% 18/10/2022	91	0.34	
US\$67,961	US Bancorp Var. Rate 5.3% Perpetual	57	0.21	
£149,000	Virgin Money Var. Rate 3.375% 24/04/2026	149	0.56	
US\$28,000	Vodafone 5% 30/05/2038	27	0.10	
US\$100,000	Vodafone 5.125% 19/06/2059	99	0.37	
£124,000	Wells Fargo 2.125% 24/09/2031	129	0.48	
€103,000	WPC Eurobond 1.35% 15/04/2028	95	0.36	
	'BB' credit rated bonds	3,062	11.49	11.66
€175,000	Arcelik 3.875% 16/09/2021	160	0.60	
€150,000	Arrow Global Finance FRN 2.875% 01/04/2025	128	0.48	
£150,000	Autostrade per l'Italia 6.25% 09/06/2022	158	0.59	
€100,000	Bayer Var. Rate 2.375% 02/04/2075	91	0.34	
US\$200,000	BBVA Bancomer 6.5% 10/03/2021	159	0.60	
US\$50,000	Energy Transfer Operating FRN 3.2685% 01/11/2066	19	0.07	
US\$100,000	EnLink Midstream 5.375% 01/06/2029	63	0.24	

M&G Absolute Return Bond Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at Holding		30.09.20 £'000	30.09.20 %	31.03.20 %
	FIXED INCOME (continued)			
	Debt securities (continued)			
	'BB' credit rated bonds (continued)			
€150,000	FCE Bank 1.134% 10/02/2022	134	0.50	
€129,000	Ford Motor Credit 1.744% 19/07/2024	110	0.41	
€100,000	Ford Motor Credit 3.021% 06/03/2024	89	0.33	
€100,000	GKN 4.625% 12/05/2032	97	0.37	
€100,000	Heimstaden Bostad Var. Rate 3.248% Perpetual	91	0.34	
US\$199,000	Inretail Pharma 5.375% 02/05/2023	161	0.61	
US\$66,000	Kraft Heinz Foods 3.75% 01/04/2030	54	0.20	
£200,000	Kraft Heinz Foods 4.125% 01/07/2027	216	0.81	
US\$65,000	Kraft Heinz Foods 4.625% 01/10/2039	53	0.20	
€200,000	Lagardère 1.625% 21/06/2024	167	0.63	
€300,000	Lagardère 2.125% 16/10/2026	245	0.92	
US\$150,000	Olin 5% 01/02/2030	110	0.41	
US\$108,000	Parsley Energy 4.125% 15/02/2028	79	0.30	
US\$135,000	Petrobras Global Finance 6.9% 19/03/2049	116	0.44	
€225,000	SES Var. Rate 4.625% Perpetual	208	0.78	
US\$100,000	Taylor Morrison Communities 5.875% 15/06/2027	86	0.32	
US\$106,000	TEGNA 4.625% 15/03/2028	81	0.30	
£100,000	Vodafone Var. Rate 4.875% 03/10/2078	106	0.40	
€100,000	ZF Europe Finance 3% 23/10/2029	81	0.30	
	'B' credit rated bonds	1,326	4.98	2.90
US\$205,000	ADES International 8.625% 24/04/2024	152	0.57	
£170,000	Cabot Financial Luxembourg 7.5% 01/10/2023	171	0.64	
US\$200,000	China Evergrande 7.5% 28/06/2023	123	0.46	
€150,000	Egypt (Arab Republic of) 5.625% 16/04/2030	124	0.47	
€100,000	Jaguar Land Rover Automotive 6.875% 15/11/2026	83	0.31	
US\$225,000	Live Nation Entertainment 4.75% 15/10/2027	163	0.61	
US\$200,000	NAK Naftogaz Ukraine 7.625% 08/11/2026	150	0.57	
US\$100,000	TransDigm 5.5% 15/11/2027	75	0.28	
€130,000	Ukraine (Republic of) 6.75% 20/06/2026	115	0.43	
US\$220,000	Yuzhou 7.7% 20/02/2025	170	0.64	
	'CCC' credit rated bonds	218	0.82	0.26
US\$300,000	Rolls-Royce 3.625% 14/10/2025	218	0.82	
	'C' credit rated bonds	131	0.49	0.00
US\$200,000	Future Retail 5.6% 22/01/2025	131	0.49	
	Bonds with no credit rating	0	0.00	10.79
	Debt derivatives	(548)	(2.06)	(0.31)
	Credit default swaps	(491)	(1.85)	0.53
US\$250,000	Amgen Jun 2023	(5)	(0.02)	
€(250,000)	Anglo American Capital Jun 2022	18	0.07	
€(200,000)	Anheuser-Busch InBev Dec 2021	2	0.01	
€(100,000)	Glencore Finance Europe Jun 2022	6	0.02	
€(400,000)	Glencore Finance Europe Jun 2023	38	0.14	
US\$(150,000)	Italy (Republic of) Dec 2022	1	0.00	
US\$12,950,000	Markit CDX North American Investment Grade Series 35 V1 5 Year Dec 2025	(208)	(0.78)	
€750,000	Markit iTraxx Europe Fin Series 34 V1 5 Year Dec 2025	(7)	(0.03)	
€2,240,000	Markit iTraxx Europe Series 34 V1 10 Year Dec 2030	(5)	(0.02)	
€18,700,000	Markit iTraxx Europe Series 34 V1 5 Year Dec 2025	(357)	(1.34)	
€1,100,000	Markit iTraxx Europe Sub Fin Series 34 V1 5 Year Dec 2025	29	0.11	
US\$200,000	Pfizer Jun 2022	(3)	(0.01)	
	Interest rate swaps	(27)	(0.10)	(0.02)
€355,000	Pay 0.0472% Receive VAR Aug 2050	(9)	(0.03)	
€150,000	Pay 0.649% Receive VAR Jun 2022	(2)	(0.01)	
€150,000	Pay 0.786% Receive VAR Feb 2022	(2)	(0.01)	
€150,000	Pay 0.7975% Receive VAR Mar 2022	(2)	(0.01)	
€200,000	Pay 0.799% Receive VAR May 2022	(2)	(0.01)	
€300,000	Pay 0.81% Receive VAR Sep 2049	(7)	(0.02)	
US\$750,000	Pay 1.0817% Receive VAR Sep 2050	(3)	(0.01)	
	Interest rate futures	(30)	(0.11)	(0.82)
(41)	5 Year US Treasury Note Dec 2020	(7)	(0.03)	
(41)	Euro-Bobl Dec 2020	(14)	(0.05)	
(9)	Euro-Bund Dec 2020	(12)	(0.04)	

M&G Absolute Return Bond Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at Holding		30.09.20 £'000	30.09.20 %	31.03.20 %
	FIXED INCOME (continued)			
	Debt derivatives (continued)			
	Interest rate futures (continued)			
3	Euro-Oat Dec 2020	5	0.02	
(6)	Euro-Schatz Dec 2020	0	0.00	
(7)	Long Gilt Future Dec 2020	(2)	(0.01)	
	CURRENCY	45	0.17	(2.68)
	Forward currency contracts	45	0.17	(2.68)
€1,074,271	Bought for £985,028 (expires 21.10.20)	(4)	(0.01)	
€(12,599,943)	Sold for £11,559,326 (expires 21.10.20)	58	0.22	
¥15,275,813	Bought for £114,173 (expires 21.10.20)	(2)	(0.01)	
¥27,864,447	Bought for €226,884 (expires 21.10.20)	(2)	(0.01)	
¥(4,403,708)	Sold for £32,938 (expires 21.10.20)	0	0.00	
CHF(320,394)	Sold for £272,663 (expires 21.10.20)	2	0.01	
US\$243,453	Bought for £189,040 (expires 21.10.20)	1	0.00	
US\$100,962	Bought for €85,582 (expires 21.10.20)	0	0.00	
US\$(7,688,498)	Sold for £5,982,664 (expires 21.10.20)	(8)	(0.03)	
Portfolio of investments		22,579	84.75	90.66
	CASH EQUIVALENTS	970	3.64	0.89
	'AAA' rated money market funds ^[a]	970	3.64	0.89
970,000	Northern Trust Global Fund - Sterling	970	3.64	
Total portfolio		23,549	88.39	91.55
Net other assets / (liabilities)		3,092	11.61	8.45
Net assets attributable to shareholders		26,641	100.00	100.00

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

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

Portfolio transactions

for the six months to 30 September	2020 £'000	2019 £'000
Total purchases	16,069	23,683
Total sales	47,391	16,256

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

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

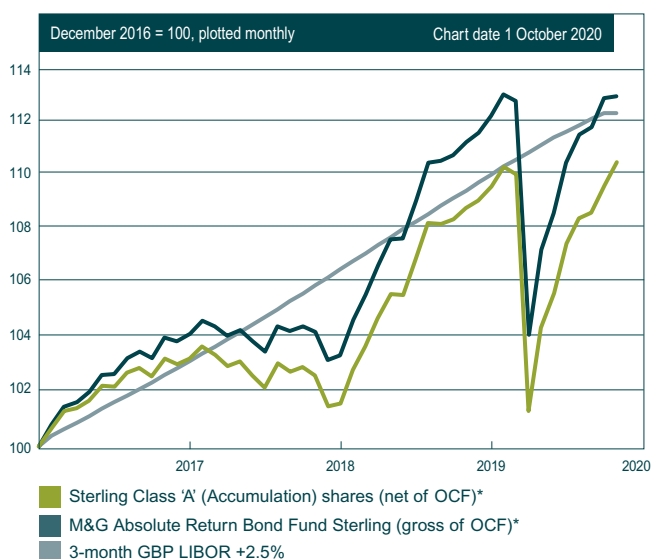
Fund level performance

Fund net asset value

as at	30.09.20 £'000	31.03.20 £'000	31.03.19 £'000
Fund net asset value (NAV)	26,641	52,563	37,061

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

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

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

	Six months 01.04.20 % ^[a]	Three years 02.10.17 % pa	Five years 01.10.15 % pa	Since launch % pa
Euro ^[b]				
Class 'Z-H'	+6.8	n/a	n/a	+2.0 ^[c]
Sterling ^[b]				
Class 'A'	+8.0	+2.2	n/a	+2.4 ^[d]
Class 'I'	+8.1	+2.4	n/a	+2.6 ^[d]
Class 'L'	+8.2	+2.6	n/a	+2.8 ^[d]
Class 'PP'	+8.2	n/a	n/a	+3.3 ^[e]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

^[c] 20 April 2018, the launch date of the share class.

^[d] 13 December 2016, the launch date of the fund.

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

M&G Absolute Return Bond 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.
- **Share class hedging:** Charge paid to M&G for currency hedging services to minimise exchange rate risk for the share class. 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. As the fund invests mainly in fixed interest securities, the direct transaction costs paid on other investments are too small to be reflected in the table below. To give an indication of the indirect portfolio dealing costs the table below 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

as at	30.09.20	31.03.20	31.03.19	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.67	1.36	0.56	0.86

^[a] Average of first three columns.

M&G Absolute Return Bond 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.

Euro Class 'Z-H' Accumulation share performance

The share class was launched on 20 April 2018. The share class closed 4 August 2020.			
	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	Euro €	Euro €	Euro €
Opening NAV	966.37	1,006.85	1,000.00
Return before operating charges and after direct portfolio transaction costs	0.00	(39.57)	9.35
Operating charges	0.00	(0.91)	(2.50)
Return after operating charges	0.00	(40.48)	6.85
Distributions	0.00	(30.31)	(26.28)
Retained distributions	0.00	30.31	26.28
Return to shareholder as a result of share class closure	(966.37)	n/a	n/a
Closing NAV	0.00	966.37	1,006.85
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.00	0.06	0.03
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.06	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.00
Operating charges ^[c]	0.00	0.09	0.27
Return after operating charges	0.00	-4.02	+0.69
Distribution yield	0.00	3.08	2.90
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	0	26	26
Closing NAV percentage of total fund NAV (%)	0.00	0.05	0.07
Number of shares	0	3,000	3,000
Highest share price (Euro €)	1,048.00	1,063.85	1,009.60
Lowest share price (Euro €)	973.00	952.15	977.98

Sterling Class 'A' Income share performance

The share class was launched on 13 December 2016.			
	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	91.58	98.54	99.88
Return before operating charges and after direct portfolio transaction costs	9.06	(3.11)	2.49
Operating charges	(0.39)	(0.84)	(0.89)
Return after operating charges	8.67	(3.95)	1.60
Distributions	(1.15)	(3.01)	(2.94)
Closing NAV	99.10	91.58	98.54
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.00
Operating charges ^[c]	0.79 ^[d]	0.83	0.90
Return after operating charges	+9.47	-4.01	+1.60
Distribution yield	2.39	3.00	3.07
Effect on yield of charges offset against capital	0.79	0.80	0.80
Other information			
Closing NAV (£'000)	874	782	583
Closing NAV percentage of total fund NAV (%)	3.28	1.49	1.57
Number of shares	881,983	854,192	591,724
Highest share price (UK p)	100.81	103.24	100.40
Lowest share price (UK p)	92.45	91.91	97.12

Sterling Class 'A' Accumulation share performance

The share class was launched on 13 December 2016.			
	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	99.97	104.25	102.58
Return before operating charges and after direct portfolio transaction costs	10.03	(3.38)	2.59
Operating charges	(0.42)	(0.90)	(0.92)
Return after operating charges	9.61	(4.28)	1.67
Distributions	(0.84)	(2.34)	(2.22)
Retained distributions	0.84	2.34	2.22
Closing NAV	109.58	99.97	104.25
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.00
Operating charges ^[c]	0.79 ^[d]	0.83	0.90
Return after operating charges	+9.61	-4.11	+1.63
Distribution yield	1.59	2.19	2.27
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	635	502	408
Closing NAV percentage of total fund NAV (%)	2.38	0.96	1.10
Number of shares	578,487	502,474	391,877
Highest share price (UK p)	109.70	110.60	104.54
Lowest share price (UK p)	100.60	98.46	101.14

M&G Absolute Return Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Income share performance

The share class was launched on 13 December 2016.			
	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	92.20	98.99	100.12
Return before operating charges and after direct portfolio transaction costs	8.99	(3.12)	2.52
Operating charges	(0.29)	(0.64)	(0.70)
Return after operating charges	8.70	(3.76)	1.82
Distributions	(1.14)	(3.03)	(2.95)
Closing NAV	99.76	92.20	98.99
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.00
Operating charges ^[c]	0.59 ^[e]	0.63	0.70
Return after operating charges	+9.44	-3.80	+1.82
Distribution yield	2.39	3.00	3.07
Effect on yield of charges offset against capital	0.59	0.60	0.60
Other information			
Closing NAV (£'000)	6,289	8,067	5,405
Closing NAV percentage of total fund NAV (%)	23.61	15.35	14.59
Number of shares	6,304,250	8,749,817	5,459,868
Highest share price (UK p)	101.58	103.91	100.84
Lowest share price (UK p)	93.07	92.52	97.51

Sterling Class 'I' Accumulation share performance

The share class was launched on 13 December 2016.			
	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	100.65	104.75	102.86
Return before operating charges and after direct portfolio transaction costs	10.09	(3.42)	2.61
Operating charges	(0.31)	(0.68)	(0.72)
Return after operating charges	9.78	(4.10)	1.89
Distributions	(0.91)	(2.58)	(2.44)
Retained distributions	0.91	2.58	2.44
Closing NAV	110.43	100.65	104.75
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.00
Operating charges ^[c]	0.59 ^[e]	0.63	0.70
Return after operating charges	+9.72	-3.91	+1.84
Distribution yield	1.79	2.39	2.47
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	17,056	40,128	28,183
Closing NAV percentage of total fund NAV (%)	64.02	76.34	76.04
Number of shares	15,445,617	39,869,954	26,905,845
Highest share price (UK p)	110.55	111.33	105.03
Lowest share price (UK p)	101.29	99.12	101.56

Sterling Class 'L' Income share performance

The share class was launched on 13 December 2016.			
	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	92.49	99.22	100.25
Return before operating charges and after direct portfolio transaction costs	9.07	(3.14)	2.53
Operating charges	(0.24)	(0.55)	(0.60)
Return after operating charges	8.83	(3.69)	1.93
Distributions	(1.15)	(3.04)	(2.96)
Closing NAV	100.17	92.49	99.22
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.00
Operating charges ^[c]	0.49 ^[f]	0.53	0.60
Return after operating charges	+9.55	-3.72	+1.93
Distribution yield	2.39	3.00	3.07
Effect on yield of charges offset against capital	0.49	0.50	0.50
Other information			
Closing NAV (£'000)	1,643	1,906	2,375
Closing NAV percentage of total fund NAV (%)	6.17	3.63	6.41
Number of shares	1,640,602	2,060,538	2,393,585
Highest share price (UK p)	101.97	104.24	101.07
Lowest share price (UK p)	93.38	92.82	97.71

Sterling Class 'L' Accumulation share performance

The share class was launched on 13 December 2016.			
	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	101.04	105.05	103.01
Return before operating charges and after direct portfolio transaction costs	10.17	(3.46)	2.64
Operating charges	(0.28)	(0.55)	(0.60)
Return after operating charges	9.89	(4.01)	2.04
Distributions	(0.72)	(2.70)	(2.55)
Retained distributions	0.72	2.70	2.55
Closing NAV	110.93	101.04	105.05
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.00
Operating charges ^[c]	0.50	0.54	0.59
Return after operating charges	+9.79	-3.82	+1.98
Distribution yield	1.89	2.49	2.57
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	88	1,100	81
Closing NAV percentage of total fund NAV (%)	0.33	2.09	0.22
Number of shares	79,493	1,088,536	77,348
Highest share price (UK p)	111.04	111.75	105.34
Lowest share price (UK p)	101.69	99.51	101.79

M&G Absolute Return Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.			
	Six months to 30.09.20	Period to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	89.94	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	8.90	(6.79)	n/a
Operating charges	(0.24)	(0.33)	n/a
Return after operating charges	8.66	(7.12)	n/a
Distributions	(1.13)	(2.94)	n/a
Closing NAV	97.47	89.94	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	0.01	n/a
Operating charges	0.50	0.50	n/a
Return after operating charges	+9.63	-7.12	n/a
Distribution yield	2.48	2.48	n/a
Effect on yield of charges offset against capital	0.50	0.50	n/a
Other information			
Closing NAV (£'000)	19	18	n/a
Closing NAV percentage of total fund NAV (%)	0.07	0.03	n/a
Number of shares	20,000	20,000	n/a
Highest share price (UK p)	99.15	101.37	n/a
Lowest share price (UK p)	90.80	90.27	n/a

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.			
	Six months to 30.09.20	Period to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	95.64	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	9.59	(3.84)	n/a
Operating charges	(0.25)	(0.52)	n/a
Return after operating charges	9.34	(4.36)	n/a
Distributions	(0.95)	(2.55)	n/a
Retained distributions	0.95	2.55	n/a
Closing NAV	104.98	95.64	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	n/a
Dilution adjustments ^[a]	0.00	0.00	n/a
Total direct portfolio transaction costs	0.00	0.01	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	n/a
Operating charges ^[c]	0.49 ^[f]	0.53	n/a
Return after operating charges	+9.77	-4.36	n/a
Distribution yield	1.89	2.49	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (£'000)	37	34	n/a
Closing NAV percentage of total fund NAV (%)	0.14	0.06	n/a
Number of shares	35,314	35,314	n/a
Highest share price (UK p)	105.10	105.75	n/a
Lowest share price (UK p)	96.25	94.19	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.

^[d] As the annual management charge has been calculated on average NAV basis during the period, 0.80% is a more reliable estimate of the ongoing charges for this share class.

^[e] As the annual management charge has been calculated on average NAV basis during the period, 0.60% is a more reliable estimate of the ongoing charges for this share class.

^[f] As the annual management charge has been calculated on average NAV basis during the period, 0.50% is a more reliable estimate of the ongoing charges for this share class.

M&G Absolute Return Bond Fund

Financial statements and notes

Financial statements

Statement of total return

	2020		2019	
for the six months to 30 September	£'000	£'000	£'000	£'000
Income				
Net capital gains / (losses)		4,112		966
Revenue	565		635	
Expenses	(162)		(239)	
Net revenue / (expense) before taxation	403		396	
Taxation	(1)		(1)	
Net revenue / (expense) after taxation		402		395
Total return before distributions		4,514		1,361
Distributions		(425)		(408)
Change in net assets attributable to shareholders from investment activities		4,089		953

Statement of change in net assets attributable to shareholders

	2020		2019	
for the six months to 30 September	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		52,563		37,061
Amounts received on issue of shares	2,346		11,484	
Amounts paid on cancellation of shares	(32,639)		(1,237)	
		(30,293)		10,247
Dilution adjustments		104		14
Change in net assets attributable to shareholders from investment activities (see above)		4,089		953
Retained distributions on Accumulation shares		178		358
Closing net assets attributable to shareholders		26,641		48,633

The opening net assets attributable to shareholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

M&G Absolute Return Bond Fund

Financial statements and notes

Financial statements (continued)

Balance sheet

as at	30 September 2020 £'000	31 March 2020 £'000
Assets		
Fixed assets		
Investments	23,242	49,752
Current assets		
Debtors	927	1,829
Cash and bank balances	3,015	4,620
Cash equivalents	970	467
Total assets	28,154	56,668
Liabilities		
Investment liabilities	(663)	(2,100)
Creditors		
Overdrawn positions at futures clearing houses and collateral manager	(190)	(270)
Distribution payable	(25)	(204)
Other creditors	(635)	(1,531)
Total liabilities	(1,513)	(4,105)
Net assets attributable to shareholders	26,641	52,563

M&G Absolute Return Bond Fund

Financial statements and notes

Notes to the financial statements

Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 4.

Distribution policy

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

M&G Global Enhanced Equity Premia Fund

Authorised Corporate Director's Report

Investment objective

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

Investment policy

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

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

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

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

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

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

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

Benchmark

Benchmark: MSCI ACWI NUK Index.

The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used to measure the fund's performance and acts as a constraint on the fund's portfolio construction, as certain limits, such as constraints on sector or geographic exposure, may apply at any given time.

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

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

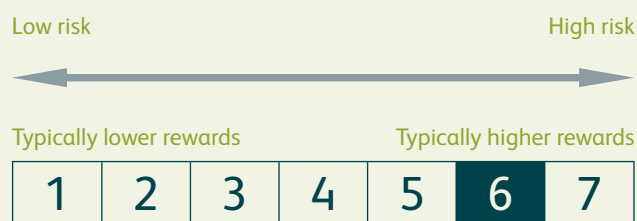
Risk profile

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

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

However, the fund is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. Moreover, the fund is diversified across countries, industries and market capitalisation, which is key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has changed during this period. From 1 April 2020 to 13 August 2020 the risk number was 5.

M&G Global Enhanced Equity Premia Fund

Authorised Corporate Director's Report

Investment review

As at 1 October 2020, for the six months ended 30 September 2020

Performance review

The M&G Global Enhanced Equity Premia Fund is an active equity (company shares) fund, using a dynamic multi-factor equity approach. Factor investing is based on the premise that a significant portion of returns over time can be explained by the excess return generated by stocks that reflect certain characteristics, or risk factors.

We apply a systematic investment approach to select stocks we expect to outperform other companies in the global equity market. We invest at least 80% of the fund in company shares across any sector and of any size, from anywhere in the world.

From the fund's investible universe, the MSCI ACWI Index, each stock is ranked on five key criteria, or factors: value, quality, momentum, volatility and size. Based on analysis of simulated past returns, stocks with exposure to these factors (attractive valuation, high quality, positive momentum, low volatility and small company size) have historically tended to deliver superior risk-adjusted returns.

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

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

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

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

The stockmarket volatility in the first few months of 2020 led to some extreme pricing differentials between factors. These pricing differentials persisted over the review period and the valuation of the value and size factors across most regions remain at levels last seen during the technology bubble of the late 1990s. We have

therefore maintained a higher active weight towards the value and small size factors. At the same time, portfolio risk is diversified by having positive exposures to the momentum, quality and low volatility factors.

Outlook

The COVID-19 pandemic has resulted in price dislocations between sectors and factors that are rarely seen. The recovery in share prices has diverged between those companies viewed as beneficiaries of the pandemic continuing to outperform and those that are not, lagging.

Against this backdrop, momentum is the only factor that has delivered positive returns year-to-date. Yet as conditions normalise, we would expect stocks with exposure to the factors we have identified (attractive valuation, high quality, positive momentum, low volatility and small company size) to re-establish their long-term tendency of delivering superior risk-adjusted returns.

Gautam Samarth and Marc Beckenstrater

Co-fund managers

Employees of M&G FA Limited which is an associate of M&G Securities Limited. At the start of the review period Gautam Samarth was the sole fund manager.

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 Global Enhanced Equity Premia Fund

Authorised Corporate Director's Report

Portfolio statement

as at Holding		30.09.20 \$'000	30.09.20 %	31.03.20 %
	EQUITIES	77,184	99.44	99.71
	United Kingdom	1,638	2.11	3.33
13,148	Berkeley	715	0.92	
206,638	Direct Line Insurance	711	0.92	
7,027	Halma	212	0.27	
	Belgium	946	1.22	0.98
4,520	Ageas	183	0.24	
2,793	Sofina	763	0.98	
	Denmark	274	0.35	0.38
3,957	Novo-Nordisk	274	0.35	
	Finland	539	0.69	0.34
3,631	Elisa	214	0.27	
3,704	Kone	325	0.42	
	France	2,255	2.90	3.50
6,875	Cie Générale des Établissements Michelin	738	0.95	
48,783	Klepierre	644	0.83	
6,933	Schneider Electric	873	1.12	
	Germany	1,571	2.02	0.93
1,953	Deutsche Boerse	345	0.44	
3,022	Scout24	263	0.34	
6,907	Siemens	874	1.13	
3,453	Siemens Energy	89	0.11	
	Greece	376	0.48	0.00
21,306	JUMBO	376	0.48	
	Hungary	685	0.88	0.55
32,978	Richter Gedeon	685	0.88	
	Ireland	0	0.00	1.82
	Netherlands	1,650	2.13	0.27
27,630	Koninklijke Ahold Delhaize	821	1.06	
22,246	NN	829	1.07	
	Norway	205	0.26	0.00
20,608	Orkla	205	0.26	
	Poland	276	0.36	0.30
39,092	Cyfrowy Polsat	276	0.36	
	Russia	158	0.20	0.00
26,614	Tatneft	158	0.20	
	Spain	0	0.00	1.01
	Sweden	1,223	1.58	1.78
14,907	Alfa Laval	332	0.43	
9,828	Skanska	203	0.26	
82,584	Svenska Handelsbanken	688	0.89	
	Switzerland	2,081	2.68	4.92
1,930	Banque Cantonale Vaudoise	196	0.25	
2,413	Garmin	229	0.30	
1,241	Kuehne + Nagel International	242	0.31	
1,676	Nestlé	199	0.26	
2,997	Roche	1,034	1.33	
483	Swiss Life	181	0.23	
	United States	43,385	55.90	53.83
9,701	AbbVie	843	1.09	
15,601	Aflac	562	0.72	
2,182	Allstate	204	0.26	
634	Alphabet	932	1.20	
508	Amazon.com	1,596	2.06	
4,346	American Financial	288	0.37	
4,173	AmerisourceBergen	401	0.52	
863	Amgen	214	0.28	
32,044	Apple	3,656	4.71	
3,174	Applied Materials	189	0.24	
19,148	Archer-Daniels-Midland	880	1.13	
2,613	Arthur J. Gallagher & Co	274	0.35	

M&G Global Enhanced Equity Premia Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at Holding		30.09.20 \$'000	30.09.20 %	31.03.20 %
	EQUITIES (continued)			
	United States (continued)			
6,755	AT&T	191	0.25	
178	AutoZone	206	0.27	
11,326	BioMarin Pharmaceutical	860	1.11	
2,311	Booz Allen Hamilton	195	0.25	
3,251	Bristol-Myers Squibb	195	0.25	
4,444	Brown & Brown	201	0.26	
8,660	Bunge	391	0.50	
22,427	Carnival	338	0.44	
1,143	Cigna	188	0.24	
5,403	Comcast	250	0.32	
1,574	Credicorp	194	0.25	
990	Danaher	209	0.27	
4,359	Dollar General	914	1.18	
2,106	Dover	228	0.29	
2,664	Eaton	270	0.35	
11,847	eBay	624	0.80	
9,574	Expeditors International of Washington	877	1.13	
4,800	Exxon Mobil	165	0.21	
1,727	FS Networks	214	0.28	
1,142	Facebook	299	0.39	
1,422	Fidelity National Information Services	212	0.27	
121,921	Ford Motor	803	1.03	
14,272	Franklin Resources	286	0.37	
6,520	General Mills	390	0.50	
8,533	Genuine Parts	808	1.04	
11,819	Gilead Sciences	734	0.95	
4,495	Home Depot	1,223	1.58	
1,395	Illinois Tool Works	270	0.35	
18,460	Intel	945	1.22	
1,905	Intercontinental Exchange	189	0.24	
3,780	International Business Machines	457	0.59	
44,644	Interpublic	742	0.96	
3,183	JB Hunt Transport Services	409	0.53	
1,750	Johnson & Johnson	257	0.33	
1,725	Kimberly-Clark	252	0.32	
4,089	KLA	790	1.02	
4,608	Laboratory Corp of America	859	1.11	
837	Lam Research	283	0.36	
2,235	Leidos	202	0.26	
17,167	LKQ	474	0.61	
2,352	Lowe's	382	0.49	
14,932	Microsoft	3,093	3.98	
11,453	Morgan Stanley	541	0.70	
26,588	Omega Healthcare Investors	790	1.02	
9,558	PACCAR	823	1.06	
1,595	Procter & Gamble	219	0.28	
7,111	Quest Diagnostics	808	1.04	
2,984	ResMed	515	0.66	
2,641	S&P Global	943	1.21	
4,668	Skyworks Solutions	673	0.87	
2,946	State Street	176	0.23	
6,192	T Rowe Price	789	1.02	
4,078	Teradyne	326	0.42	
7,187	Texas Instruments	1,017	1.31	
2,539	Thermo Fisher Scientific	1,103	1.42	
3,174	Tractor Supply	447	0.58	
4,089	UnitedHealth	1,244	1.60	
18,767	Verizon Communications	1,111	1.43	
34,562	Western Union	752	0.97	
	Canada	2,129	2.74	2.44
39,057	Hydro One	830	1.07	
5,226	National Bank of Canada	259	0.33	
3,095	Royal Bank of Canada	217	0.28	

M&G Global Enhanced Equity Premia Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at Holding		30.09.20 \$'000	30.09.20 %	31.03.20 %
	EQUITIES (continued)			
	Canada (continued)			
42,536	SmartCentres Real Estate Investment Trust	628	0.81	
2,997	WSP Global	195	0.25	
	Brazil	672	0.87	0.00
129,488	Hypera	672	0.87	
	Colombia	784	1.01	0.70
3,344,602	Grupo Aval Acciones y Valores Preference Shares	784	1.01	
	Mexico	372	0.48	0.79
65,595	Megacable	183	0.24	
27,198	Promotora y Operadora de Infraestructura	189	0.24	
	Japan	5,441	7.01	7.14
12,700	Astellas Pharma	188	0.24	
7,600	Bridgestone	238	0.31	
101,600	Daicel	727	0.94	
33,000	ITOCHU	838	1.08	
15,200	KDDI	382	0.49	
7,500	Kurita Water Industries	245	0.32	
86,300	Obayashi	778	1.00	
30,200	Sekisui House	530	0.68	
7,600	Taisei	255	0.33	
5,100	Toyo Suisan Kaisha	268	0.34	
12,700	Trend Micro	766	0.99	
12,700	USS	226	0.29	
	Australia	909	1.17	2.54
152,293	AusNet Services	204	0.26	
3,729	Rio Tinto	250	0.32	
27,198	Washington H Soul Pattinson	455	0.59	
	China	2,386	3.07	2.95
637,000	China Construction Bank	413	0.53	
411,000	China Everbright Bank	220	0.28	
368,000	China Minsheng Banking	193	0.25	
139,500	China Shenhua Energy	250	0.32	
78,700	Joyoung	468	0.60	
228,600	Weifu High-Technology	842	1.09	
	Hong Kong	1,659	2.14	1.35
102,000	China Lesso	183	0.24	
631,000	China Medical System	694	0.89	
152,000	China Resources Cement	207	0.27	
330,000	Lee & Man Paper Manufacturing	238	0.31	
5,100	Tencent	337	0.43	
	Israel	521	0.67	0.60
4,317	Check Point Software Technologies	521	0.67	
	Malaysia	812	1.05	1.49
302,200	MISC	544	0.70	
289,000	Westports	268	0.35	
	New Zealand	233	0.30	0.00
76,678	Spark New Zealand	233	0.30	
	Philippines	0	0.00	0.30
	Singapore	238	0.31	0.75
35,600	Singapore Exchange	238	0.31	
	Taiwan	2,856	3.68	3.46
25,000	Asustek Computer	218	0.28	
76,000	Chicony Electronics	221	0.29	
76,000	Novatek Microelectronics	697	0.90	
305,000	Quanta Computer	795	1.02	
153,000	Standard Foods	320	0.41	
131,252	Taiwan Cement	187	0.24	
406,000	Wistron	418	0.54	
	Thailand	183	0.24	0.00
114,300	Intouch	183	0.24	

M&G Global Enhanced Equity Premia Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at		30.09.20	30.09.20	31.03.20
Holding		\$'000	%	%
	EQUITIES (continued)			
	South Africa	727	0.94	1.26
1,011,273	Growthpoint Properties	727	0.94	
Portfolio of investments		77,184	99.44	99.71
	CASH EQUIVALENTS	189	0.25	0.00
	'AAA' rated money market funds ^[a]	189	0.25	0.00
189,109	Northern Trust Global Fund - US dollar	189	0.25	
Total portfolio		77,373	99.69	99.71
Net other assets / (liabilities)		244	0.31	0.29
Net assets attributable to shareholders		77,617	100.00	100.00

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

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

Top ten portfolio transactions

for the six months to 30 September 2020		
Largest purchases		\$'000
UnitedHealth		1,237
Home Depot		1,203
Verizon Communications		1,114
Exxon Mobil		1,034
Texas Instruments		1,018
Interpublic		976
Siemens		971
Western Union		959
S&P Global		949
Gilead Sciences		860
Other purchases		53,860
Total purchases		64,181
Largest sales		\$'000
Mastercard		1,282
DR Horton		1,062
Nestlé		1,061
Medtronic		942
Ferguson		934
Swedish Match		911
Danaher		910
Merck		887
Global Payments		873
Quest Diagnostics		870
Other sales		57,901
Total sales		67,633

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

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

Fund level performance

Fund net asset value

	30.09.20	31.03.20
as at	\$'000	\$'000
Fund net asset value (NAV)	77,617	66,636

Performance since launch

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

M&G Global Enhanced Equity Premia 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.

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

	Six months to 30.09.20	Year to 31.03.20	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%
Broker commission	0.08	0.06	0.07
Taxes	0.10	0.07	0.09
Costs before dilution adjustments	0.18	0.13	0.16
Dilution adjustments ^[c]	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.17	0.12	0.15

as at	30.09.20	31.03.20	Average ^[a]
Indirect portfolio transaction costs	%	%	%
Average portfolio dealing spread	0.13	0.19	0.16

^[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 Global Enhanced Equity Premia 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 period are calculated as at 9 October 2020.

Sterling Class 'I' Income share performance

The share class was launched on 12 November 2019.		
	Six months to 30.09.20	Period to 31.03.20
Change in NAV per share	UK p	UK p
Opening NAV	81.24	100.00
Return before operating charges and after direct portfolio transaction costs	15.91	(17.78)
Operating charges	(0.14)	(0.11)
Return after operating charges	15.77	(17.89)
Distributions	n/a	(0.87)
Closing NAV	97.01	81.24
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.08	0.13
Dilution adjustments ^[a]	(0.01)	(0.01)
Total direct portfolio transaction costs	0.07	0.12
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.17	0.12
Operating charges	0.30	0.30
Return after operating charges	+19.41	-17.89
Historic yield	0.88	1.05
Effect on yield of charges offset against capital	0.30	0.30
Other information		
Closing NAV (\$'000)	25	20
Closing NAV percentage of total fund NAV (%)	0.03	0.03
Number of shares	20,000	20,000
Highest share price (UK p)	99.55	105.08
Lowest share price (UK p)	77.75	74.96

Sterling Class 'I' Accumulation share performance

The share class was launched on 12 November 2019.		
	Six months to 30.09.20	Period to 31.03.20
Change in NAV per share	UK p	UK p
Opening NAV	82.12	100.00
Return before operating charges and after direct portfolio transaction costs	16.08	(17.77)
Operating charges	(0.14)	(0.11)
Return after operating charges	15.94	(17.88)
Distributions	n/a	(0.78)
Retained distributions	n/a	0.78
Closing NAV	98.06	82.12
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.08	0.13
Dilution adjustments ^[a]	(0.01)	(0.01)
Total direct portfolio transaction costs	0.07	0.12
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.17	0.12
Operating charges	0.30	0.30
Return after operating charges	+19.41	-17.88
Historic yield	0.77	0.90
Effect on yield of charges offset against capital	0.00	0.00
Other information		
Closing NAV (\$'000)	25	20
Closing NAV percentage of total fund NAV (%)	0.03	0.03
Number of shares	20,000	20,000
Highest share price (UK p)	100.62	105.08
Lowest share price (UK p)	78.59	74.96

Sterling Class 'PP' Income share performance

The share class was launched on 12 November 2019.		
	Six months to 30.09.20	Period to 31.03.20
Change in NAV per share	UK p	UK p
Opening NAV	81.25	100.00
Return before operating charges and after direct portfolio transaction costs	15.92	(17.78)
Operating charges	(0.12)	(0.10)
Return after operating charges	15.80	(17.88)
Distributions	n/a	(0.87)
Closing NAV	97.05	81.25
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.08	0.13
Dilution adjustments ^[a]	(0.01)	(0.01)
Total direct portfolio transaction costs	0.07	0.12
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.17	0.12
Operating charges	0.25	0.25
Return after operating charges	+19.45	-17.88
Historic yield	0.88	1.05
Effect on yield of charges offset against capital	0.25	0.25
Other information		
Closing NAV (\$'000)	25	20
Closing NAV percentage of total fund NAV (%)	0.03	0.03
Number of shares	20,000	20,000
Highest share price (UK p)	99.58	105.10
Lowest share price (UK p)	77.77	74.98

M&G Global Enhanced Equity Premia Fund

Financial highlights

Specific share class performance

Sterling Class 'PP' Accumulation share performance

The share class was launched on 12 November 2019.		
	Six months to 30.09.20	Period to 31.03.20
Change in NAV per share	UK p	UK p
Opening NAV	82.12	100.00
Return before operating charges and after direct portfolio transaction costs	16.09	(17.78)
Operating charges	(0.12)	(0.10)
Return after operating charges	15.97	(17.88)
Distributions	n/a	(0.79)
Retained distributions	n/a	0.79
Closing NAV	98.09	82.12
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.08	0.13
Dilution adjustments ^[a]	(0.01)	(0.01)
Total direct portfolio transaction costs	0.07	0.12
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.17	0.12
Operating charges	0.25	0.25
Return after operating charges	+19.45	-17.88
Historic yield	0.79	0.92
Effect on yield of charges offset against capital	0.00	0.00
Other information		
Closing NAV (\$'000)	25	21
Closing NAV percentage of total fund NAV (%)	0.03	0.03
Number of shares	20,000	20,000
Highest share price (UK p)	100.65	105.10
Lowest share price (UK p)	78.61	74.98

Sterling Class 'Z' Accumulation share performance

The share class was launched on 12 November 2019.		
	Six months to 30.09.20	Period to 31.03.20
Change in NAV per share	UK p	UK p
Opening NAV	82.18	100.00
Return before operating charges and after direct portfolio transaction costs	16.09	(17.82)
Operating charges	0.00	0.00
Return after operating charges	16.09	(17.82)
Distributions	n/a	(0.87)
Retained distributions	n/a	0.87
Closing NAV	98.27	82.18
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.08	0.13
Dilution adjustments ^[a]	(0.01)	(0.01)
Total direct portfolio transaction costs	0.07	0.12
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.17	0.12
Operating charges	0.00	0.00
Return after operating charges	+19.58	-17.82
Historic yield	0.86	1.04
Effect on yield of charges offset against capital	0.00	0.00
Other information		
Closing NAV (\$'000)	77,517	66,555
Closing NAV percentage of total fund NAV (%)	99.88	99.88
Number of shares	61,470,000	65,519,000
Highest share price (UK p)	100.81	105.17
Lowest share price (UK p)	78.69	75.05

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

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

M&G Global Enhanced Equity Premia Fund

Financial statements and notes

Financial statements

Statement of total return

	2020	
for the six months to 30 September	\$'000	\$'000
Income		
Net capital gains / (losses)		14,192
Revenue	1,184	
Expenses	(1)	
Net revenue / (expense) before taxation	1,183	
Taxation	(128)	
Net revenue / (expense) after taxation		1,055
Total return before equalisation		15,247
Equalisation		(2)
Change in net assets attributable to shareholders from investment activities		15,245

Statement of change in net assets attributable to shareholders

	2020	
for the six months to 30 September	\$'000	\$'000
Opening net assets attributable to shareholders		66,636
Amounts received on issue of shares	0	
Amounts paid on cancellation of shares	(4,270)	
		(4,270)
Dilution adjustments		6
Change in net assets attributable to shareholders from investment activities (see above)		15,245
Closing net assets attributable to shareholders		77,617

M&G Global Enhanced Equity Premia Fund

Financial statements and notes

Financial statements (continued)

Balance sheet

as at	30 September 2020 \$'000	31 March 2020 \$'000
Assets		
Fixed assets		
Investments	77,184	66,442
Current assets		
Debtors	126	226
Cash and bank balances	150	23
Cash equivalents	189	0
Total assets	77,649	66,691
Liabilities		
Creditors		
Bank overdrafts	0	(53)
Other creditors	(32)	(2)
Total liabilities	(32)	(55)
Net assets attributable to shareholders	77,617	66,636

M&G Global Enhanced Equity Premia Fund

Financial statements and notes

Notes to the financial statements

Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 4.

Distribution policy

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

M&G Global High Yield ESG Bond Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than the ICE BofAML Global High Yield Index (USD hedged) over any five-year period.

Investment policy

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

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

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

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

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

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

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

Investment approach

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

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

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

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

Further information about the Investment Manager's ESG criteria applied to the fund can be found on the M&G website under the Fund Literature section.

Benchmark

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

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

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

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

Risk profile

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

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

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

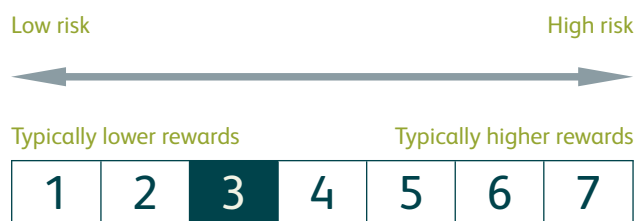
Portfolio diversification is key in managing liquidity and default risks as well as reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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

M&G Global High Yield ESG Bond Fund

Authorised Corporate Director's Report

Risk profile (continued)



The above number:

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

Investment review

As at 1 October 2020, for the six months ended 30 September 2020

Investment overview

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

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

In order to identify securities that meet the fund's ESG criteria, potential investments undergo a three-stage screening process, which excludes certain types of organisation. We believe the approach outlined below strikes the right balance between maintaining a large and diverse selection of high yield bonds and achieving a favourable ESG outcome.

The first stage excludes any companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment protection and anti-corruption. Companies in breach are defined as institutions that have been involved in one or more controversial cases (both ongoing cases, as well as those concluded within the last three years) and have been judged to have inflicted serious large-scale harm.

The second stage implements a sector screen seeking to filter out companies that derive more than 5% of their revenue for producers, or 10% of their revenue for distributors, from the following sectors or sub-sectors: tobacco, alcohol, adult entertainment, gambling, thermal coal or nuclear energy. We also

seek to exclude companies that derive any of their revenue from defence and weapons. Please note that sector exclusions are implemented on a best-efforts basis and subject to source data.

The third stage filters companies according to their overall ESG credentials. The fund seeks to exclude companies that we consider to be ESG laggards based on the analysis of MSCI (an independent provider of ESG research) and our in-house ESG assessment. We typically exclude any company that is classified as an ESG laggard by MSCI (ESG rating 2.9 or lower).

However, since ESG assessment is a highly complex and subjective process, there may be occasions when our credit analysts disagree with the assessment of our external provider. In such instances, the fund managers may retain a limited exposure to a company with an ESG rating below 2.9. Any such decision is subject to a formal and documented approval and review process.

With high yield bonds remaining an underserved part of the ESG landscape, the fund provides a distinctive opportunity for investors to gain access to M&G's long-running experience in high yield bond analysis alongside leading ESG research from MSCI. By providing investors with a measurable assessment of its overall ESG impact, we believe the fund represents a genuinely distinctive proposition in the high yield bond fund space.

James Tomlins & Stefan Isaacs Co-fund managers

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

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

M&G Global High Yield ESG Bond Fund

Authorised Corporate Director's Report

Portfolio statement

as at Holding		30.09.20 \$'000	30.09.20 %	31.03.20 ^[a] %
	DEBT SECURITIES	23,716	91.53	94.41
	Corporate bonds	23,716	91.53	94.41
	Investment grade corporate bonds	144	0.56	0.74
€113,000	TOTAL Var. Rate 3.369% Perpetual	144	0.56	
	Below investment grade corporate bonds	23,356	90.14	93.60
US\$400,000	Alpha 9% 10/02/2025	302	1.17	
US\$79,000	AMC Entertainment 12% 15/06/2026	20	0.08	
US\$50,000	Aramark Services 5% 01/02/2028	50	0.19	
€266,000	Arrow Global Finance FRN 2.875% 01/04/2025	291	1.12	
€100,000	Auchan 3.25% 23/07/2027	125	0.48	
US\$30,000	Avis Budget Finance 5.75% 15/07/2027	27	0.10	
US\$57,000	Avolon Funding 2.875% 15/02/2025	52	0.20	
€100,000	Axalta Coating Systems Dutch 3.75% 15/01/2025	117	0.45	
€100,000	B&M European Value Retail 3.625% 15/07/2025	130	0.50	
€109,000	Banca Monte dei Paschi di Siena Var. Rate 2030 8.5% 10/09/2030	123	0.47	
€200,000	Banco Bilbao Vizcaya Argentaria Var. Rate 6% Perpetual	232	0.90	
€200,000	Banco de Sabadell Var. Rate 6.5% Perpetual	208	0.80	
€106,000	Belden 3.375% 15/07/2027	122	0.47	
US\$200,000	Cascades USA 5.125% 15/01/2026	209	0.81	
€300,000	Casino Guichard Perrachon 4.498% 07/03/2024	280	1.08	
€187,000	Cemex 2.75% 05/12/2024	217	0.84	
US\$61,000	Centene 3% 15/10/2030	62	0.24	
US\$300,000	Centene 4.75% 15/01/2025	308	1.19	
US\$196,000	Cheniere Corpus Christi 5.875% 31/03/2025	223	0.86	
US\$97,000	Cheniere Energy Partners 4.5% 01/10/2029	99	0.38	
US\$200,000	Cheniere Energy Partners 5.25% 01/10/2025	204	0.79	
US\$124,000	Cheniere Energy Partners 5.625% 01/10/2026	129	0.50	
€175,000	CMA CGM 5.25% 15/01/2025	182	0.70	
€200,000	Commerzbank Var. Rate 6.125% Perpetual	227	0.88	
US\$171,000	CommScope 8.25% 01/03/2027	177	0.68	
€300,000	CPI Property Var. Rate 4.875% Perpetual	339	1.31	
€111,979	CPUK Finance 4.25% 28/08/2022	142	0.55	
US\$269,000	Crown Americas Capital 4.25% 30/09/2026	279	1.08	
US\$255,000	DaVita 3.75% 15/02/2031	244	0.94	
US\$24,000	Del Monte Foods 11.875% 15/05/2025	25	0.10	
US\$100,000	Dell International / EMC 8.1% 15/07/2036	132	0.51	
US\$200,000	Drax Finco 6.625% 01/11/2025	208	0.80	
US\$92,000	EMC 5.45% 15/06/2023	101	0.39	
US\$229,000	EnLink Midstream 5.375% 01/06/2029	185	0.71	
€250,000	Eurofins Scientific Var. Rate 2.875% Perpetual	293	1.13	
€206,000	Fire BC FRN 4.75% 30/09/2024	214	0.83	
US\$200,000	Greenko Solar Mauritius 5.55% 29/01/2025	203	0.78	
€112,000	Grifols 2.25% 15/11/2027	130	0.50	
US\$200,000	Hanesbrands 4.625% 15/05/2024	208	0.80	
US\$200,000	Hanesbrands 4.875% 15/05/2026	213	0.82	
US\$200,000	HCA 4.75% 01/05/2023	218	0.84	
US\$200,000	HCA 5% 15/03/2024	223	0.86	
US\$50,000	HCA 5.375% 01/09/2026	55	0.21	
US\$200,000	HCA 5.5% 15/06/2047	247	0.95	
€150,000	Heathrow Finance 3.875% 01/03/2027	177	0.68	
US\$71,000	Hilton Worldwide Finance 4.625% 01/04/2025	71	0.27	
€100,000	Infineon Technologies Var. Rate 3.625% Perpetual	120	0.46	
€100,000	Infrastrutture Wireless Italiane 1.875% 08/07/2026	119	0.46	
€200,000	Intertrust 3.375% 15/11/2025	238	0.92	
€212,000	Intesa Sanpaolo Var. Rate 6.25% Perpetual	246	0.95	
€127,000	Intrum 3% 15/09/2027	129	0.50	
€100,000	Intrum 3.5% 15/07/2026	106	0.41	
€300,000	IQVIA 2.25% 15/01/2028	343	1.32	
€100,000	IQVIA 3.25% 15/03/2025	118	0.46	
US\$150,000	KB Home 4.8% 15/11/2029	164	0.63	
US\$250,000	KB Home 6.875% 15/06/2027	296	1.14	
€100,000	Koninklijke KPN Var. Rate 2% Perpetual	115	0.44	
€100,000	Kraft Heinz Foods 2.25% 25/05/2028	119	0.46	
US\$310,000	Kraft Heinz Foods 4.25% 01/03/2031	338	1.30	
US\$412,000	KUO 5.75% 07/07/2027	398	1.54	
€101,000	Legal & General Var. Rate 5.375% 27/10/2045	148	0.57	

M&G Global High Yield ESG Bond Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at Holding		30.09.20 \$'000	30.09.20 %	31.03.20 [a] %
	DEBT SECURITIES (continued)			
	Corporate bonds (continued)			
	Below investment grade corporate bonds (continued)			
€175,000	Levi Strauss 3.375% 15/03/2027	208	0.80	
€100,000	Merck Var. Rate 1.625% 25/06/2079	118	0.46	
US\$200,000	MHP 7.75% 10/05/2024	209	0.81	
US\$200,000	Millicom International Cellular 6.25% 25/03/2029	214	0.83	
US\$265,000	Network i2i Var. Rate 5.65% Perpetual	264	1.02	
US\$82,000	New Red Finance 5% 15/10/2025	84	0.32	
US\$88,000	NGPL PipeCo 4.875% 15/08/2027	96	0.37	
US\$250,000	Nielsen Finance / Nielsen Finance 5.625% 01/10/2028	256	0.99	
US\$150,000	Nouryon 8% 01/10/2026	159	0.61	
£260,000	Ocado 4% 15/06/2024	339	1.31	
US\$400,000	Occidental Petroleum 3.5% 15/08/2029	304	1.17	
US\$130,000	Occidental Petroleum 6.625% 01/09/2030	120	0.46	
€100,000	OI European 2.875% 15/02/2025	115	0.44	
€106,000	Paprec 4% 31/03/2025	118	0.46	
US\$150,000	Par Pharmaceutical 7.5% 01/04/2027	157	0.61	
US\$86,000	Parsley Finance 4.125% 15/02/2028	80	0.31	
US\$125,000	Parsley Finance 5.625% 15/10/2027	124	0.48	
US\$45,000	Performance Food 5.5% 15/10/2027	46	0.18	
US\$123,000	Pilgrim's Pride 5.75% 15/03/2025	126	0.49	
US\$100,000	Pilgrim's Pride 5.875% 30/09/2027	103	0.40	
US\$200,000	Post 5.5% 15/12/2029	214	0.83	
£106,000	Premier Foods Finance 6.25% 15/10/2023	139	0.54	
£128,000	Premier Foods Finance FRN 5.0824% 15/07/2022	164	0.63	
US\$200,000	Puma International Financing 5% 24/01/2026	169	0.65	
€130,000	PVH 3.625% 15/07/2024	158	0.61	
US\$127,000	PVH 4.625% 10/07/2025	133	0.51	
€142,000	Repsol International Finance Var. Rate 4.5% 25/03/2075	174	0.67	
€198,000	Ruyi US Finance 5.375% 01/05/2023	153	0.59	
US\$109,000	Sabine Pass Liquefaction 5.625% 01/03/2025	125	0.48	
US\$217,000	Sally Capital 5.625% 01/12/2025	220	0.85	
US\$197,000	Sealed Air 5.125% 01/12/2024	214	0.83	
€266,000	Selecta 5.875% 01/02/2024	165	0.64	
US\$108,000	Service Corp International 3.375% 15/08/2030	108	0.42	
US\$85,000	Service Corporation International 5.125% 01/06/2029	93	0.36	
US\$67,000	Sirius XM Radio 4.125% 01/07/2030	68	0.26	
US\$350,000	Sirius XM Radio 5% 01/08/2027	365	1.41	
US\$46,000	SM Energy 10% 15/01/2025	44	0.17	
€100,000	Smurfit Kappa Treasury ULC 1.5% 15/09/2027	116	0.45	
€242,000	Société Générale Var. Rate 6.75% Perpetual	286	1.10	
US\$247,000	Southwestern Energy 7.75% 01/10/2027	240	0.93	
US\$100,000	Sprint 7.25% 15/09/2021	105	0.41	
US\$231,000	Sprint 7.875% 15/09/2023	262	1.01	
€100,000	Stora Enso 2.5% 21/03/2028	127	0.49	
US\$52,000	Taylor Morrison Communities 5.125% 01/08/2030	55	0.21	
US\$130,000	Taylor Morrison Communities 5.875% 15/06/2027	144	0.56	
US\$297,000	TEGNA 4.625% 15/03/2028	290	1.12	
€200,000	Telefónica Europe Var. Rate 4.375% Perpetual	246	0.95	
US\$41,000	Tenet Healthcare 4.625% 15/06/2028	41	0.16	
US\$331,000	Tenet Healthcare 4.625% 15/07/2024	331	1.28	
US\$100,000	Tenet Healthcare 5.125% 01/05/2025	100	0.39	
US\$200,000	Tenet Healthcare 6.125% 01/10/2028	194	0.75	
US\$273,000	T-Mobile USA 6.5% 15/01/2026	285	1.10	
US\$160,000	Uber Technologies 7.5% 15/05/2025	169	0.65	
US\$92,000	United Rentals North America 4.625% 15/10/2025	94	0.36	
€212,000	Vallourec 6.625% 15/10/2022	141	0.54	
€100,000	Vertical Midco 4.375% 15/07/2027	119	0.46	
US\$62,000	Videotron 5.375% 15/06/2024	67	0.26	
£100,000	Virgin Media Secured Finance 4.125% 15/08/2030	126	0.49	
US\$200,000	Vivo Energy Investments 5.125% 24/09/2027	202	0.78	
€200,000	Vmed O2 UK Financing I 3.25% 31/01/2031	231	0.89	
£100,000	Vmed O2 UK Financing I 4% 31/01/2029	126	0.49	
US\$301,000	Vodafone Var. Rate 7% 04/04/2079	353	1.36	
€106,000	Volvo Car 2.125% 02/04/2024	123	0.48	

M&G Global High Yield ESG Bond Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at Holding		30.09.20 \$'000	30.09.20 %	31.03.20 ^[a] %
	DEBT SECURITIES (continued)			
	Corporate bonds (continued)			
	Below investment grade corporate bonds (continued)			
US\$400,000	VTR Comunicaciones 5.125% 15/01/2028	412	1.59	
€100,000	VZ Vendor Financing 2.5% 31/01/2024	115	0.44	
€200,000	Walnut Bidco 6.75% 01/08/2024	229	0.88	
US\$200,000	Wanda Properties International 7.25% 29/01/2024	199	0.77	
€100,000	WMG Acquisition 2.75% 15/07/2028	117	0.45	
US\$400,000	Yuzhou 7.85% 12/08/2026	389	1.50	
US\$200,000	Ziggo Bond 5.125% 28/02/2030	202	0.78	
US\$150,000	Ziggo Bond 6% 15/01/2027	154	0.59	
	Corporate bonds with no credit rating	216	0.83	0.07
US\$38,000	Intelsat Luxembourg 8.125% 01/06/2023	2	0.01	
US\$34,000	JC Penney 6.375% 15/10/2036 ^[b]	0	0.00	
US\$200,000	Lenovo 5.875% 24/04/2025	214	0.82	
	CURRENCY	59	0.23	0.11
	Forward currency contracts	59	0.23	0.11
€447,627	Bought for \$523,971 (expires 21.10.20)	0	0.00	
€(7,293,269)	Sold for \$8,603,250 (expires 21.10.20)	59	0.23	
£394,109	Bought for \$507,212 (expires 21.10.20)	(1)	0.00	
£(1,505,980)	Sold for \$1,933,836 (expires 21.10.20)	1	0.00	
Portfolio of investments		23,775	91.76	94.52
	SHARE CLASS HEDGING	(299)	(1.16)	(4.24)
	Forward currency contracts for share class hedging	(299)	(1.16)	(4.24)
£19,637	Bought for \$25,492 (expires 02.10.20)	0	0.00	
£20,575,969	Bought for \$26,710,608 (expires 21.10.20)	(304)	(1.18)	
£(338,473)	Sold for \$438,939 (expires 21.10.20)	5	0.02	
£(24,987)	Sold for \$32,404 (expires 02.10.20)	0	0.00	
Total portfolio		23,476	90.60	90.28
Net other assets / (liabilities)		2,435	9.40	9.72
Net assets attributable to shareholders		25,911	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] Defaulted bond.

Portfolio transactions

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

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

Fund level performance

Fund net asset value

as at	30.09.20 \$'000	31.03.20 \$'000
Fund net asset value (NAV)	25,911	16,977

Performance since launch

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

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. 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.
- **Share class hedging:** Charge paid to M&G for currency hedging services to minimise exchange rate risk for the share class. This charge forms part of the annual charge.

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

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

Portfolio transaction costs

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

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

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

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

as at	30.09.20	31.03.20	Average ^[a]
Indirect portfolio transaction costs	%	%	%
Average portfolio dealing spread	0.86	1.66	1.26

^[a] Average of first two columns.

M&G Global High Yield ESG Bond 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.

Sterling Class 'A-H' Income share performance

The share class was launched on 25 February 2020.		
	Six months to 30.09.20	Period to 31.03.20
Change in NAV per share	UK p	UK p
Opening NAV	82.93	100.00
Return before operating charges and after direct portfolio transaction costs	12.38	(16.51)
Operating charges	(0.57)	(0.12)
Return after operating charges	11.81	(16.63)
Distributions	(2.13)	(0.44)
Closing NAV	92.61	82.93
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00
Operating charges	1.23	1.23
Return after operating charges	+14.24	-16.63
Distribution yield	4.75	5.55
Effect on yield of charges offset against capital	1.23	1.23
Other information		
Closing NAV (\$'000)	24	20
Closing NAV percentage of total fund NAV (%)	0.09	0.12
Number of shares	20,010	20,010
Highest share price (UK p)	95.59	100.00
Lowest share price (UK p)	83.89	79.05

Sterling Class 'A-H' Accumulation share performance

The share class was launched on 25 February 2020.		
	Six months to 30.09.20	Period to 31.03.20
Change in NAV per share	UK p	UK p
Opening NAV	83.37	100.00
Return before operating charges and after direct portfolio transaction costs	12.42	(16.51)
Operating charges	(0.57)	(0.12)
Return after operating charges	11.85	(16.63)
Distributions	(1.58)	(0.33)
Retained distributions	1.58	0.33
Closing NAV	95.22	83.37
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00
Operating charges	1.23	1.23
Return after operating charges	+14.21	-16.63
Distribution yield	3.49	4.44
Effect on yield of charges offset against capital	0.00	0.00
Other information		
Closing NAV (\$'000)	25	21
Closing NAV percentage of total fund NAV (%)	0.10	0.12
Number of shares	20,000	20,000
Highest share price (UK p)	97.16	100.00
Lowest share price (UK p)	84.34	79.05

Sterling Class 'I-H' Income share performance

The share class was launched on 25 February 2020.		
	Six months to 30.09.20	Period to 31.03.20
Change in NAV per share	UK p	UK p
Opening NAV	82.97	100.00
Return before operating charges and after direct portfolio transaction costs	12.34	(16.52)
Operating charges	(0.34)	(0.07)
Return after operating charges	12.00	(16.59)
Distributions	(2.13)	(0.44)
Closing NAV	92.84	82.97
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00
Operating charges	0.73	0.73
Return after operating charges	+14.46	-16.59
Distribution yield	4.75	5.55
Effect on yield of charges offset against capital	0.73	0.73
Other information		
Closing NAV (\$'000)	1,756	21
Closing NAV percentage of total fund NAV (%)	6.78	0.12
Number of shares	1,474,274	20,050
Highest share price (UK p)	95.82	100.00
Lowest share price (UK p)	83.94	79.08

M&G Global High Yield ESG Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 25 February 2020.		
	Six months to 30.09.20	Period to 31.03.20
Change in NAV per share	UK p	UK p
Opening NAV	83.56	100.00
Return before operating charges and after direct portfolio transaction costs	12.48	(16.38)
Operating charges	(0.34)	(0.06)
Return after operating charges	12.14	(16.44)
Distributions	(1.82)	(0.37)
Retained distributions	1.82	0.37
Closing NAV	95.70	83.56
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00
Operating charges	0.73	0.73
Return after operating charges	+14.53	-16.44
Distribution yield	4.00	4.90
Effect on yield of charges offset against capital	0.00	0.00
Other information		
Closing NAV (\$'000)	5,556	1,345
Closing NAV percentage of total fund NAV (%)	21.44	7.92
Number of shares	4,524,300	1,302,583
Highest share price (UK p)	97.61	100.00
Lowest share price (UK p)	84.54	79.43

Sterling Class 'L-H' Accumulation share performance

The share class was launched on 25 February 2020.		
	Six months to 30.09.20	Period to 31.03.20
Change in NAV per share	UK p	UK p
Opening NAV	83.42	100.00
Return before operating charges and after direct portfolio transaction costs	12.43	(16.53)
Operating charges	(0.27)	(0.05)
Return after operating charges	12.16	(16.58)
Distributions	(1.89)	(0.39)
Retained distributions	1.89	0.39
Closing NAV	95.58	83.42
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00
Operating charges	0.58	0.58
Return after operating charges	+14.58	-16.58
Distribution yield	4.16	5.03
Effect on yield of charges offset against capital	0.00	0.00
Other information		
Closing NAV (\$'000)	18,422	15,487
Closing NAV percentage of total fund NAV (%)	71.10	91.22
Number of shares	15,020,000	15,020,000
Highest share price (UK p)	97.51	100.00
Lowest share price (UK p)	84.40	79.09

Sterling Class 'PP-H' Income share performance

The share class was launched on 25 February 2020.		
	Six months to 30.09.20	Period to 31.03.20
Change in NAV per share	UK p	UK p
Opening NAV	82.98	100.00
Return before operating charges and after direct portfolio transaction costs	12.39	(16.53)
Operating charges	(0.27)	(0.05)
Return after operating charges	12.12	(16.58)
Distributions	(2.13)	(0.44)
Closing NAV	92.97	82.98
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00
Operating charges	0.58	0.58
Return after operating charges	+14.61	-16.58
Distribution yield	4.75	5.55
Effect on yield of charges offset against capital	0.58	0.58
Other information		
Closing NAV (\$'000)	24	21
Closing NAV percentage of total fund NAV (%)	0.09	0.13
Number of shares	20,070	20,070
Highest share price (UK p)	95.94	100.00
Lowest share price (UK p)	83.95	79.09

M&G Global High Yield ESG Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'PP-H' Accumulation share performance

The share class was launched on 25 February 2020.		
	Six months to 30.09.20	Period to 31.03.20
Change in NAV per share	UK p	UK p
Opening NAV	83.42	100.00
Return before operating charges and after direct portfolio transaction costs	12.43	(16.53)
Operating charges	(0.27)	(0.05)
Return after operating charges	12.16	(16.58)
Distributions	(1.89)	(0.39)
Retained distributions	1.89	0.39
Closing NAV	95.58	83.42
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00
Operating charges	0.58	0.58
Return after operating charges	+14.58	-16.58
Distribution yield	4.16	5.03
Effect on yield of charges offset against capital	0.00	0.00
Other information		
Closing NAV (\$'000)	25	21
Closing NAV percentage of total fund NAV (%)	0.10	0.13
Number of shares	20,060	20,060
Highest share price (UK p)	97.50	100.00
Lowest share price (UK p)	84.40	79.09

Sterling Class 'R-H' Income share performance

The share class was launched on 25 February 2020.		
	Six months to 30.09.20	Period to 31.03.20
Change in NAV per share	UK p	UK p
Opening NAV	82.95	100.00
Return before operating charges and after direct portfolio transaction costs	12.38	(16.52)
Operating charges	(0.45)	(0.09)
Return after operating charges	11.93	(16.61)
Distributions	(2.13)	(0.44)
Closing NAV	92.75	82.95
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00
Operating charges	0.98	0.98
Return after operating charges	+14.38	-16.61
Distribution yield	4.75	5.55
Effect on yield of charges offset against capital	0.98	0.98
Other information		
Closing NAV (\$'000)	27	20
Closing NAV percentage of total fund NAV (%)	0.10	0.12
Number of shares	22,662	20,030
Highest share price (UK p)	95.72	100.00
Lowest share price (UK p)	83.92	79.06

Sterling Class 'R-H' Accumulation share performance

The share class was launched on 25 February 2020.		
	Six months to 30.09.20	Period to 31.03.20
Change in NAV per share	UK p	UK p
Opening NAV	83.39	100.00
Return before operating charges and after direct portfolio transaction costs	12.43	(16.52)
Operating charges	(0.46)	(0.09)
Return after operating charges	11.97	(16.61)
Distributions	(1.70)	(0.35)
Retained distributions	1.70	0.35
Closing NAV	95.36	83.39
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00
Operating charges	0.98	0.98
Return after operating charges	+14.35	-16.61
Distribution yield	3.75	4.66
Effect on yield of charges offset against capital	0.00	0.00
Other information		
Closing NAV (\$'000)	52	21
Closing NAV percentage of total fund NAV (%)	0.20	0.12
Number of shares	42,732	20,020
Highest share price (UK p)	97.30	100.00
Lowest share price (UK p)	84.36	79.06

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

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

M&G Global High Yield ESG Bond Fund

Financial statements and notes

Financial statements

Statement of total return

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

Statement of change in net assets attributable to shareholders

	2020	
for the six months to 30 September	\$'000	\$'000
Opening net assets attributable to shareholders		16,977
Amounts received on issue of shares	5,390	
Amounts paid on cancellation of shares	(6)	
		5,384
Dilution adjustments		27
Change in net assets attributable to shareholders from investment activities (see above)		3,073
Retained distributions on Accumulation shares		450
Closing net assets attributable to shareholders		25,911

M&G Global High Yield ESG Bond Fund

Financial statements and notes

Financial statements (continued)

Balance sheet

as at	30 September 2020 \$'000	31 March 2020 \$'000
Assets		
Fixed assets		
Investments	23,781	16,088
Current assets		
Debtors	458	1,522
Cash and bank balances	2,074	2,037
Total assets	26,313	19,647
Liabilities		
Investment liabilities	(305)	(761)
Creditors		
Bank overdrafts	0	(635)
Distribution payable	(20)	0
Other creditors	(77)	(1,274)
Total liabilities	(402)	(2,670)
Net assets attributable to shareholders	25,911	16,977

M&G Global High Yield ESG Bond Fund

Financial statements and notes

Notes to the financial statements

Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 4.

Distribution policy

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

M&G Global Listed Infrastructure Fund

Authorised Corporate Director's Report

Investment objective

The fund has two aims:

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

Investment policy

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

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

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

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

Investment approach

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

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

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

Benchmark

Benchmark: MSCI ACWI Index

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

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

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

Risk profile

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

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

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

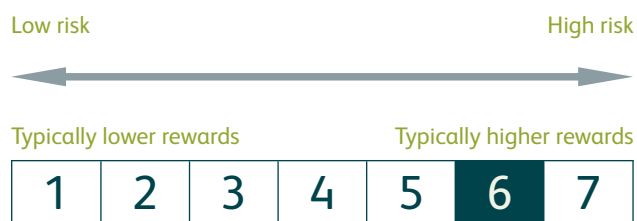
The fund usually invests in fewer than 50 companies, but is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. Diversification across industry, geography, infrastructure class and market capitalisation is key in managing liquidity risk and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

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

M&G Global Listed Infrastructure Fund

Authorised Corporate Director's Report

Risk profile (continued)



The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has changed during this period. From 1 April 2020 to 9 July 2020 the risk number was 5.

Investment review

As at 1 October 2020, for the six months ended 30 September 2020

Distribution summary

Over the six-month review period to 1 October 2020, the fund distributed income of 2.4627 pence per Sterling Class 'A' (Income) share. This is 25% higher than the distribution for the same period in the previous financial year.

We are pleased that the distribution for the fund has risen compared to last year against a difficult backdrop for dividends, although we would be wary of extrapolating the current growth rate for the remainder of the financial year. (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.)

COVID-19 and its knock-on effect on the global economy have had profound consequences for corporate cashflows and dividends. We therefore took decisive action and made a conscious effort to strengthen the fund's income stream by adding new holdings in utilities which have typically provided reliable and growing dividends. The fund's utilities exposure rose to an all-time high.

Despite the need for caution, dividends from listed infrastructure companies have not stopped completely. Many of the fund's holdings continued to pay and increase their dividends as a reflection of their cash-generative qualities and their confidence in long-term growth potential. The fund benefited from dividend increases across the spectrum of listed infrastructure as well as a broad range of countries.

In the fund's 'economic' infrastructure category, utilities demonstrated the resilient nature of their business models, with our holdings continuing to deliver more impressive dividend growth than the pedestrian progress more commonly associated with the sector. American Water Works raised its dividend by 10%, in line with the last two years. New holdings also made their mark as NextEra Energy Partners and China Gas Holdings reported double-digit increases. Energy infrastructure was another source

of reliable dividends as our holdings continued to pay dividends at prior levels. Union Pacific, the US railroads company, maintained its dividend in transportation infrastructure.

The fund's 'social' infrastructure category also proved dependable as a source of steady growth. International Public Partnerships (INPP) and HICL Infrastructure announced dividend increases which were broadly in line with inflation, as expected. We believe SDCL Energy Efficiency Trust remains on track to grow the dividend by 10% in the current financial year.

The fund's 'evolving' infrastructure category, which invests in the physical networks that support our increasingly digital economy, provided a more exciting source of growth, with American Tower being the standout. The owner and operator of communication towers raised its dividend every quarter with an annualised growth rate of 20%.

The fund was not immune to dividend cuts, however, particularly in airports where the operating environment has been extremely challenging due to 'stay at home' policies around the world. Dividends from airport companies are under pressure in the short term, and our pure airport plays - Sydney Airport and Flughafen Zurich - have temporarily suspended their payments. Vinci and Ferrovial also have airports businesses, and Vinci has cut its dividend. It would be reasonable to expect Ferrovial to follow suit. However, we continue to have conviction in the long-term prospects of these companies as owners and operators of strategic assets and have no intention of selling out of these holdings on a tactical basis. We have faith in their commitment to reinstate the dividend and resume dividend growth at the appropriate time. In these unprecedented times, we remain supportive as long-term shareholders.

While a dividend cut should never be taken lightly, these disappointments were outliers in a 47-stock portfolio. The majority of holdings continued to deliver stable or rising dividends in an extreme environment, as a result of which the fund achieved its goal of increasing the distribution during the six months under review. We remain confident that the vast majority of our holdings can keep growing their dividends in the core 5-10% range. We are conscious that a rising income stream is important to many of our investors. We remain focused on meeting this objective.

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

Performance against objective

Between 1 April 2020 (the start of the review period) and 1 October 2020, the M&G Global Listed Infrastructure Fund delivered a positive total return (the combination of income and growth of capital) across all its share classes, but lagged its benchmark, the MSCI ACWI Index, which returned 30.3% in sterling terms.

M&G Global Listed Infrastructure Fund

Authorised Corporate Director's Report

Performance against objective (continued)

The fund's success in meeting its objective over this short timeframe was mixed. The fund fell short on the objective of outperforming its benchmark, but delivered on its income objective of increasing the income stream in sterling.

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

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

Performance review

Global stockmarkets recovered strongly from their lows in March as investors took comfort from the fiscal measures announced by governments around the world to revive their economies following the outbreak of COVID-19. The MSCI ACWI Index recouped its losses from the downturn in March, with the US leading the rally. The S&P 500 Index and the Nasdaq Composite rose to all-time highs. Asia Pacific ex Japan and emerging markets outperformed the MSCI ACWI Index, but Europe fell short as the UK weighed on the region's returns. Japan was another notable laggard.

Sector performance reflected a market characterised by narrowness of leadership as 'new economy' stocks dominated gains. Consumer discretionary was the top-performing sector after Amazon.com jumped more than 60% in US dollars, closely followed by technology which benefited from Apple's 80% surge. (Neither stock is held by the fund.) Cyclical sectors delivered mixed results, with materials and industrials outperforming in contrast to the relative weakness in energy and financials. Defensive stocks were left behind in a rising market, resulting in a challenging environment for listed infrastructure strategies.

Against this backdrop, the fund generated a positive return but lagged its benchmark, the MSCI ACWI Index. The reliable growth from listed infrastructure was largely ignored as investors chased the momentum behind 'new economy' stocks. Not owning Apple and Amazon.com provided the biggest drag on relative performance. These paragons of the modern world are simply not infrastructure businesses and are therefore ineligible for our strategy, although their explosive growth is reflected in our digital infrastructure exposures.

Utilities stocks, including Edison International and National Grid, were prominent among the detractors as defensive stocks were out of favour. TC Energy and Enbridge underperformed in a weak energy sector. Vinci and Ferrovial came under pressure in transportation infrastructure due to tough trading conditions in the immediate aftermath of COVID-19. Both companies have since highlighted an improving trend, particularly in toll roads as travel restrictions were eased. We continue to take a favourable view on these companies from a long-term perspective.

Outside 'economic' infrastructure, CoreSite was the main laggard in 'evolving' infrastructure as the data centre company's shares made little progress in a rising market. We continue to have

confidence in the company's long-term growth credentials: data centres are beneficiaries of a powerful structural growth trend, namely the proliferation of data in our increasingly digital world.

Turning to the positive contributors, Keyera, Gibson Energy and ONEOK rebounded strongly and bucked the trend in the broader energy sector. The top contributors in utilities were all recent purchases: ContourGlobal, AES Corp and NextEra Energy Partners ended the review period with handsome gains. Transurban (toll roads) and Union Pacific (railroads) added the most value in transport.

Franco-Nevada was the biggest contributor in 'evolving' infrastructure. The Canadian royalty company, which owns rights to cashflows from mineral landholdings including those producing gold, remains financially solid with a debt-free balance sheet and has said it remains committed to a sustainable and progressive dividend.

Investment activities

The fund is usually managed with a low turnover, buy-and-hold strategy, but the market downturn in March presented pricing dislocations which are rarely seen. We were therefore more active than usual between April and July as we sought to take advantage of these opportunities by backing our conviction with a long-term investment horizon.

We made four new purchases, all in utilities, during the six months under review. Utilities have proved uniquely resilient during the global health crisis and we believe provide a bastion of strength against the backdrop of ongoing economic uncertainty. We view the utilities sector as having the most reliable revenue and cashflow prospects in the current environment.

The new purchases were selected from around the world, but each one has exposure to long-term growth. We have been tracking these companies for many years, but in our opinion the prices were too high until the recent sell-off.

ContourGlobal is listed in the UK but has a broad geographic footprint with exposure to growth in emerging markets as well as the structural trend towards renewables. China Gas Holdings is another beneficiary of structural growth as China reduces its reliance on coal and shifts its source of power and heat generation to gas. This energy transition is a multi-decade trend, in our view. We bought the Hong Kong-listed shares.

Sempra Energy and AES Corp are based in the US. Sempra diversifies the exposure we already have to California and Texas by way of our existing holdings in Edison International and Atmos Energy, with the addition of potential growth avenues in liquefied natural gas (LNG), a key transition fuel, as well as emerging markets through its presence in Mexico. AES Corp's long-term growth is driven by its transition to renewables and battery storage, its emerging market exposure, and the transformation of its asset portfolio by way of an aggressive phase out of coal.

Following these transactions, the fund's utilities weighting rose to the highest since inception at 38%, compared to our typical range of 20-40%. The fund's exposure to energy infrastructure and transport was trimmed back after these sectors performed

M&G Global Listed Infrastructure Fund

Authorised Corporate Director's Report

Investment activities (continued)

strongly in the market rebound. The weightings in communications and social infrastructure were also reduced, having performed well across the market's ups and downs.

The number of holdings rose to 47, within our typical range of 40-50. Listed infrastructure offers excellent opportunities for stockpickers and we believe the potential for investors is best captured by a conviction-based approach.

Outlook

Governments around the world have announced huge fiscal stimulus packages in response to COVID-19, including higher spending on infrastructure, which may provide a favourable backdrop. Our long-term approach is not reliant on fiscal expansion continuing or government initiatives having an immediate impact on economic growth, but we are also conscious that this type of dynamic can drive strong performance for listed infrastructure.

Fiscal stimulus is likely to remain a topical issue until the global economy is on a firmer footing, but it is also important not to lose sight of the fact that listed infrastructure is a beneficiary of powerful trends which are likely to be more enduring. We believe thematic tailwinds such as renewable energy, clean transportation and digital connectivity are likely to persist for many decades to come.

That said, we remain vigilant about the immediate outlook. We are acutely aware that growth is fragile in many parts of the global economy and therefore that dividends will continue to be tested. We cannot dismiss the potential for more dividend retrenchment as the year progresses. With this reality in mind, we believe that the fund is better placed after our efforts to strengthen the income stream with more reliable growth from selected utilities.

We continue to invest with a long-term view and remain confident that the portfolio is in good shape not only to weather the current uncertainty, but to capture attractive growth over the long term. We are as excited as ever about the long-term growth opportunities in listed infrastructure.

Alex Araujo
Fund manager

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

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

M&G Global Listed Infrastructure Fund

Authorised Corporate Director's Report

Portfolio statement

as at Holding		30.09.20 £'000	30.09.20 %	31.03.20 ^[a] %
	EQUITIES	294,260	99.14	98.78
	United Kingdom	49,175	16.57	15.87
6,194,582	ContourGlobal	11,869	4.00	
3,621,035	HICL Infrastructure	5,996	2.02	
3,674,210	International Public Partnerships	5,893	1.99	
478,225	National Grid	4,274	1.44	
4,516,678	Renewables Infrastructure	6,170	2.08	
10,330,442	SDCL Energy Efficiency Income Trust	11,105	3.74	
471,359	Unite REIT	3,868	1.30	
	Belgium	2,815	0.95	0.96
35,619	Elia	2,815	0.95	
	Denmark	4,562	1.54	1.60
42,218	Ørsted	4,562	1.54	
	France	6,677	2.25	4.05
102,157	Vinci	6,677	2.25	
	Germany	8,693	2.93	3.09
1,003,616	E.ON	8,693	2.93	
	Italy	25,936	8.74	7.08
8,110,118	A2A	9,185	3.09	
1,735,405	Enel	11,809	3.98	
575,459	Infrastrutture Wireless Italiane	4,942	1.67	
	Spain	15,952	5.37	5.77
334,018	Ferrovial	6,359	2.14	
611,371	Naturgy Energy	9,593	3.23	
	Switzerland	2,708	0.91	1.98
25,793	Flughafen Zurich	2,708	0.91	
	United States	98,200	33.08	30.99
366,184	AES	5,136	1.73	
23,758	American Tower	4,447	1.50	
26,858	American Water Works	3,007	1.01	
41,451	Atmos Energy	3,072	1.03	
46,778	CME	6,056	2.04	
111,285	CoreSite Realty	10,417	3.51	
71,519	Crown Castle International	9,143	3.08	
74,893	CSX	4,529	1.53	
197,441	Edison International	7,848	2.64	
7,475	Equinix	4,442	1.50	
17,167	Mastercard	4,496	1.51	
13,949	NextEra Energy	3,077	1.04	
131,476	NextEra Energy Partners	6,048	2.04	
327,204	ONEOK	6,798	2.29	
64,056	Republic Services	4,687	1.58	
49,893	Sempra Energy	4,517	1.52	
39,817	Union Pacific	6,120	2.06	
28,054	Visa	4,360	1.47	
	Canada	44,505	14.99	16.06
366,000	Enbridge	8,428	2.84	
64,539	Franco Nevada	7,003	2.36	
817,217	Gibson Energy	10,355	3.49	
737,422	Keyera	8,808	2.97	
611,226	PrairieSky Royalty	2,953	0.99	
206,484	TC Energy	6,958	2.34	
	Brazil	5,307	1.79	1.54
3,029,455	CCR	5,307	1.79	
	Australia	14,476	4.88	6.03
1,433,801	Sydney Airport	4,653	1.57	
1,255,853	Transurban	9,823	3.31	
	Hong Kong	9,233	3.11	1.77
2,847,000	China Gas	6,298	2.12	
764,124	MTR	2,935	0.99	

M&G Global Listed Infrastructure Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at Holding		30.09.20 £'000	30.09.20 %	31.03.20 ^[a] %
	EQUITIES (continued)			
	Singapore	6,021	2.03	1.99
10,908,500	NetLink NBN	6,021	2.03	
Portfolio of investments		294,260	99.14	98.78
	CASH EQUIVALENTS	2,068	0.70	0.10
	'AAA' rated money market funds ^[b]	2,068	0.70	0.10
2,068,000	Northern Trust Global Fund - Sterling	2,068	0.70	
	SHARE CLASS HEDGING	(17)	(0.01)	0.00
	Forward currency contracts for share class hedging	(17)	(0.01)	0.00
AU\$39,103	Bought for £21,871 (expires 21.10.20)	0	0.00	
AU\$(681,915)	Sold for £384,958 (expires 21.10.20)	7	0.00	
BRL59,348	Bought for £8,176 (expires 21.10.20)	0	0.00	
BRL(1,012,747)	Sold for £143,327 (expires 21.10.20)	3	0.00	
CAS\$98,403	Bought for £57,899 (expires 21.10.20)	(1)	0.00	
CAS\$(1,315,455)	Sold for £769,723 (expires 21.10.20)	4	0.00	
CHF13,827	Bought for £11,732 (expires 21.10.20)	0	0.00	
CHF(92,231)	Sold for £78,453 (expires 21.10.20)	1	0.00	
DKK18,058	Bought for £2,213 (expires 21.10.20)	0	0.00	
DKK(911,220)	Sold for £112,037 (expires 21.10.20)	0	0.00	
€32,818	Bought for £30,032 (expires 21.10.20)	0	0.00	
€(1,639,525)	Sold for £1,499,858 (expires 21.10.20)	3	0.00	
HK\$175,130	Bought for £17,573 (expires 21.10.20)	0	0.00	
HK\$(2,354,441)	Sold for £234,097 (expires 21.10.20)	(2)	0.00	
SG\$8,120	Bought for £4,645 (expires 21.10.20)	0	0.00	
SG\$(260,770)	Sold for £148,070 (expires 21.10.20)	0	0.00	
US\$140,937	Bought for £110,632 (expires 21.10.20)	(1)	0.00	
US\$(3,679,491)	Sold for £2,836,184 (expires 21.10.20)	(31)	(0.01)	
Total portfolio		296,311	99.83	98.88
Net other assets / (liabilities)		513	0.17	1.12
Net assets attributable to shareholders		296,824	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] Uncommitted surplus cash is placed into 'AAA' rated money market funds with the aim of reducing counterparty risk.

M&G Global Listed Infrastructure Fund

Authorised Corporate Director's Report

Top ten portfolio transactions

for the six months to 30 September 2020	
Largest purchases	£'000
ContourGlobal	10,510
China Gas	6,967
A2A	5,553
Sempra Energy	4,986
AES	4,379
CoreSite Realty	3,792
Edison International	3,389
Keyera	3,080
CCR	2,803
Enel	2,737
Other purchases	52,246
Total purchases	100,442
Largest sales	£'000
National Grid	3,902
Vinci	3,547
Franco Nevada	3,355
UNITE REIT	3,089
Flughafen Zurich	2,761
Sydney Airport	2,744
ONEOK	2,571
TC Energy	2,556
PrairieSky Royalty	2,340
Keyera	2,243
Other sales	26,119
Total sales	55,227

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

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

Fund level performance

Fund net asset value

as at	30.09.20 £'000	31.03.20 £'000	31.03.19 £'000
Fund net asset value (NAV)	296,824	218,793	46,348

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

	Six months 01.04.20 % ^[a]	Three years 02.10.17 % pa	Five years 01.10.15 % pa	Since launch % pa
Sterling ^[b]				
Class 'A'	+19.4	n/a	n/a	+8.3 ^[c]
Class 'I'	+19.5	n/a	n/a	+8.5 ^[c]
Class 'I-H'	+19.2	n/a	n/a	-10.3 ^[d]
Class 'L'	+19.7	n/a	n/a	+8.8 ^[c]
Class 'PP'	+19.6	n/a	n/a	+8.1 ^[e]
Class 'PP-H'	+19.1	n/a	n/a	-10.2 ^[d]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

^[c] 5 October 2017, the launch date of the fund.

^[d] 24 January 2020, the launch date of the share class. Not annualised.

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

M&G Global Listed Infrastructure 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

	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.04	0.06	0.06	0.05
Taxes	0.07	0.11	0.10	0.09
Costs before dilution adjustments	0.11	0.17	0.16	0.14
Dilution adjustments ^[c]	(0.08)	(0.17)	(0.16)	(0.13)
Total direct portfolio transaction costs	0.03	0.00	0.00	0.01
as at	30.09.20	31.03.20	31.03.19	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.23	0.32	0.11	0.22

^[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 Global Listed Infrastructure 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 period are calculated as at 9 October 2020.

Sterling Class 'A' Income share performance

The share class was launched on 5 October 2017.			
	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	99.28	106.29	89.91
Return before operating charges and after direct portfolio transaction costs	17.82	(1.96)	21.17
Operating charges	(0.63)	(1.32)	(1.29)
Return after operating charges	17.19	(3.28)	19.88
Distributions	(2.46)	(3.73)	(3.50)
Closing NAV	114.01	99.28	106.29
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.21	0.16
Dilution adjustments ^[a]	(0.04)	(0.21)	(0.16)
Total direct portfolio transaction costs	0.03	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	0.00
Operating charges ^[c]	1.10	1.12	1.24
Return after operating charges	+17.31	-3.09	+22.11
Historic yield	3.62	3.59	3.25
Effect on yield of charges offset against capital	1.10	1.12	1.11
Other information			
Closing NAV (£'000)	566	534	142
Closing NAV percentage of total fund NAV (%)	0.19	0.24	0.31
Number of shares	496,260	538,070	133,880
Highest share price (UK p)	122.68	131.99	107.24
Lowest share price (UK p)	96.41	91.96	90.08

Sterling Class 'A' Accumulation share performance

The share class was launched on 5 October 2017.			
	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	107.51	111.44	91.01
Return before operating charges and after direct portfolio transaction costs	19.32	(2.53)	21.75
Operating charges	(0.69)	(1.40)	(1.32)
Return after operating charges	18.63	(3.93)	20.43
Distributions	(2.00)	(2.57)	(2.47)
Retained distributions	2.00	2.57	2.47
Closing NAV	126.14	107.51	111.44
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.22	0.17
Dilution adjustments ^[a]	(0.05)	(0.22)	(0.17)
Total direct portfolio transaction costs	0.02	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	0.00
Operating charges ^[c]	1.10	1.12	1.24
Return after operating charges	+17.33	-3.53	+22.45
Historic yield	2.46	2.29	2.18
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	2,517	622	252
Closing NAV percentage of total fund NAV (%)	0.85	0.28	0.54
Number of shares	1,995,305	578,400	226,127
Highest share price (UK p)	132.87	141.79	111.70
Lowest share price (UK p)	104.41	98.79	91.20

Sterling Class 'I' Income share performance

The share class was launched on 5 October 2017.			
	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	99.81	106.60	90.00
Return before operating charges and after direct portfolio transaction costs	17.92	(2.02)	21.20
Operating charges	(0.49)	(1.03)	(1.09)
Return after operating charges	17.43	(3.05)	20.11
Distributions	(2.48)	(3.74)	(3.51)
Closing NAV	114.76	99.81	106.60
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.21	0.16
Dilution adjustments ^[a]	(0.04)	(0.21)	(0.16)
Total direct portfolio transaction costs	0.03	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	0.00
Operating charges ^[c]	0.85	0.89	1.04
Return after operating charges	+17.46	-2.86	+22.34
Historic yield	3.61	3.58	3.25
Effect on yield of charges offset against capital	0.85	0.89	0.91
Other information			
Closing NAV (£'000)	53,848	37,912	4,883
Closing NAV percentage of total fund NAV (%)	18.14	17.33	10.53
Number of shares	46,920,464	37,984,956	4,580,694
Highest share price (UK p)	123.40	132.65	107.55
Lowest share price (UK p)	96.92	92.45	90.17

M&G Global Listed Infrastructure Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 5 October 2017.

	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	108.09	111.77	91.10
Return before operating charges and after direct portfolio transaction costs	19.41	(2.57)	21.80
Operating charges	(0.53)	(1.11)	(1.13)
Return after operating charges	18.88	(3.68)	20.67
Distributions	(2.17)	(2.88)	(2.68)
Retained distributions	2.17	2.88	2.68
Closing NAV	126.97	108.09	111.77
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.22	0.17
Dilution adjustments ^[a]	(0.05)	(0.22)	(0.17)
Total direct portfolio transaction costs	0.02	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	0.00
Operating charges ^[c]	0.85	0.88	1.04
Return after operating charges	+17.47	-3.29	+22.69
Historic yield	2.70	2.54	2.36
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	162,764	120,921	37,274
Closing NAV percentage of total fund NAV (%)	54.83	55.27	80.42
Number of shares	128,194,981	111,876,045	33,347,533
Highest share price (UK p)	133.65	142.50	112.03
Lowest share price (UK p)	104.97	99.31	91.29

Sterling Class 'I-H' Income share performance

The share class was launched on 24 January 2020.

	Six months to 30.09.20	Period to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	75.58	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	13.46	(23.76)	n/a
Operating charges	(0.38)	(0.15)	n/a
Return after operating charges	13.08	(23.91)	n/a
Distributions	(1.86)	(0.51)	n/a
Closing NAV	86.80	75.58	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.03	n/a
Dilution adjustments ^[a]	(0.03)	(0.03)	n/a
Total direct portfolio transaction costs	0.02	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	n/a
Operating charges ^[c]	0.88	0.88	n/a
Return after operating charges	+17.31	-23.91	n/a
Historic yield	3.62	3.58	n/a
Effect on yield of charges offset against capital	0.88	0.88	n/a
Other information			
Closing NAV (£'000)	17	15	n/a
Closing NAV percentage of total fund NAV (%)	0.01	0.01	n/a
Number of shares	20,010	20,010	n/a
Highest share price (UK p)	93.31	103.22	n/a
Lowest share price (UK p)	73.79	66.53	n/a

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 24 January 2020.

	Six months to 30.09.20	Period to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	76.11	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	13.64	(23.75)	n/a
Operating charges	(0.39)	(0.14)	n/a
Return after operating charges	13.25	(23.89)	n/a
Distributions	(1.51)	(0.36)	n/a
Retained distributions	1.51	0.36	n/a
Closing NAV	89.36	76.11	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.03	n/a
Dilution adjustments ^[a]	(0.03)	(0.03)	n/a
Total direct portfolio transaction costs	0.02	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	n/a
Operating charges	0.88	0.88	n/a
Return after operating charges	+17.41	-23.89	n/a
Historic yield	2.68	2.52	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (£'000)	7,064	68	n/a
Closing NAV percentage of total fund NAV (%)	2.38	0.03	n/a
Number of shares	7,904,659	89,418	n/a
Highest share price (UK p)	94.26	103.16	n/a
Lowest share price (UK p)	74.25	66.49	n/a

Sterling Class 'L' Income share performance

The share class was launched on 5 October 2017.

	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	100.43	107.01	90.10
Return before operating charges and after direct portfolio transaction costs	18.03	(2.09)	21.27
Operating charges	(0.35)	(0.72)	(0.85)
Return after operating charges	17.68	(2.81)	20.42
Distributions	(2.49)	(3.77)	(3.51)
Closing NAV	115.62	100.43	107.01
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.21	0.16
Dilution adjustments ^[a]	(0.04)	(0.21)	(0.16)
Total direct portfolio transaction costs	0.03	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	0.00
Operating charges ^[c]	0.60	0.64	0.79
Return after operating charges	+17.60	-2.63	+22.66
Historic yield	3.62	3.59	3.24
Effect on yield of charges offset against capital	0.60	0.64	0.66
Other information			
Closing NAV (£'000)	10,093	8,047	21
Closing NAV percentage of total fund NAV (%)	3.40	3.68	0.05
Number of shares	8,729,035	8,012,055	20,000
Highest share price (UK p)	124.22	133.45	107.97
Lowest share price (UK p)	97.52	93.02	90.29

M&G Global Listed Infrastructure Fund

Financial highlights

Specific share class performance

Sterling Class 'L' Accumulation share performance

The share class was launched on 5 October 2017.

	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	108.76	112.19	91.21
Return before operating charges and after direct portfolio transaction costs	19.54	(2.64)	21.85
Operating charges	(0.38)	(0.79)	(0.87)
Return after operating charges	19.16	(3.43)	20.98
Distributions	(2.34)	(3.20)	(2.94)
Retained distributions	2.34	3.20	2.94
Closing NAV	127.92	108.76	112.19
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.22	0.17
Dilution adjustments ^[a]	(0.05)	(0.22)	(0.17)
Total direct portfolio transaction costs	0.02	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	0.00
Operating charges ^[c]	0.60	0.64	0.78
Return after operating charges	+17.62	-3.06	+23.00
Historic yield	2.94	2.81	2.58
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	49,130	46,020	3,776
Closing NAV percentage of total fund NAV (%)	16.55	21.03	8.15
Number of shares	38,407,979	42,314,416	3,365,793
Highest share price (UK p)	134.54	143.35	112.45
Lowest share price (UK p)	105.63	99.92	91.40

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

	Six months to 30.09.20	Period to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	82.30	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	14.78	(15.18)	n/a
Operating charges	(0.31)	(0.40)	n/a
Return after operating charges	14.47	(15.58)	n/a
Distributions	(2.04)	(2.12)	n/a
Closing NAV	94.73	82.30	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.11	n/a
Dilution adjustments ^[a]	(0.04)	(0.11)	n/a
Total direct portfolio transaction costs	0.02	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	n/a
Operating charges ^[c]	0.65	0.65	n/a
Return after operating charges	+17.58	-15.58	n/a
Historic yield	3.61	3.59	n/a
Effect on yield of charges offset against capital	0.65	0.65	n/a
Other information			
Closing NAV (£'000)	4,616	3,698	n/a
Closing NAV percentage of total fund NAV (%)	1.55	1.69	n/a
Number of shares	4,873,390	4,492,893	n/a
Highest share price (UK p)	101.79	109.38	n/a
Lowest share price (UK p)	79.92	76.23	n/a

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

	Six months to 30.09.20	Period to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	94.88	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	17.08	(4.42)	n/a
Operating charges	(0.36)	(0.70)	n/a
Return after operating charges	16.72	(5.12)	n/a
Distributions	(2.02)	(2.76)	n/a
Retained distributions	2.02	2.76	n/a
Closing NAV	111.60	94.88	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.18	n/a
Dilution adjustments ^[a]	(0.04)	(0.18)	n/a
Total direct portfolio transaction costs	0.01	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	n/a
Operating charges	0.65	0.68	n/a
Return after operating charges	+17.62	-5.12	n/a
Historic yield	2.90	2.78	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (£'000)	6,174	926	n/a
Closing NAV percentage of total fund NAV (%)	2.08	0.42	n/a
Number of shares	5,531,932	975,955	n/a
Highest share price (UK p)	117.37	125.07	n/a
Lowest share price (UK p)	92.15	87.18	n/a

Sterling Class 'PP-H' Income share performance

The share class was launched on 24 January 2020.

	Six months to 30.09.20	Period to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	75.60	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	13.47	(23.77)	n/a
Operating charges	(0.30)	(0.12)	n/a
Return after operating charges	13.17	(23.89)	n/a
Distributions	(1.86)	(0.51)	n/a
Closing NAV	86.91	75.60	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.03	n/a
Dilution adjustments ^[a]	(0.03)	(0.03)	n/a
Total direct portfolio transaction costs	0.02	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	n/a
Operating charges ^[c]	0.68	0.68	n/a
Return after operating charges	+17.42	-23.89	n/a
Historic yield	3.61	3.59	n/a
Effect on yield of charges offset against capital	0.68	0.68	n/a
Other information			
Closing NAV (£'000)	17	15	n/a
Closing NAV percentage of total fund NAV (%)	0.01	0.01	n/a
Number of shares	20,030	20,030	n/a
Highest share price (UK p)	93.37	103.22	n/a
Lowest share price (UK p)	73.81	66.55	n/a

M&G Global Listed Infrastructure Fund

Financial highlights

Specific share class performance

Sterling Class 'PP-H' Accumulation share performance

The share class was launched on 24 January 2020.

	Six months to 30.09.20	Period to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	76.10	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	13.58	(23.78)	n/a
Operating charges	(0.30)	(0.12)	n/a
Return after operating charges	13.28	(23.90)	n/a
Distributions	(1.59)	(0.39)	n/a
Retained distributions	1.59	0.39	n/a
Closing NAV	89.38	76.10	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.03	n/a
Dilution adjustments ^[a]	(0.03)	(0.03)	n/a
Total direct portfolio transaction costs	0.02	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	n/a
Operating charges	0.68	0.68	n/a
Return after operating charges	+17.45	-23.90	n/a
Historic yield	2.88	2.76	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (£'000)	18	15	n/a
Closing NAV percentage of total fund NAV (%)	0.01	0.01	n/a
Number of shares	20,020	20,020	n/a
Highest share price (UK p)	94.01	103.22	n/a
Lowest share price (UK p)	74.32	66.55	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.

M&G Global Listed Infrastructure Fund

Financial statements and notes

Financial statements

Statement of total return

	2020		2019	
for the six months to 30 September	£'000	£'000	£'000	£'000
Income				
Net capital gains / (losses)		33,061		13,595
Revenue	6,409		1,914	
Expenses	(1,085)		(452)	
Net revenue / (expense) before taxation	5,324		1,462	
Taxation	(492)		(173)	
Net revenue / (expense) after taxation		4,832		1,289
Total return before distributions		37,893		14,884
Distributions		(5,033)		(1,324)
Change in net assets attributable to shareholders from investment activities		32,860		13,560

Statement of change in net assets attributable to shareholders

	2020		2019	
for the six months to 30 September	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		218,793		46,348
Amounts received on issue of shares	71,044		157,947	
Amounts paid on cancellation of shares	(29,826)		(34,078)	
		41,218		123,869
Dilution adjustments		159		278
Change in net assets attributable to shareholders from investment activities (see above)		32,860		13,560
Retained distributions on Accumulation shares		3,794		1,372
Closing net assets attributable to shareholders		296,824		185,427

The opening net assets attributable to shareholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

M&G Global Listed Infrastructure Fund

Financial statements and notes

Financial statements (continued)

Balance sheet

as at	30 September 2020 £'000	31 March 2020 £'000
Assets		
Fixed assets		
Investments	294,278	216,123
Current assets		
Debtors	1,669	2,757
Cash and bank balances	761	2,799
Cash equivalents	2,068	224
Total assets	298,776	221,903
Liabilities		
Investment liabilities	(35)	(2)
Creditors		
Distribution payable	(650)	(406)
Other creditors	(1,267)	(2,702)
Total liabilities	(1,952)	(3,110)
Net assets attributable to shareholders	296,824	218,793

M&G Global Listed Infrastructure Fund

Financial statements and notes

Notes to the financial statements

Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 4.

Distribution policy

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.

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

M&G Positive Impact Fund

Authorised Corporate Director's Report

Investment objective

The fund has two aims:

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

Investment policy

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

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

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

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

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

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

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

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

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

The fund invests in three categories of positive impact companies:

- "Pioneers", whose products or services have a transformational effect on society or the environment;
- "Enablers", which provide the tools for others to deliver positive social or environmental impact; and
- "Leaders", which spearhead the development of sustainability in their industries.

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

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

Benchmark

Benchmark: MSCI ACWI Index.

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

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

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

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

M&G Positive Impact Fund

Authorised Corporate Director's Report

Risk profile

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

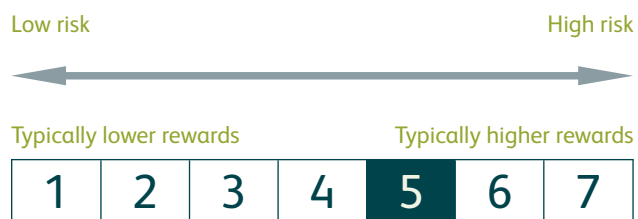
The fund's focus is on businesses that have a positive impact on society through addressing the world's major social and/or environmental challenges.

The fund is a concentrated portfolio, usually holding fewer than 40 stocks. The fund mainly invests in the shares of large and medium-sized companies, which are normally traded with relative ease, however these stocks could potentially experience a degree of illiquidity in times of market distress.

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

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

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



The above number:

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

Investment review

As at 1 October 2020, for the six months ended 30 September 2020

Performance against objective

Between 1 April 2020 (the start of the review period) and 1 October 2020, the fund's sterling share classes delivered positive total returns (the combination of income and growth of capital), ahead of its benchmark, the MSCI ACWI Index, which rose by 30.3% for the period in sterling terms.

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

In terms of the fund's second objective – to invest in companies that have a positive impact on society through addressing the world's major social and/or environmental challenges – please see the fund's most recent Annual Impact Report on the M&G website: <https://www.mandg.co.uk/investor/forms-and-literature/>.

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

Performance review

Global stockmarkets delivered very strong performance for the six months under review, following the worst first quarter since the 2008 financial crisis, as the COVID-19 coronavirus graduated to a full-blown pandemic. Subsequently, the second quarter of the year was the strongest since 2009, driven by central bank stimulus measures and efforts to reopen some areas of major economies, both of which fuelled positive investor sentiment.

As we entered the period under review, markets were boosted by signs that infections from COVID-19 appeared to be stabilising in some of the worst-affected countries, while aforementioned central bank action to the tune of some US\$14 trillion in global stimulus measures also acted to enliven markets. Although, on the whole, economic data, such as employment and retail sales figures, were unarguably terrible, investors were hopeful that those stimulus packages and the easing of coronavirus-driven lockdown measures would lead to an economic recovery.

As we moved through the latter part of the review period, however, some of the gloss was taken off the exuberant mood, as a resurgence in the number of infection cases around the world, and growing tension between the US and China, made investors cautious. European stockmarkets were particularly hard hit, with sentiment most deeply affected by the increase in COVID-19 infections across the region, sparking worries about the economic recovery, while uncertainty over the agreement of a Brexit trade deal also dampened the previous investor exuberance. Elsewhere, worries included growing uncertainty about the US Presidential election, a rekindling of tension between the US and China, a lack of agreement on further economic support in light of the pandemic and the high valuations of some technology companies that had boomed for much of the review period.

Against this background, with widespread lockdowns and travel restrictions, demand for oil fell considerably. In fact, at one point the US oil price temporarily fell below zero for the first time in history, as the collapse in demand led to concerns that a glut of unwanted supply would overwhelm global storage capacity. In light of this, energy was the worst-performing sector for the six months under review, while utilities, real estate and financials were also particularly weak relative to the wider market. The outstanding performers for the period were the consumer discretionary and information technology sectors, while materials and industrials also outperformed.

M&G Positive Impact Fund

Authorised Corporate Director's Report

Performance review (continued)

For the fund, outperformance was driven by stock selection, particularly within the information technology, healthcare, industrial and utilities sectors. In addition, the fund has no holdings within consumer staples, energy or real estate, which also proved supportive of relative returns, as these sectors underperformed.

At an individual stock level, the largest contributor for the period under review was alternative energy specialist SolarEdge. The company has maintained its solid run of profitability and announced that 2020 would still be a growth year, despite a squeeze on earnings during a difficult period for solar energy in light of the pandemic. Near the end of the review period, the company's shares were further boosted on news from the US that Congress and the White House were set to resume stalled stimulus talks. While no details had been made public, House Democrats are friendly to renewable energy, and investors perceived that funds to boost investment in the renewables industry could be included as part of the deal.

Stone wool insulation maker Rockwool boosted returns as well. Rockwool provides an extensive range of solutions to make buildings more energy efficient and sustainable, with the fire resistant properties of stone wool meaning it can withstand temperatures of more than 1,000 degrees Celsius. It is estimated that effective use of stone wool insulation can reduce heating needs, and associated carbon emissions, by some 70%. As energy efficiency renovation is a key theme in the EU's pandemic recovery plans, Rockwool is seen as an obvious beneficiary of these programmes.

Other supportive holdings included energy-efficient semiconductor maker ON Semiconductor, medical technology and analytical equipment maker Thermo Fisher Scientific, and efficiency specialist Johnson Controls.

On the downside, the fund's above-index position in healthcare (a sector which underperformed) and below-index position in consumer discretionary (which outperformed) weighed on relative returns, as did stock selection within materials and financials. At a stock level, the largest detractor to relative returns was a stock we do not own, US tech giant Apple. The company delivered very strong performance and makes up a large portion of the MSCI ACWI Index, leading to a meaningful drag on relative performance.

Of stocks we do own, the largest detractor was specialist blood plasma pharmaceutical company Grifols, which struggled due to concerns about the delay or deferral of blood donations due to COVID-19. Japanese rail operator East Japan Railway was hurt by lockdown measures that reduced railway travel in Japan, while insurance company Amerisafe also struggled due to lower net premiums earned.

Investment activities

The M&G Positive Impact Fund is a concentrated portfolio of global stocks, making long-term investments in companies that aim to generate a positive social and/or environmental impact

alongside a financial return, using a disciplined stock selection process. The fund generally holds around 30 stocks from around the world, with a Positive Impact team consensus-approved watchlist of around 150 impactful companies in which the fund manager can invest if the timing and price are right.

During the review period we made two such purchases, starting with US workwear and textile service company UniFirst. UniFirst helps improve energy and water efficiency by the scale manufacture, collection and laundering of workplace uniforms. The company has a strong brand and distribution network which is difficult to replicate, and is vertically integrated where it rents, cleans, delivers and manufactures for a customer's needs. The environmental efficiency provided by its circular model is verified independently – versus home laundering, UniFirst represents 90% less chemical usage, 64% less water usage and 73% less energy usage. The company's products and services most closely align with UN Sustainable Development Goal 12 – responsible consumption and production.

We also invested in clinical stage biotherapeutics company PureTech. PureTech is dedicated to discovering, developing and commercialising highly differentiated medicines for underserved diseases. The company takes on late-stage medicines and adds value to them, aiming to discover breakthrough research that might suggest new ways of tackling illnesses. PureTech contributes most clearly to UN Sustainable Development Goal 3 – good health and wellbeing.

Outlook

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

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

Obviously the pandemic has continued to disrupt the activities of many businesses and the lives of individuals. During the review period we wrote to the chairs and chief executives of all our investee companies to ask about any actions taken during the pandemic that reflected the company's purpose, or demonstrated support for their employees, customers and local communities. We received responses from around 80% of our holdings, and were pleased to see our investee companies living up to their impactful mission statements and, in many cases, moving through the crisis in a position of strength.

M&G Positive Impact Fund

Authorised Corporate Director's Report

Outlook (continued)

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

As mentioned at the beginning of this report's commentary, the fund's 2019 Annual Impact Report is available on our website: <https://www.mandg.co.uk/investor/forms-and-literature/>.

The 2020 report is due to be published in January 2021.

John William Olsen

Fund manager

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

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

M&G Positive Impact Fund

Authorised Corporate Director's Report

Portfolio statement

as at Holding		30.09.20 \$'000	30.09.20 %	31.03.20 %
	EQUITIES	139,135	94.94	93.12
	Containers & packaging	3,237	2.21	2.60
850,293	DS Smith	3,237	2.21	
	Building products	11,835	8.08	5.54
131,003	Johnson Controls International	5,366	3.66	
16,695	ROCKWOOL International	6,469	4.42	
	Electrical equipment	5,537	3.78	3.44
44,005	Schneider Electric	5,537	3.78	
	Commercial services & supplies	8,886	6.06	5.64
468,186	Brambles	3,493	2.38	
41,764	Republic Services	3,922	2.68	
7,713	UniFirst	1,471	1.00	
	Road & rail	2,023	1.38	2.26
33,000	East Japan Railway	2,023	1.38	
	Diversified consumer services	4,578	3.12	2.99
25,943	Bright Horizons Family Solutions	3,875	2.64	
537,095	Cogna Educacao	496	0.34	
220,095	Cogna Educacao ADR	207	0.14	
	Health care equipment & supplies	3,870	2.64	3.48
17,167	Becton Dickinson	3,870	2.64	
	Health care providers & services	13,751	9.38	9.71
59,148	Fresenius Medical Care	5,024	3.43	
33,900	Quest Diagnostics	3,852	2.63	
16,028	UnitedHealth	4,875	3.32	
	Biotechnology	2,521	1.72	2.65
149,115	Grifols	2,521	1.72	
	Pharmaceuticals	12,336	8.42	9.00
19,399	ALK-Abelló	6,357	4.34	
86,213	Novo-Nordisk	5,979	4.08	
	Life sciences tools & services	16,897	11.53	10.10
51,042	Agilent Technologies	5,114	3.49	
12,650	Illumina	3,862	2.64	
611,229	PureTech Health	1,969	1.34	
13,706	Thermo Fisher Scientific	5,952	4.06	
	Banks	6,726	4.59	4.98
155,815	Bank of Georgia	1,762	1.20	
101,414	HDFC Bank ADR	4,964	3.39	
	Insurance	8,948	6.11	7.87
490,000	AIA	4,799	3.28	
41,944	AMERISAFE	2,400	1.64	
567,612	Sanlam	1,749	1.19	
	Software	6,444	4.40	4.55
20,168	Ansys	6,444	4.40	
	Electronic equipment, instruments & components	8,039	5.48	5.76
71,200	Horiba	3,685	2.51	
25,910	IPG Photonics	4,354	2.97	
	Semiconductors & semiconductor equipment	11,956	8.16	5.59
181,562	ON Semiconductor	3,953	2.70	
34,572	SolarEdge Technologies	8,003	5.46	
	Wireless telecommunication services	3,627	2.47	1.57
13,197,968	Safaricom	3,627	2.47	
	Electric utilities	7,924	5.41	5.39
57,142	Ørsted	7,924	5.41	
Portfolio of investments		139,135	94.94	93.12
Net other assets / (liabilities)		7,416	5.06	6.88
Net assets attributable to shareholders		146,551	100.00	100.00

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

M&G Positive Impact Fund

Authorised Corporate Director's Report

Top portfolio transactions

for the six months to 30 September 2020	
Largest purchases	\$'000
Ørsted	2,276
Safaricom	2,233
PureTech Health	2,044
Ansys	1,898
SolarEdge Technologies	1,876
Johnson Controls International	1,870
ALK-Abelló	1,801
Nova-Nordisk	1,783
HDFC Bank ADR	1,646
Thermo Fisher Scientific	1,636
Other purchases	26,552
Total purchases	45,615
Sales	\$'000
SolarEdge Technologies	1,436
Nova-Nordisk	213
Ørsted	213
Ansys	210
Total sales	2,072

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

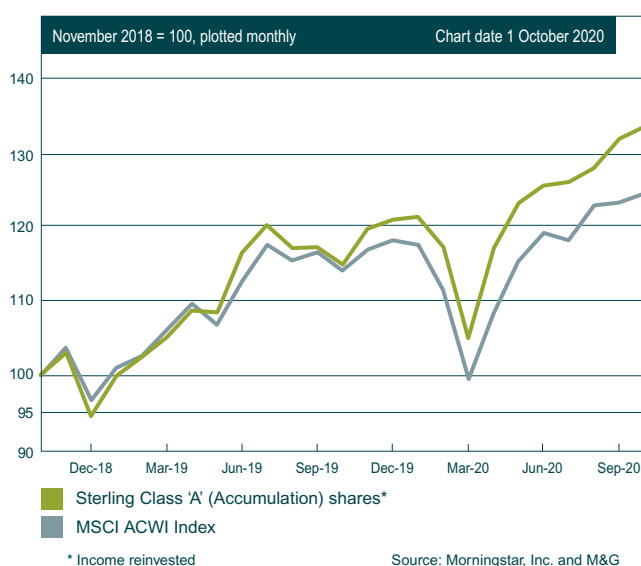
Fund level performance

Fund net asset value

as at	30.09.20 \$'000	31.03.20 \$'000	31.03.19 \$'000
Fund net asset value (NAV)	146,551	75,565	28,182

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

	Six months 01.04.20 % ^[a]	Three years 02.10.17 % pa	Five years 01.10.15 % pa	Since launch % pa
Sterling ^[b]				
Class 'A'	+31.2	n/a	n/a	+16.8 ^[c]
Class 'I'	+31.5	n/a	n/a	+17.5 ^[c]
Class 'L'	+31.7	n/a	n/a	+17.8 ^[c]
Class 'PP'	+31.4	n/a	n/a	+16.1 ^[d]
Class 'R'	+31.4	n/a	n/a	+17.2 ^[c]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

^[c] 20 November 2018, the launch date of the fund.

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

M&G Positive Impact 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

	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.04	0.06	0.07	0.06
Taxes	0.06	0.09	0.16	0.10
Costs before dilution adjustments	0.10	0.15	0.23	0.16
Dilution adjustments ^[c]	(0.10)	(0.14)	(0.13)	(0.12)
Total direct portfolio transaction costs	0.00	0.01	0.10	0.04
as at	30.09.20	31.03.20	31.03.19	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.12	0.18	0.12	0.14

^[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 Positive Impact 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 period are calculated as at 9 October 2020.

Sterling Class 'A' Income share performance

The share class was launched on 20 November 2018.			
	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	102.67	104.48	100.00
Return before operating charges and after direct portfolio transaction costs	27.10	1.50	5.48
Operating charges	(0.82)	(1.60)	(0.62)
Return after operating charges	26.28	(0.10)	4.86
Distributions	n/a	(1.71)	(0.38)
Closing NAV	128.95	102.67	104.48
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.17	0.08
Dilution adjustments ^[a]	(0.06)	(0.16)	(0.05)
Total direct portfolio transaction costs	0.00	0.01	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.10
Operating charges ^[c]	1.35	1.46	1.73
Return after operating charges	+25.60	-0.10	+4.86
Historic yield	1.25	1.61	0.35
Effect on yield of charges offset against capital	1.35	1.45	1.65
Other information			
Closing NAV (\$'000)	1,001	447	41
Closing NAV percentage of total fund NAV (%)	0.68	0.59	0.15
Number of shares	604,856	352,220	29,855
Highest share price (UK p)	129.23	128.15	105.74
Lowest share price (UK p)	99.59	98.73	93.44

Sterling Class 'A' Accumulation share performance

The share class was launched on 20 November 2018.			
	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	104.75	104.86	100.00
Return before operating charges and after direct portfolio transaction costs	27.73	1.60	5.48
Operating charges	(0.84)	(1.71)	(0.62)
Return after operating charges	26.89	(0.11)	4.86
Distributions	n/a	0.00	0.00
Retained distributions	n/a	0.00	0.00
Closing NAV	131.64	104.75	104.86
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.17	0.08
Dilution adjustments ^[a]	(0.06)	(0.16)	(0.05)
Total direct portfolio transaction costs	0.00	0.01	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.10
Operating charges ^[c]	1.35	1.47	1.72
Return after operating charges	+25.67	-0.10	+4.86
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	91	30	28
Closing NAV percentage of total fund NAV (%)	0.06	0.04	0.10
Number of shares	53,680	23,368	20,000
Highest share price (UK p)	131.93	128.62	105.74
Lowest share price (UK p)	101.67	99.09	93.44

Sterling Class 'I' Income share performance

The share class was launched on 20 November 2018.			
	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	103.56	104.76	100.00
Return before operating charges and after direct portfolio transaction costs	27.36	1.46	5.50
Operating charges	(0.52)	(0.94)	(0.36)
Return after operating charges	26.84	0.52	5.14
Distributions	n/a	(1.72)	(0.38)
Closing NAV	130.40	103.56	104.76
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.16	0.09
Dilution adjustments ^[a]	(0.06)	(0.15)	(0.05)
Total direct portfolio transaction costs	0.00	0.01	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.10
Operating charges ^[c]	0.85	0.87	0.99
Return after operating charges	+25.92	+0.50	+5.14
Historic yield	1.25	1.61	0.35
Effect on yield of charges offset against capital	0.85	0.87	0.90
Other information			
Closing NAV (\$'000)	7,147	4,420	121
Closing NAV percentage of total fund NAV (%)	4.88	5.85	0.43
Number of shares	4,271,292	3,453,258	88,415
Highest share price (UK p)	130.68	129.18	106.00
Lowest share price (UK p)	100.45	99.57	93.50

M&G Positive Impact Fund

Financial highlights

Specific share class performance

Sterling Class 'T' Accumulation share performance

The share class was launched on 20 November 2018.			
	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	105.65	105.14	100.00
Return before operating charges and after direct portfolio transaction costs	27.98	1.52	5.50
Operating charges	(0.53)	(1.01)	(0.36)
Return after operating charges	27.45	0.51	5.14
Distributions	n/a	(0.68)	(0.06)
Retained distributions	n/a	0.68	0.06
Closing NAV	133.10	105.65	105.14
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.17	0.09
Dilution adjustments ^[a]	(0.06)	(0.16)	(0.05)
Total direct portfolio transaction costs	0.00	0.01	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.10
Operating charges ^[c]	0.85	0.88	0.99
Return after operating charges	+25.98	+0.49	+5.14
Historic yield	0.48	0.62	0.06
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	67,422	48,891	11,460
Closing NAV percentage of total fund NAV (%)	46.01	64.70	40.66
Number of shares	39,474,189	37,437,214	8,317,546
Highest share price (UK p)	133.39	129.65	106.00
Lowest share price (UK p)	102.54	99.92	93.51

Sterling Class 'L' Income share performance

The share class was launched on 20 November 2018.			
	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	103.91	104.85	100.00
Return before operating charges and after direct portfolio transaction costs	27.47	1.51	5.50
Operating charges	(0.38)	(0.73)	(0.27)
Return after operating charges	27.09	0.78	5.23
Distributions	n/a	(1.72)	(0.38)
Closing NAV	131.00	103.91	104.85
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.17	0.09
Dilution adjustments ^[a]	(0.06)	(0.16)	(0.05)
Total direct portfolio transaction costs	0.00	0.01	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.10
Operating charges ^[c]	0.60	0.63	0.74
Return after operating charges	+26.07	+0.74	+5.23
Historic yield	1.24	1.61	0.35
Effect on yield of charges offset against capital	0.60	0.62	0.65
Other information			
Closing NAV (\$'000)	44,823	3,448	539
Closing NAV percentage of total fund NAV (%)	30.58	4.56	1.91
Number of shares	26,662,945	2,684,848	392,038
Highest share price (UK p)	131.29	129.58	106.09
Lowest share price (UK p)	100.80	99.90	93.52

Sterling Class 'L' Accumulation share performance

The share class was launched on 20 November 2018.			
	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	106.02	105.23	100.00
Return before operating charges and after direct portfolio transaction costs	28.07	1.53	5.49
Operating charges	(0.37)	(0.74)	(0.26)
Return after operating charges	27.70	0.79	5.23
Distributions	n/a	(0.98)	(0.15)
Retained distributions	n/a	0.98	0.15
Closing NAV	133.72	106.02	105.23
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.17	0.08
Dilution adjustments ^[a]	(0.06)	(0.16)	(0.05)
Total direct portfolio transaction costs	0.00	0.01	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.10
Operating charges ^[c]	0.60	0.63	0.73
Return after operating charges	+26.13	+0.75	+5.23
Historic yield	0.69	0.90	0.14
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	23,844	17,621	15,862
Closing NAV percentage of total fund NAV (%)	16.27	23.32	56.28
Number of shares	13,896,070	13,447,028	11,502,289
Highest share price (UK p)	134.01	130.05	106.09
Lowest share price (UK p)	102.89	100.26	93.52

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.			
	Six months to 30.09.20	Period to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	89.30	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	23.59	(8.80)	n/a
Operating charges	(0.34)	(0.44)	n/a
Return after operating charges	23.25	(9.24)	n/a
Distributions	n/a	(1.46)	n/a
Closing NAV	112.55	89.30	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.10	n/a
Dilution adjustments ^[a]	(0.05)	(0.09)	n/a
Total direct portfolio transaction costs	0.00	0.01	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	n/a
Operating charges	0.65	0.65	n/a
Return after operating charges	+26.04	-9.24	n/a
Historic yield	1.23	1.59	n/a
Effect on yield of charges offset against capital	0.65	0.65	n/a
Other information			
Closing NAV (\$'000)	28	30	n/a
Closing NAV percentage of total fund NAV (%)	0.02	0.04	n/a
Number of shares	19,223	27,000	n/a
Highest share price (UK p)	112.80	111.34	n/a
Lowest share price (UK p)	86.63	85.83	n/a

M&G Positive Impact Fund

Financial highlights

Specific share class performance

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.			
	Six months to 30.09.20	Period to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	97.57	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	25.85	(1.71)	n/a
Operating charges	(0.38)	(0.72)	n/a
Return after operating charges	25.47	(2.43)	n/a
Distributions	n/a	(0.85)	n/a
Retained distributions	n/a	0.85	n/a
Closing NAV	123.04	97.57	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.16	n/a
Dilution adjustments ^[a]	(0.06)	(0.14)	n/a
Total direct portfolio transaction costs	0.00	0.02	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	n/a
Operating charges ^[c]	0.65	0.68	n/a
Return after operating charges	+26.10	-2.43	n/a
Historic yield	0.65	0.84	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (\$'000)	379	60	n/a
Closing NAV percentage of total fund NAV (%)	0.26	0.08	n/a
Number of shares	240,288	49,464	n/a
Highest share price (UK p)	123.30	119.70	n/a
Lowest share price (UK p)	94.69	92.27	n/a

Sterling Class 'R' Income share performance

The share class was launched on 20 November 2018.			
	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	103.20	104.67	100.00
Return before operating charges and after direct portfolio transaction costs	27.25	1.55	5.49
Operating charges	(0.67)	(1.31)	(0.44)
Return after operating charges	26.58	0.24	5.05
Distributions	n/a	(1.71)	(0.38)
Closing NAV	129.78	103.20	104.67
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.17	0.08
Dilution adjustments ^[a]	(0.06)	(0.16)	(0.05)
Total direct portfolio transaction costs	0.00	0.01	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.10
Operating charges ^[c]	1.10	1.12	1.22
Return after operating charges	+25.76	+0.23	+5.05
Historic yield	1.25	1.61	0.35
Effect on yield of charges offset against capital	1.10	1.12	1.15
Other information			
Closing NAV (\$'000)	557	320	27
Closing NAV percentage of total fund NAV (%)	0.38	0.42	0.10
Number of shares	334,363	250,556	20,000
Highest share price (UK p)	130.07	128.78	105.92
Lowest share price (UK p)	100.11	99.23	93.48

Sterling Class 'R' Accumulation share performance

The share class was launched on 20 November 2018.			
	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	105.30	105.04	100.00
Return before operating charges and after direct portfolio transaction costs	27.87	1.58	5.50
Operating charges	(0.69)	(1.32)	(0.46)
Return after operating charges	27.18	0.26	5.04
Distributions	n/a	(0.38)	0.00
Retained distributions	n/a	0.38	0.00
Closing NAV	132.48	105.30	105.04
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.17	0.08
Dilution adjustments ^[a]	(0.06)	(0.16)	(0.05)
Total direct portfolio transaction costs	0.00	0.01	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.10
Operating charges ^[c]	1.10	1.13	1.26
Return after operating charges	+25.81	+0.25	+5.04
Historic yield	0.27	0.35	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	1,259	298	104
Closing NAV percentage of total fund NAV (%)	0.86	0.40	0.37
Number of shares	740,410	229,267	75,183
Highest share price (UK p)	132.77	129.24	105.92
Lowest share price (UK p)	102.19	99.59	93.48

^[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 Positive Impact Fund

Financial statements and notes

Financial statements

Statement of total return

	2020		2019	
for the six months to 30 September	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		25,184		1,321
Revenue	771		302	
Expenses	(424)		(123)	
Net revenue / (expense) before taxation	347		179	
Taxation	(77)		(18)	
Net revenue / (expense) after taxation		270		161
Total return before equalisation		25,454		1,482
Equalisation		146		11
Change in net assets attributable to shareholders from investment activities		25,600		1,493

Statement of change in net assets attributable to shareholders

	2020		2019	
for the six months to 30 September	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		75,565		28,182
Amounts received on issue of shares	47,036		3,254	
Amounts paid on cancellation of shares	(1,725)		(1,051)	
		45,311		2,203
Dilution adjustments		75		5
Change in net assets attributable to shareholders from investment activities (see above)		25,600		1,493
Closing net assets attributable to shareholders		146,551		31,883

The opening net assets attributable to shareholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

M&G Positive Impact Fund

Financial statements and notes

Financial statements (continued)

Balance sheet

as at	30 September 2020 \$'000	31 March 2020 \$'000
Assets		
Fixed assets		
Investments	139,135	70,367
Current assets		
Debtors	1,156	1,123
Cash and bank balances	8,123	5,100
Total assets	148,414	76,590
Liabilities		
Creditors		
Distribution payable	0	(144)
Other creditors	(1,863)	(881)
Total liabilities	(1,863)	(1,025)
Net assets attributable to shareholders	146,551	75,565

M&G Positive Impact Fund

Financial statements and notes

Notes to the financial statements

Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 4.

Distribution policy

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.

M&G UK Inflation Linked Corporate Bond Fund

Authorised Corporate Director's Report

Investment objective

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

Investment policy

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

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

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

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

Investment approach

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

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

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

Benchmark

Benchmark: UK Consumer Prices Index.

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

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

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

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

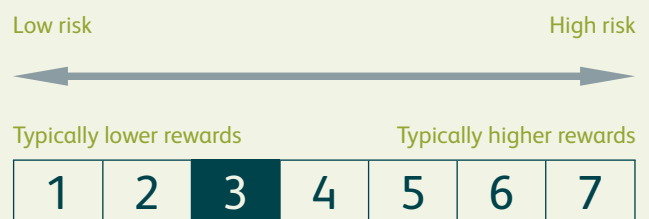
Risk profile

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

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

Portfolio diversification is key in managing liquidity and default risks as well as reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 1 October 2020, for the six months ended 30 September 2020

Performance against objective

Between 1 April 2020 (the start of the review period) and 1 October 2020, the M&G UK Inflation Linked Corporate Bond Fund delivered a positive total return (the combination of income

M&G UK Inflation Linked Corporate Bond Fund

Authorised Corporate Director's Report

Performance against objective (continued)

and growth of capital) across different share classes. Returns in this period were ahead of the change in the UK Consumer Prices Index (CPI), which was broadly flat at 0.1%.

The fund seeks to match or exceed the UK Consumer Prices Index over a rolling three-year period. Over three years, the fund's returns were also ahead of the CPI, which stood at 1.5% 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

The fund invests in a range of instruments that can help to mitigate the potentially damaging effects of inflation. It is mainly invested in inflation-linked bonds issued by high-quality companies, where both the value of the loan and the interest payments are adjusted in line with inflation until they mature.

Following the unprecedented market turbulence in the early part of 2020, investor sentiment recovered strongly from April onwards, helped by a slowing in new COVID-19 cases and signs of a gradual pick-up in economic activity. Markets were also buoyed by the unprecedented stimulus measures announced by governments and central banks around the world. While September saw some renewed weakness amid concerns over a resurgence in virus case numbers, along with political uncertainty ahead of the upcoming US presidential election, market sentiment remained relatively upbeat overall.

Against this backdrop, fixed income markets recorded solid returns in the period. Within corporate bond markets, US and European high yield outperformed investment grade, mirroring the robust demand for riskier areas of fixed income. The performance of government bonds was more muted as investors shifted out of UK gilts, US Treasuries and German bunds for either corporate bonds or issues from European peripheral markets. Italian government bonds (BTPs) and Spanish government bonds both delivered solid returns, boosted by progress on the EU Recovery Fund.

The fund delivered a positive return during the review period, with performance mainly driven by the strong recovery in corporate bond markets and a rise in inflation expectations.

Investment activities

The fund is currently positioned with a fairly neutral duration (sensitivity to movement in interest rates), in contrast to our much shorter duration stance earlier in the year. This reflects a major change in our assessment of central bank policy since the onset of the crisis. In our view, the Bank of England will do whatever is necessary to keep yields low, and in this environment we do not want to be aggressively short duration.

In terms of our outlook for UK inflation, we think the current environment will be disinflationary or deflationary in the near term, with lower demand likely to outweigh any supply factors. On this basis, we think UK inflation breakeven rates still look too expensive, and we continue to hedge some of our inflation-linked

exposure using swaps. While we expect UK inflation to ultimately edge up on the back of the huge levels of fiscal stimulus, this is a medium-term view, and we await a more attractive entry point before increasing our inflation-linked exposure.

There was fairly limited activity within the corporate bond part of the portfolio, although we did add a number of newly issued bonds late in the period. Overall, we remain cautiously positioned with a bias towards highly rated corporate bonds. Following the significant rally in credit markets over the past few months, we believe the risk/reward characteristics no longer look particularly attractive. We therefore continue to focus on highly rated names carrying low levels of debt, while keeping a modest exposure to areas such as banks and insurers.

Outlook

In the near term, we think the current environment will be disinflationary due to a significant fall in demand. Against this backdrop, we believe UK breakeven rates appear slightly expensive and we remain fairly cautious in terms of our inflation-linked exposure, with a preference for very short-dated index-linked gilts.

However, over the medium term, we expect to see a reflation scenario: we are seeing the end of austerity, with huge increases in fiscal spending and the supply of money. We think this will lead to higher consumer prices in time. Nevertheless, this is a medium-term view, and we await a more attractive entry point before increasing our inflation-linked exposure.

Ben Lord

Fund manager

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

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

M&G UK Inflation Linked Corporate Bond Fund

Authorised Corporate Director's Report

Portfolio statement

as at Holding		30.09.20 £'000	30.09.20 %	31.03.20 %
	FIXED INCOME	647,174	96.04	98.05
	Debt securities	647,378	96.07	98.47
	'AAA' credit rated bonds	35,503	5.27	3.02
£5,888,717	Dukinfield FRN 1.3066% 20/12/2052	5,902	0.87	
£1,588,000	Economic Master Issuer 2020-1 FRN	1,591	0.24	
£5,208,000	European Investment Bank FRN 1.0544% 08/09/2025	5,402	0.80	
£148,000	European Investment Bank IL 2.1% 22/11/2022	231	0.03	
£8,203,075	Finsbury Square 2018-2 FRN 1.0096% 12/09/2068	8,215	1.22	
£2,068,629	Friary No. 6 FRN 0.7827% 21/11/2067	2,083	0.31	
£2,859,000	PCL Funding III FRN 0.699% 15/06/2023	2,841	0.42	
£2,004,977	Polaris RMBS FRN 1.3055% 27/04/2057	2,006	0.30	
£2,259,000	Residential Mortgage Securities No. 32 FRN 1% 20/06/2070	2,272	0.34	
£994,681	Together Asset Backed Securitisation No. 1 FRN 1.0461% 12/03/2049	994	0.15	
£3,947,792	Towd Point Mortgage Funding 2019-Vantage2 FRN 1.2628% 20/02/2054	3,966	0.59	
	'AA' credit rated bonds	414,687	61.54	62.32
€10,000,000	Exxon Mobil 0.142% 26/06/2024	9,160	1.36	
£4,463,000	First Abu Dhabi Bank 1.375% 19/02/2023	4,499	0.67	
£3,036,000	New York Life Global Funding 1.25% 17/12/2026	3,130	0.46	
€1,500,000	Réseau Ferré de France IL 2.45% 28/02/2023	1,860	0.28	
£89,998,761	UK Treasury Index Linked 0.125% 22/03/2024	121,421	18.02	
£182,517	UK Treasury Index Linked 0.125% 22/03/2026	247	0.04	
£50,000	UK Treasury Index Linked 0.125% 10/08/2028	67	0.01	
£182,517	UK Treasury Index Linked 1.25% 22/11/2027	372	0.05	
£56,350,000	UK Treasury Index Linked 1.875% 22/11/2022	89,222	13.24	
£51,100,000	UK Treasury Index Linked 2.5% 17/07/2024	184,709	27.41	
	'A' credit rated bonds	46,010	6.83	14.39
£1,350,000	Anglian Water Services Financing IL 3.666% 30/07/2024	2,687	0.40	
£16,559	Baglan Moor Healthcare IL 3.92% 30/04/2029	36	0.00	
£7,800,000	Banco Santander 1.375% 31/07/2024	7,880	1.17	
£3,236,000	BMW International Investment 0.75% 08/03/2024	3,234	0.48	
£2,126,000	Cooperative Rabobank IL 2.25% 22/11/2022	3,284	0.49	
£10,000,000	Deutsche Pfandbriefbank 1.75% 21/11/2022	10,029	1.49	
£626,013	HpC King's College Hospital Issuer IL 3.443% 31/03/2036	1,545	0.23	
£3,013,700	Nationwide Building Society IL 3.875% 30/07/2021	9,432	1.40	
£598,898	Nationwide Building Society IL 4.25% 23/02/2024	1,946	0.29	
US\$2,992,799	Project Silver 3.967% 15/07/2044	2,181	0.32	
£2,260,000	State Grid Overseas Investment 2016 0.797% 05/08/2026	2,094	0.31	
£1,813,000	Yorkshire Building Society 0.625% 21/09/2025	1,662	0.25	
	'BBB' credit rated bonds	141,853	21.05	12.78
US\$2,308,000	Altria 2.35% 06/05/2025	1,898	0.28	
£165,990	Annes Gate Property IL 3.237% 31/03/2030	342	0.05	
£2,500,000	Banco Bilbao Vizcaya Argentaria Var. Rate 1% 16/01/2030	2,171	0.32	
£1,100,000	Banco de Sabadell Var. Rate 1.75% 29/06/2023	1,025	0.15	
US\$8,796,000	BAT Capital 3.222% 15/08/2024	7,332	1.09	
US\$2,242,000	BAT International Finance 1.668% 25/03/2026	1,749	0.26	
£3,000,000	BAT Netherlands Finance 2.375% 07/10/2024	2,945	0.44	
£2,400,000	Bayer 0.375% 06/07/2024	2,208	0.33	
US\$4,652,000	Cigna FRN 0.8961% 17/09/2021	3,626	0.54	
£2,948,000	Citigroup Var. Rate 1.25% 06/07/2026	2,791	0.41	
£1,290,000	Cooperative Rabobank 4.625% 23/05/2029	1,585	0.23	
US\$8,909,000	DuPont de Nemours 2.169% 01/05/2023	7,006	1.04	
US\$9,126,000	Energy Transfer Operating 4.05% 15/03/2025	7,466	1.11	
£377,410	Exchequer Partnership IL 3.582% 31/12/2035	944	0.14	
£3,500,000	Iliad 2.375% 17/06/2026	3,212	0.48	
£2,281,000	Informa 2.125% 06/10/2025	2,277	0.34	
£6,677,000	Lloyds Banking Var. Rate 1.875% 15/01/2026	6,730	1.00	
£1,440,000	Logicor Financing 1.5% 13/07/2026	1,337	0.20	
£4,806,000	Natwest Var. Rate 2.875% 19/09/2026	5,064	0.75	
£2,829,000	Natwest Var. Rate 3.125% 28/03/2027	3,016	0.45	
£9,103,000	Ørsted 0.375% 16/05/2034	10,518	1.56	
£6,000,000	Quadient 2.25% 03/02/2025	5,270	0.78	
£1,300,000	Scotland Gas Networks IL 2.127% 21/10/2022	2,137	0.32	
£1,452,000	Southern Water Services Finance IL 3.816% 31/03/2023	2,669	0.40	
£3,241,000	Takeda Pharmaceutical 0.75% 09/07/2027	3,009	0.45	
£10,000,000	Tesco IL 3.322% 05/11/2025	20,359	3.02	

M&G UK Inflation Linked Corporate Bond Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at Holding		30.09.20 £'000	30.09.20 %	31.03.20 %
	FIXED INCOME (continued)			
	Debt securities (continued)			
	'BBB' credit rated bonds (continued)			
£3,152,000	Thames Water Utilities Finance IL 3.375% 21/07/2021	5,425	0.80	
£14,587,000	Upjohn Finance 1.023% 23/06/2024	13,581	2.01	
£2,100,000	Volkswagen Financial Services 1.125% 18/09/2023	2,094	0.31	
€3,509,000	Volkswagen Financial Services 3% 06/04/2025	3,509	0.52	
€2,656,000	Wells Fargo Var. Rate 1.338% 04/05/2025	2,488	0.37	
US\$7,500,000	Wells Fargo Var. Rate 2.188% 30/04/2026	6,070	0.90	
	'BB' credit rated bonds	9,325	1.38	1.23
£1,252,121	Catalyst Healthcare Manchester Financing IL 2.411% 30/09/2040	2,560	0.38	
£4,995,000	Ford Motor Credit 4.535% 06/03/2025	4,959	0.73	
US\$2,244,000	Natwest Var. Rate 3.754% 01/11/2029	1,806	0.27	
	Bonds with no credit rating	0	0.00	4.73
€2,000,000	Eirles Two FRN 2020 ^[a]	0	0.00	
	Debt derivatives	(204)	(0.03)	(0.42)
	Credit default swaps	4,280	0.64	(0.20)
€(12,500,000)	Airbus Jun 2025	(206)	(0.03)	
US\$(17,500,000)	América Móvil Dec 2023	13	0.00	
€(7,500,000)	Anglo American Capital Jun 2024	1,051	0.16	
€(13,500,000)	Anheuser-Busch InBev Dec 2023	234	0.03	
€(5,000,000)	Aroundtown Dec 2022	8	0.00	
€(5,000,000)	Bayer Dec 2024	94	0.01	
€(5,000,000)	Bayer Jun 2024	92	0.01	
US\$(3,000,000)	Boeing Jun 2025	(209)	(0.03)	
€(10,000,000)	BP Capital Markets Jun 2025	40	0.01	
US\$(7,500,000)	CVS Health Dec 2027	97	0.01	
US\$(5,000,000)	Energy Transfer Operating Dec 2024	(67)	(0.01)	
US\$(5,000,000)	General Electric Dec 2023	(9)	0.00	
US\$(7,500,000)	General Electric Dec 2028	(478)	(0.07)	
US\$(5,000,000)	General Motors Dec 2024	577	0.09	
€(5,000,000)	Imperial Brands Dec 2024	56	0.01	
US\$(59,000,000)	Markit CDX North American Investment Grade Series 35 V1 5 Year Dec 2025	937	0.14	
€(93,000,000)	Markit iTraxx Europe Series 34 V1 5 Year Dec 2025	1,753	0.26	
€(7,500,000)	Vodafone Dec 2024	117	0.02	
US\$(7,500,000)	Walt Disney Dec 2024	180	0.03	
	Interest rate swaps	(4,435)	(0.66)	(0.07)
£15,000,000	Pay 0.163% Receive VAR Mar 2025	(153)	(0.02)	
£15,000,000	Pay 0.198% Receive VAR Mar 2025	(179)	(0.03)	
£20,000,000	Pay 0.253% Receive VAR Mar 2025	(293)	(0.04)	
£22,500,000	Pay 0.3225% Receive VAR Mar 2025	(410)	(0.06)	
£5,000,000	Pay 0.4570% Receive VAR Feb 2070	(656)	(0.10)	
£42,500,000	Pay 0.57% Receive VAR Nov 2024	(1,082)	(0.16)	
£17,500,000	Pay 3.89% Receive VAR Sep 2024	(495)	(0.07)	
£50,000,000	Pay VAR Receive 3.0025% Apr 2025	(636)	(0.10)	
£50,000,000	Pay VAR Receive 3.251% Feb 2025	185	0.03	
£50,000,000	Pay VAR Receive 3.2825% Jul 2025	(573)	(0.09)	
£50,000,000	Pay VAR Receive 3.365% Sep 2025	(143)	(0.02)	
	Interest rate futures	(49)	(0.01)	(0.15)
137	Euro Bobl Dec 2020	47	0.01	
(400)	UK Long Gilt Bond Dec 2020	(96)	(0.02)	
	CURRENCY	290	0.04	(0.19)
	Forward currency contracts	290	0.04	(0.19)
€2,580,859	Bought for £2,364,923 (expires 21.10.20)	(9)	0.00	
€(68,666,016)	Sold for £63,029,746 (expires 21.10.20)	349	0.05	
US\$18,418,524	Bought for £14,394,177 (expires 21.10.20)	(43)	(0.01)	
US\$(69,446,298)	Sold for £54,104,990 (expires 21.10.20)	(7)	0.00	
Portfolio of investments		647,464	96.08	97.86

M&G UK Inflation Linked Corporate Bond Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at		30.09.20	30.09.20	31.03.20
Holding		£'000	%	%
	CASH EQUIVALENTS	95	0.01	4.40
	'AAA' rated money market funds ^[b]	95	0.01	4.40
95,000	Northern Trust Global Fund - Sterling	95	0.01	
Total portfolio		647,559	96.09	102.26
Net other assets / (liabilities)		26,320	3.91	(2.26)
Net assets attributable to shareholders		673,879	100.00	100.00

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

^[a] Defaulted bond.

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

Portfolio transactions

for the six months to 30 September	2020	2019
	£'000	£'000
Total purchases	237,839	258,642
Total sales	238,048	485,541

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

M&G UK Inflation Linked Corporate Bond 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 (10), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

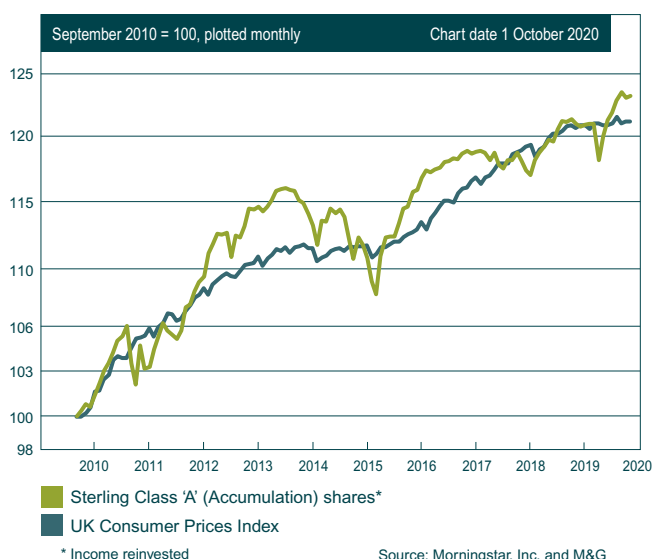
Fund level performance

Fund net asset value

as at	30.09.20 £'000	31.03.20 £'000	31.03.19 £'000
Fund net asset value (NAV)	673,879	640,731	1,080,651

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

	Six months 01.04.20 % ^[a]	Three years 02.10.17 % pa	Five years 01.10.15 % pa	Since launch % pa
Sterling ^[b]				
Class 'A'	+4.2	+1.3	+2.1	+2.1 ^[c]
Class 'I'	+4.5	+1.8	+2.6	+2.6 ^[c]
Class 'PP'	+4.6	n/a	n/a	+2.7 ^[d]
Class 'R'	+4.4	+1.5	+2.4	+2.1 ^[e]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

^[c] 16 September 2010, the launch date of the fund.

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

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

M&G UK Inflation Linked Corporate Bond 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. As the fund invests mainly in fixed interest securities, the direct transaction costs paid on other investments are too small to be reflected in the table below. To give an indication of the indirect portfolio dealing costs the table below 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

as at	30.09.20	31.03.20	31.03.19	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.32	0.47	0.22	0.34

^[a] Average of first three columns.

M&G UK Inflation Linked Corporate Bond 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.

Sterling Class 'A' Income share performance

The share class was launched on 16 September 2010.			
	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	112.29	114.10	114.53
Return before operating charges and after direct portfolio transaction costs	5.00	0.32	2.33
Operating charges	(0.67)	(1.39)	(1.33)
Return after operating charges	4.33	(1.07)	1.00
Distributions	(0.03)	(0.74)	(1.43)
Closing NAV	116.59	112.29	114.10
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	1.15	1.16
Return after operating charges	+3.86	-0.94	+0.87
Distribution yield	0.64	0.00	0.81
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (£'000)	2,316	2,547	129,109
Closing NAV percentage of total fund NAV (%)	0.34	0.40	11.95
Number of shares	1,986,707	2,267,975	113,152,100
Highest share price (UK p)	117.55	116.14	115.10
Lowest share price (UK p)	111.99	111.07	112.77

Sterling Class 'A' Accumulation share performance

The share class was launched on 16 September 2010.			
	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	118.09	119.18	118.14
Return before operating charges and after direct portfolio transaction costs	5.26	0.31	2.41
Operating charges	(0.70)	(1.40)	(1.37)
Return after operating charges	4.56	(1.09)	1.04
Distributions	0.00	0.00	(0.12)
Retained distributions	0.00	0.00	0.12
Closing NAV	122.65	118.09	119.18
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	1.15	1.16
Return after operating charges	+3.86	-0.91	+0.88
Distribution yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	19,262	20,042	30,318
Closing NAV percentage of total fund NAV (%)	2.86	3.13	2.81
Number of shares	15,704,636	16,971,111	25,438,455
Highest share price (UK p)	123.63	121.36	119.23
Lowest share price (UK p)	117.77	116.57	116.96

Sterling Class 'I' Income share performance

The share class was launched on 16 September 2010.			
	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	115.55	116.80	116.65
Return before operating charges and after direct portfolio transaction costs	5.15	0.30	2.38
Operating charges	(0.39)	(0.77)	(0.77)
Return after operating charges	4.76	(0.47)	1.61
Distributions	(0.03)	(0.78)	(1.46)
Closing NAV	120.28	115.55	116.80
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]	0.65	0.65	0.66
Return after operating charges	+4.12	-0.40	+1.38
Distribution yield	0.65	0.00	0.82
Effect on yield of charges offset against capital	0.65	0.65	0.65
Other information			
Closing NAV (£'000)	390,609	349,131	477,510
Closing NAV percentage of total fund NAV (%)	57.96	54.49	44.19
Number of shares	324,739,166	302,141,204	408,820,821
Highest share price (UK p)	121.23	119.23	117.67
Lowest share price (UK p)	115.25	114.28	115.30

M&G UK Inflation Linked Corporate Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'T' Accumulation share performance

The share class was launched on 16 September 2010.			
	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	123.33	123.84	122.15
Return before operating charges and after direct portfolio transaction costs	5.49	0.31	2.50
Operating charges	(0.41)	(0.82)	(0.81)
Return after operating charges	5.08	(0.51)	1.69
Distributions	0.00	(0.17)	(0.74)
Retained distributions	0.00	0.17	0.74
Closing NAV	128.41	123.33	123.84
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]	0.65	0.65	0.66
Return after operating charges	+4.12	-0.41	+1.38
Distribution yield	0.13	0.00	0.17
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	250,930	267,522	442,333
Closing NAV percentage of total fund NAV (%)	37.24	41.75	40.93
Number of shares	195,413,803	216,918,305	357,173,836
Highest share price (UK p)	129.38	126.49	123.89
Lowest share price (UK p)	123.01	121.72	121.39

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.			
	Six months to 30.09.20	Period to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	97.31	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	4.34	(1.71)	n/a
Operating charges	(0.25)	(0.33)	n/a
Return after operating charges	4.09	(2.04)	n/a
Distributions	(0.03)	(0.65)	n/a
Closing NAV	101.37	97.31	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]	0.50	0.50	n/a
Return after operating charges	+4.20	-2.04	n/a
Distribution yield	0.00	0.00	n/a
Effect on yield of charges offset against capital	0.50	0.50	n/a
Other information			
Closing NAV (£'000)	254	244	n/a
Closing NAV percentage of total fund NAV (%)	0.04	0.04	n/a
Number of shares	250,312	250,312	n/a
Highest share price (UK p)	102.16	100.32	n/a
Lowest share price (UK p)	97.06	96.24	n/a

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.			
	Six months to 30.09.20	Period to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	99.44	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	4.43	(0.06)	n/a
Operating charges	(0.26)	(0.50)	n/a
Return after operating charges	4.17	(0.56)	n/a
Distributions	0.00	(0.21)	n/a
Retained distributions	0.00	0.21	n/a
Closing NAV	103.61	99.44	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	0.50	0.50	n/a
Return after operating charges	+4.19	-0.56	n/a
Distribution yield	0.00	0.00	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (£'000)	9,840	288	n/a
Closing NAV percentage of total fund NAV (%)	1.46	0.04	n/a
Number of shares	9,497,474	290,074	n/a
Highest share price (UK p)	104.39	101.98	n/a
Lowest share price (UK p)	99.18	98.14	n/a

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.			
	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	108.77	110.22	110.36
Return before operating charges and after direct portfolio transaction costs	4.85	0.29	2.24
Operating charges	(0.51)	(1.01)	(1.00)
Return after operating charges	4.34	(0.72)	1.24
Distributions	(0.03)	(0.73)	(1.38)
Closing NAV	113.08	108.77	110.22
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]	0.90	0.90	0.91
Return after operating charges	+3.99	-0.65	+1.12
Distribution yield	0.65	0.00	0.82
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (£'000)	193	401	474
Closing NAV percentage of total fund NAV (%)	0.03	0.06	0.04
Number of shares	171,095	368,700	430,103
Highest share price (UK p)	113.99	112.37	111.05
Lowest share price (UK p)	108.48	107.59	108.87

M&G UK Inflation Linked Corporate Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 30.09.20	Year to 31.03.20	Year to 31.03.19
Change in NAV per share	UK p	UK p	UK p
Opening NAV	113.17	113.93	112.65
Return before operating charges and after direct portfolio transaction costs	4.83	0.29	2.31
Operating charges	(0.32)	(1.05)	(1.03)
Return after operating charges	4.51	(0.76)	1.28
Distributions	0.00	(0.02)	(0.40)
Retained distributions	0.00	0.02	0.40
Closing NAV	117.68	113.17	113.93
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]	0.90	0.90	0.91
Return after operating charges	+3.99	-0.67	+1.14
Distribution yield	0.01	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	475	556	907
Closing NAV percentage of total fund NAV (%)	0.07	0.09	0.08
Number of shares	404,008	491,438	796,399
Highest share price (UK p)	118.60	116.14	113.97
Lowest share price (UK p)	112.87	111.70	111.74

^[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 UK Inflation Linked Corporate Bond Fund

Financial statements and notes

Financial statements

Statement of total return

	2020		2019	
for the six months to 30 September	£'000	£'000	£'000	£'000
Income				
Net capital gains / (losses)		25,648		7,627
Revenue	2,059		14,151	
Expenses	(2,166)		(3,436)	
Net revenue / (expense) before taxation	(107)		10,715	
Taxation	0		21	
Net revenue / (expense) after taxation		(107)		10,736
Total return before distributions		25,541		18,363
Distributions		(58)		(3,071)
Change in net assets attributable to shareholders from investment activities		25,483		15,292

Statement of change in net assets attributable to shareholders

	2020		2019	
for the six months to 30 September	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		640,731		1,080,651
Amounts received on issue of shares	51,106		21,279	
Amounts paid on cancellation of shares	(43,542)		(243,385)	
		7,564		(222,106)
Dilution adjustments		102		272
Change in net assets attributable to shareholders from investment activities (see above)		25,483		15,292
Retained distributions on Accumulation shares		(1)		514
Closing net assets attributable to shareholders		673,879		874,623

The opening net assets attributable to shareholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

M&G UK Inflation Linked Corporate Bond Fund

Financial statements and notes

Financial statements (continued)

Balance sheet

as at	30 September 2020 £'000	31 March 2020 £'000
Assets		
Fixed assets		
Investments	653,208	633,109
Current assets		
Debtors	3,883	19,494
Cash and bank balances	27,337	3,230
Cash equivalents	95	28,177
Total assets	684,523	684,010
Liabilities		
Investment liabilities	(5,744)	(6,086)
Creditors		
Bank overdrafts	0	(8,522)
Overdrawn positions at futures clearing houses and collateral manager	(2,566)	0
Distribution payable	(99)	(732)
Other creditors	(2,235)	(27,939)
Total liabilities	(10,644)	(43,279)
Net assets attributable to shareholders	673,879	640,731

M&G UK Inflation Linked Corporate Bond Fund

Financial statements and notes

Notes to the financial statements

Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 4.

Distribution policy

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.

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.

Notes
