

M&G Investment Funds (1)

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

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Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (1) presents its Annual Long Report and audited Financial Statements for the year ended 31 August 2021.

The audited financial statements of M&G Investment Funds (1) and the investment report and audited financial statements and notes of each sub-fund are presented in their individual sections of this report as set out in the contents page.

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

Company information

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

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

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

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

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

Fund managers

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

M&G Asian Fund

David Perrett

M&G European Index Tracker Fund

Nigel Booth

M&G European Select Fund

Richard Halle

M&G European Sustain Paris Aligned Fund (formerly M&G Pan European Select Fund)

John William Olsen

M&G Global Sustain Paris Aligned Fund (formerly M&G Global Select Fund)

John William Olsen

M&G Global Themes Fund

Alex Araujo

M&G Japan Fund

Carl Vine

M&G Japan Smaller Companies Fund

Carl Vine

M&G North American Dividend Fund

John Weavers

M&G North American Value Fund

Daniel White

M&G Pan European Select Smaller Companies Fund

Michael Oliveros

ACD

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

Authorised Corporate Director's Report

Directors of the ACD

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

* Appointed 19 May 2021.

Investment manager

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

Registrar

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

Depository

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

Independent auditor

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

Annual value assessment

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

Important information

On 17 September 2020 the benchmark wording changed for all funds. (We would like to make you aware that in the M&G Investment Funds (1) Interim Long Report and unaudited Financial Statements for the six months ended 28 February 2021 the date for the benchmark wording change was incorrectly stated as 27 November 2020.)

On 15 December 2020, the following share class was closed within the M&G European Index Tracker Fund: Euro Class 'A' Accumulation.

On 15 December 2020, the following share classes were closed within the M&G European Select Fund: Euro Class 'A' Accumulation and Euro Class 'C' Accumulation.

On 15 December 2020, the following share classes were closed within the M&G Global Themes Fund: US dollar Class 'A' Income, US dollar Class 'C' Income and US dollar Class 'C' Accumulation.

On 15 December 2020, the following share classes were closed within the M&G Pan European Select Smaller Companies Fund: Euro Class 'A' Accumulation, Euro Class 'C' Accumulation, US dollar Class 'A' Accumulation and US dollar Class 'C' Accumulation.

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

On 28 May 2021 the investment objective, policy, approach and benchmark were changed for M&G European Index Tracker Fund.

On 28 June 2021, the following share classes were launched within the M&G Japan Smaller Companies Fund: Sterling Class 'PP' Income and Sterling Class 'PP' Accumulation.

On 31 August 2021 M&G Global Select Fund changed its name to M&G Global Sustain Paris Aligned Fund and M&G Pan European Select Fund changed its name to M&G European Sustain Paris Aligned Fund. These funds also adopted a new investment objective, policy, approach and benchmark as at the same date.

Authorised Corporate Director's Report

At the shareholder meeting on 20 October 2021, mergers of the M&G European Select Fund and M&G Pan European Select Smaller Companies Fund into the M&G European Sustain Paris Aligned Fund were approved by shareholders. The effective date of the mergers is 10 December 2021. As a result of these upcoming mergers, the financial statements of the merging funds for the year to 31 August 2021 have been prepared on a break-up basis. Termination of the M&G European Select Fund and M&G Pan European Select Smaller Companies Fund will be completed once all of the assets and liabilities have been settled.

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

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

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

Investor information

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

Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

Customer services and administration for non-UK clients:

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

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

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

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

German information agent:

M&G International Investments Limited,
mainBuilding, Taunusanlage 19, 60325 Frankfurt am
Main, Germany

Swiss paying agent and representative:

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

Authorised Corporate Director's Report

Authorised Corporate Director's Responsibilities

The Authorised Corporate Director (ACD) is required to prepare annual and interim long reports for the Company. The ACD must ensure that the financial statements, contained in this report, each of the funds are prepared in accordance with the Investment Association Statement of Recommended Practice for Financial Statements of UK Authorised Funds (SORP) and UK Financial Reporting Standards, and give a true and fair view of the net revenue or expenses and net capital gains or losses for the accounting period, and the financial position at the end of that period. The ACD is required to keep proper accounting records, and to manage the Company in accordance with the Collective Investment Schemes sourcebook, as issued (and amended) by the FCA, the Instrument of Incorporation and the Prospectus, and to take reasonable steps for the prevention and detection of fraud or other irregularities. Additionally, the ACD is responsible for preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Company or its funds will continue in operation. For reasons stated in the ACD's report and note 2 (a), the financial statements of M&G European Select Fund and M&G Pan European Select Smaller Companies Fund have been prepared on a break-up basis as the funds are no longer a going concern.

Directors' statement

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

M&G Securities Limited
21 October 2021

Depository's Responsibilities and Report

Statement of the Depository's Responsibilities and Report of the Depository to the Shareholders of M&G Investment Funds (1) ('the Company') for the year ended 31 August 2021

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

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

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

The Depository must ensure that:

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

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

The financial statements have been prepared on the going concern basis unless it is inappropriate to presume that the sub-funds will continue in operation. For reasons stated in the ACD's report and Note 2 (a), the financial statements of the M&G European Select Fund and M&G Pan European Select Smaller Companies Fund have been prepared on a break-up basis as the sub-funds are no longer a going concern.

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

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

Edinburgh
21 October 2021

NatWest Trustee and
Depository Services Limited

Independent Auditor's Report

Independent Auditor's Report to the shareholders of M&G Investment Funds (1)

Opinion

We have audited the financial statements of M&G Investment Funds (1) ("the Company") comprising each of its sub-funds for the year ended 31 August 2021, which comprise the Statement of Total Return, the Statement of Changes in Net Assets Attributable to Shareholders, the Balance Sheet, the related notes and the Distribution Tables, and the accounting policies of the Company, which include a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

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

Basis for opinion

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

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

Emphasis of matter – financial statements prepared on a break-up basis

We draw attention to Note 2 (a) of the financial statements which explains that the ACD intends to terminate the M&G European Select Fund and M&G Pan European Select Smaller Companies Fund and, therefore, does not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements, for these sub-funds only, have been prepared on a break-up basis as described in Note 2 (a). The financial statements for the Company as a whole continue to be prepared on a going concern basis. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

The financial statements for the M&G European Select Fund and M&G Pan European Select Smaller Companies Fund have been prepared on a break-up basis as disclosed in Note 2 (a).

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

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

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

Independent Auditor's Report

Other information

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

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

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

We have nothing to report in this regard.

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

In our opinion:

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Authorised Corporate Director (ACD)

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the

Independent Auditor's Report

economic decisions of users taken on the basis of these financial statements.

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are United Kingdom Generally Accepted Accounting Practice the Investment Association's Statement of Recommended Practice ("IMA SORP"), the FCA Collective Investment Schemes Sourcebook, the OEIC Regulations, the Company's Instrument of Incorporation and the Prospectus.
- We understood how the Company is complying with those frameworks through discussions with the ACD and the Company's administrators and a review of the Company's documented policies and procedures.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override, specifically management's propensity to influence revenue and amounts available for distribution. We identified a fraud risk with respect to the incomplete or inaccurate income recognition through incorrect classification of special dividends and the resulting impact to amounts available for distribution. We tested the appropriateness of management's classification of material special dividends as either a capital or revenue return.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the ACD with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Company.
- Due to the regulated nature of the Company, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the competence and capabilities to identify non-compliance with the applicable laws and regulations.

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

Use of our report

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

Independent Auditor's Report

Company and the Company's Shareholders as a body,
for our audit work, for this report, or for the opinions we
have formed.

Edinburgh
21 October 2021

Ernst & Young LLP
Statutory Auditor

- (1) The maintenance and integrity of the M&G website is the responsibility of the ACD; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (2) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial statements and notes

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

Notes to the financial statements

1 Statement of compliance

The financial statements of M&G Investment Funds (1) have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014 and amended in June 2017.

2 Summary of significant accounting policies

a. Basis of preparation

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

The financial statements of M&G Investment Funds (1) with the exception of M&G European Select Fund and M&G Pan European Select Smaller Companies Fund are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial

assets and liabilities measured at fair value through profit or loss.

For M&G European Select Fund and M&G Pan European Select Smaller Companies Fund as the ACD intends to terminate these funds within one year of the date of approval of the financial statements, the financial statements of these funds have been prepared on a break-up basis. In applying this basis of preparation, the assets and liabilities of these funds continue to be stated at their fair values which materially equate to their recoverable and settlement values. No adjustments were necessary in the financial statements to reduce assets to their realisable values or to provide for liabilities arising from the decision.

b. Functional and presentational currency

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

c. Exchange rates

Transactions in currencies other than each fund's functional currency are translated at the rate of exchange ruling on the date of the transaction and where applicable assets and liabilities are translated into the fund's functional currency at the rate of exchange ruling as at 12 noon on 31 August 2021 being the last business day of the accounting period.

For the year ended 31 August 2020, investments in those funds which have been subject to a fair value accounting adjustment at the balance sheet date have been translated into the fund's functional currency using the rate of exchange ruling as at close of business on the 31 August 2020.

d. Investments – recognition and valuation

The provisions of both Section 11 and Section 12 of FRS 102 have been applied in full. All investments have been designated as fair value through profit and loss and recognised initially at fair value, which

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is normally the transaction price (excluding transaction costs).

At the end of the reporting period all investments have been measured at their fair value using the prices and the portfolio holdings determined at 12 noon on 31 August 2021, being the last valuation point of the accounting period, as this is not materially different from a valuation carried out at close of business on the balance sheet date.

For the year ended 31 August 2020, a fair value adjustment was required as there was a material difference between the value of the investments at 12 noon on 28 August 2020 and the valuation carried out at close of business on the balance sheet date.

A fair value accounting adjustment was applied to the following funds:

- M&G Asian Fund
- M&G European Index Tracker Fund
- M&G European Select Fund
- M&G Global Themes Fund
- M&G Japan Fund
- M&G Japan Smaller Companies Fund
- M&G North American Value Fund
- M&G Pan European Select Smaller Companies Fund
- M&G Pan European Select Fund

Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the single price or most recent transaction price is used. The methods of determining fair value for the principal classes of investment are:

- Equities which are traded on an active market are included at the quoted price, which is normally the bid price.

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

e. Recognition of income and expenses

- Dividends, including ordinary stock dividends, from equity investments are recognised when the security is quoted ex-dividend.
- Distributions from collective investment schemes are recognised when the scheme is priced ex-distribution.

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

f. Treatment of income and expenses

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

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

g. Tax

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

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

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

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

h. Allocation of returns to share classes

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

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

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

3 Risk management policies

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

The Company's investment activities expose it to various types of risk which are associated with the

financial instruments and markets in which it invests; market risk, liquidity risk and counterparty credit risk.

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

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

a. Market risk

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

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

In measuring and monitoring market risk, the global exposure of a fund is calculated using a 'commitment' approach.

b. Commitment approach

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

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

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

Financial statements and notes

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

c. Liquidity risk

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

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

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

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

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

d. Counterparty credit risk

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

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Investment objective

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

Investment policy

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

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

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

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

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

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

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

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

Benchmark up to 16 September 2020

Benchmark: MSCI AC Asia Pacific ex Japan Index.

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

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

Benchmark from 17 September 2020

Benchmark: MSCI AC Asia Pacific ex Japan Index.

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

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

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

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Risk profile

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

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

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 September 2021, for the year ended 31 August 2021

Performance against objective

Between 1 September 2020 (the start of the review period) and 1 September 2021, the M&G Asian Fund delivered a positive total return (the combination of income and growth of capital) across all its sterling share classes. Fund performance was ahead of the fund's benchmark, the MSCI AC Asia Pacific ex Japan Index, which rose by 15.5% over the same period under review.

Over five years, the fund generated an annualised positive total return across its sterling share classes, but lagged its benchmark, which returned 10.8% pa over this period. Therefore, the fund did not meet the objective over its specified timeframe of five years.

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

Performance review

Stockmarkets in Asia Pacific ex Japan made gains overall in the 12-month period, but lagged the markets of developed economies. Performance was strong in the first half of the review period, particularly from early-November 2020 onwards, following the news of highly effective vaccines to combat COVID-19. Shares were also buoyed by support for the global economy from various central banks and governments.

However, more recently investors have witnessed the volatile performance of Chinese shares and the market weakness in several ASEAN (Association of Southeast Asian Nations) members including Indonesia, Malaysia and Thailand, all of which saw a sharp rise in COVID-19 cases in the middle of 2021.

Ever since the Ant Financial IPO (initial public offering) was cancelled in November 2020, the regulatory and policy environment in China has felt increasingly uncertain for some private sector companies. The suspension of financial platform Ant's floatation was followed by a tightening of financial conditions for real

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estate companies, and ecommerce group Alibaba was hit with a US\$2.8 billion antitrust penalty in April 2021.

Later, in July, just two days after its flotation in the US, regulators in China launched an investigation into data security at ride hailing app Didi. More recently, the designation of education companies as “not-for-profit” all but wiped out the value of these companies.

In stark contrast to China, the stockmarkets of India, South Korea and Taiwan made significant gains, aided by a resurgent technology sector; technology stocks represent a significant proportion of listed stocks in each country. In India's case, an additional catalyst appears to be the improved economic outlook, now that the bleak COVID-19 situation of April/May 2021 has somewhat abated.

Aside from the technology sector, investors favoured the shares of companies in the materials, industrials and financials sectors. Conversely, some defensive sectors including consumer staples, healthcare and telecommunication services were left behind as stockmarkets rallied. (Defensive sectors are ones where company earnings tend to be relatively stable throughout the economic cycle.) The consumer discretionary sector (which includes several large ecommerce companies which have been adversely affected by developments in China) was also weak.

Over the review period, the fund recorded a positive return and significantly outperformed its benchmark, the MSCI AC Asia Pacific ex Japan Index.

Stock selection was strong during the 12-month period, with Pacific Basin Shipping the fund's top contributor. When Pacific Basin Shipping announced full year results in February 2021, management made upbeat comments about the near-term outlook for earnings and its shares have subsequently rallied by more than 150%. We believe the outlook for Pacific's earnings further out is supported by an expected reduction in net fleet growth across the whole dry bulk sector, as a result of a slowdown in the delivery of new ships and the scrapping of existing vessels, and continuing strong demand for commodities. China's COSCO Shipping

Ports (which the fund holds) also benefited from the improved outlook for international trade and economic activity.

Another China-based holding which made strong gains despite the troubled Chinese stockmarket, was China Resources Power. We believe the company is attractively valued and that China Resources Power's strong emphasis on expanding its renewable energy portfolio should result in a gradual increase in the stock's valuation.

Amvig Holdings, a company that manufactures and laminates papers for cigarette packaging in China, also added value. Its shares surged after substantial shareholder Amcor announced it had agreed to sell its stake in Amvig to New Prospect Capital. We have now exited the position.

Early on in the review period, we participated in the IPO of South Korean video games publisher, Kakao Games. We were attracted by the company's long-term prospects, but a ferocious rally in its share price following listing – driven by domestic retail investors – took the company's valuation well beyond a level that fundamentals could justify, in our view. We therefore decided to close the position.

Conversely, the fund's biggest detractor was Australian biotechnology company Mesoblast. In the middle of December 2020, Mesoblast revealed that the trial of its drug as a potential treatment for COVID-19 (Remestemcel-L), would be wound up because of unexpectedly poor clinical data. Whilst the news was disappointing, we had already scaled back the fund's position in Mesoblast in the summer of 2020, after a period of exceptionally strong performance.

The fund's holding in Chinese oil and gas company Sinopec Kantons cost some performance as energy stocks lagged the broader market over the review period. We continue to hold shares in Sinopec, as we think the company has a strong balance sheet, attractive valuation (not least its dividend yield) and has significant room to grow its core oil jetty and storage business.

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Relative performance was also hurt by not holding shares in Commonwealth Bank of Australia and Infosys, an international IT services company based in India, although the latter was partly offset by our holding in Infosys's Indian peer Tech Mahindra.

Investment activities

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

Our strategy utilises independent, proprietary research to identify and extensively research opportunities across a universe of more than 300 Asia ex-Japan stocks that have been closely followed for many years. We deliberately concentrate our efforts around a pre-defined universe of companies.

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

Early in the review period, we took advantage of share price weakness to establish a position in Woodside Petroleum. We are attracted by this Australia-based natural gas producer's undemanding valuation and the secular growth story for gas within Asia, as the region migrates from more polluting and emission-heavy forms of energy. We will engage with the company to ensure it reduces the emission intensity of its business over time.

Later on, we added to our position in Australia's Amcor, a leading consumer goods packaging company. We believe Amcor will pick up market share as smaller players are squeezed by an inability to provide the sorts of environmentally friendly solutions that global consumers are demanding. At the time of the

investment Amcor had lagged the market and so its relative valuation had become more attractive in our view.

We were active throughout the review period, making changes to the fund's China exposure, taking advantage of opportunities as they occurred. New investments included Sinopec Engineering, Weichai Power, Huazhu and Hutchmed (China).

Sinopec Engineering is one of China's leading engineering companies. The company has net cash that is greater than its market capitalisation and it offers a very attractive dividend yield, in our view. Investors are worried that Sinopec's petrochemical engineering work will dry up. We agree this will eventually happen, but in the meantime, there is a lot of older plant that needs to be made cleaner and more efficient. At the same time, as China sets out to achieve zero net emissions by 2060, it is very hard to argue that its leading engineering company will not participate in the transition. Indeed, Sinopec's new energy order backlog is already growing fast.

Weichai Power is a Chinese truck engine maker and is a market leader in environmentally friendly, next-generation energy technology. It has been a first mover in investing in companies that are leaders in hydrogen energy technology globally.

The investment in hotel operator Huazhu was partly funded by the sale of online travel company Trip.com. We believe Huazhu's medium-term growth prospects are superior to those of Trip.com. Meanwhile, Trip.com is in the middle of pivoting its business toward a greater international focus. We believe this transition is likely to prove difficult to execute and may involve additional upfront investment.

Biopharmaceutical company Hutchmed has been listed for many years and has built a strong drug pipeline that is starting to generate revenues. Hutchmed's US and UK listings have left it as something of an 'orphan' stock and it trades at a material discount to its Chinese peers.

In Hong Kong, we initiated a position in infrastructure conglomerate Cheung Kong Infrastructure (CKI). We

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took advantage of a share price decline to build a position in the stock, which offers an attractive yield. This yield is too generous in our view, given the quality of CKI's underlying assets and the fact that we live in a world of record low interest rates.

SATS is a Singapore-based airports service company. Before investing we carried out extensive due diligence which reassured us that despite the drop in activity caused by COVID-19, the company was starting from a very strong position and could comfortably control its cashflow during the pandemic. Our analysis also suggested that some of the cost savings the company had achieved during the slowdown should persist in any upturn, resulting in positive operating leverage.

We also began a position in SK Telecom, South Korea's leading mobile operator, whose valuation we think has fallen due to poor returns tied to its 5G rollout. These concerns are fully in the price, in our view, and looking forward there is scope for the profitability of its core telecom operations to improve. At the same time the company is looking at ways to unlock value in a number of its new economy business initiatives, plus its valuable holding in SK Hynix.

Stocks that left the portfolio included some technology-related names – DRAM equipment manufacturer Wonik IPS and Catcher Technology. We sold Catcher Technology as the Taiwan-based company is going through material internal change as it exits its previous core business, and we did not feel we were being adequately compensated for the risks surrounding this transition.

We also closed the fund's position in Hong Kong-listed MTR, Metro Pacific, a Philippines-based conglomerate, and following an almost tripling of its share price from our original entry point, India's Tata Motors.

In the later stages of the review period we completed the disposals of Ngern Tid Lor in Thailand (a recent IPO), Treasury Wine Estates in Australia and Yum China – a very well-managed restaurant group that saw its valuation premium to peers expand materially.

Outlook

As we have mentioned, our approach is to construct a portfolio of esoteric, bottom-up stock opportunities where we believe we have a superior perspective on risk pricing. Names like Hutchmed (China), Samsung Fire Marine, Amcor and SK Telecom all fit that characteristic, in our opinion.

However, during the recent period we noted two broader factors beginning to impact risk pricing across the region. ASEAN, excluding Singapore, underperformed the region as lingering COVID-19 outbreaks weighed on economic activity. Banks in particular in markets like Thailand and Indonesia have struggled and we view valuations as attractive. In the case of Indonesia, we remain excited about the prospect of long-term growth in a country with low household debt. We are mindful of the fund's existing overweight position to banks, but we are likely to begin to move some existing exposure elsewhere in the Asia Pacific ex Japan region, into South East Asia.

The second and more important factor is China. Whether it be Sino-US tensions, worries about a crackdown on Chinese internet names, a real estate slowdown or just fears about tighter economic policy, many Chinese stocks have fallen sharply. China Construction Bank, the best of China's big four banks in our view, is on four times earnings and has a 7% yield (based on data as at 31 August 2021). Blue-chip Chinese internet companies are trading at the low end of historic valuation ranges.

A plausible explanation for this relates to growing worries of a large-scale Sino-US capital-market breach, that is, a widening gap between the two economic powerhouses' stockmarkets. This appears to have resulted in many funds deciding they have too much exposure to China. In addition, when selling begets selling and investors become increasingly "fearful", we believe it is typically a good time to make investments.

We are now looking to add exposure in a controlled manner and to reposition the Chinese names in the portfolio to target stocks where we think that the rise in the risk premium – the payoff for taking risk – has been

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especially high compared to the company's fundamental outlook.

While looking to take advantage of these factors, we will remain vigilant in terms of portfolio construction, to ensure that the key source of risk comes from esoteric stock picks.

David Perrett

Fund manager

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

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

Investments

Portfolio statement

Holding	as at 31.08.21 \$'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities	245,274	101.75	101.23
United States	1,221	0.51	10.22
121,826 Industrial Tech Acquisitions	1,221	0.51	
Canada	2,529	1.05	1.50
278,884 Cenovus Energy	2,307	0.96	
49,178 Cenovus Energy Warrants 01/01/2026	222	0.09	
Australia	24,826	10.30	9.93
400,444 Amcor	5,130	2.13	
161,834 Australia & New Zealand Banking	3,301	1.37	
143,204 BHP	4,783	1.98	
7,752 CSL	1,771	0.74	
914,023 Mesoblast	1,115	0.46	
206,485 National Australia Bank	4,191	1.74	
89,324 QBE Insurance	774	0.32	
384,948 Stockland	1,303	0.54	
172,285 Woodside Petroleum	2,458	1.02	
China	56,019	23.24	11.12
415,076 Alibaba	8,823	3.66	
49,482 Autohome ADR	2,043	0.85	
8,848 Baidu ADR	1,355	0.56	
6,002,000 CGN Power	1,319	0.55	
7,643,000 China Construction Bank	5,510	2.29	
1,630,000 China Telecom	568	0.24	
4,799,000 Chongqing Rural Commercial Bank	1,819	0.75	
25,387 Daqo New Energy ADR	1,625	0.67	
2,163,600 GF Securities	3,848	1.60	
4,531,000 Greatview Aseptic Packaging	1,863	0.77	
86,450 HollySys Automation Technologies	1,739	0.72	
1,206,400 Huatai Securities	1,724	0.71	
52,551 Huazhu ADR	2,454	1.02	
77,424 JD.com ADR	5,935	2.46	
64,463 KE ADR	1,189	0.49	
38,100 Meituan	1,218	0.51	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 \$'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
China (continued)			
223,000 Ping An Insurance Group Company of China	1,730	0.72	
4,097,000 Sinopec Engineering	2,169	0.90	
1,335,000 TravelSky Technology	2,498	1.04	
968,000 Weichai Power	2,426	1.01	
1,985,700 Yangzijiang Shipbuilding	2,423	1.00	
181,687 Zhihu ADR	1,741	0.72	
Hong Kong	32,701	13.57	29.73
430,800 AIA	5,146	2.13	
193,000 China Mobile	1,169	0.49	
1,254,000 China Resources Power	3,081	1.28	
1,120,000 China Unicom Hong Kong	605	0.25	
273,350 CK Hutchison	1,994	0.83	
2,142,000 Far East Horizon	2,428	1.01	
257,500 HUTCHMED	1,939	0.80	
46,047 HUTCHMED ADR	1,752	0.73	
368,000 Sun Hung Kai Properties	5,183	2.15	
152,200 Tencent	9,404	3.90	
India	18,161	7.53	7.24
46,266 Cartrade Tech	943	0.39	
174,405 Housing Development Finance	6,675	2.77	
390,416 ICICI Bank	3,841	1.59	
125,560 Reliance Industries	3,880	1.61	
12,484 Reliance Industries (Partially Restricted)	276	0.11	
128,165 Tech Mahindra	2,546	1.06	
Indonesia	2,992	1.24	1.34
7,025,700 Bank Mandiri	2,992	1.24	
Philippines	2,373	0.98	2.27
219,429 GT Capital	2,373	0.98	
Singapore	14,687	6.09	6.52
219,686 DBS	4,900	2.03	
10,728,468 Ezion Warrants 16/04/2023 ^b	0	0.00	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 \$'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Singapore (continued)			
5,346,000 Japfa	2,785	1.16	
6,643,400 NetLink NBN Trust	4,796	1.99	
728,500 SATS	2,206	0.91	
South Korea	33,719	13.99	11.21
81,666 Hana Financial	3,163	1.31	
21,928 HK inno N	1,146	0.47	
69,267 KB Financial	3,154	1.31	
5,391 NAVER	2,039	0.85	
230,309 Samsung Electronics	15,216	6.31	
6,567 Samsung Fire & Marine Insurance	1,277	0.53	
48,159 SK Hynix	4,403	1.83	
12,922 SK Telecom	3,321	1.38	
Taiwan	26,645	11.05	8.63
287,220 Delta Electronics	2,798	1.16	
361,000 Hon Hai Precision Industry	1,440	0.60	
41,000 MediaTek	1,332	0.55	
985,000 Taiwan Cement	1,720	0.71	
813,178 Taiwan Semiconductor Manufacturing	17,987	7.46	
1,523,000 Yuanta Financial	1,368	0.57	
Thailand	5,488	2.28	1.52
810,000 Bangkok Bank	2,865	1.19	
687,500 Kasikornbank	2,623	1.09	
Bermuda	23,913	9.92	0.00
273,500 CK Infrastructure	1,652	0.68	
7,196,255 COSCO SHIPPING Ports	5,965	2.47	
16,753,000 Pacific Basin Shipping	9,129	3.79	
11,638,000 Sinopec Kantons	4,307	1.79	
295,000 Vtech	2,860	1.19	
Portfolio of investments	245,274	101.75	101.23

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 \$'000	as at 31.08.21 %	as at 31.08.20 % ^a
Cash equivalents	900	0.37	0.40
'AAA' rated money market funds^c	900	0.37	0.40
900,000 Northern Trust Global Fund - US dollar	900	0.37	
Total portfolio (notes 2c & 2d on page 10)	246,174	102.12	101.63
Net other assets/(liabilities)	(5,109)	(2.12)	(1.63)
Net assets attributable to shareholders	241,065	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 due to the prior year fair value adjustment.

^b Suspended.

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

Investments

Top ten portfolio transactions for the year to 31 August 2021

Largest purchases	\$'000
Alibaba	10,859
China Construction Bank	5,995
Amcor	4,691
SK Telecom	3,295
JD.com ADR	2,815
KB Financial	2,795
Sun Hung Kai Properties	2,593
Sinopec Engineering	2,489
Huazhu ADR	2,460
Weichai Power	2,458
Other purchases	53,594
Total purchases	94,044

Largest sales	\$'000
Alibaba ADR	11,887
China Resources Power	4,847
Pacific Basin Shipping	3,874
WH	3,420
Amvig	3,156
Kakao Games	3,113
Metro Pacific Investments	2,955
Tata Motors	2,850
QBE Insurance	2,727
Wonik IPS	2,717
Other sales	55,369
Total sales	96,915

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

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value as at	31.08.21	31.08.20	31.08.19
	\$'000	\$'000	\$'000
Fund net asset value (NAV)	241,065	191,438	197,015

Performance since launch

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

August 1996 = 100, plotted monthly
Chart date 1 September 2021



Source: Morningstar, Inc. and M&G

* Income reinvested

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

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

Financial highlights

Long-term performance by share class

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

Share class	One year 01.09.20 % ^a	Three years 03.09.18 % pa	Five years 01.09.16 % pa	Since launch % pa
Sterling				
Class 'A'	+27.3	+6.9	+8.2	+8.9
Class 'I'	+27.9	+7.5	+8.9	+9.1
Class 'R'	+27.6	+7.2	+8.7	+8.8
Class 'X'	+27.3	+6.9	+8.2	+13.7

^a Not annualised.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

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

Portfolio transaction costs

for the year to 31 August Direct portfolio transaction costs ^b	2021 %	2020 %	2019 %	Average ^a %
Broker commission	0.06	0.09	0.05	0.07
Taxes	0.07	0.14	0.09	0.10
Costs before dilution adjustments	0.13	0.23	0.14	0.17
Dilution adjustments ^c	(0.02)	(0.02)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.11	0.21	0.10	0.14
as at 31 August Indirect portfolio transaction costs	2021 %	2020 %	2019 %	Average ^a %
Average portfolio dealing spread	0.28	0.22	0.28	0.26

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

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

Historic yields for the current year are calculated as at 10 September 2021.

Sterling Class 'A' Income share performance

The share class was launched on 14 September 1973.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	1,272.93	1,364.88	1,384.50
Return before operating charges	346.24	(36.69)	46.69
Operating charges	(21.15)	(18.97)	(23.84)
Return after operating charges	325.09	(55.66)	22.85
Distributions	(39.65)	(36.29)	(42.47)
Closing NAV	1,558.37	1,272.93	1,364.88
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.96	3.00	2.62
Dilution adjustments ^a	(0.34)	(0.20)	(0.74)
Total direct transaction costs	1.62	2.80	1.88
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.11	0.21	0.10
Operating charges ^c	1.39	1.45	1.73
Return after charges	+25.54	-4.08	+1.65
Historic yield	2.51	2.87	2.93
Other information			
Closing NAV (\$'000)	138,377	115,793	120,535
Closing NAV (%)	57.40	60.49	61.18
Number of shares	6,448,963	6,837,704	7,251,747
Highest share price (UK p)	1,616.52	1,469.16	1,504.84
Lowest share price (UK p)	1,257.08	1,046.84	1,254.15

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Sterling Class 'A' Accumulation share performance

The share class was launched on 14 September 1973.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	2,230.99	2,325.87	2,288.15
Return before operating charges	606.50	(62.57)	76.69
Operating charges	(37.05)	(32.31)	(38.97)
Return after operating charges	569.45	(94.88)	37.72
Distributions	(32.81)	(30.94)	(31.05)
Retained distributions	32.81	30.94	31.05
Closing NAV	2,800.44	2,230.99	2,325.87
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.43	5.11	4.27
Dilution adjustments ^a	(0.60)	(0.34)	(1.21)
Total direct transaction costs	2.83	4.77	3.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.11	0.21	0.10
Operating charges ^c	1.39	1.45	1.73
Return after charges	+25.52	-4.08	+1.65
Historic yield	1.16	1.40	1.16
Other information			
Closing NAV (\$'000)	19,060	16,313	16,902
Closing NAV (%)	7.91	8.52	8.58
Number of shares	494,299	549,629	596,743
Highest share price (UK p)	2,832.85	2,503.54	2,486.98
Lowest share price (UK p)	2,202.95	1,783.87	2,072.68

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	1,476.96	1,575.67	1,586.60
Return before operating charges	402.36	(42.35)	53.87
Operating charges	(16.82)	(14.35)	(15.90)
Return after operating charges	385.54	(56.70)	37.97
Distributions	(46.13)	(42.01)	(48.90)
Closing NAV	1,816.37	1,476.96	1,575.67
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.29	3.47	3.01
Dilution adjustments ^a	(0.40)	(0.23)	(0.85)
Total direct transaction costs	1.89	3.24	2.16
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.11	0.21	0.10
Operating charges ^c	0.95	0.95	1.00
Return after charges	+26.10	-3.60	+2.39
Historic yield	2.51	2.86	2.90
Other information			
Closing NAV (\$'000)	23,443	12,379	13,161
Closing NAV (%)	9.72	6.47	6.68
Number of shares	937,354	630,023	685,863
Highest share price (UK p)	1,880.04	1,699.38	1,736.34
Lowest share price (UK p)	1,458.70	1,211.93	1,438.43

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Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	1,741.45	1,806.50	1,764.31
Return before operating charges	474.39	(48.62)	59.87
Operating charges	(19.83)	(16.43)	(17.68)
Return after operating charges	454.56	(65.05)	42.19
Distributions	(34.81)	(32.38)	(37.59)
Retained distributions	34.81	32.38	37.59
Closing NAV	2,196.01	1,741.45	1,806.50
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.69	3.97	3.35
Dilution adjustments ^a	(0.47)	(0.26)	(0.95)
Total direct transaction costs	2.22	3.71	2.40
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.11	0.21	0.10
Operating charges ^c	0.95	0.95	1.00
Return after charges	+26.10	-3.60	+2.39
Historic yield	1.57	1.87	1.87
Other information			
Closing NAV (\$'000)	37,531	28,515	27,963
Closing NAV (%)	15.57	14.89	14.19
Number of shares	1,241,243	1,230,845	1,271,080
Highest share price (UK p)	2,216.46	1,948.29	1,930.78
Lowest share price (UK p)	1,719.73	1,389.45	1,599.52

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	146.04	156.20	157.68
Return before operating charges	39.76	(4.20)	5.34
Operating charges	(2.10)	(1.80)	(1.97)
Return after operating charges	37.66	(6.00)	3.37
Distributions	(4.55)	(4.16)	(4.85)
Closing NAV	179.15	146.04	156.20
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.23	0.34	0.30
Dilution adjustments ^a	(0.04)	(0.02)	(0.08)
Total direct transaction costs	0.19	0.32	0.22
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.11	0.21	0.10
Operating charges ^c	1.20	1.20	1.25
Return after charges	+25.79	-3.84	+2.14
Historic yield	2.51	2.87	2.91
Other information			
Closing NAV (\$'000)	1,304	880	909
Closing NAV (%)	0.54	0.46	0.46
Number of shares	528,666	452,687	477,710
Highest share price (UK p)	185.68	168.30	172.17
Lowest share price (UK p)	144.23	119.97	142.92

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Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	170.73	177.55	173.83
Return before operating charges	46.46	(4.78)	5.89
Operating charges	(2.45)	(2.04)	(2.17)
Return after operating charges	44.01	(6.82)	3.72
Distributions	(2.90)	(2.77)	(3.24)
Retained distributions	2.90	2.77	3.24
Closing NAV	214.74	170.73	177.55
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.26	0.39	0.33
Dilution adjustments ^a	(0.05)	(0.03)	(0.09)
Total direct transaction costs	0.21	0.36	0.24
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.11	0.21	0.10
Operating charges ^c	1.20	1.20	1.25
Return after charges	+25.78	-3.84	+2.14
Historic yield	1.34	1.64	1.63
Other information			
Closing NAV (\$'000)	11,216	8,761	8,183
Closing NAV (%)	4.65	4.58	4.15
Number of shares	3,793,375	3,857,130	3,784,734
Highest share price (UK p)	217.05	191.30	189.81
Lowest share price (UK p)	168.60	136.37	157.56

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	1,271.21	1,363.03	1,382.63
Return before operating charges	345.77	(36.64)	46.68
Operating charges	(21.11)	(18.94)	(23.86)
Return after operating charges	324.66	(55.58)	22.82
Distributions	(39.60)	(36.24)	(42.42)
Closing NAV	1,556.27	1,271.21	1,363.03
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.95	3.00	2.61
Dilution adjustments ^a	(0.34)	(0.20)	(0.74)
Total direct transaction costs	1.61	2.80	1.87
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.11	0.21	0.10
Operating charges ^c	1.39	1.45	1.74
Return after charges	+25.54	-4.08	+1.65
Historic yield	2.51	2.87	2.93
Other information			
Closing NAV (\$'000)	7,091	6,326	6,653
Closing NAV (%)	2.94	3.30	3.38
Number of shares	330,911	374,059	400,812
Highest share price (UK p)	1,614.34	1,467.18	1,502.80
Lowest share price (UK p)	1,255.38	1,045.42	1,252.46

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Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	2,210.11	2,304.11	2,266.72
Return before operating charges	600.83	(61.91)	76.50
Operating charges	(36.72)	(32.09)	(39.11)
Return after operating charges	564.11	(94.00)	37.39
Distributions	(32.50)	(30.65)	(30.76)
Retained distributions	32.50	30.65	30.76
Closing NAV	2,774.22	2,210.11	2,304.11
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.40	5.08	4.28
Dilution adjustments ^a	(0.59)	(0.33)	(1.21)
Total direct transaction costs	2.81	4.75	3.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.11	0.21	0.10
Operating charges ^c	1.39	1.45	1.74
Return after charges	+25.52	-4.08	+1.65
Historic yield	1.16	1.40	1.16
Other information			
Closing NAV (\$'000)	3,043	2,471	2,709
Closing NAV (%)	1.26	1.29	1.38
Number of shares	79,683	84,050	96,556
Highest share price (UK p)	2,806.34	2,480.11	2,463.70
Lowest share price (UK p)	2,182.34	1,767.17	2,053.28

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

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Statement of total return

		2021		2020	
for the year to 31 August	Note	\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains/(losses)	3		54,722		6,464
Revenue	5	6,842		6,304	
Expenses	6	(2,954)		(2,554)	
Net revenue/(expense) before taxation		3,888		3,750	
Taxation	7	(1,251)		(721)	
Net revenue/(expense) after taxation			2,637		3,029
Total return before distributions			57,359		9,493
Distributions	8		(5,277)		(4,918)
Change in net assets attributable to shareholders from investment activities			52,082		4,575

Statement of change in net assets attributable to shareholders

for the year to 31 August	2021		2020	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		191,438		197,015
Amounts received on issue of shares	20,237		4,394	
Amounts paid on cancellation of shares	(23,793)		(15,538)	
		(3,556)		(11,144)
Dilution adjustments		95		59
Change in net assets attributable to shareholders from investment activities (see above)		52,082		4,575
Retained distributions on Accumulation shares		1,006		933
Closing net assets attributable to shareholders		241,065		191,438

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Balance sheet

as at 31 August	Note	2021 \$'000	2020 \$'000
Assets			
Fixed assets			
Investments		245,274	193,796
Current assets			
Debtors	9	1,223	679
Cash and bank balances	10	1,345	794
Cash equivalents		900	769
Total assets		248,742	196,038
Liabilities			
Creditors			
Bank overdrafts		0	(356)
Distribution payable		(4,330)	(3,859)
Other creditors	11	(2,933)	(385)
Deferred tax provision	7	(414)	0
Total liabilities		(7,677)	(4,600)
Net assets attributable to shareholders		241,065	191,438

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Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 10 to 13.

The fund's functional and presentational currency is US dollars as this better reflects the currency of its primary economic environment.

2 Distribution policy

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

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

3 Net capital gains/(losses)

for the year to 31 August	2021 \$'000	2020 \$'000
Non-derivative securities	54,740	6,465
Currency gains/(losses)	(18)	0
Transaction charges	0	(1)
Net capital gains/(losses)	54,722	6,464

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4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 27 to 28.

for the year to 31 August	2021 \$'000	% of transaction	2020 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	93,917		135,334	
Commissions	81	0.09	82	0.06
Taxes	46	0.05	86	0.06
Equities after transaction costs	94,044		135,502	
Other transaction types				
Corporate actions	0		405	
Total purchases after transaction costs	94,044		135,907	
b) Sales				
Equities				
Equities before transaction costs	97,085		145,774	
Commissions	(54)	0.06	(98)	0.07
Taxes	(116)	0.12	(175)	0.12
Equities after transaction costs	96,915		145,501	
Other transaction types				
Corporate actions	0		97	
Total sales after transaction costs	96,915		145,598	
	2021 \$'000	% of average NAV	2020 \$'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	135	0.06	180	0.09
Taxes paid				
Equities	162	0.07	261	0.14
Total direct portfolio transaction costs^a	297	0.13	441	0.23
		%		%
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^b		0.28		0.22

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

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

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5 Revenue

for the year to 31 August	2021 \$'000	2020 \$'000
Bank interest	0	12
Dividends from equity investments: non-taxable	6,300	6,198
Dividends from equity investments: taxable	88	(272) ^a
Interest distributions	3	49
Property distribution: taxable	93	46 ^a
Rebate of ongoing charges from underlying funds	2	2
Stock dividends	356	269
Total revenue	6,842	6,304

^a The prior year amounts have been restated due to the reclassification of revenue in the current year.

6 Expenses

for the year to 31 August	2021 \$'000	2020 \$'000
Payable to the ACD or associate		
Annual charge	2,956	2,560
Other expenses		
Dividend charges	0	1
Safe custody charge ^a	(2)	(7)
	(2)	(6)
Total expenses	2,954	2,554

Audit fees for the financial year ending 2021 were £10,000 (2020: £9,000) (including VAT), which are covered by the annual charge.

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

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7 Taxation

for the year to 31 August	2021 \$'000	2020 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	431	490
Capital gains tax (India)	406	231
Deferred tax provision on capital gains tax (India) (note 7c)	414	0
Total taxation	1,251	721
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	3,888	3,750
Corporation tax at 20%	778	750
Effects of:		
Dividends from equity investments: non-taxable	(1,260)	(1,239)
Stock dividends not taxable	(71)	(54)
Current year expenses not utilised	556	543
Withholding tax	431	490
Capital gains tax (India)	820	231
Overseas tax expensed	(3)	0
Total tax charge (note 7a)	1,251	721
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	414	0
Provision at the end of the year	414	0

The fund has not recognised a deferred tax asset of \$21,999,000 (2020: \$21,443,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

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8 Distributions

for the year to 31 August		2021		2020	
Dividend distributions		Inc ^a	Acc ^b	Inc ^a	Acc ^b
		\$'000	\$'000	\$'000	\$'000
Final		4,330	1,006	3,859	933
Total net distributions			5,336		4,792
Income deducted on cancellation of shares			202		164
Income received on issue of shares			(261)		(38)
Distributions			5,277		4,918
Net revenue/(expense) per statement of total return			2,637		3,029
Expenses offset against capital			2,176		1,927
Stock dividends not distributed			(356)		(269)
Capital gains tax offset against capital			820		231
Distributions			5,277		4,918

^a Distributions payable on Income shares.

^b Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2021	2020
	\$'000	\$'000
Amounts receivable on issues of shares	507	0
Currency deals outstanding	145	129
Dividends receivable	222	228
Sales awaiting settlement	349	322
Total debtors	1,223	679

10 Cash and bank balances

as at 31 August	2021	2020
	\$'000	\$'000
Cash held as bank balances	1,345	794
Total cash and bank balances	1,345	794

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11 Other creditors

as at 31 August	2021 \$'000	2020 \$'000
Amounts payable on cancellation of shares	2,486	130
Annual charge payable	180	127
Currency deals outstanding	145	128
Purchases awaiting settlement	122	0
Total other creditors	2,933	385

12 Contingent assets, liabilities and outstanding commitments

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

13 Shares in issue

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

Share class	Opening 01.09.20	Issued	Movements Cancelled	Closing 31.08.21
Sterling				
Class 'A' Income	6,837,704	23,200	(411,941)	6,448,963
Class 'A' Accumulation	549,629	14,200	(69,530)	494,299
Class 'I' Income	630,023	340,977	(33,646)	937,354
Class 'I' Accumulation	1,230,845	324,195	(313,797)	1,241,243
Class 'R' Income	452,687	94,979	(19,000)	528,666
Class 'R' Accumulation	3,857,130	399,907	(463,662)	3,793,375
Class 'X' Income	374,059	6,500	(49,648)	330,911
Class 'X' Accumulation	84,050	0	(4,367)	79,683

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14 Charging structure

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

Share class	Annual charge ^a to 14.02.21 %	Annual charge ^a from 15.02.21 %
Sterling		
Class 'A'	1.45	1.35
Class 'I'	0.95	0.95
Class 'R'	1.20	1.20
Class 'X'	1.45	1.35

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

15 Related parties

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

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

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 41.83% (2020: 41.24%) of the fund's shares.

16 Events after the balance sheet date

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

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

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Level 3: Valuation technique using unobservable inputs

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

as at 31 August	Assets 2021 \$'000	Liabilities 2021 \$'000	Assets 2020 \$'000	Liabilities 2020 \$'000
Basis of valuation				
Level 1	245,274	0	193,796	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	245,274	0	193,796	0

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 13 to 14.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by \$12,264,000 (2020: \$9,690,000). A five per cent decrease would have an equal and opposite effect.

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20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by \$11,279,000 (2020: \$8,522,000)^a. A five per cent decrease would have an equal and opposite effect.

as at 31 August	2021 \$'000	2020 ^a \$'000
Currency exposure in respect of the fund		
Australian dollar	24,856	19,286
Canadian dollar	2,530	2,869
Hong Kong dollar	90,770	72,878
Indian rupee	18,161	13,867
Indonesian rupiah	3,001	2,573
Philippine peso	2,373	4,373
Singapore dollar	17,164	12,523
South Korean won	33,719	21,455
Sterling	27	0
Taiwan dollar	27,494	17,432
Thailand baht	5,488	2,904
US dollar	15,482	21,278
Total	241,065	191,438

^a The comparatives have been re-analysed to reflect changes due to the prior year fair value adjustment.

21 Interest rate risk sensitivity and exposure

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

22 Credit risk

Credit risk is not considered significant for the fund as there are no counterparty or derivative balances and is therefore not disclosed.

23 Dividend distribution tables

This fund pays annual ordinary distributions and the following table sets out the distribution period.

Annual distribution period

	Start	End	Xd	Payment
Final	01.09.20	31.08.21	01.09.21	31.10.21

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

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

Financial statements and notes

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

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	27.0147	12.6328	39.6475	36.2909

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	25.8681	6.9424	32.8105	30.9415

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	6.4642	39.6693	46.1335	42.0058

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	23.6407	11.1719	34.8126	32.3840

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	3.2376	1.3165	4.5541	4.1587

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Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
Final	2.0917	0.8114	2.9031	2.7719

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
Final	33.5320	6.0651	39.5971	36.2419

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
Final	21.4506	11.0502	32.5008	30.6518

Authorised Corporate Director's Report

Investment objective and policy up to 27 May 2021

The fund is designed to track the FTSE World Europe ex UK Index.

Investment objective from 28 May 2021

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

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

Investment policy from 28 May 2021

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

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

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

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

Investment approach up to 27 May 2021

The M&G European Index Tracker Fund is a European ex UK fund that tracks the performance of the FTSE World Europe ex UK Index* using a technique called stratified sampling. The fund will normally hold the largest 100 stocks in the index as well as a selection of the remaining smaller stocks to ensure that the fund's

capitalisation and industry weights are in line with the index weightings.

* FTSE® International. FTSE is a joint trademark of the London Stock Exchange Limited and the Financial Times Limited and is used by FTSE International Limited under licence. The FTSE World Europe ex UK Index is calculated by FTSE International Limited. FTSE International Limited does not sponsor, endorse or promote these products. All copyright in the index values and constituent lists rests with FTSE International Limited. M&G Securities Limited has obtained full licence from FTSE International Limited to use such copyright in the creation of this product.

Investment approach from 28 May 2021

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

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

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

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

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

Authorised Corporate Director's Report

Benchmark up to 16 September 2020

Benchmark: FTSE World Europe ex UK Index.

The fund is passively managed. The index is a constraining benchmark for the fund. The fund aims to track the return of the index. The fund's portfolio holdings are therefore unlikely to significantly deviate from the index's constituent parts.

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

Benchmark from 17 September 2020 up to 27 May 2021

Benchmark: FTSE World Europe ex UK Index.

The index is a constraining benchmark for the fund. The fund is passively managed and aims to track the return of the index. The fund's holdings are therefore unlikely to significantly deviate from the benchmark's constituents.

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

Benchmark from 28 May 2021

Benchmark: FTSE World Europe ex UK Index.

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

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

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

Risk profile

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

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



The above number:

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

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Investment review

As at 1 September 2021, for the year ended 31 August 2021

Performance against objective

The M&G European Index Tracker Fund is designed to track the FTSE World Europe ex UK Index. Between 1 September 2020 (the start of the review period) and 1 September 2021, the fund's Sterling Class 'A' shares returned 26.3%. Meanwhile, the FTSE World Europe ex UK Index returned 29.0%, in sterling terms.

The fund's Euro Class 'A' shares returned 6.4% between 1 September and 15 December 2020, the date when this share class was closed, while the FTSE World Europe ex UK Index returned 7.9%, in euro terms, for the same period.

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

Performance review

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

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

Fund charges – The fees we charge for managing the fund, as well as the costs incurred when we buy and sell underlying investments, will mean the fund's return after charges is below that of the index (which does not reflect the costs of investing).

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

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

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

European stockmarkets made robust gains over the 12 months under review. The initial months were lacklustre as the world continued to grapple with the coronavirus pandemic. A resurgence of infections in Europe and further afield fuelled concerns about the economic recovery. However, positive news regarding several COVID-19 vaccine trials led to significant stockmarket gains in November 2020. Investors were encouraged by this progress, leading to optimism about prospects for the economy. Meanwhile, following months of uncertainty, the European Union (EU) and the UK finally agreed the terms of a trade deal at the end of 2020.

Sentiment was mixed at the start of the new year; investors were encouraged by the prospect of a new stimulus package in the US, while concerns grew about the emergence of new, more virulent, variants of COVID-19 and the introduction of renewed restrictions in some areas. Moreover, the EU's vaccination programme took time to gather pace. However, as spring progressed, the region's vaccination rollout gained momentum and investors' optimism about the economic recovery strengthened. Corporate results have been strong and investors were also encouraged by continued stimulus measures. These factors appeared to outweigh concerns about the more transmissible Delta variant of the virus and rising inflation.

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In terms of the eurozone economy, activity was slightly negative in the first quarter of 2021, compared with the preceding three-month period. However, activity bounced back strongly in the second quarter as restrictions eased and the economy reopened on the back of the vaccination rollout. Business activity in the eurozone continued to grow strongly, despite supply chain delays. Meanwhile, business confidence was dampened by increased concerns over the Delta variant, although hiring remained robust as firms sought to meet rising demand.

In other data, inflation in the eurozone was slightly negative in the final months of 2020, but rebounded in January 2021. Prices subsequently rose further, markedly exceeding the European Central Bank's new target level of 2% at the end of the period under review. In addition to the huge stimulus measures to support the economy, prices have also risen due to supply shortages.

With regard to sector performance, the strongest areas included some economically sensitive sectors, such as industrial metals & mining, travel & leisure, automobiles & parts and technology hardware. Against a backdrop of improved prospects for the economy, increased possibilities for travel and greater investor optimism, these particular sectors proved more attractive to market participants. At the other end of the scale, healthcare, telecommunications and utilities lagged the broader market. Such defensive sectors generally remain relatively stable, regardless of swings in economic cycles.

Investment activities

One significant investment during the period was in Prosus, an internet services company, which is a major subsidiary of global consumer internet company Naspers. As part of a capital restructure, Prosus bought shares in Naspers through a voluntary share exchange offer and in return new Prosus shares were issued to Naspers. We added to the Prosus holding in the fund to reflect the increase in the index weighting.

A number of companies joined the index in March 2021 and were subsequently added to the portfolio.

Specific examples include German drug discovery and development company Evotec, Swedish industrial group Indutrade, Denmark's SimCorp, which provides software and services to financial institutions, French semiconductor materials firm Soitec and Switzerland's Tecan, which provides laboratory instruments for pharmaceutical and biotechnology companies.

A new position was started in Sweden's Evolution Gaming, which provides business-to-business solutions to gaming operators. The company joined the index and portfolio in September 2020 and we subsequently increased the holding to take it closer to the index weighting.

We bought shares in Siemens Healthineers via a placing by the German medtech company. We further added to the stock in order to bring the fund holding in line with its index weighting.

In terms of disposals, a significant sale involved Netherlands-based Unilever NV, with the transaction related to an index event. In November 2020, Unilever unified its Group legal structure under a single parent company, Unilever PLC. As a result, Unilever NV shareholders received Unilever PLC shares and Unilever NV was deleted from the FTSE World Europe ex UK Index. The fund's holding was sold just before the stock's deletion.

Other stocks left the index and the fund's holdings were sold. Such disposals involved Denmark's facility management services company ISS, Austria's Vienna Insurance Group, German sugar producer Suedzucker, Finland's Neles, which manufactures industrial valves and provides valve automation solutions, and Poland's Pge Polska Grupa Energetyczna, a public power company. We also sold the holding in French investment bank Natixis in connection with its deletion from the index.

Some of the larger sales related to cashflow management, with examples including Swiss food and beverage firm Nestlé, ASML, a Dutch supplier to the semiconductor industry, and Swiss pharmaceutical companies Roche and Novartis.

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Outlook

The eurozone's economic recovery has retained momentum, as companies were able to benefit from the easing of restrictive measures aimed at containing COVID-19. Supported by further reopening of the economy, growth in the eurozone service sector has exceeded that of manufacturing for the first time in the recovery from the pandemic. Nevertheless, the spread of the Delta variant of COVID-19 has proved disruptive, leading to further supply issues. Delays in supply from Asia, in particular, look likely to persist for some time, which may weigh on economic activity.

Developments regarding the pandemic, and the resultant impact on the global and eurozone economies, are likely to have a significant impact on prospects for stockmarkets in Europe and further afield, at least for the immediate future. Despite concerns about existing and potential variants of the virus, the rate of severe illness seems to have been reduced in those countries where large numbers of the population have been fully vaccinated. However, low levels of vaccination in certain areas of the world remain a cause for concern.

Nigel Booth

Fund manager

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

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

Investments

Portfolio statement

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities	109,754	99.60	99.47
Austria	544	0.49	0.36
2,500 ams	43	0.04	
950 Andritz	46	0.04	
4,185 Erste Group Bank	141	0.13	
2,214 OMV	106	0.09	
1,956 Raiffeisen Bank International	40	0.04	
1,652 Telekom Austria	12	0.01	
800 Verbund	74	0.07	
2,113 Voestalpine	82	0.07	
Belgium	2,169	1.97	1.98
411 Ackermans & van Haaren	64	0.06	
2,708 Ageas	115	0.10	
11,877 Anheuser-Busch InBev	613	0.56	
674 Argenx	194	0.18	
1,707 Bruxelles Lambert	166	0.15	
500 Colruyt	24	0.02	
400 Elia	43	0.04	
670 Galapagos	33	0.03	
3,983 KBC	284	0.26	
2,246 Proximus	37	0.03	
150 Sofina	56	0.05	
1,008 Solvay	114	0.10	
757 Telenet	25	0.02	
1,751 UCB	169	0.15	
3,078 Umicore	172	0.16	
1,530 Warehouses De Pauw REIT	60	0.06	
Czech Republic	113	0.10	0.08
1,745 CEZ	46	0.04	
1,318 Komerční banka	43	0.04	
7,000 Moneta Money Bank	24	0.02	
Denmark	5,704	5.18	4.84
137 A.P. Møller – Mærsk	334	0.30	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Denmark (continued)			
2,000 Ambu	52	0.05	
1,474 Carlsberg	219	0.20	
1,642 Chr. Hansen	129	0.12	
1,892 Coloplast	279	0.25	
9,139 Danske Bank	131	0.12	
1,500 Demant	73	0.07	
2,880 DSV PANALPINA	627	0.57	
842 Genmab	344	0.31	
1,900 GN Store Nord	121	0.11	
23,062 Novo Nordisk	1,980	1.80	
3,120 Novozymes	213	0.19	
2,649 Ørsted	358	0.32	
1,374 Pandora	140	0.13	
650 SimCorp	75	0.07	
5,054 Tryg	107	0.10	
14,990 Vestas Wind Systems	522	0.47	
Finland	3,117	2.83	2.82
2,250 Elisa	123	0.11	
6,514 Fortum	169	0.15	
1,013 Huhtamaki	46	0.04	
4,156 Kesko	145	0.13	
1,800 Kojamo	37	0.04	
5,804 Kone	410	0.37	
7,727 Metso Outotec	70	0.06	
5,850 Nestlé	301	0.27	
81,609 Nokia	417	0.38	
1,479 Nokian Renkaat	48	0.05	
46,751 Nordea Bank	469	0.43	
1,554 Orion	53	0.05	
7,378 Sampo	323	0.29	
8,332 Stora Enso	140	0.13	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Finland (continued)			
7,746 UPM-Kymmene	268	0.24	
8,213 Wartsila	98	0.09	
France	23,272	21.12	21.22
3,142 Accor	91	0.08	
443 Aéroports de Paris	44	0.04	
261 Air Liquide	40	0.04	
6,379 Air Liquide (prime de fidélité 2012)	967	0.88	
7,853 Airbus	895	0.81	
3,669 Alstom	134	0.12	
800 Amundi	64	0.06	
1,006 Arkema	114	0.10	
1,477 Atos	64	0.06	
28,101 AXA	670	0.61	
686 BioMérieux	73	0.07	
15,304 BNP Paribas	818	0.74	
14,298 Bolloré	72	0.07	
3,057 Bouygues	108	0.10	
4,650 Bureau Veritas	131	0.12	
2,196 Capgemini	419	0.38	
9,175 Carrefour	155	0.14	
1,028 Casino Guichard Perrachon	26	0.02	
2,656 CNP Assurances	39	0.04	
502 Covivio REIT	40	0.04	
17,845 Crédit Agricole	217	0.20	
8,428 Danone	519	0.47	
34 Dassault Aviation	32	0.03	
9,240 Dassault Systemes	449	0.41	
3,812 Edenred	182	0.16	
4,733 EDF	55	0.05	
3,522 EDF (prime de fidélité 2017)	41	0.04	
1,065 Eiffage	94	0.09	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
France (continued)			
149 Engie	2	0.00	
22,798 Engie (prime de fidélité regd)	278	0.25	
4,059 EssilorLuxottica	668	0.61	
627 Eurazeo	55	0.05	
1,138 Euronext	112	0.10	
1,879 Faurecia	77	0.07	
760 Gecina REIT	100	0.09	
6,041 Getlink	82	0.07	
425 Hermès International	528	0.48	
3,124 Holcim	152	0.14	
240 Iliad	44	0.04	
903 Imerys	35	0.03	
587 Ipsen	50	0.05	
1,052 Kering	707	0.64	
3,192 Klepierre REIT	66	0.06	
1,000 La Française des Jeux	44	0.04	
3,730 Legrand	364	0.33	
26 L'Oréal	10	0.01	
3,416 L'Oréal (prime de fidélité 2012)	1,347	1.22	
3,546 LVMH	2,218	2.01	
2,486 Michelin	342	0.31	
27,516 Orange	265	0.24	
693 Orpea	75	0.07	
2,985 Pernod Ricard	531	0.48	
1,180 Plastic Omnium	30	0.03	
3,325 Publicis	183	0.17	
250 Rémy Cointreau	41	0.04	
2,277 Renault	71	0.06	
5,263 Rexel	94	0.09	
1,768 Rubis	58	0.05	
4,935 Safran	518	0.47	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
France (continued)			
7,002 Saint-Gobain	435	0.39	
15,507 Sanofi	1,353	1.23	
290 Sartorius Stedim Biotech	152	0.14	
7,516 Schneider Electric	1,145	1.04	
1,961 SCOR	50	0.05	
353 SEB	47	0.04	
10,589 Société Générale	281	0.25	
1,500 Sodexo (prime de fidélité regd)	104	0.09	
300 SOITEC	61	0.06	
9,108 STMicroelectronics	346	0.31	
5,539 Suez	109	0.10	
1,391 Technip Energies	16	0.01	
6,956 TechnipFMC	39	0.04	
839 Teleperformance	315	0.29	
1,607 Thales	138	0.12	
34,093 TOTAL	1,269	1.15	
1,264 Ubisoft Entertainment	68	0.06	
3,748 Valeo	90	0.08	
7,794 Veolia Environnement	226	0.20	
6,864 Vinci	620	0.56	
11,402 Vivendi	369	0.33	
621 Wendel	76	0.07	
3,469 Worldline	263	0.24	
Germany	20,227	18.36	19.60
2,736 adidas	817	0.74	
5,927 Allianz	1,172	1.06	
19,287 Aaroundtown	124	0.11	
13,250 BASF	877	0.80	
13,915 Bayer	656	0.60	
5,061 Bayerische Motoren Werke	406	0.37	
159 Bayerische Motoren Werke Preference Shares	11	0.01	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Germany (continued)			
900 Bechtle	56	0.05	
1,509 Beiersdorf	155	0.14	
2,285 Brenntag	197	0.18	
350 Carl Zeiss Meditec	67	0.06	
17,101 Commerzbank	90	0.08	
1,614 Continental	186	0.17	
2,443 Covestro	136	0.12	
800 CTS Eventim	44	0.04	
11,523 Daimler	822	0.75	
2,600 Delivery Hero	318	0.29	
28,489 Deutsche Bank	298	0.27	
2,616 Deutsche Börse	383	0.35	
4,178 Deutsche Lufthansa	35	0.03	
13,949 Deutsche Post	846	0.77	
46,782 Deutsche Telekom	850	0.77	
5,012 Deutsche Wohnen	263	0.24	
29,907 E.ON	336	0.31	
2,417 Evonik Industries	70	0.06	
1,500 Evotec	64	0.06	
665 Fraport	36	0.03	
5,791 Fresenius	254	0.23	
3,077 Fresenius Medical Care	200	0.18	
374 FUCHS PETROLUB	13	0.01	
1,397 FUCHS PETROLUB Preference Shares	60	0.05	
2,659 GEA	105	0.10	
937 Hannover Rueck	145	0.13	
2,160 HeidelbergCement	159	0.14	
2,000 HelloFresh	185	0.17	
3,780 Henkel Preference Shares	315	0.29	
228 HOCHTIEF	16	0.02	
18,593 Infineon Technologies	677	0.61	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Germany (continued)			
1,101 KION	100	0.09	
1,000 Knorr-Bremse	101	0.09	
1,244 LANXESS	78	0.07	
1,019 LEG Immobilien	138	0.13	
1,856 Merck	377	0.34	
4,029 METRO	45	0.04	
801 MTU Aero Engines	155	0.14	
1,990 Muenchener Rueckversicherungs-Gesellschaft	492	0.45	
600 Nemetschek	50	0.05	
2,294 Porsche Automobil Preference Shares	199	0.18	
3,925 ProSiebenSat.1 Media	63	0.06	
1,070 Puma	109	0.10	
3,315 QIAGEN	157	0.14	
70 Rational	68	0.06	
500 Rheinmetall	41	0.04	
570 RTL	30	0.03	
8,772 RWE	291	0.26	
15,945 SAP	2,030	1.84	
525 Sartorius Preference Shares	296	0.27	
1,286 Scout24	93	0.08	
11,007 Siemens	1,555	1.41	
5,703 Siemens Energy	141	0.13	
4,000 Siemens Healthineers	237	0.22	
1,842 Symrise	225	0.20	
2,100 TeamViewer	59	0.05	
11,445 Telefónica Deutschland	28	0.03	
7,236 thyssenkrupp	69	0.06	
1,672 Uniper	57	0.05	
2,146 United Internet	79	0.07	
1,120 Volkswagen	317	0.29	
1,853 Volkswagen Preference Shares	373	0.34	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Germany (continued)			
8,276 Vonovia	478	0.43	
2,667 Zalando	252	0.23	
Greece	228	0.21	0.18
26,395 Alpha Services and Holdings	30	0.03	
3,141 FF ^b	0	0.00	
2,568 Hellenic Petroleum	16	0.01	
4,617 Hellenic Telecommunications Organization	77	0.07	
1,807 JUMBO	24	0.02	
12,171 National Bank of Greece	31	0.03	
3,824 OPAP	50	0.05	
Hungary	262	0.24	0.21
5,015 MOL Hungarian Oil & Gas	35	0.03	
3,463 OTP Bank	175	0.16	
2,103 Richter Gedeon	52	0.05	
Ireland	575	0.52	0.55
12,064 AIB	31	0.03	
3,306 Glanbia	50	0.04	
16,490 Irish Bank Resolution ^b	0	0.00	
2,317 Kerry	284	0.26	
2,161 Kingspan	210	0.19	
Italy	4,747	4.31	4.76
1,500 Amplifon	66	0.06	
17,930 Assicurazioni Generali	307	0.28	
7,115 Atlantia	112	0.10	
7,715 Banca Mediolanum	68	0.06	
1,563 Buzzi Unicem	35	0.03	
13,834 CNH Industrial	196	0.18	
400 DiaSorin	77	0.07	
112,838 Enel	873	0.79	
35,310 Eni	368	0.33	
1,658 EXOR	117	0.11	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Italy (continued)			
1,717 Ferrari	314	0.28	
8,187 FinecoBank	129	0.12	
12,000 Hera	44	0.04	
223,912 Intesa Sanpaolo	536	0.49	
6,526 Italgas	37	0.03	
5,096 Leonardo	35	0.03	
7,809 Mediobanca	78	0.07	
2,934 Moncler	160	0.15	
5,500 Nexi	97	0.09	
7,706 Pirelli	39	0.04	
5,000 Poste Italiane	58	0.05	
3,982 Prysmian	127	0.12	
1,519 Recordati Industria Chimica e Farmaceutica	85	0.08	
32,632 Snam	163	0.15	
145,178 Telecom Italia	56	0.05	
119,508 Telecom Italia Savings Shares	49	0.04	
6,165 Tenaris	53	0.05	
22,884 Terna	154	0.14	
29,754 UniCredit	314	0.28	
Luxembourg	205	0.18	0.00
1,700 Eurofins Scientific	205	0.18	
Netherlands	11,376	10.32	8.65
1,400 Aalberts	74	0.07	
6,736 ABN AMRO Bank	79	0.07	
404 Adyen	1,097	0.99	
26,311 Aegon	110	0.10	
2,788 Akzo Nobel	292	0.26	
9,191 ArcelorMittal	265	0.24	
634 ASM International	210	0.19	
5,673 ASML	4,012	3.64	
1,816 ASR Nederland	70	0.06	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Netherlands (continued)			
7,000 Davide Campari-Milano	82	0.07	
2,532 DSM	460	0.42	
1,281 Heineken	100	0.09	
3,750 Heineken (Amsterdam listing)	345	0.31	
500 IMCD	84	0.08	
55,452 ING	646	0.59	
1,000 JDE Peet's	29	0.03	
13,356 Koninklijke Ahold Delhaize	382	0.35	
50,352 KPN	136	0.12	
4,682 NN	206	0.19	
13,256 Philips	517	0.47	
12,351 Prosus	914	0.83	
2,068 Randstad	128	0.12	
2,000 Signify	96	0.09	
27,917 Stellantis	472	0.43	
2,010 Unibail-Rodamco-Westfield REIT	150	0.13	
1,161 Vopak	43	0.04	
3,869 Wolters Kluwer	377	0.34	
Norway	1,495	1.36	1.31
3,076 Adeventa	54	0.05	
14,396 DNB Bank	262	0.24	
14,355 Equinor	263	0.24	
2,895 Gjensidige Forsikring	58	0.05	
6,000 Leroy Seafood	45	0.04	
6,327 Mowi	147	0.13	
16,352 Norsk Hydro	97	0.09	
11,741 Orkla	90	0.08	
2,000 Scatec	35	0.03	
1,051 Schibsted 'A' Shares	49	0.05	
2,013 Schibsted 'B' Shares	82	0.07	
9,431 Telenor	142	0.13	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Norway (continued)			
1,000 TOMRA Systems	52	0.05	
2,771 Yara International	119	0.11	
Poland	719	0.65	0.56
5,200 Allegro	80	0.07	
2,120 Bank Polska Kasa Opieki	50	0.05	
1,096 CD Projekt	41	0.04	
3,000 InPost	49	0.04	
2,335 KGHM Polska Miedź	92	0.08	
22 LPP	69	0.06	
35,447 PGNiG	49	0.04	
4,617 PKN Orlen	75	0.07	
12,046 PKO Bank Polski	111	0.10	
8,031 PZU	72	0.07	
480 Santander Bank Polska	31	0.03	
Portugal	320	0.29	0.33
40,008 EDP - Energias de Portugal	186	0.17	
7,816 Galp Energia	67	0.06	
3,706 Jerónimo Martins	67	0.06	
Spain	5,279	4.79	4.88
455 Acciona	63	0.06	
3,316 ACS Actividades de Construcción y Servicios	76	0.07	
982 Aena	132	0.12	
5,929 Amadeus IT	303	0.27	
92,783 Banco Bilbao Vizcaya Argentaria	511	0.46	
243,821 Banco Santander	763	0.69	
10,644 Bankinter	53	0.05	
62,061 CaixaBank	163	0.15	
7,076 Cellnex Telecom	408	0.37	
3,000 EDP Renovaveis	66	0.06	
3,071 Enagas	59	0.05	
4,860 Endesa	99	0.09	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Spain (continued)			
6,834 Ferrovial	167	0.15	
4,553 Grifols	94	0.08	
86,682 Iberdrola	910	0.83	
15,278 Inditex	438	0.40	
4,000 Inmobiliaria Colonial Socimi REIT	37	0.03	
10,644 Línea Directa Aseguradora	19	0.02	
17,345 Mapfre	31	0.03	
6,730 Merlin Properties REIT	66	0.06	
4,656 Naturgy Energy	102	0.09	
6,497 Red Electrica	111	0.10	
20,195 Repsol	197	0.18	
2,967 Siemens Gamesa Renewable Energy	76	0.07	
75,026 Telefónica	315	0.29	
3,592 Zardoya Otis	20	0.02	
Sweden	8,211	7.45	6.61
4,929 Alfa Laval	170	0.15	
12,963 Assa Abloy	356	0.32	
13,702 Atlas Copco	802	0.73	
4,222 Boliden	126	0.11	
3,900 Castellum	97	0.09	
3,232 Electrolux	70	0.06	
5,000 Elekta	53	0.05	
14,068 Epiroc	264	0.24	
3,000 EQT	130	0.12	
44,116 Ericsson	446	0.40	
8,821 Essity	241	0.22	
2,050 Evolution	282	0.26	
1,410 Fastighets AB Balder	85	0.08	
2,000 Getinge	70	0.06	
12,773 Hennes & Mauritz	216	0.20	
25,851 Hexagon	382	0.35	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Sweden (continued)			
800 Holmen	34	0.03	
6,957 Husqvarna	80	0.07	
1,261 ICA	53	0.05	
5,107 Industrivarden	158	0.14	
4,000 Indutrade	112	0.10	
1,571 Investment AB Latour	47	0.04	
34,032 Investor	690	0.63	
3,580 Kinnevik	119	0.11	
1,098 L E Lundbergföretagen	58	0.05	
3,000 Lifco	75	0.07	
2,765 Lundin Energy	72	0.07	
16,000 Nibe Industrier	190	0.17	
1,500 Saab	38	0.03	
2,000 Sagax	63	0.06	
15,783 Sandvik	346	0.31	
4,722 Securitas	66	0.06	
6,000 Sinch	112	0.10	
21,045 Skandinaviska Enskilda Banken	240	0.22	
5,626 Skanska	138	0.12	
5,877 SKF	127	0.12	
8,611 Svenska Cellulosa	130	0.12	
21,799 Svenska Handelsbanken	209	0.19	
1,500 Sweco	22	0.02	
14,053 Swedbank	231	0.21	
22,230 Swedish Match	173	0.16	
2,900 Swedish Orphan Biovitrum	55	0.05	
7,139 Tele2	91	0.08	
38,719 Telia	141	0.13	
3,888 Trelleborg	80	0.07	
24,495 Volvo	471	0.43	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Switzerland	20,792	18.87	20.15
25,716 ABB	814	0.74	
2,189 Adecco	104	0.09	
6,715 Alcon	470	0.43	
676 Baloise	91	0.08	
330 Banque Cantonale Vaudoise	24	0.02	
51 Barry Callebaut	111	0.10	
2,660 Clariant	48	0.04	
35,107 Credit Suisse	316	0.29	
101 EMS-Chemie	94	0.09	
7,170 Financière Richemont	673	0.61	
15,422 Financière Richemont Warrants 22/11/2023	7	0.01	
286 Flughafen Zurich	40	0.04	
515 Geberit	368	0.33	
60 Georg Fischer	83	0.08	
132 Givaudan	564	0.51	
480 Helvetia	47	0.04	
4,269 Holcim	207	0.19	
3,014 Julius Baer	175	0.16	
701 Kuehne + Nagel International	220	0.20	
3 Lindt & Sprüngli	307	0.28	
2,128 Logitech International	187	0.17	
1,051 Lonza	755	0.68	
39,818 Nestlé	4,268	3.87	
30,184 Novartis	2,352	2.13	
297 Partners	447	0.41	
738 PSP Swiss Property	84	0.08	
10,331 Roche	3,484	3.16	
873 Schindler	230	0.21	
88 SGS	234	0.21	
3,000 SIG Combibloc	78	0.07	
1,988 Sika	612	0.56	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Switzerland (continued)			
774 Sonova	256	0.23	
157 Straumann	257	0.23	
384 Sulzer	49	0.04	
488 Swatch	117	0.11	
463 Swiss Life	205	0.19	
1,112 Swiss Prime Site	101	0.09	
3,859 Swiss Re	301	0.27	
359 Swisscom	179	0.16	
150 Tecan	79	0.07	
830 Temenos	111	0.10	
47,769 UBS	673	0.61	
300 VAT	108	0.10	
696 Vifor Pharma	84	0.08	
2,100 Zurich Insurance	778	0.71	
Turkey	399	0.36	0.38
26,709 Akbank	16	0.02	
7,086 Anadolu Efes Biracılık Ve Malt Sanayii	16	0.01	
8,110 BIM Birleşik Mağazalar	59	0.05	
12,653 Enka Insaat ve Sanayi	14	0.01	
25,696 Ereğli Demir ve Çelik Fabrikaları	49	0.04	
2,369 Ford Otomotiv Sanayi	41	0.04	
24,329 Hacı Ömer Sabancı	26	0.02	
11,764 Koç	27	0.02	
1,105 Tofaş Türk Otomobil Fabrikası	5	0.01	
2,754 Tüpraş	28	0.03	
2,099 Türk Hava Yolları	3	0.00	
19,783 Turkcell İletişim Hizmetleri	32	0.03	
34,312 Türkiye Garanti Bankası	34	0.03	
31,496 Türkiye İş Bankası	18	0.02	
26,528 Türkiye Şişe ve Cam Fabrikaları	24	0.02	
18,551 Türkiye Vakıflar Bankası	7	0.01	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equity derivatives	9	0.01	0.02
Equity futures contracts	9	0.01	0.02
14 Euro Stoxx 50 Index Sep 2021	9	0.01	
Portfolio of investments	109,763	99.61	99.49
Cash equivalents	300	0.27	0.61
'AAA' rated money market funds^c	300	0.27	0.61
258,000 Northern Trust Global Fund - Sterling	300	0.27	
Total portfolio (notes 2c & 2d on page 10)	110,063	99.88	100.10
Net other assets/(liabilities)	129	0.12	(0.10)
Net assets attributable to shareholders	110,192	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 due to the prior year fair value adjustment.

^b Delisted.

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

Investments

Top ten portfolio transactions for the year to 31 August 2021

Largest purchases	€'000
Prosus	447
Evolution	117
Siemens Healthineers	101
Worldline	89
Allegro	85
Indutrade	83
HelloFresh	80
Cellnex Telecom	72
Volvo	67
Davide Campari-Milano	66
Other purchases	1,883
Total purchases	3,090

Largest sales	€'000
Unilever	1,056
Nestlé	347
ASML	129
Novartis	127
Roche	120
Ingenico	111
Iberdrola	106
Novo Nordisk	95
Koninklijke Ahold Delhaize	77
LVMH	71
Other sales	3,860
Total sales	6,099

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

Financial highlights

Fund performance

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

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

Index tracking

The tracking difference between the fund's investment return and that of the FTSE World Europe ex UK Index for the 12 month period ending 31 August 2021 was -0.41% (31 August 2020 was 0.03%). The investment returns are calculated gross of fees using end of day pricing in order to be comparable with the index.

The historic tracking error of the investment return of the fund relative to the FTSE World Europe ex UK Index for the period ending 31 August 2021: 0.24% (31 August 2020: 0.22%), which falls within the predicted tracking error range of 0.00% to 0.50%. Historic tracking error is a measure of the monthly volatility of the investment returns relative to the index over a 36 month period.

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

Fund level performance

Fund net asset value as at	31.08.21 €'000	31.08.20 €'000	31.08.19 €'000
Fund net asset value (NAV)	110,192	88,253	90,100

Performance since launch

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

January 2000 = 100, plotted monthly
Chart date 1 September 2021



Source: Morningstar, Inc. and M&G

* Income reinvested

Long-term performance by share class

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period to 15 December 2020 for the non-sterling share classes and 1 September 2021 for sterling share classes. Calculated on a price to price basis with income reinvested. Please refer to 'Specific share class performance' tables for the share class launch dates.

Share class	One year 01.09.20 % ^a	Three years 03.09.18 % pa	Five years 01.09.16 % pa	Since launch % pa
Euro				
Class 'A'	+6.4	+4.6	+6.6	+4.5
Sterling				
Class 'A'	+26.3	+9.2	+10.6	+5.7
Class 'I'	+26.6	n/a	n/a	+15.2

^a Not annualised.

Financial highlights

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

Portfolio transaction costs

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

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

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

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

Financial highlights

Portfolio transaction costs

for the year to 31 August Direct portfolio transaction costs ^b	2021 %	2020 %	2019 %	Average ^a %
Broker commission	0.00	0.00	0.00	0.00
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.00	0.00	0.00	0.00
Dilution adjustments ^c	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00	0.00
as at 31 August Indirect portfolio transaction costs	2021 %	2020 %	2019 %	Average ^a %
Average portfolio dealing spread	0.05	0.05	0.04	0.05

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

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

Historic yields for the current year are calculated as at 10 September 2021.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

The share class closed on 15 December 2020.

for the year to 31 August Change in NAV per share	2021 Euro €	2020 Euro €	2019 Euro €
Opening NAV	2,136.63	2,112.21	2,048.64
Return before operating charges	164.75	38.15	77.49
Operating charges	(4.23)	(13.73)	(13.92)
Return after operating charges	160.52	24.42	63.57
Distributions	n/a	(38.61)	(47.91)
Retained distributions	n/a	38.61	47.91
Return to shareholder as a result of share class closure	(2,297.15)	n/a	n/a
Closing NAV	0.00	2,136.63	2,112.21
Direct transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.06	0.08	0.09
Dilution adjustments ^a	(0.06)	(0.08)	(0.09)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.65	0.65	0.69
Return after charges	+7.51	+1.16	+3.10
Historic yield	0.00	1.34	2.08
Other information			
Closing NAV (€'000)	0	3,275	3,880
Closing NAV (%)	0.00	3.71	4.31
Number of shares	0	153,223	183,710
Highest share price (Euro €)	2,313.26	2,415.12	2,182.13
Lowest share price (Euro €)	1,997.24	1,557.47	1,804.22

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 31 January 2000.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	83.14	85.12	84.44
Return before operating charges	22.11	0.52	3.76
Operating charges	(0.47)	(0.41)	(0.55)
Return after operating charges	21.64	0.11	3.21
Distributions	(1.92)	(2.09)	(2.53)
Closing NAV	102.86	83.14	85.12
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.50	0.50	0.67
Return after charges	+26.03	+0.13	+3.80
Historic yield	1.87	2.03	2.79
Other information			
Closing NAV (€'000)	44,190	34,172	34,903
Closing NAV (%)	40.10	38.72	38.74
Number of shares	36,926,600	36,780,458	37,177,047
Highest share price (UK p)	105.05	89.97	89.99
Lowest share price (UK p)	78.85	62.90	74.46

Sterling Class 'A' Accumulation share performance

The share class was launched on 31 January 2000.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	129.63	129.58	125.03
Return before operating charges	34.46	0.68	5.36
Operating charges	(0.73)	(0.63)	(0.81)
Return after operating charges	33.73	0.05	4.55
Distributions	(2.27)	(2.53)	(2.95)
Retained distributions	2.27	2.53	2.95
Closing NAV	163.36	129.63	129.58
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.01
Dilution adjustments ^a	0.00	0.00	(0.01)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.50	0.50	0.67
Return after charges	+26.02	+0.04	+3.64
Historic yield	1.39	1.49	2.03
Other information			
Closing NAV (€'000)	57,637	46,320	51,317
Closing NAV (%)	52.31	52.49	56.95
Number of shares	30,325,871	31,973,789	35,904,969
Highest share price (UK p)	163.78	136.94	133.03
Lowest share price (UK p)	122.44	95.73	110.08

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 6 December 2018.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	101.37	100.00	n/a
Return before operating charges	26.01	1.54	n/a
Operating charges	(0.29)	(0.17)	n/a
Return after operating charges	25.72	1.37	n/a
Distributions	(2.05)	(2.14)	n/a
Retained distributions	2.05	2.14	n/a
Closing NAV	127.09	101.37	n/a
Direct 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 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	0.25	0.25	n/a
Return after charges	+25.37	+1.37	n/a
Historic yield	1.62	1.66	n/a
Other information			
Closing NAV (€'000)	8,365	4,486	n/a
Closing NAV (%)	7.59	5.08	n/a
Number of shares	5,656,604	3,960,039	n/a
Highest share price (UK p)	127.41	106.13	n/a
Lowest share price (UK p)	95.05	74.21	n/a

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

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Statement of total return

for the year to 31 August	Note	2021		2020	
		€'000	€'000	€'000	€'000
Income					
Net capital gains/(losses)	3		25,112		(149)
Revenue	5	2,450		1,997	
Expenses	6	(480)		(443)	
Net revenue/(expense) before taxation		1,970		1,554	
Taxation	7	(409)		197	
Net revenue/(expense) after taxation			1,561		1,751
Total return before distributions			26,673		1,602
Distributions	8		(1,760)		(1,926)
Change in net assets attributable to shareholders from investment activities			24,913		(324)

Statement of change in net assets attributable to shareholders

for the year to 31 August	2021		2020	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		88,253		90,100
Amounts received on issue of shares	5,053		10,813	
Amounts paid on cancellation of shares	(8,970)		(13,408)	
		(3,917)		(2,595)
Dilution adjustments		7		13
Change in net assets attributable to shareholders from investment activities (see above)		24,913		(324)
Retained distributions on Accumulation shares		936		1,059
Closing net assets attributable to shareholders		110,192		88,253

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Balance sheet

as at 31 August	Note	2021 €'000	2020 €'000
Assets			
Fixed assets			
Investments		109,763	87,806
Current assets			
Debtors	9	785	782
Cash and bank balances	10	302	183
Cash equivalents		300	534
Total assets		111,150	89,305
Liabilities			
Creditors			
Bank overdrafts		0	(5)
Overdrawn positions at futures clearing houses and collateral manager		0	(65)
Distribution payable		(825)	(858)
Other creditors	11	(133)	(124)
Total liabilities		(958)	(1,052)
Net assets attributable to shareholders		110,192	88,253

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Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 10 to 13.

The fund's functional and presentational currency is the euro as this better reflects the currency of its primary economic environment.

2 Distribution policy

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

3 Net capital gains/(losses)

for the year to 31 August	2021 €'000	2020 €'000
Non-derivative securities	24,979	(346)
Derivative contracts	138	208
Currency gains/(losses)	(5)	(11)
Net capital gains/(losses)	25,112	(149)

Financial statements and notes

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 69 to 70.

for the year to 31 August	2021 €'000	% of transaction	2020 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	3,088		3,095	
Commissions	1	0.02	1	0.03
Taxes	1	0.03	1	0.03
Equities after transaction costs	3,090		3,097	
Other transaction types				
Corporate actions	0		163	
Total purchases after transaction costs	3,090		3,260	
b) Sales				
Equities				
Equities before transaction costs	6,100		5,009	
Commissions	(1)	0.02	(1)	0.02
Equities after transaction costs	6,099		5,008	
Other transaction types				
Corporate actions	0		92	
Total sales after transaction costs	6,099		5,100	
	2021 €'000	% of average NAV	2020 €'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	2	0.00	2	0.00
Total commissions paid	2	0.00	2	0.00
Taxes paid				
Equities	1	0.00	1	0.00
Total taxes paid	1	0.00	1	0.00
Total direct portfolio transaction costs^a	3	0.00	3	0.00
		%		%
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^b		0.05		0.05

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

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

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5 Revenue

for the year to 31 August	2021 €'000	2020 €'000
Derivative revenue	(1)	(1)
Dividends from equity investments: non-taxable	2,422	2,009
Dividends from equity investments: taxable	16	(28)
Interest distributions	0	2
Property distribution: non-taxable	13	0
Stock dividends	0	15
Total revenue	2,450	1,997

6 Expenses

for the year to 31 August	2021 €'000	2020 €'000
Payable to the ACD or associate		
Annual charge	479	444
Other expenses		
Interest payable	1	1
Safe custody charge ^a	0	(2)
	1	(1)
Total expenses	480	443

Audit fees for the financial year ending 2021 were £10,000 (2020: £9,000) (including VAT), which are covered by the annual charge.

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

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7 Taxation

for the year to 31 August	2021 €'000	2020 €'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	409	188
Prior year adjustment	0	(385)
Deferred tax (note 7c)	0	0
Total taxation	409	(197)
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	1,970	1,554
Corporation tax at 20%	394	311
Effects of:		
Dividends from equity investments: non-taxable	(487)	(402)
Stock dividends not taxable	0	(3)
Current year expenses not utilised	93	95
Withholding tax	409	188
Overseas tax expensed	0	(1)
Prior year adjustment	0	(385)
Total tax charge (note 7a)	409	(197)
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of €1,372,000 (2020: €1,279,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

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8 Distributions

for the year to 31 August		2021		2020	
Dividend distributions		Inc ^a	Acc ^b	Inc ^a	Acc ^b
		€'000	€'000	€'000	€'000
Final		825	936	858	1,059
Total net distributions			1,761		1,917
Income deducted on cancellation of shares			29		47
Income received on issue of shares			(30)		(38)
Distributions			1,760		1,926
Net revenue/(expense) per statement of total return			1,561		1,751
Expenses offset against capital			199		175
Distributions			1,760		1,926

^a Distributions payable on Income shares.

^b Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2021	2020
	€'000	€'000
Amounts receivable on issues of shares	74	22
Dividends receivable	20	51
Sales awaiting settlement	0	13
Withholding tax recoverable	691	696
Total debtors	785	782

10 Cash and bank balances

as at 31 August	2021	2020
	€'000	€'000
Amounts held at futures clearing houses and collateral manager	34	140
Cash held as bank balances	268	43
Total cash and bank balances	302	183

11 Other creditors

as at 31 August	2021	2020
	€'000	€'000
Amounts payable on cancellation of shares	101	92
Annual charge payable	32	22
Purchases awaiting settlement	0	10
Total other creditors	133	124

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12 Contingent assets, liabilities and outstanding commitments

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

The fund has a contingent asset of €346,000 (2020: €332,000) as the fund may recover further amounts of UK corporation tax suffered and accounted for on overseas dividends receivable before July 2009 (overseas dividends received post 2009 are not taxable). Full recovery of this asset is not certain as there is currently no HMRC guidance on how a fund may seek to recover taxes. An estimated accrual is included within the daily price of the fund's shares.

13 Shares in issue

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

Share class	Opening 01.09.20	Issued	Movements Cancelled	Closing 31.08.21
Euro				
Class 'A' Accumulation	153,223	2,072	(155,295)	0
Sterling				
Class 'A' Income	36,780,458	1,988,874	(1,842,732)	36,926,600
Class 'A' Accumulation	31,973,789	406,593	(2,054,511)	30,325,871
Class 'I' Accumulation	3,960,039	1,882,967	(186,402)	5,656,604

14 Charging structure

The table below sets out the charging structure for each class of share in existence at the balance sheet date. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Annual charge ^a to 14.02.21 %	Annual charge ^a from 15.02.21 %
Sterling		
Class 'A'	0.50	0.50
Class 'I'	0.25	0.25

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

15 Related parties

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

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

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At the balance sheet date, there were no material shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary (2020: same)^a.

^a Restated.

16 Events after the balance sheet date

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

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 August	Assets 2021	Liabilities 2021	Assets 2020	Liabilities 2020
Basis of valuation	€'000	€'000	€'000	€'000
Level 1	107,027	0	87,806	0
Level 2	2,736	0	0	0
Level 3	0	0	0	0
	109,763	0	87,806	0

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 13 to 14.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by €5,488,000 (2020: €4,390,000). A five per cent decrease would have an equal and opposite effect.

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20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by €1,932,000 (2020: €1,567,000)^a. A five per cent decrease would have an equal and opposite effect.

as at 31 August	2021 €'000	2020 ^a €'000
Currency exposure in respect of the fund		
Czech koruna	113	71
Danish krone	5,816	4,328
Euro	71,547	56,905
Hungarian forint	263	185
Norwegian krone	1,497	1,162
Polish zloty	675	500
Sterling	355	425
Swedish krona	8,211	6,144
Swiss franc	21,316	18,195
Turkish lira	399	338
Total	110,192	88,253

^a The comparatives have been re-analysed to reflect changes due to the prior year fair value adjustment.

21 Interest rate risk sensitivity and exposure

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

22 Credit Risk

Credit risk in regards to counterparty or derivative balances is not considered significant and is therefore not disclosed.

23 Dividend distribution tables

This fund pays annual ordinary distributions and the following table sets out the distribution period.

Annual distribution period

	Start	End	Xd	Payment
Final	01.09.20	31.08.21	01.09.21	31.10.21

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

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

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of income and equalisation. Equalisation is the average amount of income included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income

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Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the income and equalisation components.

Euro Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 Euro ¢	2021 Euro ¢	2021 Euro ¢	2020 Euro ¢
Final	0.0000	0.0000	0.0000	38.6069

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	1.2088	0.7111	1.9199	2.0865

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	1.4644	0.8052	2.2696	2.5330

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	1.2882	0.7593	2.0475	2.1364

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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 FTSE World Europe ex UK Index over any five-year period.

Investment policy

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

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

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

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

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

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

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

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

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

Benchmark up to 16 September 2020

Benchmark: FTSE World Europe ex UK Index.

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

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

Benchmark from 17 September 2020

Benchmark: FTSE World Europe ex UK Index.

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

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

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

Risk profile

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

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

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return, and some of these stocks could potentially experience a degree of illiquidity in times of market distress. The fund is a concentrated portfolio, but is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. The fund also invests in the shares of smaller companies, which can be more unpredictable and difficult to buy and sell. Diversification across countries, industries and market capitalisation is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has changed during this period. From 1 September 2020 to 30 September 2020 the risk number was 5.

Investment review

As at 1 September 2021, for the year ended 31 August 2021

Performance against objective

Between 1 September 2020 (the start of the review period) and 1 September 2021, the sterling share classes of the M&G European Select Fund delivered a positive total return (the combination of income and growth of capital). The fund's euro share classes also

generated a positive total return between 1 September and their closure date of 15 December 2020.

All share classes produced returns that were behind the benchmark index, the FTSE World Europe ex UK Index, over the respective time periods. The index was up 29.0% in sterling and 33.5% in euros in the 12-month review period.

Over five years, which includes a period before Richard Halle's appointment as fund manager in July 2019, all of the fund's share classes have delivered positive returns, but trailed the benchmark, which rose 11.9% pa in sterling and 11.4% pa in euro terms. Therefore, the fund did not meet its objective to provide a combination of capital growth and income, net of the ongoing charge figure, that is higher than the FTSE World Europe ex UK Index over any five-year period.

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

Performance review

European stockmarkets performed strongly in the 12 months under review and ended the period at record highs. The positive mood among investors was largely due to optimism that the rollout of coronavirus vaccines would enable life to return to normal and spur a swift economic rebound. The huge amounts of stimulus provided by central banks and governments around the globe to counter the effects of the pandemic also fuelled investor risk appetite.

There were some bouts of turbulence along the way sparked by concerns about rising inflation and potential interest rate rises in the US. The spread of the Delta variant of coronavirus was a source of anxiety too. However, investors welcomed assurances from policymakers that monetary policy would remain supportive in the coming months and inflationary forces could be more fleeting than previously suggested.

A dominant feature of the 12-month review period was a change in market leadership at the sector level. Following the positive vaccine news in November 2020,

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investors turned to economically sensitive, or cyclical, stocks that would likely benefit from economies reopening.

In the European market, financials were one of the standout performers, supported by the improved economic outlook. Consumer discretionary, in particular the travel and leisure sub-sector, and industrials outperformed the broader market. Technology stocks rallied too, led by semiconductor-related firms.

On the other hand, consumer staples, healthcare and utilities were among the weakest areas, with defensive stocks out of favour in this upbeat environment. (Defensive stocks are generally regarded as stable businesses that can deliver consistent earnings even in challenging economic conditions.)

Against this background, the fund delivered positive returns but was behind the benchmark index, with stock selection in consumer discretionary and healthcare detracting from relative performance. The below-index weighting in information technology, specifically not holding Dutch semiconductor equipment firm ASML, proved costly too. The company is benefiting from a global semiconductor shortage and its share price more than doubled in the review period.

In terms of portfolio holdings, a number of our defensive stocks held back relative returns as they struggled to keep up in the optimistic environment. In healthcare, Belgian pharmaceutical UCB and French drugmaker Ipsen were among the detractors. Ipsen's share price also came under pressure when the company said it was withdrawing the approval application for a new drug in the US while it carries out more data analysis. We remain comfortable with both positions and believe they have attractive drug pipelines.

Dutch supermarket operator Ahold Delhaize and Swiss food and drinks firm Nestlé also detracted. Nestlé, which produces coffee, chocolate and cereals, is facing the challenge of rising input costs, which could potentially squeeze its profit margins.

On the other hand, stock selection in financials made a positive contribution to relative performance. Austrian bank Erste Group and Irish lenders Bank of Ireland and AIB rebounded strongly from earlier weakness on hopes of the economic recovery. The Irish stocks also climbed on the news that two rivals were withdrawing from the Irish banking market, which could lead to increased market share and profitability for the remaining banks.

In materials, Luxembourg-based stainless steelmaker Aperam was a leading contributor. The stock advanced on record quarterly earnings and the announcement of a share buyback programme. In our view, the market is starting to appreciate Aperam's strong cashflow generation and successful execution of its strategic plan.

Danish container shipping firm AP Moller-Maersk also added value. The company reported robust results, as congestion and bottlenecks have driven up shipping rates.

Investment activities

During the review period, we identified a number of new opportunities across a range of different sectors. In telecommunications, we invested in French firm Orange. In our view, Orange could see capital expenditure fall in the next few years as the rollout of fibre broadband completes and it could potentially sell some of its infrastructure assets. We think investors are underappreciating the possible benefits of these factors.

We also started a position in French food retailer Carrefour, which is undergoing a transformation plan to improve performance in its French hypermarkets and develop its online business. In our view, the market is overlooking these changes, which could have a positive impact on performance.

Engie, a French energy supplier, was another newcomer. We believe Engie is well placed to benefit from the transition to a green energy future.

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In Germany, we invested in car maker BMW. We are encouraged by robust demand for its cars from China and think that BMW has a good electric vehicle strategy.

In contrast, we sold a number of holdings following good share price performance, notably French railway equipment firm Alstom, Finnish retailer Kesko and Norwegian foods business Orkla. We also took profits by reducing our positions in some recent outperformers including Aperam, AP Moller-Maersk and Bank of Ireland.

Spanish bank Bankia left the portfolio too after being taken over by rival CaixaBank, which is also in the portfolio.

Outlook

Investors' optimism about the vaccine-driven economic recovery is currently being tempered by concerns about the impact of the Delta variant of coronavirus. Investors are also increasingly focused on inflation and the potential withdrawal of pandemic-era stimulus measures. This is despite policymakers' assurances that they will continue to support the economic recovery.

Given these worries and with stockmarkets at record highs after a remarkable run of gains, it is possible that we could experience some market turbulence in the near term. However, investors' preoccupation with the macroeconomic situation could also be a source of opportunities for long-term stock pickers to identify mispriced companies.

As patient, value-focused investors, we remain optimistic about the future. The powerful rotation towards cheaper cyclical stocks during the review period was encouraging. Although this trend lost momentum towards the end of the review period, we continue to believe that there are promising opportunities to be found among out-of-favour stocks. The valuation gap between the cheap and expensive stocks in the market remains wide and we think the prospects of many lowly-valued companies are being underappreciated.

In addition to this, we are seeing some what we regard as irrational price movements in the market today, while we experience a change in regime after a long period of low interest rates and inflation. In our view, this is a favourable environment for disciplined, selective value-focused investors.

Richard Halle

Fund manager

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

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

Please refer to the 'Important Information' section within the ACD report on pages 2 to 3 for details of the fund merger and termination of this fund.

Investments

Portfolio statement

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities	165,806	98.16	94.76
Software & computer services	939	0.56	0.00
7,378 SAP	939	0.56	
Technology hardware & equipment	0	0.00	2.29
Telecommunications equipment	6,820	4.04	1.78
381,085 Ericsson	3,855	2.28	
579,523 Nokia	2,965	1.76	
Pharmaceuticals & biotechnology	28,327	16.77	19.45
71,873 Bayer	3,387	2.01	
39,468 Ipsen	3,333	1.97	
103,024 Novartis	8,027	4.75	
20,374 Roche	6,870	4.07	
69,444 UCB	6,710	3.97	
Banks	21,806	12.91	7.58
1,413,283 AIB	3,567	2.11	
647,634 Bank of Ireland	3,404	2.02	
730,017 CaixaBank	1,914	1.13	
151,684 Erste Group Bank	5,110	3.03	
73,492 KBC	5,240	3.10	
97,014 Société Générale	2,571	1.52	
Life insurance	2,276	1.35	0.00
297,993 Storebrand	2,276	1.35	
Non-life insurance	4,439	2.63	3.58
1,459,754 Mapfre	2,649	1.57	
7,239 Muenchener Rueckversicherungs-Gesellschaft	1,790	1.06	
Automobiles & parts	6,189	3.66	2.99
25,988 Bayerische Motoren Werke	2,083	1.23	
20,403 Volkswagen Preference Shares	4,106	2.43	
Personal goods	0	0.00	1.16
Media	3,001	1.78	2.40
92,751 Vivendi	3,001	1.78	
Retailers	4,778	2.83	2.89
330,662 CECONOMY	1,305	0.77	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Retailers (continued)			
19,931 Hornbach	1,791	1.06	
58,691 Inditex	1,682	1.00	
Travel & leisure	2,346	1.39	2.05
147,896 Ryanair	2,346	1.39	
Food producers	4,270	2.53	7.16
39,839 Nestlé	4,270	2.53	
Personal care, drug & grocery stores	9,252	5.48	5.16
185,301 Carrefour	3,134	1.86	
213,882 Koninklijke Ahold Delhaize	6,118	3.62	
Construction & materials	9,054	5.36	4.25
195,780 Buzzi Unicem	4,427	2.62	
74,414 Saint-Gobain	4,627	2.74	
Aerospace & defence	2,409	1.43	1.65
29,066 Rheinmetall	2,409	1.43	
General industrials	5,895	3.49	3.83
41,722 Siemens	5,895	3.49	
Industrial engineering	0	0.00	1.02
Industrial support services	9,298	5.50	5.38
63,619 Bilfinger	1,912	1.13	
37,505 Randstad	2,325	1.38	
361,083 Securitas	5,061	2.99	
Industrial transportation	5,372	3.18	2.95
1,581 A.P. Møller – Mærsk	3,847	2.28	
219,144 Euronav	1,525	0.90	
Industrial materials	5,549	3.28	2.61
160,281 UPM-Kymmene	5,549	3.28	
Industrial metals & mining	6,745	3.99	3.09
98,106 APERAM	5,163	3.06	
54,955 ArcelorMittal	1,582	0.93	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Chemicals	5,626	3.33	3.08
58,997 BASF	3,906	2.31	
40,032 Yara International	1,720	1.02	
Non-renewable energy	12,475	7.38	5.95
164,127 Eni	1,711	1.01	
712,928 PGS	304	0.18	
118,992 Repsol	1,163	0.69	
246,768 Tenaris	2,108	1.25	
193,087 TOTAL	7,189	4.25	
Gas, water & multi-utilities	6,450	3.82	2.46
350,456 E.ON	3,935	2.33	
206,462 Engie	2,515	1.49	
Fixed line telecommunications	2,490	1.47	0.00
258,928 Orange	2,490	1.47	
Portfolio of investments	165,806	98.16	94.76
Cash equivalents	2,883	1.71	4.66
'AAA' rated money market funds^b	2,883	1.71	4.66
2,981,613 Northern Trust Global Fund - Euro	2,883	1.71	
Total portfolio (notes 2c & 2d on page 10)	168,689	99.87	99.42
Net other assets/(liabilities)	221	0.13	0.58
Net assets attributable to shareholders	168,910	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 due to the prior year fair value adjustment.

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

Investments

Top ten portfolio transactions for the year to 31 August 2021

Largest purchases	€'000
Carrefour	2,910
Engie	2,735
Orange	2,662
Bayerische Motoren Werke	1,897
CaixaBank	1,885
Société Générale	1,686
UCB	1,248
ArcelorMittal	1,078
Nokia	1,076
SAP	764
Other purchases	6,059
Total purchases	24,000

Largest sales	€'000
Nestlé	4,361
Kesko	2,469
Alstom	1,884
Unilever	1,747
Vivendi	1,627
Nokia	1,608
Nokian Renkaat	1,582
Orkla	1,536
APERAM	1,477
A.P. Møller – Mærsk	1,371
Other sales	14,241
Total sales	33,903

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

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value as at	31.08.21 €'000	31.08.20 €'000	31.08.19 €'000
Fund net asset value (NAV)	168,910	145,205	144,736

Performance since launch

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

July 1972 = 100, plotted monthly
Chart date 1 September 2021



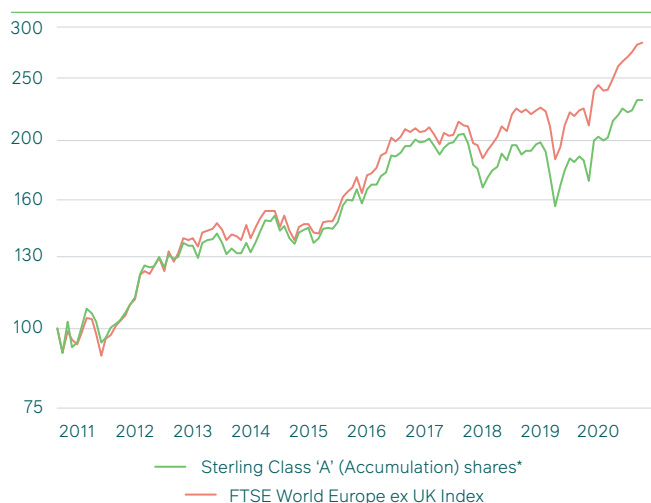
Source: Morningstar, Inc. and M&G

* Income reinvested

Ten-year performance

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

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



Source: Morningstar, Inc. and M&G

* Income reinvested

Financial highlights

Long-term performance by share class

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period to 15 December 2020 for the non-sterling share classes and 1 September 2021 for sterling share classes. Calculated on a price to price basis with income reinvested. Please refer to 'Specific share class performance' tables for the share class launch dates.

Share class	One year 01.09.20 % ^a	Three years 03.09.18 % pa	Five years 01.09.16 % pa	Since launch % pa
Euro				
Class 'A'	+6.3	-1.3	+3.7	+2.8
Class 'C'	+6.5	-0.5	+4.5	+3.6
Sterling				
Class 'A'	+24.3	+4.1	+7.7	+9.2
Class 'I'	+24.9	+4.6	+8.4	+10.4
Class 'PP'	+25.1	n/a	n/a	+9.9
Class 'R'	+24.6	+4.4	+8.1	+10.1
Class 'X'	+24.3	+4.1	+7.7	+10.2

^a Not annualised.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

Financial highlights

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

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

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

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

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

Historic yields for the current year are calculated as at 10 September 2021.

Portfolio transaction costs

for the year to 31 August	2021	2020	2019	Average ^a
Direct portfolio transaction costs ^b	%	%	%	%
Broker commission	0.01	0.02	0.07	0.03
Taxes	0.02	0.02	0.10	0.05
Costs before dilution adjustments	0.03	0.04	0.17	0.08
Dilution adjustments ^c	(0.01)	(0.01)	(0.03)	(0.02)
Total direct portfolio transaction costs	0.02	0.03	0.14	0.06
as at 31 August	2021	2020	2019	Average ^a
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.05	0.06	0.05	0.05

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

Financial highlights

Euro Class 'A' Accumulation share performance

The share class was launched on 26 November 2001.
The share class closed on 15 December 2020.

for the year to 31 August Change in NAV per share	2021 Euro ¢	2020 Euro ¢	2019 Euro ¢
Opening NAV	1,585.12	1,600.38	1,742.73
Return before operating charges	114.68	11.45	(115.56)
Operating charges	(7.85)	(26.71)	(26.79)
Return after operating charges	106.83	(15.26)	(142.35)
Distributions	n/a	(12.57)	(13.09)
Retained distributions	n/a	12.57	13.09
Return to shareholder as a result of share class closure	(1,691.95)	n/a	n/a
Closing NAV	0.00	1,585.12	1,600.38
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.54	0.71	2.76
Dilution adjustments ^a	(0.13)	(0.23)	(0.42)
Total direct transaction costs	0.41	0.48	2.34
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.03	0.14
Operating charges ^c	1.65	1.65	1.68
Return after charges	+6.74	-0.95	-8.17
Historic yield	0.00	0.79	0.56
Other information			
Closing NAV (€'000)	0	408	813
Closing NAV (%)	0.00	0.28	0.56
Number of shares	0	25,739	50,822
Highest share price (Euro ¢)	1,703.32	1,802.52	1,744.16
Lowest share price (Euro ¢)	1,436.95	1,185.93	1,412.82

Euro Class 'C' Accumulation share performance

The share class was launched on 26 November 2001.
The share class closed on 15 December 2020.

for the year to 31 August Change in NAV per share	2021 Euro ¢	2020 Euro ¢	2019 Euro ¢
Opening NAV	1,833.92	1,834.18	1,982.17
Return before operating charges	132.98	12.63	(131.23)
Operating charges	(3.85)	(12.89)	(16.76)
Return after operating charges	129.13	(0.26)	(147.99)
Distributions	n/a	(32.03)	(28.89)
Retained distributions	n/a	32.03	28.89
Return to shareholder as a result of share class closure	(1,963.05)	n/a	n/a
Closing NAV	0.00	1,833.92	1,834.18
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.62	0.81	3.13
Dilution adjustments ^a	(0.15)	(0.27)	(0.48)
Total direct transaction costs	0.47	0.54	2.65
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.03	0.14
Operating charges ^c	0.70	0.70	0.92
Return after charges	+7.04	-0.01	-7.47
Historic yield	0.00	1.73	1.31
Other information			
Closing NAV (€'000)	0	27	32
Closing NAV (%)	0.00	0.02	0.02
Number of shares	0	1,468	1,768
Highest share price (Euro ¢)	1,975.93	2,074.85	1,983.92
Lowest share price (Euro ¢)	1,665.17	1,366.23	1,610.83

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 27 June 1977.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	1,792.23	1,871.14	2,066.36
Return before operating charges	456.63	(12.02)	(117.30)
Operating charges	(21.36)	(21.77)	(30.66)
Return after operating charges	435.27	(33.79)	(147.96)
Distributions	(60.32)	(45.12)	(47.26)
Closing NAV	2,167.18	1,792.23	1,871.14
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.68	0.80	3.22
Dilution adjustments ^a	(0.16)	(0.26)	(0.49)
Total direct transaction costs	0.52	0.54	2.73
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.03	0.14
Operating charges ^c	1.06	1.20	1.64
Return after charges	+24.29	-1.81	-7.16
Historic yield	2.83	2.51	2.31
Other information			
Closing NAV (€'000)	47,644	40,347	44,085
Closing NAV (%)	28.21	27.79	30.46
Number of shares	1,889,563	2,014,377	2,136,153
Highest share price (UK p)	2,226.41	1,980.70	2,077.93
Lowest share price (UK p)	1,643.60	1,391.56	1,683.86

Sterling Class 'A' Accumulation share performance

The share class was launched on 24 July 1972.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	2,945.16	2,999.49	3,230.95
Return before operating charges	749.82	(19.44)	(183.52)
Operating charges	(35.08)	(34.89)	(47.94)
Return after operating charges	714.74	(54.33)	(231.46)
Distributions	(64.79)	(36.70)	(25.61)
Retained distributions	64.79	36.70	25.61
Closing NAV	3,659.90	2,945.16	2,999.49
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.11	1.28	5.04
Dilution adjustments ^a	(0.27)	(0.42)	(0.77)
Total direct transaction costs	0.84	0.86	4.27
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.03	0.14
Operating charges ^c	1.06	1.20	1.64
Return after charges	+24.27	-1.81	-7.16
Historic yield	1.80	1.24	0.54
Other information			
Closing NAV (€'000)	60,804	50,908	55,524
Closing NAV (%)	36.00	35.06	38.37
Number of shares	1,427,941	1,546,676	1,678,347
Highest share price (UK p)	3,658.11	3,174.90	3,248.92
Lowest share price (UK p)	2,700.51	2,230.56	2,632.78

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	1,670.03	1,734.79	1,901.74
Return before operating charges	426.51	(11.03)	(107.55)
Operating charges	(11.61)	(11.78)	(15.72)
Return after operating charges	414.90	(22.81)	(123.27)
Distributions	(56.36)	(41.95)	(43.68)
Closing NAV	2,028.57	1,670.03	1,734.79
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.63	0.74	2.98
Dilution adjustments ^a	(0.15)	(0.24)	(0.46)
Total direct transaction costs	0.48	0.50	2.52
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.03	0.14
Operating charges ^c	0.62	0.70	0.91
Return after charges	+24.84	-1.31	-6.48
Historic yield	2.82	2.51	2.28
Other information			
Closing NAV (€'000)	6,072	6,842	7,346
Closing NAV (%)	3.59	4.71	5.08
Number of shares	257,252	366,607	383,921
Highest share price (UK p)	2,083.93	1,839.67	1,912.51
Lowest share price (UK p)	1,532.82	1,293.68	1,553.49

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	1,965.63	1,991.96	2,130.10
Return before operating charges	501.66	(12.87)	(120.87)
Operating charges	(13.64)	(13.46)	(17.27)
Return after operating charges	488.02	(26.33)	(138.14)
Distributions	(52.99)	(34.34)	(31.42)
Retained distributions	52.99	34.34	31.42
Closing NAV	2,453.65	1,965.63	1,991.96
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.74	0.85	3.34
Dilution adjustments ^a	(0.18)	(0.28)	(0.51)
Total direct transaction costs	0.56	0.57	2.83
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.03	0.14
Operating charges ^c	0.62	0.70	0.89
Return after charges	+24.83	-1.32	-6.49
Historic yield	2.20	1.74	1.29
Other information			
Closing NAV (€'000)	45,130	40,008	30,382
Closing NAV (%)	26.72	27.55	20.99
Number of shares	1,580,877	1,821,265	1,382,888
Highest share price (UK p)	2,452.45	2,112.24	2,142.08
Lowest share price (UK p)	1,803.89	1,485.35	1,739.96

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	94.28	97.79	100.00
Return before operating charges	24.09	(0.62)	0.24
Operating charges	(0.52)	(0.52)	(0.04)
Return after operating charges	23.57	(1.14)	0.20
Distributions	(3.18)	(2.37)	(2.41)
Closing NAV	114.67	94.28	97.79
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.04	0.01
Dilution adjustments ^a	(0.01)	(0.01)	0.00
Total direct transaction costs	0.03	0.03	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.03	0.14
Operating charges	0.46	0.55	0.55
Return after charges	+25.00	-1.17	+0.20
Historic yield	2.82	2.50	2.34
Other information			
Closing NAV (€'000)	416	21	22
Closing NAV (%)	0.25	0.01	0.02
Number of shares	312,000	20,000	20,000
Highest share price (UK p)	117.79	103.76	101.27
Lowest share price (UK p)	86.56	72.98	97.39

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	100.47	101.67	100.00
Return before operating charges	25.67	(0.67)	1.97
Operating charges	(0.56)	(0.53)	(0.30)
Return after operating charges	25.11	(1.20)	1.67
Distributions	(2.85)	(1.91)	(1.67)
Retained distributions	2.85	1.91	1.67
Closing NAV	125.58	100.47	101.67
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.04	0.07
Dilution adjustments ^a	(0.01)	(0.01)	(0.01)
Total direct transaction costs	0.03	0.03	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.03	0.14
Operating charges ^c	0.47	0.55	0.61
Return after charges	+24.99	-1.18	+1.67
Historic yield	2.30	1.89	1.14
Other information			
Closing NAV (€'000)	616	93	56
Closing NAV (%)	0.36	0.06	0.04
Number of shares	421,530	83,030	49,636
Highest share price (UK p)	125.52	107.86	106.85
Lowest share price (UK p)	92.23	75.87	97.39

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	165.45	172.30	189.35
Return before operating charges	42.19	(1.10)	(10.72)
Operating charges	(1.61)	(1.59)	(1.99)
Return after operating charges	40.58	(2.69)	(12.71)
Distributions	(5.58)	(4.16)	(4.34)
Closing NAV	200.45	165.45	172.30
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.07	0.30
Dilution adjustments ^a	(0.02)	(0.02)	(0.05)
Total direct transaction costs	0.04	0.05	0.25
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.03	0.14
Operating charges ^c	0.86	0.95	1.16
Return after charges	+24.53	-1.56	-6.71
Historic yield	2.83	2.51	2.29
Other information			
Closing NAV (€'000)	777	631	657
Closing NAV (%)	0.46	0.44	0.45
Number of shares	333,033	341,362	345,993
Highest share price (UK p)	205.93	182.55	190.42
Lowest share price (UK p)	151.79	128.31	154.55

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	192.70	195.78	209.87
Return before operating charges	49.13	(1.28)	(11.88)
Operating charges	(1.88)	(1.80)	(2.21)
Return after operating charges	47.25	(3.08)	(14.09)
Distributions	(4.65)	(2.88)	(2.60)
Retained distributions	4.65	2.88	2.60
Closing NAV	239.95	192.70	195.78
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.08	0.33
Dilution adjustments ^a	(0.02)	(0.03)	(0.05)
Total direct transaction costs	0.05	0.05	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.03	0.14
Operating charges ^c	0.86	0.95	1.16
Return after charges	+24.52	-1.57	-6.71
Historic yield	1.97	1.49	1.04
Other information			
Closing NAV (€'000)	5,477	4,148	3,969
Closing NAV (%)	3.24	2.86	2.74
Number of shares	1,962,054	1,925,992	1,838,251
Highest share price (UK p)	239.84	207.41	211.06
Lowest share price (UK p)	176.78	145.79	171.30

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	1,774.61	1,852.72	2,046.03
Return before operating charges	452.14	(11.91)	(116.11)
Operating charges	(21.18)	(21.53)	(30.40)
Return after operating charges	430.96	(33.44)	(146.51)
Distributions	(59.73)	(44.67)	(46.80)
Closing NAV	2,145.84	1,774.61	1,852.72
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.66	0.79	3.19
Dilution adjustments ^a	(0.16)	(0.26)	(0.49)
Total direct transaction costs	0.50	0.53	2.70
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.03	0.14
Operating charges ^c	1.07	1.20	1.64
Return after charges	+24.28	-1.80	-7.16
Historic yield	2.83	2.51	2.31
Other information			
Closing NAV (€'000)	1,104	1,107	1,149
Closing NAV (%)	0.65	0.76	0.79
Number of shares	44,220	55,830	56,223
Highest share price (UK p)	2,204.50	1,961.19	2,057.47
Lowest share price (UK p)	1,627.42	1,377.85	1,667.28

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	2,914.14	2,967.91	3,196.92
Return before operating charges	741.91	(19.25)	(181.58)
Operating charges	(34.70)	(34.52)	(47.43)
Return after operating charges	707.21	(53.77)	(229.01)
Distributions	(64.11)	(36.31)	(25.34)
Retained distributions	64.11	36.31	25.34
Closing NAV	3,621.35	2,914.14	2,967.91
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.10	1.26	4.98
Dilution adjustments ^a	(0.26)	(0.42)	(0.76)
Total direct transaction costs	0.84	0.84	4.22
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.03	0.14
Operating charges ^c	1.06	1.20	1.64
Return after charges	+24.27	-1.81	-7.16
Historic yield	1.80	1.24	0.54
Other information			
Closing NAV (€'000)	870	665	701
Closing NAV (%)	0.52	0.46	0.48
Number of shares	20,650	20,412	21,416
Highest share price (UK p)	3,619.59	3,141.46	3,214.71
Lowest share price (UK p)	2,672.08	2,207.07	2,605.06

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

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Statement of total return

for the year to 31 August	Note	2021		2020	
		€'000	€'000	€'000	€'000
Income					
Net capital gains/(losses)	3		38,092		(4,087)
Revenue	5	5,342		4,404	
Expenses	6	(1,460)		(1,580)	
Net revenue/(expense) before taxation		3,882		2,824	
Taxation	7	(494)		(540)	
Net revenue/(expense) after taxation			3,388		2,284
Total return before distributions			41,480		(1,803)
Distributions	8		(3,928)		(2,751)
Change in net assets attributable to shareholders from investment activities			37,552		(4,554)

Statement of change in net assets attributable to shareholders

for the year to 31 August	2021		2020	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		145,205		144,736
Amounts received on issue of shares	5,575		17,598	
Amounts paid on cancellation of shares	(21,627)		(14,015)	
		(16,052)		3,583
Dilution adjustments		17		31
Change in net assets attributable to shareholders from investment activities (see above)		37,552		(4,554)
Retained distributions on Accumulation shares		2,186		1,409
Unclaimed distributions		2		0
Closing net assets attributable to shareholders		168,910		145,205

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Balance sheet

as at 31 August	Note	2021 €'000	2020 €'000
Assets			
Fixed assets			
Investments		0	137,585
Current assets			
Investments		165,806	0
Debtors	9	1,723	1,266
Cash and bank balances	10	243	1,114
Cash equivalents		2,883	6,765
Total assets		170,655	146,730
Liabilities			
Creditors			
Distribution payable		(1,559)	(1,232)
Other creditors	11	(186)	(293)
Total liabilities		(1,745)	(1,525)
Net assets attributable to shareholders		168,910	145,205

Financial statements and notes

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 10 to 13.

The fund's functional and presentational currency is the euro as this better reflects the currency of its primary economic environment.

2 Distribution policy

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

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

3 Net capital gains/(losses)

for the year to 31 August	2021 €'000	2020 €'000
Non-derivative securities	38,104	(4,129)
Currency gains/(losses)	(14)	39
Transaction charges	0	(2)
Rebate of ongoing charges from underlying funds taken to capital	2	5
Net capital gains/(losses)	38,092	(4,087)

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4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 93 to 94.

for the year to 31 August	2021 €'000	% of transaction	2020 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	23,958		40,408	
Commissions	9	0.04	13	0.03
Taxes	33	0.14	40	0.10
Equities after transaction costs	24,000		40,461	
Other transaction types				
Corporate actions	0		127	
Total purchases after transaction costs	24,000		40,588	
b) Sales				
Equities				
Equities before transaction costs	33,914		37,786	
Commissions	(11)	0.03	0	0.00
Taxes	0	0.00	(13)	0.03
Total sales after transaction costs	33,903		37,773	
	2021 €'000	% of average NAV	2020 €'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	20	0.01	13	0.02
Taxes paid				
Equities	33	0.02	53	0.02
Total direct portfolio transaction costs^a	53	0.03	66	0.04
		%		%
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^b		0.05		0.06

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

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

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5 Revenue

for the year to 31 August	2021 €'000	2020 €'000
Dividends from equity investments: non-taxable	5,336	4,351
Dividends from equity investments: taxable	6	(70)
Stock dividends	0	123
Total revenue	5,342	4,404

6 Expenses

for the year to 31 August	2021 €'000	2020 €'000
Payable to the ACD or associate		
Annual charge	1,456	1,568
Other expenses		
Interest payable	4	13
Safe custody charge ^a	0	(1)
	4	12
Total expenses	1,460	1,580

Audit fees for the financial year ending 2021 were £10,000 (2020: £9,000) (including VAT), which are covered by the annual charge.

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

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7 Taxation

for the year to 31 August	2021 €'000	2020 €'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	494	540
Deferred tax (note 7c)	0	0
Total taxation	494	540
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	3,882	2,824
Corporation tax at 20%	776	565
Effects of:		
Dividends from equity investments: non-taxable	(1,067)	(870)
Stock dividends not taxable	0	(24)
Current year expenses not utilised	291	329
Withholding tax	494	540
Total tax charge (note 7a)	494	540
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of €6,854,000 (2020: €6,563,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

for the year to 31 August	2021		2020	
Dividend distributions	Inc ^a €'000	Acc ^b €'000	Inc ^a €'000	Acc ^b €'000
Final	1,559	2,186	1,232	1,409
Total net distributions		3,745		2,641
Income deducted on cancellation of shares		249		124
Income received on issue of shares		(66)		(14)
Distributions		3,928		2,751
Net revenue/(expense) per statement of total return		3,388		2,285
Expenses offset against capital		540		590
Stock dividends not distributed		0		(124)
Distributions		3,928		2,751

^a Distributions payable on Income shares.

^b Retained distributions on Accumulation shares.

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9 Debtors

as at 31 August	2021 €'000	2020 €'000
Currency deals outstanding	15	0
Dividends receivable	125	62
Withholding tax recoverable	1,583	1,204
Total debtors	1,723	1,266

10 Cash and bank balances

as at 31 August	2021 €'000	2020 €'000
Cash held as bank balances	243	1,114
Total cash and bank balances	243	1,114

11 Other creditors

as at 31 August	2021 €'000	2020 €'000
Amounts payable on cancellation of shares	87	54
Annual charge payable	84	75
Corporation tax payable	0	164
Currency deals outstanding	15	0
Total other creditors	186	293

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2020: contingent asset €164,000).

The UK corporation tax (in lieu of withholding tax) which had been disclosed as a contingent asset in the prior year is deemed no longer contingent.

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13 Shares in issue

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

Share class	Opening 01.09.20	Issued	Movements Cancelled	Closing 31.08.21
Euro				
Class 'A' Accumulation	25,739	0	(25,739)	0
Class 'C' Accumulation	1,468	0	(1,468)	0
Sterling				
Class 'A' Income	2,014,377	39,423	(164,237)	1,889,563
Class 'A' Accumulation	1,546,676	4,515	(123,250)	1,427,941
Class 'I' Income	366,607	28,296	(137,651)	257,252
Class 'I' Accumulation	1,821,265	82,460	(322,848)	1,580,877
Class 'PP' Income	20,000	300,000	(8,000)	312,000
Class 'PP' Accumulation	83,030	379,000	(40,500)	421,530
Class 'R' Income	341,362	34,000	(42,329)	333,033
Class 'R' Accumulation	1,925,992	332,999	(296,937)	1,962,054
Class 'X' Income	55,830	600	(12,210)	44,220
Class 'X' Accumulation	20,412	865	(627)	20,650

14 Charging structure

The table below sets out the charging structure for each class of share in existence at the balance sheet date. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Annual charge ^a to 14.02.21 %	Annual charge ^a from 15.02.21 %
Sterling		
Class 'A'	1.20	0.95
Class 'I'	0.70	0.55
Class 'PP'	0.55	0.45
Class 'R'	0.95	0.80
Class 'X'	1.20	0.95

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

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15 Related parties

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

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

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 34.79% (2020: 39.65%) of the fund's shares.

16 Events after the balance sheet date

At the shareholder meeting on 20 October 2021, mergers of the M&G European Select Fund and M&G Pan European Select Smaller Companies Fund into the M&G European Sustain Paris Aligned Fund were approved by shareholders. The effective date of the mergers is 10 December 2021.

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 August	Assets 2021 €'000	Liabilities 2021 €'000	Assets 2020 €'000	Liabilities 2020 €'000
Basis of valuation				
Level 1	165,806	0	137,585	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	165,806	0	137,585	0

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

Financial statements and notes

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 13 to 14.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by €8,290,000 (2020: €6,879,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by €1,785,000 (2020: €1,930,000)^a. A five per cent decrease would have an equal and opposite effect.

as at 31 August	2021 €'000	2020 ^a €'000
Currency exposure in respect of the fund		
Danish krone	3,965	2,824
Euro	133,219	106,605
Norwegian krone	4,300	5,159
Sterling	(1,631)	(1,286)
Swedish krona	8,916	7,624
Swiss franc	20,087	24,189
US dollar	54	90
Total	168,910	145,205

^a The comparatives have been re-analysed to reflect changes due to the prior year fair value adjustment.

21 Interest rate risk sensitivity and exposure

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

22 Credit risk

Credit risk is not considered significant for the fund as there are no counterparty or derivative balances and is therefore not disclosed.

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23 Dividend distribution tables

This fund pays annual ordinary distributions and the following table sets out the distribution period.

Annual distribution period

	Start	End	Xd	Payment
Final	01.09.20	31.08.21	01.09.21	31.10.21

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

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

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

Euro Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 Euro ¢	2021 Euro ¢	2021 Euro ¢	2020 Euro ¢
Final	0.0000	0.0000	0.0000	12.5736

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 Euro ¢	2021 Euro ¢	2021 Euro ¢	2020 Euro ¢
Final	0.0000	0.0000	0.0000	32.0343

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	50.9958	9.3254	60.3212	45.1173

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Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	33.0073	31.7832	64.7905	36.7003

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	29.3908	26.9716	56.3624	41.9542

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	15.8373	37.1530	52.9903	34.3378

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	3.1843	0.0000	3.1843	2.3670

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	0.9073	1.9384	2.8457	1.9056

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	3.9189	1.6567	5.5756	4.1605

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Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	Distribution 2021 UK p	2020 UK p
Final	1.9195	2.7351	4.6546	2.8845

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	Distribution 2021 UK p	2020 UK p
Final	55.3419	4.3857	59.7276	44.6730

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	Distribution 2021 UK p	2020 UK p
Final	21.8396	42.2680	64.1076	36.3141

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Investment objective up to 30 August 2021

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

Investment objective from 31 August 2021

The fund has two aims:

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

Investment policy up to 30 August 2021

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

Sustainability considerations play an important role in determining the investment universe and assessing business models.

The fund excludes 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 and companies involved in the production of tobacco and controversial weapons.

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

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

Derivatives may be used for efficient portfolio management and hedging.

Investment policy from 31 August 2021

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

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

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

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

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

The fund may also invest in other transferable securities, money market instruments, cash and near

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cash for liquidity purposes, directly and via collective investment schemes (including funds managed by M&G).

Derivatives may be used for efficient portfolio management and hedging.

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

Investment approach up to 30 August 2021

The fund is a focused European equity fund. The fund is based on an investment process that uses fundamental analysis to identify companies with sustainable business models and competitively advantageous characteristics to protect their profitability. The fund makes long-term investments in these companies and importantly, the fund manager invests in businesses where short-term issues have provided a clear valuation opportunity. Sustainability considerations are fully integrated into the investment process.

The fund manager believes that this approach offers a powerful combination, providing the long-term compounded value of quality businesses, as well as the potential boost to a company's share price when a short-term issue has been resolved.

Investment approach from 31 August 2021

The fund is a focused Europe ex UK equity fund, investing over the long term in sustainable companies which contribute to the long-term global warming objectives of the Paris Agreement, by either having a Low Carbon Intensity and/or a Reducing Carbon intensity. Low Carbon Intensity means a carbon intensity lower than 50% of the weighted average

Carbon intensity of the fund's benchmark, the MSCI Europe ex UK Index. Reducing Carbon Intensity companies mean companies that have Science Based Targets aligned with the Paris Agreement or have committed to have them in place within a defined time period. The fund manager considers that active engagement with these companies is key to sustain positive change.

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

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

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

ESG Information

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

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

Benchmark up to 16 September 2020

Benchmark: MSCI Europe Index.

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

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

Benchmark from 17 September 2020 up to 30 August 2021

Benchmark: MSCI Europe 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.

Benchmark from 31 August 2021

Benchmark: MSCI Europe ex UK Index.

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

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

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

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

Risk profile up to 30 August 2021

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

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

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liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

Risk profile from 31 August 2021

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

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

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



The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has changed during this period. From 1 September 2020 to 14 February 2021 the risk number was 5.

Investment review

As at 1 September 2021, for the year ended 31 August 2021

Performance against objective

Between 1 September 2020 (the start of the review period) and 1 September 2021, the M&G European Sustain Paris Aligned Fund (formerly M&G Pan European Select Fund) delivered a positive total return (the combination of income and growth of capital) across all of its sterling share classes. Fund performance was ahead of the average return from the fund's benchmark, the MSCI Europe Index, which was 28.4% over the same period under review.

Over five years, the fund generated a positive total return across all its share classes, but lagged the benchmark across most share classes. The benchmark's average return was 10.1% pa in sterling. Therefore, the fund's performance has not fully met its current objective over its specified timeframe of five years.

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

Performance review

European stockmarkets delivered positive returns for the 12 months under review, with sentiment supported in the latter part of the period by vaccine rollouts picking up pace across much of the developed world, and governments in most developed markets continuing to ease COVID-related restrictions, with activity levels subsequently picking up.

The start of the period under review, however, was marked by extreme volatility (or market turbulence), as investors grappled with the prospects of a second wave of COVID-19 infections and what further lockdowns could mean for the economy, as new restrictions came into force across regions. With partial national shutdowns announced in the two largest European economies and further restrictions across the continent in the face of quickly rising COVID cases, some European indices saw their worst performance since

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March 2020. That negative sentiment was partly shared on the other side of the Atlantic, with infection cases in the US reaching record highs as well, while a lack of further stimulus measures ahead of the US election also helped to dampen the mood.

As we moved through the period, though, a sense of exuberance came to dominate markets, with positive sentiment largely supported by two overriding themes. First and foremost was the well-received news of three breakthroughs in the delivery of a COVID-19 vaccine, all of which showed high rates of efficacy. This provided a degree of respite from anxiety over rising COVID cases and ongoing lockdowns, and offered hope that a return to more normal conditions could happen sooner than previously expected. The second theme was the US Presidential election, with markets reacting positively to Joe Biden's victory over incumbent Donald Trump.

This exuberance was tempered, however, amid concerns over the worsening global coronavirus situation, in particular the disastrous surge of cases in India and the spread of the Delta variant. Markets were further spooked by the Chinese regulatory crackdown on the education tech sector, adding to concerns of a slower-than-expected post-pandemic recovery.

As we moved through the summer months, though, economies continued to reopen, with a number of developed markets further lifting pandemic-related restrictions. Confidence was bolstered by strong economic data and good company results, while we also saw the US Senate pass a well-received landmark US\$1.0 trillion infrastructure package, and Chinese markets stabilising following a tumultuous sell-off in July. While the recovery continued, the relentless COVID-19 Delta variant remained, with daily cases picking up globally. However, regions with effective vaccination programmes, including the UK and Europe, saw a much lower level of hospitalisation cases than during the previous wave. In regions with lower vaccine availability, or lower take-up in the case of the US, hospitalisations increased more sharply. Overall, while sentiment remained broadly positive, the increasing

COVID outbreaks led to some fears over global growth prospects, exacerbated by China's continued regulatory crackdown.

Against this background, information technology was the top performing European sector, with consumer discretionary, materials and industrials also delivering very strong performance for the period. On the downside, some of the more 'defensive' sectors (that is, those that have relatively predictable and stable earnings regardless of the state of the overall economy) performed poorly for the period, compared to the wider market. These included consumer staples, utilities and healthcare.

For the fund, stock selection within industrials was particularly beneficial to relative returns, while selection within financials, consumer discretionary and healthcare was also supportive. In addition, the fund's above index positions in industrials and materials, as well as the lack of holdings in the utilities sector, also aided relative performance.

At an individual stock level, the largest contributor to performance was Swiss freight-forwarding specialist Kuehne + Nagel (K+N). The company's share price maintained upward momentum throughout the review period, as it continued to deliver operational success. In the middle of the period K+N reported an increase in 2020 core earnings, with pharmaceuticals and e-commerce driving growth in a year marked by coronavirus. The group said its air logistics business, the strongest performer of the year, saw a 53.5% rise in full-year earnings, as the division proved to be the preferred transport solution in dealing with the COVID-19 crisis. K+N subsequently announced that it had partnered with American Airlines to act on climate change, entering into an agreement to deploy more than 11 million litres of sustainable aviation fuel. K+N also completed its largest-ever acquisition, the US\$1.2 billion purchase of Asia-specialist Apex International, one of Asia's leading freight forwarders, especially on the transpacific and intra-Asia trade routes. K+N said the acquisition represented significant fulfilment of its strategic ambitions in Asia.

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Another key contributor was Irish lender AIB. The bank published strong first-half results for 2021, with pre-tax profit of €291 million, compared to a loss of €909 million in the same period in 2020. The improved performance largely reflected changes in loan loss provisions. In the first half of 2020 the bank had set aside more than €1 billion in provisions for loans it expected unlikely to be paid back in full; in the same period this year it made no new provisions and 'wrote back' €100 million of loans, which it now assesses will be repaid. AIB also announced that it was consolidating its branch network and withdrawing from small business lending in Great Britain to focus on larger business customers.

Other supportive holdings included UK retailer Pets at Home, Danish transport and logistics firm DSV Panalpina and Danish pharmaceutical company Novo Nordisk.

On the downside, stockpicking within the information technology, consumer staples and materials sectors weighed on relative returns, as did the below index positions in financials and information technology. The largest individual detractor was British consumer giant Reckitt Benckiser, whose shares sold off as investors rotated to more cyclical areas of the market; it was a similar case for consumer companies Unilever and Nestlé, although to a less pronounced degree.

Other detractors included international dialysis group Fresenius Medical Care and German software company SAP, while not holding Dutch semiconductor maker ASML, which delivered very strong performance for the period, also dragged on relative returns.

Engagement activities

Responsible investors can effect change by engaging with investee companies on a number of issues, not least supporting responsible corporate behaviour and long-term thinking, but also pushing companies to improve disclosure or set more testing sustainability objectives. We maintain ongoing dialogue with our investee companies, as well as companies on our watchlist of stocks that we would like to own when the timing and price are right.

As a few examples of engagements from the period under review, we can look at Fresenius Medical Care, mentioned above, global food and beverage company Nestlé, and British pharmaceutical business GlaxoSmithKline.

We spoke with Fresenius in relation to bribery and corruption. The company had self-reported a bribery and corruption issue based on whistleblowing in Mexico in 2012, having simultaneously notified the Department of Justice and Securities and Exchange Commission in the US. A group of 40 employees (out of 120,000 in total) within the company were found to have either broken the law or looked the other way, with ineffective preventative processes in place. We were reassured that the company has made effective changes to stop this happening in future, including the introduction of automated processes that cannot be manually overridden. We came away from the meeting feeling that there was a low chance of any further fines or settlements regarding this case, and that Fresenius had taken the issue seriously.

We spoke with Nestlé on labour standards within its supply chain, particularly to understand the key issues with child labour in the cocoa supply chain. Nestlé flagged that this was an area it had been working on for 10-plus years, and that it was the first company to put child labour monitoring and a remediation system in place. Most cocoa is grown in West Africa, and Nestlé has been working with co-operatives and leveraging community liaisons to conduct surveys and identify issues. It acknowledged that this was an industry issue and companies must work together, as well as partnering with farmers, governments and NGOs to continue the drive for improvements.

We had the opportunity to engage with companies at the Access to Medicine Foundation's annual conference. The Access to Medicine Index analyses how 20 of the world's largest pharmaceutical companies address access to medicine in 106 low and middle income countries. The index is managed by a non-profit foundation funded by the UK and Dutch governments, Gates Foundation and Wellcome Trust. GlaxoSmithKline retained the top position in the access

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to research rankings, with impressive scores across the categories. Its access to medicine strategy is embedded into management remuneration, while its access planning process is incorporated into all projects, which is important as many projects offer a clear public benefit in low and middle income countries. The majority of its products have access strategies. This is particularly significant given its leading position in HIV treatment, which is a disproportionate burden in low-income countries. It was also ranked top in the sister access-to-vaccines index in 2017.

While we regularly communicate with company management, we are now planning to roll out a more structured, targeted engagement programme, with set objectives that seek particular outcomes from our investee companies. This will include engagement specifically related to Carbon, where we are seeking clear transition plans to carbon neutrality by 2050, including the publication of Science Based Targets for how these plans will be achieved in reality. We will also begin to engage more systematically on diversity, where we have minimum expectations for board composition and senior leadership positions. We will report on our targeted engagement programme in due course.

Investment activities

We run a concentrated portfolio of between 25 and 35 holdings, maintaining a watchlist of around 120 which we believe to be quality, sustainable companies that we would like to own when the timing and price are right. We monitor our watchlist closely, waiting patiently for short-term behavioural episodes to create buying opportunities.

At the end of the period under review, the M&G Pan European Select Fund was renamed as the M&G European Sustain Paris Aligned Fund, with the fund's investment universe moving to ex-UK. While our investment philosophy of identifying quality, sustainable companies has not changed, the fund now has two aims: to provide a combination of capital growth and income, net of the ongoing charge figure, that is higher than that of the MSCI Europe ex UK Index over any five-year period; and to invest in companies that contribute towards the Paris Agreement climate

change goals. To achieve its non-financial objective, the fund invests in companies that contribute toward the Paris Agreement goals in a measurable way, through their low and/or reducing carbon intensity, and considers whether, for example, companies are providing direct solutions to the climate challenge via their products and services. We will report annually on the latest available carbon intensity (Scope 1 + 2 emissions / US\$M Sales) for each stock held by the portfolio, as well as on a number of other climate-related metrics. The direct carbon emissions of the company are included in Scope 1, whereas Scope 2 refers to indirect emissions created by generating the electricity, steam, heating and cooling consumed by the company.

In light of the fund's new objective, and the removal of the UK from its investment universe, we closed seven positions in August. Norwegian energy company Equinor and Swiss cement maker Holcim Group left the fund, as well as five UK-listed holdings. These were pharmaceutical business GlaxoSmithKline, insurer Hiscox, consumer giant Reckitt Benckiser, information and analytics company RELX and engineering company Weir Group, the latter two having been previously purchased within the review period. We also closed the position in German premium clothing retailer Hugo Boss, having lost faith in the investment case for the business. Conversely, we added positions in Spanish plasma-derived medicine producer Grifols, German insurer Hannover Rueck, French industrial group Legrand, Finnish engineering company Metso Outotec, Danish wind turbine maker Vestas Wind Systems and German online property platform Scout24.

Outlook

After a very strong 2020, some ESG stocks lagged in the first half of 2021, renewables being a good example. However, investment flows have continued into this space, supported by the sustainability agenda being placed at the centre of many post-COVID-19 recovery programmes around the world. By investing in companies with low or reducing carbon intensity, we expect the fund to benefit from reduced climate investment risk, as well as the long-term runway of

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growth for companies capable of providing innovative solutions to the climate challenge.

The fund has proved to be resilient in the current inflationary environment and we will continue to stick to our balanced approach. As long-term investors, we do not try to time the market or position the fund for inflationary or thematic scenarios, but rather focus on companies with what we consider to be strong business models that can generate compounding returns over time.

We have remained consistent as regards our fundamental positioning and balanced approach, investing in what we see as quality companies with sustainable business models and strong Environmental, Social and Governance (ESG) characteristics. We continue to divide the portfolio between 'stable growth' companies – those that have a proven track record of producing stable earnings – and 'opportunities' companies – which tend to be less predictable, but have what we believe to be significant upside potential. We think this approach provides good diversification, which should help the portfolio perform in different market conditions. We continue to keep an eye out for relative value in the stable growth part of the market, as well as in higher-quality opportunities companies.

In terms of the current portfolio, we remain confident in the quality of the stocks within the fund. As long-term investors, our focus is on the ability of our holdings to generate long-term value for the fund and for our customers, and we continue to be optimistic about their prospects.

John William Olsen

Fund manager

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

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

Investments

Portfolio statement

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities	173,174	94.94	99.05
Oil, gas & consumable fuels	7,116	3.90	4.27
388,627 Equinor	7,116	3.90	
Chemicals	13,268	7.27	9.73
83,211 Akzo Nobel	8,708	4.77	
17,120 Linde	4,560	2.50	
Construction materials	0	0.00	1.32
Electrical equipment	10,585	5.80	6.27
69,456 Schneider Electric	10,585	5.80	
Machinery	7,890	4.33	1.96
97,932 Andritz	4,781	2.62	
155,843 Weir	3,109	1.71	
Commercial services & supplies	7,091	3.89	3.40
251,503 ISS	4,879	2.68	
39,149 Société BIC	2,212	1.21	
Professional services	5,835	3.20	0.00
231,443 RELX	5,835	3.20	
Air freight & logistics	9,655	5.29	6.11
44,359 DSV PANALPINA	9,655	5.29	
Marine	8,292	4.55	5.22
26,364 Kuehne + Nagel International	8,292	4.55	
Textiles, apparel & luxury goods	4,002	2.19	2.45
39,255 Pandora	4,002	2.19	
Specialty retail	16,102	8.83	8.60
1,388,948 Pets at Home	8,074	4.43	
424,899 WH Smith	8,028	4.40	
Food products	7,523	4.12	5.05
70,190 Nestlé	7,523	4.12	
Household products	4,839	2.65	4.52
75,359 Reckitt Benckiser	4,839	2.65	
Personal products	4,555	2.50	4.31
97,290 Unilever	4,555	2.50	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Health care providers & services	6,013	3.30	4.93
92,396 Fresenius Medical Care	6,013	3.30	
Pharmaceuticals	19,900	10.91	12.67
18,914 ALK-Abelló	7,829	4.29	
140,580 Novo Nordisk	12,071	6.62	
Banks	14,173	7.77	4.11
2,279,836 AIB	5,754	3.16	
89,554 Bank of Georgia	1,717	0.94	
575,061 ING	6,702	3.67	
Capital markets	1,316	0.72	0.56
181,560 Georgia Capital	1,316	0.72	
Insurance	2,617	1.43	1.56
245,307 Hiscox	2,617	1.43	
IT services	5,103	2.80	3.35
99,984 Amadeus IT	5,103	2.80	
Software	7,411	4.06	4.39
58,208 SAP	7,411	4.06	
Entertainment	5,317	2.92	4.27
97,169 CTS Eventim	5,317	2.92	
Interactive media & services	4,571	2.51	0.00
63,536 Scout24	4,571	2.51	
Portfolio of investments	173,174	94.94	99.05
Cash equivalents	705	0.39	0.92
'AAA' rated money market funds^b	705	0.39	0.92
728,893 Northern Trust Global Fund - Euro	705	0.39	
Total portfolio (notes 2c & 2d on page 10)	173,879	95.33	99.97
Net other assets/(liabilities)	8,520	4.67	0.03
Net assets attributable to shareholders	182,399	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 due to the prior year fair value adjustment.

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

Investments

Top portfolio transactions for the year to 31 August 2021

Purchases	€'000
RELX	4,353
Scout24	4,334
Weir	3,513
SAP	1,742
AIB	1,193
Unilever	1,172
ING	914
ISS	348
Total purchases	17,569

Largest sales	€'000
Linde	4,247
Kuehne + Nagel International	4,186
DSV PANALPINA	3,970
GlaxoSmithKline	3,026
CTS Eventim	2,749
Unilever	2,520
LafargeHolcim	2,335
WH Smith	2,215
Schneider Electric	2,106
Novo Nordisk	1,537
Other sales	7,186
Total sales	36,077

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

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value as at	31.08.21 €'000	31.08.20 €'000	31.08.19 €'000
Fund net asset value (NAV)	182,399	145,451	152,759

Performance since launch

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

September 1989 = 100, plotted monthly
Chart date 1 September 2021



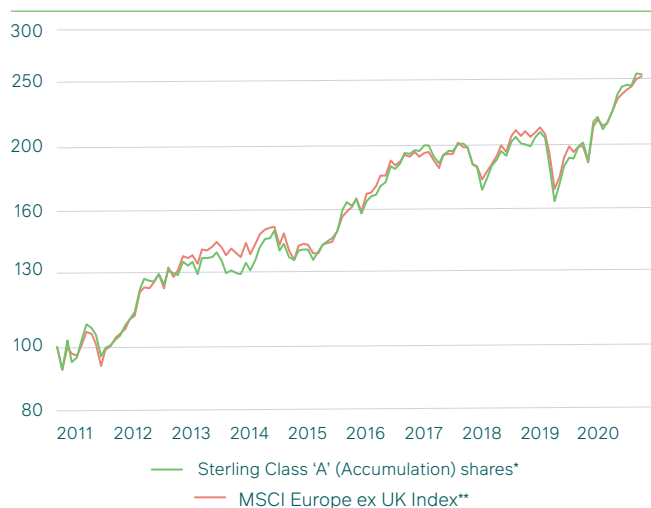
Source: Morningstar, Inc. and M&G

* Income reinvested

Ten-year performance

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

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



Source: Morningstar, Inc. and M&G

* Income reinvested

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

Financial highlights

Long-term performance by share class

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

Share class	One year 01.09.20 % ^a	Three years 03.09.18 % pa	Five years 01.09.16 % pa	Since launch % pa
Sterling				
Class 'A'	+29.6	+8.2	+9.4	+8.3
Class 'I'	+30.1	+8.8	+10.1	+11.6
Class 'R'	+29.8	+8.5	+9.8	+11.3
Class 'X'	+29.6	+8.2	+9.4	+11.9

^a Not annualised.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

Financial highlights

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

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

Portfolio transaction costs

for the year to 31 August	2021	2020	2019	Average ^a
Direct portfolio transaction costs ^b	%	%	%	%
Broker commission	0.01	0.00	0.01	0.01
Taxes	0.03	0.01	0.00	0.01
Costs before dilution adjustments	0.04	0.01	0.01	0.02
Dilution adjustments ^c	(0.01)	0.00	(0.01)	(0.01)
Total direct portfolio transaction costs	0.03	0.01	0.00	0.01
as at 31 August	2021	2020	2019	Average ^a
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.08	0.08	0.06	0.07

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

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

Historic yields for the current year are calculated as at 10 September 2021.

Sterling Class 'A' Income share performance

The share class was launched on 29 September 1989.

for the year to 31 August	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	211.57	218.93	224.64
Return before operating charges	65.09	(1.38)	3.41
Operating charges	(2.56)	(2.51)	(3.47)
Return after operating charges	62.53	(3.89)	(0.06)
Distributions	(3.97)	(3.47)	(5.65)
Closing NAV	270.13	211.57	218.93
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.02	0.03
Dilution adjustments ^a	(0.02)	(0.01)	(0.03)
Total direct transaction costs	0.08	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.01	0.00
Operating charges ^c	1.06	1.20	1.64
Return after charges	+29.56	-1.78	-0.03
Historic yield	1.48	1.59	2.39
Other information			
Closing NAV (€'000)	82,250	67,715	72,956
Closing NAV (%)	45.10	46.55	47.76
Number of shares	26,169,937	28,639,189	30,214,990
Highest share price (UK p)	273.10	232.78	230.70
Lowest share price (UK p)	201.32	157.54	190.14

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 29 September 1989.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	467.36	475.71	475.69
Return before operating charges	144.16	(2.89)	7.38
Operating charges	(5.67)	(5.46)	(7.36)
Return after operating charges	138.49	(8.35)	0.02
Distributions	(3.23)	(2.09)	(4.67)
Retained distributions	3.23	2.09	4.67
Closing NAV	605.85	467.36	475.71
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.23	0.04	0.07
Dilution adjustments ^a	(0.03)	(0.02)	(0.06)
Total direct transaction costs	0.20	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.01	0.00
Operating charges ^c	1.06	1.20	1.64
Return after charges	+29.63	-1.76	0.00
Historic yield	0.54	0.39	0.79
Other information			
Closing NAV (€'000)	54,740	43,309	46,812
Closing NAV (%)	30.01	29.78	30.64
Number of shares	7,765,818	8,292,045	8,921,950
Highest share price (UK p)	605.56	505.77	490.67
Lowest share price (UK p)	444.71	343.71	402.66

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	1,698.24	1,748.52	1,781.09
Return before operating charges	523.85	(10.75)	27.74
Operating charges	(11.98)	(11.71)	(15.33)
Return after operating charges	511.87	(22.46)	12.41
Distributions	(31.96)	(27.82)	(44.98)
Closing NAV	2,178.15	1,698.24	1,748.52
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.84	0.16	0.25
Dilution adjustments ^a	(0.13)	(0.08)	(0.22)
Total direct transaction costs	0.71	0.08	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.01	0.00
Operating charges ^c	0.61	0.70	0.91
Return after charges	+30.14	-1.28	+0.70
Historic yield	1.48	1.59	2.37
Other information			
Closing NAV (€'000)	12,446	9,911	11,127
Closing NAV (%)	6.82	6.81	7.29
Number of shares	491,111	522,208	576,992
Highest share price (UK p)	2,202.04	1,862.79	1,841.21
Lowest share price (UK p)	1,617.34	1,261.71	1,511.21

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	2,090.38	2,117.18	2,101.77
Return before operating charges	646.39	(12.63)	33.51
Operating charges	(14.78)	(14.17)	(18.10)
Return after operating charges	631.61	(26.80)	15.41
Distributions	(24.76)	(19.67)	(35.68)
Retained distributions	24.76	19.67	35.68
Closing NAV	2,721.99	2,090.38	2,117.18
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.04	0.20	0.30
Dilution adjustments ^a	(0.16)	(0.10)	(0.26)
Total direct transaction costs	0.88	0.10	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.01	0.00
Operating charges ^c	0.61	0.70	0.91
Return after charges	+30.22	-1.27	+0.73
Historic yield	0.92	0.89	1.46
Other information			
Closing NAV (€'000)	18,601	14,135	11,900
Closing NAV (%)	10.20	9.72	7.79
Number of shares	587,343	605,067	509,596
Highest share price (UK p)	2,720.71	2,255.31	2,182.18
Lowest share price (UK p)	1,990.77	1,533.91	1,783.35

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	166.08	171.42	175.04
Return before operating charges	51.16	(1.07)	2.71
Operating charges	(1.65)	(1.55)	(1.92)
Return after operating charges	49.51	(2.62)	0.79
Distributions	(3.12)	(2.72)	(4.41)
Closing NAV	212.47	166.08	171.42
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.02	0.02
Dilution adjustments ^a	(0.01)	(0.01)	(0.02)
Total direct transaction costs	0.07	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.01	0.00
Operating charges ^c	0.86	0.95	1.16
Return after charges	+29.81	-1.53	+0.45
Historic yield	1.48	1.59	2.38
Other information			
Closing NAV (€'000)	2,872	2,066	2,109
Closing NAV (%)	1.57	1.42	1.38
Number of shares	1,161,903	1,113,027	1,115,494
Highest share price (UK p)	214.80	182.44	180.56
Lowest share price (UK p)	158.09	123.52	148.40

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	204.69	207.84	206.84
Return before operating charges	63.22	(1.26)	3.27
Operating charges	(2.04)	(1.89)	(2.27)
Return after operating charges	61.18	(3.15)	1.00
Distributions	(1.86)	(1.42)	(3.00)
Retained distributions	1.86	1.42	3.00
Closing NAV	265.87	204.69	207.84
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.02	0.03
Dilution adjustments ^a	(0.02)	(0.01)	(0.03)
Total direct transaction costs	0.08	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.01	0.00
Operating charges ^c	0.86	0.95	1.16
Return after charges	+29.89	-1.52	+0.48
Historic yield	0.71	0.64	1.25
Other information			
Closing NAV (€'000)	9,671	6,844	6,247
Closing NAV (%)	5.30	4.71	4.09
Number of shares	3,126,289	2,991,663	2,725,266
Highest share price (UK p)	265.75	221.18	214.28
Lowest share price (UK p)	194.86	150.37	175.36

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	209.26	216.53	222.18
Return before operating charges	64.39	(1.35)	3.36
Operating charges	(2.53)	(2.49)	(3.43)
Return after operating charges	61.86	(3.84)	(0.07)
Distributions	(3.93)	(3.43)	(5.58)
Closing NAV	267.19	209.26	216.53
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.02	0.03
Dilution adjustments ^a	(0.02)	(0.01)	(0.03)
Total direct transaction costs	0.08	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.01	0.00
Operating charges ^c	1.06	1.20	1.64
Return after charges	+29.56	-1.77	-0.03
Historic yield	1.48	1.59	2.39
Other information			
Closing NAV (€'000)	912	763	905
Closing NAV (%)	0.50	0.52	0.59
Number of shares	293,511	326,319	379,089
Highest share price (UK p)	270.12	230.23	228.18
Lowest share price (UK p)	199.12	155.81	188.06

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	461.86	470.11	470.10
Return before operating charges	142.45	(2.87)	7.29
Operating charges	(5.60)	(5.38)	(7.28)
Return after operating charges	136.85	(8.25)	0.01
Distributions	(3.19)	(2.07)	(4.62)
Retained distributions	3.19	2.07	4.62
Closing NAV	598.71	461.86	470.11
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.23	0.04	0.07
Dilution adjustments ^a	(0.03)	(0.02)	(0.06)
Total direct transaction costs	0.20	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.01	0.00
Operating charges ^c	1.06	1.20	1.64
Return after charges	+29.63	-1.75	0.00
Historic yield	0.54	0.39	0.79
Other information			
Closing NAV (€'000)	907	708	703
Closing NAV (%)	0.50	0.49	0.46
Number of shares	130,246	137,229	135,504
Highest share price (UK p)	598.43	499.81	484.89
Lowest share price (UK p)	439.48	339.65	397.92

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

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Statement of total return

for the year to 31 August	Note	2021		2020	
		€'000	€'000	€'000	€'000
Income					
Net capital gains/(losses)	3		47,496		(1,102)
Revenue	5	2,846		2,631	
Expenses	6	(1,589)		(1,640)	
Net revenue/(expense) before taxation		1,257		991	
Taxation	7	(145)		(202)	
Net revenue/(expense) after taxation			1,112		789
Total return before distributions			48,608		(313)
Distributions	8		(2,011)		(1,733)
Change in net assets attributable to shareholders from investment activities			46,597		(2,046)

Statement of change in net assets attributable to shareholders

for the year to 31 August	2021		2020	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		145,451		152,759
Amounts received on issue of shares	6,643		5,802	
Amounts paid on cancellation of shares	(16,856)		(11,455)	
		(10,213)		(5,653)
Dilution adjustments		15		11
Change in net assets attributable to shareholders from investment activities (see above)		46,597		(2,046)
Retained distributions on Accumulation shares		532		378
Unclaimed distributions		17		2
Closing net assets attributable to shareholders		182,399		145,451

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Balance sheet

as at 31 August	Note	2021 €'000	2020 €'000
Assets			
Fixed assets			
Investments		173,174	144,072
Current assets			
Debtors	9	12,963	1,052
Cash and bank balances	10	115	375
Cash equivalents		705	1,340
Total assets		186,957	146,839
Liabilities			
Creditors			
Distribution payable		(1,128)	(1,005)
Other creditors	11	(3,430)	(383)
Total liabilities		(4,558)	(1,388)
Net assets attributable to shareholders		182,399	145,451

Financial statements and notes

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 10 to 13.

The fund's functional and presentational currency is the euro as this better reflects the currency of its primary economic environment.

2 Distribution policy

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

3 Net capital gains/(losses)

for the year to 31 August	2021 €'000	2020 €'000
Non-derivative securities	47,586	(1,052)
Currency gains/(losses)	(91)	(52)
Rebate of ongoing charges from underlying funds taken to capital	1	2
Net capital gains/(losses)	47,496	(1,102)

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 126 to 127.

for the year to 31 August	2021 €'000	% of transaction	2020 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	17,508		4,557	
Commissions	4	0.02	1	0.02
Taxes	57	0.32	11	0.24
Total purchases after transaction costs	17,569		4,569	
b) Sales				
Equities				
Equities before transaction costs	36,086		8,365	
Commissions	(9)	0.02	(3)	0.03
Total sales after transaction costs	36,077		8,362	

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	2021 €'000	% of average NAV	2020 €'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	13	0.01	4	0.00
Total commissions paid	13	0.01	4	0.00
Taxes paid				
Equities	57	0.03	11	0.01
Total taxes paid	57	0.03	11	0.01
Total direct portfolio transaction costs^a	70	0.04	15	0.01
		%		%
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^b		0.08		0.08

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

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

5 Revenue

for the year to 31 August	2021 €'000	2020 €'000
Dividends from equity investments: non-taxable	2,771	2,642
Dividends from equity investments: taxable	75	(11)
Total revenue	2,846	2,631

6 Expenses

for the year to 31 August	2021 €'000	2020 €'000
Payable to the ACD or associate		
Annual charge	1,585	1,639
Other expenses		
Interest payable	4	2
Safe custody charge ^a	0	(1)
	4	1
Total expenses	1,589	1,640

Audit fees for the financial year ending 2021 were £10,000 (2020: £9,000) (including VAT), which are covered by the annual charge.

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

Financial statements and notes

7 Taxation

for the year to 31 August	2021 €'000	2020 €'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	145	202
Deferred tax (note 7c)	0	0
Total taxation	145	202
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	1,257	991
Corporation tax at 20%	252	198
Effects of:		
Dividends from equity investments: non-taxable	(554)	(528)
Current year expenses not utilised	302	330
Withholding tax	145	202
Total tax charge (note 7a)	145	202
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of €8,187,000 (2020: €7,885,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

for the year to 31 August	2021		2020	
Dividend distributions	Inc ^a €'000	Acc ^b €'000	Inc ^a €'000	Acc ^b €'000
Interim	329	8	339	5
Final	1,128	524	1,005	373
Total net distributions	1,989		1,722	
Income deducted on cancellation of shares		46		21
Income received on issue of shares		(24)		(10)
Distributions	2,011		1,733	
Net revenue/(expense) per statement of total return	1,112		789	
Expenses offset against capital	899		944	
Distributions	2,011		1,733	

^a Distributions payable on Income shares.

^b Retained distributions on Accumulation shares.

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9 Debtors

as at 31 August	2021 €'000	2020 €'000
Amounts receivable on issues of shares	22	12
Currency deals outstanding	199	0
Dividends receivable	228	252
Sales awaiting settlement	11,506	0
Withholding tax recoverable	1,008	788
Total debtors	12,963	1,052

10 Cash and bank balances

as at 31 August	2021 €'000	2020 €'000
Cash held as bank balances	115	375
Total cash and bank balances	115	375

11 Other creditors

as at 31 August	2021 €'000	2020 €'000
Amounts payable on cancellation of shares	191	0
Annual charge payable	97	78
Currency deals outstanding	199	0
Purchases awaiting settlement	2,656	0
Payable to M&G (Lux) Pan European Select Fund	287	305
Total other creditors	3,430	383

12 Contingent assets, liabilities and outstanding commitments

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

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13 Shares in issue

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

Share class	Opening 01.09.20	Issued	Movements Cancelled	Closing 31.08.21
Sterling				
Class 'A' Income	28,639,189	181,201	(2,650,453)	26,169,937
Class 'A' Accumulation	8,292,045	49,161	(575,388)	7,765,818
Class 'I' Income	522,208	12,236	(43,333)	491,111
Class 'I' Accumulation	605,067	135,867	(153,591)	587,343
Class 'R' Income	1,113,027	154,025	(105,149)	1,161,903
Class 'R' Accumulation	2,991,663	469,448	(334,822)	3,126,289
Class 'X' Income	326,319	47,000	(79,808)	293,511
Class 'X' Accumulation	137,229	11,500	(18,483)	130,246

14 Charging structure

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

Share class	Annual charge ^a to 14.02.21 %	Annual charge ^a from 15.02.21 %
Sterling		
Class 'A'	1.20	0.95
Class 'I'	0.70	0.55
Class 'R'	0.95	0.80
Class 'X'	1.20	0.95

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

15 Related parties

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

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

At the balance sheet date, there were no material shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary (2020: same).

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16 Events after the balance sheet date

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

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 August	Assets 2021	Liabilities 2021	Assets 2020	Liabilities 2020
Basis of valuation	€'000	€'000	€'000	€'000
Level 1	173,174	0	144,072	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	173,174	0	144,072	0

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 13 to 14.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by €8,659,000 (2020: €7,204,000). A five per cent decrease would have an equal and opposite effect.

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20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by €5,500,000 (2020: €3,951,000)^a. A five per cent decrease would have an equal and opposite effect.

as at 31 August	2021 €'000	2020 ^a €'000
Currency exposure in respect of the fund		
Danish krone	38,869	30,297
Euro	72,391	66,432
Norwegian krone	7,116	6,240
Sterling	45,523	25,356
Swiss franc	18,500	17,126
Total	182,399	145,451

^a The comparatives have been re-analysed to reflect changes due to the prior year fair value adjustment.

21 Interest rate risk sensitivity and exposure

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

22 Credit risk

Credit risk is not considered significant for the fund as there are no counterparty or derivative balances and is therefore not disclosed.

23 Dividend distribution tables

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

Semi-annual distribution periods

	Start	End	Xd	Payment
Interim	01.09.20	28.02.21	01.03.21	30.04.21
Final	01.03.21	31.08.21	01.09.21	31.10.21

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

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

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

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Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Interim	0.4592	0.4162	0.8754	0.8286
Final	1.9887	1.1062	3.0949	2.6435

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Interim	0.0000	0.0000	0.0000	0.0000
Final	1.8292	1.3984	3.2276	2.0947

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Interim	4.0849	2.9508	7.0357	6.6299
Final	10.5187	14.4082	24.9269	21.1923

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Interim	0.4462	0.8378	1.2840	0.7746
Final	8.9602	14.5136	23.4738	18.8980

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Interim	0.4009	0.2875	0.6884	0.6494
Final	1.0965	1.3366	2.4331	2.0737

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Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Interim	0.0000	0.0000	0.0000	0.0000
Final	0.8511	1.0073	1.8584	1.4243

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Interim	0.5318	0.3344	0.8662	0.8196
Final	2.4433	0.6178	3.0611	2.6146

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Interim	0.0000	0.0000	0.0000	0.0000
Final	0.7448	2.4459	3.1907	2.0702

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Investment objective up to 30 August 2021

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

Investment objective from 31 August 2021

The fund has two aims:

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

Investment policy up to 30 August 2021

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

Sustainability considerations play an important role in determining the investment universe and assessing business models. The fund excludes 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 and companies involved in the production of tobacco and controversial weapons.

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

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

Derivatives may be used for efficient portfolio management and hedging.

Investment policy from 31 August 2021

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

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

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

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

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

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

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Derivatives may be used for efficient portfolio management and hedging.

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

Investment approach up to 30 August 2021

The fund is a focused core global equity fund.

The fund is based on an investment process that uses fundamental analysis to identify companies with sustainable business models and competitively advantageous characteristics to protect their profitability. The fund makes long-term investments in these companies and importantly, the fund manager invests in businesses where short-term issues have provided a clear valuation opportunity.

Sustainability considerations are fully integrated into the investment process.

The fund manager believes that this approach offers a powerful combination, providing the long-term compounded value of quality businesses, as well as the potential boost to a company's share price when a short-term issue has been resolved.

Investment approach from 31 August 2021

The fund is a focused core global equity fund, investing over the long term in sustainable companies which contribute to the long-term global warming objectives of the Paris Agreement, by either having a Low Carbon Intensity and/or a Reducing Carbon Intensity. Low Carbon Intensity means a carbon intensity lower than 50% of the weighted average carbon intensity of the fund's benchmark, the MSCI World Index. Reducing Carbon Intensity companies means companies that

have Science Based Targets aligned with the Paris Agreement or have committed to have them in place within a defined time period. The fund manager considers that active engagement with these companies is key to sustain positive change.

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

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

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

ESG Information

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

- ESG Criteria and Sustainability Criteria: in the document titled "M&G Global Sustain Paris Aligned Fund – ESG Criteria and Sustainability Criteria" which includes the fund's exclusions approach.

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- An Annual ESG and Sustainability Report providing an assessment of the sustainable objective of the fund will also be published when available.
- Any other periodic reporting against the sustainable objective of the fund.

Benchmark up to 16 September 2020

Benchmark: MSCI World Index.

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

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

Benchmark from 17 September 2020 up to 30 August 2021

Benchmark: MSCI World 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.

Benchmark from 31 August 2021

Benchmark: MSCI World Index.

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

The benchmark is also used to define what a Low Carbon Intensity company is. The fund manager considers the fund's weighted average carbon intensity against the benchmark when constructing the portfolio, but the benchmark does not otherwise constrain portfolio construction.

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

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

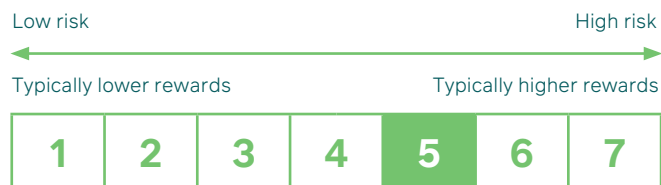
Risk profile

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

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

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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 September 2021, for the year ended 31 August 2021

Performance against objective

Between 1 September 2020 (the start of the review period) and 1 September 2021, the M&G Global Sustain Paris Aligned Fund (formerly M&G Global Select Fund) delivered a positive total return (the combination of income and growth of capital) across all of its sterling share classes. Fund performance was ahead of the average return from the fund's benchmark, the MSCI World Index, which was 26.9% over the same period under review.

Over five years, the fund generated a positive total return across all its share classes, but lagged the benchmark, where the average return was 14.6% pa in sterling. Therefore, the fund's performance has not met its current objective over its specified timeframe of five years.

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

Performance review

Stockmarkets in developed countries delivered positive returns for the 12 months under review, with sentiment supported in the latter part of the period by vaccine rollouts picking up pace across much of the developed world, and governments in most developed markets continuing to ease COVID-related restrictions, with activity levels subsequently picking up.

The start of the period under review, however, was marked by extreme volatility (or market turbulence), as investors grappled with the prospects of a second wave of COVID-19 infections and what further lockdowns could mean for the economy, as new restrictions came into force across regions. With partial national shutdowns announced in the two largest European economies and further restrictions across the continent in the face of quickly rising COVID cases, some European indices saw their worst performance since March 2020. That negative sentiment was partly shared on the other side of the Atlantic, with infection cases in the US reaching record highs as well, while a lack of further stimulus measures ahead of the US election also helped to dampen the mood.

As we moved through the period, though, a sense of exuberance came to dominate markets, with positive sentiment largely supported by two overriding themes. First and foremost was the well-received news of three breakthroughs in the delivery of a COVID-19 vaccine, all of which showed high rates of efficacy. This provided a degree of respite from anxiety over rising COVID cases and ongoing lockdowns, and offered hope that a return to more normal conditions could happen sooner than previously expected. The second theme was the US Presidential election, with markets reacting positively to Joe Biden's victory over incumbent Donald Trump.

This exuberance was tempered, however, amid concerns over the worsening global coronavirus situation, in particular the disastrous surge of cases in India and the spread of the Delta variant. Markets were further spooked by the Chinese regulatory crackdown on the education tech sector, adding to concerns of a slower-than-expected post-pandemic recovery.

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As we moved through the summer months, though, economies continued to reopen, with a number of developed markets further lifting pandemic-related restrictions. Confidence was bolstered by strong economic data and good company results, while we also saw the US Senate pass a well-received landmark US\$1.0 trillion infrastructure package, and Chinese markets stabilising following a tumultuous sell-off in July. While the recovery continued, the relentless COVID-19 Delta variant remained, with daily cases picking up globally. However, regions with effective vaccination programmes, including the UK and Europe, saw a much lower level of hospitalisation cases than during the previous wave. In regions with lower vaccine availability, or lower take-up in the case of the US, hospitalisations increased more sharply. Overall, while sentiment remained broadly positive, the increasing COVID outbreaks led to some fears over global growth prospects, exacerbated by China's continued regulatory crackdown.

Against this background, the financial sector was the top performer for the period under review, with communication services, energy and industrials all delivering very strong performance. On the downside, some of the more 'defensive' sectors (that is, those that have relatively predictable and stable earnings regardless of the state of the overall economy) performed poorly for the period, compared to the wider market. These included consumer staples, utilities and healthcare.

For the fund, stock selection within industrials was particularly beneficial to relative returns, while selection within healthcare, financials and consumer discretionary was also supportive. In addition, the fund's lack of holdings in the utilities sector, as well as its below index weighting in consumer discretionary and above index weighting in financials, also aided relative performance.

At an individual stock level, the largest contributor to performance was US direct banking and payments firm Discover Financial Services, whose shares rose by nearly 140% in sterling terms for the period under review. This was on the back of ongoing operational

success, helped by increasing payment volumes and expansion into new markets, including Malaysia and Jordan, resulting in the company posting increasingly positive earnings results, with its share price subsequently rising. Its shares were also boosted as investors turned their attention to financials, which had been out of favour and were looking attractive compared to some of the more expensive areas of the market.

Another key contributor was US supply chain systems IT specialist Manhattan Associates. The company also repeatedly published well-received financial results during the period with, for example, its best first-quarter revenue and earnings per share performance on record, as accelerating demand for the company's solutions, in particular its warehouse management products, drove record bookings. Sentiment was also supported by continued positive operational announcements, including a number of large US retailers upgrading their existing logistics management systems to Manhattan's, or expanding existing contracts.

Other supportive holdings included Google parent company Alphabet, Swiss freight-forwarding specialist Kuehne + Nagel and US efficiency specialist Johnson Controls.

On the downside, stockpicking within the consumer staples, communication services and materials sectors dragged on relative returns, as did the above-index position in healthcare, with the largest individual detractor being Chinese internet company Tencent. Tencent's shares were hit hard by the Chinese government's clampdown on tech firms, as new Chinese regulations barred any company that teaches subjects on the school curriculum from listing abroad, having foreign investors or making profits. The share prices of several Chinese online-tutoring firms listed in New York sold off sharply, and other Chinese tech companies, including Tencent, were hit by the contagion. China subsequently ordered Tencent to end exclusive music licensing deals with record labels around the world, leading investors to fear a widening

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crackdown on the company, and the tech sector more widely, by the Chinese government.

Other detractors included British consumer company Reckitt Benckiser, US medical equipment maker Becton Dickinson and Anglo-Dutch consumer goods giant Unilever.

Engagement activities

Responsible investors can effect change by engaging with investee companies on a number of issues, not least supporting responsible corporate behaviour and long-term thinking, but also pushing companies to improve disclosure or set more testing sustainability objectives. We maintain ongoing dialogue with our investee companies, as well as companies on our watchlist of stocks that we would like to own when the timing and price are right.

As a few examples of engagements from the period under review, we can look at global food and beverage company Nestlé, US metal packaging specialist Ball Corp and Danish multinational pharmaceutical company Novo Nordisk.

We spoke with Nestlé on labour standards within its supply chain, particularly to understand the key issues with child labour in the cocoa supply chain. Nestlé flagged that this was an area it had been working on for 10-plus years, and that it was the first company to put child labour monitoring and a remediation system in place. Most cocoa is grown in West Africa, and Nestlé has been working with co-operatives and leveraging community liaisons to conduct surveys and identify issues. It acknowledged that this was an industry issue and companies must work together, as well as partnering with farmers, governments and NGOs to continue the drive for improvements.

We spoke with Ball Corp about how it continues to improve the sustainability credentials of the humble aluminium can. Aluminium has the highest recycling rate of any beverage substrate globally, at 69%, and is able to be recycled infinitely without any degradation of its properties. This is unlike plastic, which can only be downcycled into lower-quality uses. 75% of the carbon cost of an aluminium can is derived from the raw

materials that the company purchases from suppliers, and the aluminium sheets it purchases have a recycled content in the range of 72%. Ball Corp continues to leverage thinner can walls, push for higher recycling rates, and roll out renewable energy in its facilities. Overall, we left the meeting with a better understanding of the sustainability characteristics of packaging, and were reassured of the tailwind that Ball is exposed to, as both regulatory developments and consumers focus on more sustainable products.

We had the opportunity to engage with companies at the Access to Medicine Foundation's annual conference. The Access to Medicine Index analyses how 20 of the world's largest pharmaceutical companies address access to medicine in 106 low-and-middle income countries. The index is managed by a non-profit foundation funded by the UK and Dutch governments, Gates Foundation and Wellcome Trust. Novo Nordisk scores highly when it comes to incorporating access to medicine into its corporate strategies, broader governance and on-the-ground actions to ensure equitable access in hard-to-reach markets and patient populations. It has a guaranteed low fixed price for human insulin in the least-developed countries (as defined by the UN), low-income and some middle-income countries (as defined by the World Bank). Novo provided insulin globally to 32.8 million patients in 2020, of which 6.3 million were under the 'access to insulin' commitment. Novo scored lower when it came to research and development, which is largely due to its focused approach on diabetes and adjacent areas. Impressively, Novo has spearheaded obesity treatment and developed treatments for liver disease, and it continues to spend a low-double digit percentage of revenue on research and development.

While we regularly communicate with company management, we are now planning to roll out a more structured, targeted engagement programme, with set objectives that seek particular outcomes from our investee companies. This will include engagement specifically related to carbon, where we are seeking clear transition plans to carbon neutrality by 2050,

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including the publication of Science Based Targets for how these plans will be achieved in reality. We will also begin to engage more systematically on diversity, where we have minimum expectations for board composition and senior leadership positions. We will report on our targeted engagement programme in due course.

Investment activities

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

There were no new holdings added to the portfolio during the period under review. US jeweller Tiffany left the portfolio, having been acquired by French luxury goods company LVMH.

At the end of the period under review, the M&G Global Select Fund was renamed as the M&G Global Sustain Paris Aligned Fund. While our investment philosophy of identifying quality, sustainable companies has not changed, the fund now has two aims: to provide a combination of capital growth and income, net of the ongoing charge figure, that is higher than that of the MSCI World Index over any five-year period; and to invest in companies that contribute towards the Paris Agreement climate change goals. To achieve its non-financial objective, the fund invests in companies that contribute toward the Paris Agreement goals in a measurable way, through their low and/or reducing carbon intensity, and considers whether, for example, companies are providing direct solutions to the climate challenge via their products and services. We will report annually on the latest available carbon intensity (Scope 1 + 2 emissions / US\$M Sales) for each stock held by the portfolio, as well as on a number of other climate-related metrics. The direct carbon emissions of the company are included in Scope 1, whereas Scope 2

refers to indirect emissions created by generating the electricity, steam, heating and cooling consumed by the company.

In light of the fund's new objective, we also sold the small position in US oil-rig equipment maker National Oilwell Varco (NOV).

Outlook

After a very strong 2020, some ESG stocks lagged in the first half of 2021, renewables being a good example. However, investment flows have continued into this space, supported by the sustainability agenda being placed at the centre of many post-COVID-19 recovery programmes around the world. By investing in companies with low or reducing carbon intensity, we expect the fund to benefit from reduced climate investment risk, as well as the long-term runway of growth for companies capable of providing innovative solutions to the climate challenge.

The fund has proved to be resilient in the current inflationary environment and we will continue to stick to our balanced approach. As long-term investors, we do not try to time the market or position the fund for inflationary or thematic scenarios, but rather focus on companies with what we consider to be strong business models that can generate compounding returns over time.

We have remained consistent as regards our fundamental positioning and balanced approach, investing in quality companies with sustainable business models and strong Environmental, Social and Governance (ESG) characteristics. We continue to divide the portfolio between 'stable growth' companies – those that have a proven track record of producing stable earnings – and 'opportunities' companies – which tend to be less predictable, but have what we believe to be significant upside potential. We think this approach provides good diversification, which should help the portfolio perform in different market conditions. We continue to keep an eye out for relative value in the stable growth part of the market, as well as in higher-quality opportunities companies.

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In terms of the current portfolio, we remain confident in the quality of the stocks within the fund. As long-term investors, our focus is on the ability of our holdings to generate long-term value for the fund and for our customers, and we continue to be optimistic about their prospects.

John William Olsen

Fund manager

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

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

Investments

Portfolio statement

Holding	as at 31.08.21 \$'000	as at 31.08.21 %	as at 31.08.20 %
Equities	878,336	98.00	97.94
Energy equipment & services	4,693	0.52	0.61
353,680 NOV	4,693	0.52	
Chemicals	27,442	3.06	3.15
87,058 Linde	27,442	3.06	
Containers & packaging	27,690	3.09	3.29
289,370 Ball	27,690	3.09	
Building products	33,269	3.71	2.60
443,879 Johnson Controls International	33,269	3.71	
Electrical equipment	44,164	4.93	4.37
244,866 Schneider Electric	44,164	4.93	
Machinery	18,710	2.09	2.20
237,408 Graco	18,710	2.09	
Commercial services & supplies	28,180	3.15	2.50
665,019 ISS	15,268	1.71	
56,260 UniFirst	12,912	1.44	
Marine	33,367	3.72	2.49
89,646 Kuehne + Nagel International	33,367	3.72	
Specialty retail	40,597	4.53	7.47
1,815,535 WH Smith	40,597	4.53	
Food products	23,584	2.63	3.22
185,938 Nestlé	23,584	2.63	
Household products	13,602	1.52	2.57
178,999 Reckitt Benckiser	13,602	1.52	
Personal products	20,846	2.33	3.16
376,182 Unilever	20,846	2.33	
Health care equipment & supplies	29,953	3.34	4.22
119,559 Becton Dickinson	29,953	3.34	
Health care providers & services	47,360	5.28	5.97
113,223 UnitedHealth	47,360	5.28	
Pharmaceuticals	72,329	8.07	6.83
63,545 ALK-Abelló	31,129	3.47	
405,443 Novo Nordisk	41,200	4.60	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 \$'000	as at 31.08.21 %	as at 31.08.20 %
Equities (continued)			
Banks	24,380	2.72	2.34
1,091,958 ING	15,060	1.68	
67,064 M&T Bank	9,320	1.04	
Thriffs & mortgage finance	18,708	2.09	1.79
488,827 Housing Development Finance	18,708	2.09	
Consumer finance	59,590	6.65	4.42
177,675 American Express	29,185	3.26	
238,978 Discover Financial Services	30,405	3.39	
Capital markets	20,239	2.26	1.93
293,814 Bank of New York Mellon	16,210	1.81	
469,746 Georgia Capital	4,029	0.45	
Insurance	21,233	2.37	2.92
434,500 Tokio Marine	21,233	2.37	
IT services	32,432	3.62	3.67
140,297 Visa	32,432	3.62	
Software	142,697	15.92	15.81
62,308 ANSYS	22,785	2.54	
318,858 Manhattan Associates	52,503	5.86	
222,092 Microsoft	67,409	7.52	
Entertainment	18,037	2.01	2.56
125,879 Electronic Arts	18,037	2.01	
Interactive media & services	75,234	8.39	7.85
18,383 Alphabet	53,157	5.93	
357,300 Tencent	22,077	2.46	
Portfolio of investments	878,336	98.00	97.94

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 \$'000	as at 31.08.21 %	as at 31.08.20 %
Cash equivalents	21,463	2.39	2.96
'AAA' rated money market funds^a	21,463	2.39	2.96
21,463,000 Northern Trust Global Fund - US dollar	21,463	2.39	
Total portfolio (notes 2c & 2d on page 10)	899,799	100.39	100.90
Net other assets/(liabilities)	(3,506)	(0.39)	(0.90)
Net assets attributable to shareholders	896,293	100.00	100.00

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

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

Investments

Top portfolio transactions for the year to 31 August 2021

Purchases	\$'000
Visa	4,016
UniFirst	1,815
ISS	1,771
Total purchases	7,602

Largest sales	\$'000
Tiffany	26,898
UnitedHealth	11,045
Manhattan Associates	10,424
ANSYS	3,057
Microsoft	2,921
Graco	2,746
WH Smith	2,429
Alphabet	2,153
Schneider Electric	2,073
Novo Nordisk	1,697
Other sales	24,709
Total sales	90,152

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

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value as at	31.08.21 \$'000	31.08.20 \$'000	31.08.19 \$'000
Fund net asset value (NAV)	896,293	736,863	697,719

Performance since launch

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

December 1967 = 100, plotted monthly
Chart date 1 September 2021



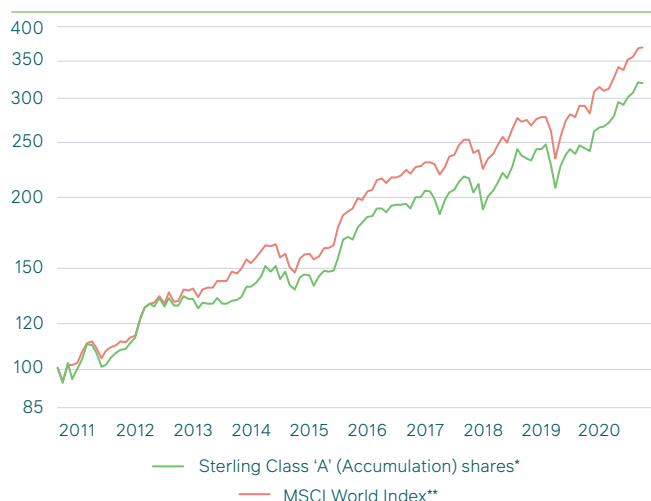
Source: Morningstar, Inc. and M&G

* Income reinvested

Ten-year performance

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

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



Source: Morningstar, Inc. and M&G

* Income reinvested

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

Financial highlights

Long-term performance by share class

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

Share class	One year 01.09.20 % ^a	Three years 03.09.18 % pa	Five years 01.09.16 % pa	Since launch % pa
Sterling				
Class 'A'	+30.9	+13.3	+13.6	+10.8
Class 'I'	+31.5	+13.9	+14.3	+13.9
Class 'R'	+31.2	+13.7	+14.0	+13.7
Class 'X'	+30.9	+13.3	+13.6	+16.1

^a Not annualised.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

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

Portfolio transaction costs

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

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

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

Historic yields for the current year are calculated as at 10 September 2021.

Sterling Class 'A' Income share performance

The share class was launched on 19 December 1967.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	459.51	445.72	417.51
Return before operating charges	142.08	25.62	42.28
Operating charges	(6.99)	(6.17)	(6.33)
Return after operating charges	135.09	19.45	35.95
Distributions	(6.21)	(5.66)	(7.74)
Closing NAV	588.39	459.51	445.72
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.07	0.09
Dilution adjustments ^a	(0.02)	(0.04)	(0.07)
Total direct transaction costs	0.00	0.03	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.00	0.01
Operating charges ^c	1.34	1.40	1.65
Return after charges	+29.40	+4.36	+8.61
Historic yield	1.07	1.27	1.40
Other information			
Closing NAV (\$'000)	342,607	281,449	264,576
Closing NAV (%)	38.22	38.19	37.92
Number of shares	42,289,266	46,040,094	48,742,517
Highest share price (UK p)	595.09	487.00	466.80
Lowest share price (UK p)	447.88	361.19	359.45

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Sterling Class 'A' Accumulation share performance

The share class was launched on 19 December 1967.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	951.04	911.27	839.00
Return before operating charges	294.08	52.39	85.74
Operating charges	(14.45)	(12.62)	(13.47)
Return after operating charges	279.63	39.77	72.27
Distributions	0.00	0.00	(1.45)
Retained distributions	0.00	0.00	1.45
Closing NAV	1,230.67	951.04	911.27
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.13	0.17
Dilution adjustments ^a	(0.03)	(0.09)	(0.15)
Total direct transaction costs	0.00	0.04	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.00	0.01
Operating charges ^c	1.34	1.40	1.64
Return after charges	+29.40	+4.36	+8.61
Historic yield	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	181,985	164,681	147,531
Closing NAV (%)	20.30	22.35	21.14
Number of shares	10,739,691	13,016,075	13,293,991
Highest share price (UK p)	1,231.67	995.67	938.08
Lowest share price (UK p)	926.99	738.45	722.35

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	2,256.05	2,177.47	2,024.71
Return before operating charges	699.53	125.68	207.12
Operating charges	(23.10)	(19.36)	(16.69)
Return after operating charges	676.43	106.32	190.43
Distributions	(30.59)	(27.74)	(37.67)
Closing NAV	2,901.89	2,256.05	2,177.47
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.32	0.42
Dilution adjustments ^a	(0.07)	(0.21)	(0.36)
Total direct transaction costs	0.00	0.11	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.00	0.01
Operating charges ^c	0.90	0.90	0.92
Return after charges	+29.98	+4.88	+9.41
Historic yield	1.07	1.27	1.38
Other information			
Closing NAV (\$'000)	48,796	37,211	27,426
Closing NAV (%)	5.44	5.05	3.93
Number of shares	1,221,239	1,239,831	1,034,286
Highest share price (UK p)	2,934.66	2,384.77	2,279.31
Lowest share price (UK p)	2,200.83	1,769.48	1,747.30

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Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	2,527.16	2,409.49	2,202.35
Return before operating charges	783.67	139.18	227.04
Operating charges	(25.88)	(21.51)	(19.90)
Return after operating charges	757.79	117.67	207.14
Distributions	(8.66)	(10.16)	(20.44)
Retained distributions	8.66	10.16	20.44
Closing NAV	3,284.95	2,527.16	2,409.49
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.36	0.46
Dilution adjustments ^a	(0.08)	(0.23)	(0.40)
Total direct transaction costs	0.00	0.13	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.00	0.01
Operating charges ^c	0.90	0.90	0.92
Return after charges	+29.99	+4.88	+9.41
Historic yield	0.27	0.42	0.58
Other information			
Closing NAV (\$'000)	279,198	219,590	229,078
Closing NAV (%)	31.15	29.80	32.83
Number of shares	6,172,774	6,531,513	7,806,934
Highest share price (UK p)	3,287.38	2,638.91	2,479.30
Lowest share price (UK p)	2,465.35	1,958.05	1,900.61

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	223.34	216.10	201.45
Return before operating charges	69.15	12.45	20.48
Operating charges	(2.91)	(2.46)	(2.09)
Return after operating charges	66.24	9.99	18.39
Distributions	(3.02)	(2.75)	(3.74)
Closing NAV	286.56	223.34	216.10
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.04
Dilution adjustments ^a	(0.01)	(0.02)	(0.04)
Total direct transaction costs	0.00	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.00	0.01
Operating charges ^c	1.15	1.15	1.17
Return after charges	+29.66	+4.62	+9.13
Historic yield	1.07	1.27	1.39
Other information			
Closing NAV (\$'000)	4,836	4,107	2,853
Closing NAV (%)	0.54	0.56	0.41
Number of shares	1,225,646	1,382,346	1,084,153
Highest share price (UK p)	289.80	236.40	226.26
Lowest share price (UK p)	217.79	175.36	173.71

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Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	247.63	236.69	216.88
Return before operating charges	76.68	13.63	22.30
Operating charges	(3.24)	(2.69)	(2.49)
Return after operating charges	73.44	10.94	19.81
Distributions	(0.15)	(0.44)	(1.45)
Retained distributions	0.15	0.44	1.45
Closing NAV	321.07	247.63	236.69
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.05
Dilution adjustments ^a	(0.01)	(0.02)	(0.04)
Total direct transaction costs	0.00	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.00	0.01
Operating charges ^c	1.15	1.15	1.17
Return after charges	+29.66	+4.62	+9.13
Historic yield	0.05	0.18	0.37
Other information			
Closing NAV (\$'000)	22,121	16,143	13,239
Closing NAV (%)	2.47	2.19	1.90
Number of shares	5,003,726	4,900,020	4,592,924
Highest share price (UK p)	321.33	258.92	243.60
Lowest share price (UK p)	241.47	192.07	187.02

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	459.47	445.69	417.48
Return before operating charges	142.07	25.62	42.21
Operating charges	(6.99)	(6.18)	(6.26)
Return after operating charges	135.08	19.44	35.95
Distributions	(6.21)	(5.66)	(7.74)
Closing NAV	588.34	459.47	445.69
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.07	0.09
Dilution adjustments ^a	(0.02)	(0.04)	(0.07)
Total direct transaction costs	0.00	0.03	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.00	0.01
Operating charges ^c	1.34	1.40	1.64
Return after charges	+29.40	+4.36	+8.61
Historic yield	1.07	1.27	1.40
Other information			
Closing NAV (\$'000)	9,846	7,887	7,673
Closing NAV (%)	1.10	1.07	1.10
Number of shares	1,215,490	1,290,306	1,413,602
Highest share price (UK p)	595.04	486.96	466.77
Lowest share price (UK p)	447.84	361.17	359.43

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Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	943.05	903.62	831.96
Return before operating charges	291.62	51.95	85.06
Operating charges	(14.34)	(12.52)	(13.40)
Return after operating charges	277.28	39.43	71.66
Distributions	0.00	0.00	(1.44)
Retained distributions	0.00	0.00	1.44
Closing NAV	1,220.33	943.05	903.62
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.13	0.17
Dilution adjustments ^a	(0.03)	(0.09)	(0.15)
Total direct transaction costs	0.00	0.04	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.00	0.01
Operating charges ^c	1.34	1.40	1.64
Return after charges	+29.40	+4.36	+8.61
Historic yield	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	6,904	5,795	5,343
Closing NAV (%)	0.77	0.79	0.77
Number of shares	410,880	461,928	485,528
Highest share price (UK p)	1,221.32	987.31	930.20
Lowest share price (UK p)	919.20	732.24	716.28

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

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Statement of total return

		2021		2020	
for the year to 31 August	Note	\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains/(losses)	3		239,304		93,413
Revenue	5	10,873		10,435	
Expenses	6	(9,589)		(8,455)	
Net revenue/(expense) before taxation		1,284		1,980	
Taxation	7	(1,567)		(1,137)	
Net revenue/(expense) after taxation			(283)		843
Total return before distributions			239,021		94,256
Distributions	8		(5,021)		(5,128)
Change in net assets attributable to shareholders from investment activities			234,000		89,128

Statement of change in net assets attributable to shareholders

for the year to 31 August	2021		2020	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		736,863		697,719
Amounts received on issue of shares	79,415		37,927	
Amounts paid on cancellation of shares	(154,899)		(88,919)	
		(75,484)		(50,992)
Dilution adjustments		159		91
Change in net assets attributable to shareholders from investment activities (see above)		234,000		89,128
Retained distributions on Accumulation shares		746		911
Unclaimed distributions		9		6
Closing net assets attributable to shareholders		896,293		736,863

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Balance sheet

as at 31 August	Note	2021 \$'000	2020 \$'000
Assets			
Fixed assets			
Investments		878,336	721,667
Current assets			
Debtors	9	3,030	3,156
Cash and bank balances	10	1,543	4,420
Cash equivalents		21,463	21,804
Total assets		904,372	751,047
Liabilities			
Creditors			
Distribution payable		(4,288)	(4,073)
Other creditors	11	(3,311)	(10,111)
Deferred tax provision	7	(480)	0
Total liabilities		(8,079)	(14,184)
Net assets attributable to shareholders		896,293	736,863

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Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 10 to 13.

The fund's functional and presentational currency is US dollars as this better reflects the currency of its primary economic environment.

2 Distribution policy

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

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

3 Net capital gains/(losses)

for the year to 31 August	2021 \$'000	2020 \$'000
Non-derivative securities	239,206	93,802
Currency gains/(losses)	98	(389)
Net capital gains/(losses)	239,304	93,413

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 156 to 157.

for the year to 31 August	2021 \$'000	% of transaction	2020 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	7,599		49,016	
Commissions	3	0.04	25	0.05
Taxes	0	0.00	42	0.09
Total purchases after transaction costs	7,602		49,083	
b) Sales				
Equities				
Equities before transaction costs	90,173		105,776	
Commissions	(17)	0.02	(33)	0.03
Taxes	(4)	0.00	(3)	0.00
Total sales after transaction costs	90,152		105,740	

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	2021 \$'000	% of average NAV	2020 \$'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	20	0.00	58	0.01
Taxes paid				
Equities	4	0.00	45	0.00
Total direct portfolio transaction costs^a	24	0.00	103	0.01
		%		%
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^b		0.05		0.05

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

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

5 Revenue

for the year to 31 August	2021 \$'000	2020 \$'000
Bank interest	0	1
Dividends from equity investments: non-taxable	10,685	10,426
Dividends from equity investments: taxable	163	(119)
Interest distributions	14	120
Rebate of ongoing charges from underlying funds	11	7
Total revenue	10,873	10,435

6 Expenses

for the year to 31 August	2021 \$'000	2020 \$'000
Payable to the ACD or associate		
Annual charge	9,576	8,450
Other expenses		
Interest payable	13	6
Safe custody charge ^a	0	(1)
	13	5
Total expenses	9,589	8,455

Audit fees for the financial year ending 2021 were £10,000 (2020: £9,000) (including VAT), which are covered by the annual charge.

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

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7 Taxation

for the year to 31 August	2021 \$'000	2020 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	1,067	1,137
Capital gains tax (India)	20	0
Deferred tax provision on capital gains tax (India) (note 7c)	480	0
Total taxation	1,567	1,137
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	1,284	1,980
Corporation tax at 20%	257	396
Effects of:		
Dividends from equity investments: non-taxable	(2,137)	(2,085)
Current year expenses not utilised	1,880	1,689
Withholding tax	1,067	1,137
Capital gains tax (India)	500	0
Total tax charge (note 7a)	1,567	1,137
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	480	0
Provision at the end of the year	480	0

The fund has not recognised a deferred tax asset of \$35,433,000 (2020: \$33,553,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

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8 Distributions

for the year to 31 August		2021		2020	
Dividend distributions		Inc ^a	Acc ^b	Inc ^a	Acc ^b
		\$'000	\$'000	\$'000	\$'000
Final		4,288	746	4,073	911
Total net distributions			5,034		4,984
Income deducted on cancellation of shares			422		264
Income received on issue of shares			(435)		(120)
Distributions			5,021		5,128
Net revenue/(expense) per statement of total return			(283)		843
Expenses offset against capital			4,579		4,200
Capital gains tax offset against capital			500		0
Income deficit transferred to capital			225		85
Distributions			5,021		5,128

^a Distributions payable on Income shares.

^b Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2021	2020
	\$'000	\$'000
Amounts receivable on issues of shares	487	0
Currency deals outstanding	0	428
Distributions receivable	1	2
Dividends receivable	617	592
Rebate of ongoing charges from underlying funds	1	1
Withholding tax recoverable	1,924	2,133
Total debtors	3,030	3,156

10 Cash and bank balances

as at 31 August	2021	2020
	\$'000	\$'000
Cash held as bank balances	1,543	4,420
Total cash and bank balances	1,543	4,420

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11 Other creditors

as at 31 August	2021 \$'000	2020 \$'000
Amounts payable on cancellation of shares	2,586	8,617
Annual charge payable	616	440
Corporation tax payable	0	457
Currency deals outstanding	0	424
Payable to M&G (Lux) Global Sustain Paris Aligned Fund	109	173
Total other creditors	3,311	10,111

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2020: contingent asset €461,000).

The UK corporation tax (in lieu of withholding tax) which had been disclosed as a contingent asset in the prior year is deemed no longer contingent.

13 Shares in issue

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

Share class	Opening 01.09.20	Issued	Movements Cancelled	Closing 31.08.21
Sterling				
Class 'A' Income	46,040,094	4,516,539	(8,267,367)	42,289,266
Class 'A' Accumulation	13,016,075	293,692	(2,570,076)	10,739,691
Class 'I' Income	1,239,831	116,567	(135,159)	1,221,239
Class 'I' Accumulation	6,531,513	814,471	(1,173,210)	6,172,774
Class 'R' Income	1,382,346	174,113	(330,813)	1,225,646
Class 'R' Accumulation	4,900,020	595,035	(491,329)	5,003,726
Class 'X' Income	1,290,306	17,193	(92,009)	1,215,490
Class 'X' Accumulation	461,928	11,803	(62,851)	410,880

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14 Charging structure

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

Share class	Annual charge ^a to 14.02.21 %	Annual charge ^a from 15.02.21 %
Sterling		
Class 'A'	1.40	1.30
Class 'I'	0.90	0.90
Class 'R'	1.15	1.15
Class 'X'	1.40	1.30

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

15 Related parties

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

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

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 40.81% (2020: 38.55%) of the fund's shares.

16 Events after the balance sheet date

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

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

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Level 3: Valuation technique using unobservable inputs

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

as at 31 August	Assets 2021 \$'000	Liabilities 2021 \$'000	Assets 2020 \$'000	Liabilities 2020 \$'000
Basis of valuation				
Level 1	878,336	0	721,667	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	878,336	0	721,667	0

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 13 to 14.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by \$43,917,000 (2020: \$36,083,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by \$18,806,000 (2020: \$14,797,000). A five per cent decrease would have an equal and opposite effect.

as at 31 August	2021 \$'000	2020 \$'000
Currency exposure in respect of the fund		
Danish krone	88,540	60,622
Euro	86,850	89,454
Hong Kong dollar	22,077	27,032
Indian rupee	18,708	13,222
Japanese yen	21,233	22,142
Sterling	80,792	39,326
Swiss franc	57,912	44,149
US dollar	520,181	440,916
Total	896,293	736,863

Financial statements and notes

21 Interest rate risk sensitivity and exposure

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

22 Credit risk

Credit risk is not considered significant for the fund as there are no counterparty or derivative balances and is therefore not disclosed.

23 Dividend distribution tables

This fund pays annual ordinary distributions and the following table sets out the distribution period.

Annual distribution period

	Start	End	Xd	Payment
Final	01.09.20	31.08.21	01.09.21	31.10.21

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

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

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

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	0.9829	5.2315	6.2144	5.6625

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	0.0000	0.0000	0.0000	0.0000

Financial statements and notes

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Final	15.0906	15.4948	30.5854	27.7350

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Final	2.8637	5.7948	8.6585	10.1564

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Final	1.8445	1.1794	3.0239	2.7490

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Final	0.1075	0.0440	0.1515	0.4367

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Final	4.8770	1.3369	6.2139	5.6620

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Final	0.0000	0.0000	0.0000	0.0000

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Investment objective

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

Investment policy

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

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

Derivatives may be used for efficient portfolio management.

Investment approach

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

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

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

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

Benchmark up to 16 September 2020

Benchmark: MSCI ACWI Index.

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

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

Benchmark from 17 September 2020

Benchmark: MSCI ACWI Index.

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

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

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

Risk profile

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

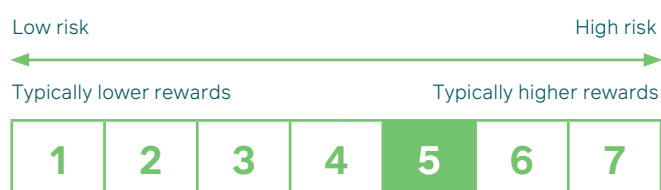
Given its direct and indirect exposure to emerging markets, the fund may be more volatile compared to a fund that invests mainly in the securities of companies in developed countries. The reasons for this greater

Authorised Corporate Director's Report

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 '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 September 2021, for the year ended 31 August 2021

Performance against objective

Between 1 September 2020 (the start of the review period) and 1 September 2021, the fund delivered a positive total return (the combination of income and growth of capital) across all its share classes and outperformed its benchmark, the MSCI ACWI Index, which returned 25.6% in sterling, 30.0% in euros and 28.8% in US dollars. Consequently, over this 12-month

review period, the fund met its objective of providing a higher total return than that of the MSCI ACWI Index, which was introduced on 17 November 2017.

Over five years, the fund generated a positive total return across all its share classes but underperformed its benchmark, which was the FTSE Global Basics Composite Index (comprising all subsectors of the FTSE World Index except media, IT, telecommunications, financials and healthcare) until 16 November 2017 and the MSCI ACWI Index thereafter. The benchmark returned 13.5% pa, 13.0% pa and 14.3% pa in sterling, euros and US dollars respectively, over five years. The fund therefore did not meet the current objective over its specified timeframe of five years.

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

Performance review

Stockmarkets worldwide continued to recover, with the MSCI ACWI Index reaching a record high. The US and Europe led the gains, with Japan lagging behind. Declines in China weighed on returns in Asia Pacific ex Japan and emerging markets.

The dominant feature of the 12-month review period was the change in market leadership at the sector level. News of effective vaccines prompted a dramatic change in sentiment, which resulted in economically sensitive stocks leading the markets higher as investors contemplated a world returning to normal following the devastating effects of COVID-19.

Financials proved to be the standout performer, followed by materials, energy and industrials. Technology outperformed due to the strength in semiconductors; software and hardware underperformed. The weakness in Amazon.com and Alibaba held back returns in consumer discretionary. The defensive areas of consumer staples, utilities and healthcare struggled in an environment of rising bond yields. (Defensive stocks are companies that tend to have stable earnings and are less affected by peaks and troughs in the economy.)

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Against this backdrop, the fund generated a positive return and outperformed its benchmark, the MSCI ACWI Index. Stock selection was the key driver of excess return, with the strongest contributions coming from energy, consumer discretionary and technology stocks.

ONEOK made the biggest positive contribution to performance in a buoyant energy sector. The shares doubled in value during the 12 months under review. The US midstream gas company, which owns and operates pipelines, storage terminals and processing facilities, offers attractive long-term prospects, in our view, driven by its exposure to some of the most prolific basins in North America. Canada's PrairieSky, which receives royalties from oil & gas bearing lands, also added value after the fund's largest holding returned more than 40%.

Garmin added value in consumer discretionary as the shares rose in price to an all-time high. The company continued to deliver strong operating results and raised its guidance for the full year in July. We believe the world leader in GPS navigation and wearable technology is well placed for the long-term growth in the outdoor and fitness markets, driven by the structural trend towards active lifestyles.

Infineon Technologies outperformed as semiconductor stocks rallied. The German company was another beneficiary of robust fundamentals and provided a positive outlook for the full year.

First Republic Bank and Brookfield Asset Management delivered strong gains as financials rallied.

Franco-Nevada led the detractors as its defensive characteristics, which were highly prized during periods of uncertainty, were shunned in an environment of increasing optimism about economic growth. The royalty company, which owns rights to cashflows from mineral landholdings including those producing gold, remains financially robust with a debt-free balance sheet, and remains committed to a sustainable and progressive dividend. The stock provides diversification benefits for the portfolio and remains a core holding.

Air Products was another notable laggard, having recovered quickly in the immediate aftermath of the pandemic. We believe the industrial gas company has a key role to play in the journey towards zero carbon. The long-term investment case remains unchanged.

Tencent shares came under pressure following a crackdown by China's anti-monopoly regulators. The share price decline was severe and unhelpful, but the negative effect was mitigated by the fund's zero exposure to Chinese tech giant Alibaba. Although the situation is unsettling, we continue to believe that Tencent plays a crucial role in the structural trend of connectivity owing to its position as the leading provider of internet services in China. We own the Hong Kong-listed shares

Investment activities

We made six new purchases matched by six complete sales during the 12-month review period, a level of turnover consistent with our long-term investment horizon of three to five years.

We initiated a holding in Intel in November as we saw a rare value opportunity in the technology sector. The semiconductor behemoth has been under pressure due to market share losses to AMD, but we believed that the share price did not reflect the company's dominance in processors and the explosive growth in the data centre business. The potential for Intel to participate in the next technological wave, artificial intelligence, is underappreciated, in our view.

We bought Weichai Power, China's research and development leader in heavy-duty truck engines, in December. The company has a high quality core business which we feel is well placed to benefit from the upgrade in emission standards. The investment case also provides optionality by way of long-term growth opportunities in alternative fuel engines, including the emerging technology of hydrogen fuel cells. We bought the Hong Kong-listed stock.

Labcorp and Anthem were the new additions in healthcare. Labcorp is a clinical labs company with potential to increase share in a fragmented US market and a beneficiary of the structural growth in healthcare

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spending driven by demographic trends. COVID-19 provides a short-term opportunity and highlights the long-term need for adequate testing. The valuation does not reflect the long-term tailwinds, in our view. We also bought Anthem, a managed care organization (MCO) in the US, which continues to deliver strong growth against the backdrop of an ageing society. We believe that the company's robust fundamentals are not adequately reflected in the share price.

We also bought L'Oreal in consumer staples. The French company is a world leader in beauty products, a market which remained resilient during the global health crisis and is poised to thrive with a recovery in consumer spending when lockdown restrictions are eased. From a geographic perspective, China presents an excellent growth opportunity over the long term.

Acciona Energia was the final purchase during the review period. We participated in the initial public offering (IPO) of the Spanish renewable energy business which was priced at the lower end of the indicative range and we felt provided an attractive entry point for a company exposed to the structural growth trend in renewables.

Our legacy holdings in Linde, the industrial gases company, and Kerry Group, a nutrition business, provided a source of cash.

Edison International, the Californian utility, was sold for the same reason to accommodate new investment ideas with better growth prospects. We also exited Naturgy Energy in utilities. Shares of the world leader in liquefied natural gas (LNG), a key transition fuel, rallied strongly after IFM Global Infrastructure Fund, which is owned by Australian pension funds, offered to pay a 20% premium for a 23% stake in the company.

The disposal of TC Energy reflected our desire to consolidate our midstream energy holdings into our conviction position in ONEOK.

Elsewhere, we gained a new holding in Siemens Energy which was spun off from its parent company, Siemens. We are retaining Siemens Energy as a long-term holding owing to its key role in enabling the global

energy transition from conventional to renewable energy. By contrast, we sold our allocated shares in Brookfield Asset Management Reinsurance, which we acquired as a shareholder in Brookfield Asset Management. The reinsurance shares are fully exchangeable into Brookfield Asset Management shares and we considered them the same as the parent company's shares. We sold the reinsurance shares following strong performance.

The contingent value rights (CVRs - a right often granted to shareholders of a company facing restructuring or a buyout) for Bristol Myers Squibb lapsed and no longer trade on the New York Stock Exchange.

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

Outlook

There is ample evidence to suggest that the corporate world is in good shape: cashflows have recovered strongly from the dark days of the pandemic and dividends, a key signal of future confidence, are flowing freely once more. Stockmarkets have rallied strongly to reflect the reality of an economic reopening, but we continue to see significant valuation disparities which provide attractive investment opportunities. Being selective will be paramount.

For all the excitement about an economic reopening, we prefer to look beyond the recovery and focus our attention on the long-term trends that underpin our thematic approach. We remain undeterred in our belief that the fund's four themes – demographics, environment, infrastructure and innovation – will persist for many decades to come and that the beneficiaries of these powerful tailwinds can generate profitable growth for a variety of stakeholders, including employees, customers, shareholders and the broader society.

The ability to generate cashflow is absolutely critical in our company analysis. History is littered with examples of blue sky concepts which never turned a profit.

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Fleeting fads and speculative manias are seldom rewarding over the long term. Persistent loss makers are usually cast aside and forgotten in the annals of history.

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

Alex Araujo

Fund manager

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

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

Investments

Portfolio statement

Holding	as at 31.08.21 \$'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities	3,230,140	98.19	99.19
United Kingdom	115,959	3.53	4.42
281,619 AstraZeneca	32,999	1.01	
892,063 Unilever	49,432	1.50	
1,999,213 UNITE REIT	33,528	1.02	
Austria	45,327	1.38	1.13
1,136,858 Erste Group Bank	45,327	1.38	
Belgium	49,880	1.52	1.21
591,140 KBC	49,880	1.52	
Denmark	35,661	1.08	1.66
222,731 Ørsted	35,661	1.08	
Finland	55,095	1.67	2.07
9,099,811 Nokia	55,095	1.67	
France	99,445	3.02	1.95
101,697 L'Oréal	47,462	1.44	
486,651 Vinci	51,983	1.58	
Germany	186,586	5.67	6.14
1,626,773 Infineon Technologies	70,116	2.13	
389,737 Siemens	65,172	1.98	
1,750,649 Siemens Energy	51,298	1.56	
Ireland	0	0.00	0.95
Italy	33,027	1.00	0.98
3,606,538 Enel	33,027	1.00	
Netherlands	33,267	1.01	1.02
146,201 NXP Semiconductors	33,267	1.01	
Spain	109,593	3.33	2.81
1,771,640 Acciona Energias Renovables	62,501	1.90	
1,630,820 Ferrovial	47,092	1.43	
Sweden	30,487	0.93	1.00
1,373,444 Epiroc	30,487	0.93	
Switzerland	140,266	4.26	3.75
404,033 Garmin	72,071	2.19	
170,885 Roche	68,195	2.07	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 \$'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
United States	1,436,505	43.67	41.29
220,738 Air Products & Chemicals	59,643	1.81	
115,750 American Tower REIT	33,760	1.03	
185,508 American Water Works	33,872	1.03	
126,058 Anthem	46,713	1.42	
259,668 Becton Dickinson	65,055	1.98	
730,811 Bristol-Myers Squibb	49,118	1.49	
551,023 Cheniere Energy	49,003	1.49	
1,106,505 Comcast	66,069	2.01	
350,108 CoreSite Realty REIT	51,466	1.56	
323,627 Crown Castle International REIT	62,234	1.89	
1,449,132 CSX	47,952	1.46	
933,282 CVS Health	78,974	2.40	
39,546 Equinix REIT	33,220	1.01	
413,851 First Republic Bank	82,042	2.49	
1,265,810 Intel	68,278	2.08	
279,702 Johnson & Johnson	48,573	1.48	
114,115 LabCorp	34,583	1.05	
88,928 Martin Marietta Materials	34,036	1.03	
336,280 Microsoft	102,068	3.10	
148,083 Motorola Solutions	36,206	1.10	
391,245 NextEra Energy	32,849	1.00	
1,163,890 ONEOK	61,721	1.88	
312,875 PepsiCo	48,805	1.48	
545,143 Republic Services	67,739	2.06	
136,753 Visa	31,613	0.96	
238,555 Walt Disney	42,930	1.31	
1,874,878 Weyerhaeuser REIT	67,983	2.07	
Canada	356,049	10.82	11.63
968,799 Brookfield Asset Management	54,621	1.66	
650,128 Franco-Nevada	93,649	2.85	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 \$'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Canada (continued)			
3,277,709 Manulife Financial	64,014	1.94	
13,092,327 PrairieSky Royalty	143,765	4.37	
Australia	84,566	2.57	3.44
326,423 Erinbar ^b	0	0.00	
26,149,511 Starpharma	22,602	0.69	
5,965,591 Transurban	61,964	1.88	
Japan	129,929	3.95	4.50
165,500 Shimano	48,559	1.48	
933,400 Toyota Motor	81,370	2.47	
China	35,028	1.07	0.00
13,978,000 Weichai Power	35,028	1.07	
Hong Kong	158,180	4.81	5.53
4,686,768 AIA	55,984	1.70	
35,524,000 Kunlun Energy	37,480	1.14	
1,047,400 Tencent	64,716	1.97	
Singapore	32,141	0.98	1.38
1,441,078 DBS	32,141	0.98	
South Korea	63,149	1.92	2.33
955,856 Samsung Electronics	63,149	1.92	
Total portfolio (notes 2c & 2d on page 10)	3,230,140	98.19	99.19
Net other assets/(liabilities)	59,661	1.81	0.81
Net assets attributable to shareholders	3,289,801	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 due to the prior year fair value adjustment.

^b Unlisted/unquoted.

Investments

Top ten portfolio transactions for the year to 31 August 2021

Largest purchases	\$'000
Intel	67,315
Acciona Energias Renovables	56,292
Siemens Energy	50,862
Anthem	46,446
L'Oréal	45,917
LabCorp	33,111
Weichai Power	29,355
Unilever	28,315
Franco Nevada	24,928
Tencent	20,214
Other purchases	353,491
Total purchases	756,246

Largest sales	\$'000
First Republic Bank	65,626
TC Energy	58,801
ONEOK	39,850
Naturgy Energy	38,323
Samsung Electronics	37,853
Infineon Technologies	37,767
Ørsted	36,920
London Stock Exchange	35,751
Edison International	35,445
Weyerhaeuser REIT	33,443
Other sales	830,533
Total sales	1,250,312

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value as at	31.08.21 \$'000	31.08.20 \$'000	31.08.19 \$'000
Fund net asset value (NAV)	3,289,801	2,905,044	2,678,721

Performance since launch

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

November 2000 = 100, plotted monthly
Chart date 1 September 2021



Source: Morningstar, Inc. and M&G

* Income reinvested

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

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

Financial highlights

Long-term performance by share class

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period to 15 December 2020 for the US dollar Class 'A' Income and Class 'C' Income and Accumulation share classes and 1 September 2021 for the sterling, euro and US dollar Class 'A' Accumulation share classes. Calculated on a price to price basis with income reinvested. Please refer to 'Specific share class performance' tables for the share class launch dates.

Share class	One year 01.09.20 % ^a	Three years 03.09.18 % pa	Five years 01.09.16 % pa	Since launch % pa
Euro				
Class 'A'	+33.0	+14.8	+11.6	+8.4
Class 'C'	+34.3	+16.0	+12.7	+9.5
Sterling				
Class 'A'	+29.1	+13.5	+12.4	+8.1
Class 'I'	+29.6	+14.1	+13.1	+10.6
Class PP'	+29.9	n/a	n/a	+18.2
Class 'R'	+29.3	+13.8	+12.8	+10.4
Class 'X'	+29.1	+13.5	+12.4	+14.3
US dollar				
Class 'A'	+31.1	+15.5	+12.9	+5.1
Class 'C'	+9.1	+12.4	+11.4	+5.0

^a Not annualised.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

Portfolio transaction costs

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

- **Direct portfolio transaction costs:** Broker execution commission and taxes.

Financial highlights

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

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

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

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

Portfolio transaction costs

for the year to 31 August	2021	2020	2019	Average ^a
Direct portfolio transaction costs ^b	%	%	%	%
Broker commission	0.02	0.02	0.07	0.03
Taxes	0.02	0.02	0.04	0.03
Costs before dilution adjustments	0.04	0.04	0.11	0.06
Dilution adjustments ^c	(0.01)	(0.02)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.03	0.02	0.10	0.05
as at 31 August	2021	2020	2019	Average ^a
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.09	0.19	0.25	0.18

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

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

Historic yields for the current year are calculated as at 10 September 2021.

Financial highlights

Euro Class 'A' Income share performance

The share class was launched on 12 July 2013.

for the year to 31 August Change in NAV per share	2021 Euro ¢	2020 Euro ¢	2019 Euro ¢
Opening NAV	3,413.00	3,355.12	3,119.11
Return before operating charges	1,172.60	187.73	360.58
Operating charges	(73.31)	(63.38)	(59.62)
Return after operating charges	1,099.29	124.35	300.96
Distributions	(70.10)	(66.47)	(64.95)
Closing NAV	4,442.19	3,413.00	3,355.12
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.75	1.32	3.46
Dilution adjustments ^a	(0.58)	(0.54)	(0.40)
Total direct transaction costs	1.17	0.78	3.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.02	0.10
Operating charges ^c	1.86	1.86	1.92
Return after charges	+32.21	+3.71	+9.65
Historic yield	1.59	1.99	1.69
Other information			
Closing NAV (\$'000)	5,817	6,579	5,258
Closing NAV (%)	0.18	0.23	0.20
Number of shares	110,647	161,938	141,928
Highest share price (Euro ¢)	4,526.78	3,871.78	3,432.94
Lowest share price (Euro ¢)	3,281.37	2,601.16	2,729.51

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2021 Euro ¢	2020 Euro ¢	2019 Euro ¢
Opening NAV	3,713.22	3,580.57	3,265.29
Return before operating charges	1,276.08	200.26	377.68
Operating charges	(80.54)	(67.61)	(62.40)
Return after operating charges	1,195.54	132.65	315.28
Distributions	0.00	(7.71)	(4.46)
Retained distributions	0.00	7.71	4.46
Closing NAV	4,908.76	3,713.22	3,580.57
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.93	1.41	3.62
Dilution adjustments ^a	(0.64)	(0.57)	(0.42)
Total direct transaction costs	1.29	0.84	3.20
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.02	0.10
Operating charges ^c	1.86	1.86	1.92
Return after charges	+32.20	+3.70	+9.66
Historic yield	0.00	0.21	0.00
Other information			
Closing NAV (\$'000)	2,084,155	1,732,940	1,711,878
Closing NAV (%)	63.35	59.65	63.90
Number of shares	35,876,406	39,204,905	43,300,407
Highest share price (Euro ¢)	4,924.51	4,131.89	3,594.06
Lowest share price (Euro ¢)	3,569.67	2,775.91	2,857.61

Financial highlights

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2021 Euro ¢	2020 Euro ¢	2019 Euro ¢
Opening NAV	3,981.39	3,874.79	3,566.16
Return before operating charges	1,375.87	217.75	416.12
Operating charges	(40.26)	(33.99)	(32.82)
Return after operating charges	1,335.61	183.76	383.30
Distributions	(82.20)	(77.16)	(74.67)
Closing NAV	5,234.80	3,981.39	3,874.79
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.08	1.54	3.98
Dilution adjustments ^a	(0.69)	(0.62)	(0.46)
Total direct transaction costs	1.39	0.92	3.52
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.02	0.10
Operating charges ^c	0.86	0.86	0.92
Return after charges	+33.55	+4.74	+10.75
Historic yield	1.58	1.98	1.67
Other information			
Closing NAV (\$'000)	1,995	1,536	1,386
Closing NAV (%)	0.06	0.05	0.05
Number of shares	32,205	32,405	32,405
Highest share price (Euro ¢)	5,331.30	4,492.38	3,960.40
Lowest share price (Euro ¢)	3,830.79	3,021.05	3,130.84

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2021 Euro ¢	2020 Euro ¢	2019 Euro ¢
Opening NAV	4,447.84	4,246.28	3,834.19
Return before operating charges	1,525.63	238.94	447.19
Operating charges	(34.12)	(37.38)	(35.10)
Return after operating charges	1,491.51	201.56	412.09
Distributions	(46.39)	(49.70)	(44.93)
Retained distributions	46.39	49.70	44.93
Closing NAV	5,939.35	4,447.84	4,246.28
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.76	1.69	4.25
Dilution adjustments ^a	(0.58)	(0.69)	(0.50)
Total direct transaction costs	1.18	1.00	3.75
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.02	0.10
Operating charges ^c	0.86	0.86	0.92
Return after charges	+33.53	+4.75	+10.75
Historic yield	0.79	1.14	0.81
Other information			
Closing NAV (\$'000)	7,593	184,696	13,397
Closing NAV (%)	0.23	6.36	0.50
Number of shares	108,022	3,488,303	285,735
Highest share price (Euro ¢)	5,955.32	4,923.28	4,258.34
Lowest share price (Euro ¢)	4,279.18	3,310.84	3,366.37

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 28 February 1973.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	1,002.02	993.10	911.11
Return before operating charges	292.57	41.69	115.97
Operating charges	(14.98)	(13.30)	(14.78)
Return after operating charges	277.59	28.39	101.19
Distributions	(19.82)	(19.47)	(19.20)
Closing NAV	1,259.79	1,002.02	993.10
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.51	0.38	1.00
Dilution adjustments ^a	(0.17)	(0.15)	(0.12)
Total direct transaction costs	0.34	0.23	0.88
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.02	0.10
Operating charges ^c	1.31	1.36	1.65
Return after charges	+27.70	+2.86	+11.11
Historic yield	1.58	2.00	1.64
Other information			
Closing NAV (\$'000)	167,319	149,845	144,504
Closing NAV (%)	5.09	5.16	5.39
Number of shares	9,645,880	11,240,858	11,948,404
Highest share price (UK p)	1,278.78	1,060.73	1,018.69
Lowest share price (UK p)	977.16	790.66	802.05

Sterling Class 'A' Accumulation share performance

The share class was launched on 28 February 1973.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	1,648.62	1,602.82	1,442.51
Return before operating charges	481.19	67.25	183.71
Operating charges	(24.67)	(21.45)	(23.40)
Return after operating charges	456.52	45.80	160.31
Distributions	(8.18)	(10.94)	(6.07)
Retained distributions	8.18	10.94	6.07
Closing NAV	2,105.14	1,648.62	1,602.82
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.84	0.61	1.58
Dilution adjustments ^a	(0.28)	(0.25)	(0.18)
Total direct transaction costs	0.56	0.36	1.40
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.02	0.10
Operating charges ^c	1.30	1.36	1.65
Return after charges	+27.69	+2.86	+11.11
Historic yield	0.39	0.68	0.15
Other information			
Closing NAV (\$'000)	355,260	291,237	295,883
Closing NAV (%)	10.80	10.02	11.05
Number of shares	12,256,391	13,278,877	15,158,538
Highest share price (UK p)	2,103.76	1,711.95	1,612.96
Lowest share price (UK p)	1,607.56	1,276.07	1,269.93

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	1,711.05	1,687.32	1,536.70
Return before operating charges	500.79	71.21	197.07
Operating charges	(16.94)	(14.32)	(13.93)
Return after operating charges	483.85	56.89	183.14
Distributions	(33.93)	(33.16)	(32.52)
Closing NAV	2,160.97	1,711.05	1,687.32
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.88	0.65	1.69
Dilution adjustments ^a	(0.29)	(0.26)	(0.20)
Total direct transaction costs	0.59	0.39	1.49
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.02	0.10
Operating charges ^c	0.86	0.86	0.92
Return after charges	+28.28	+3.37	+11.92
Historic yield	1.58	2.00	1.62
Other information			
Closing NAV (\$'000)	72,505	60,292	60,204
Closing NAV (%)	2.20	2.08	2.25
Number of shares	2,436,770	2,648,682	2,929,887
Highest share price (UK p)	2,193.46	1,806.51	1,729.96
Lowest share price (UK p)	1,670.01	1,347.16	1,356.06

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	1,943.31	1,879.96	1,679.67
Return before operating charges	568.53	79.31	215.52
Operating charges	(19.24)	(15.96)	(15.23)
Return after operating charges	549.29	63.35	200.29
Distributions	(19.47)	(21.71)	(19.85)
Retained distributions	19.47	21.71	19.85
Closing NAV	2,492.60	1,943.31	1,879.96
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.00	0.72	1.85
Dilution adjustments ^a	(0.33)	(0.29)	(0.22)
Total direct transaction costs	0.67	0.43	1.63
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.02	0.10
Operating charges ^c	0.86	0.86	0.92
Return after charges	+28.27	+3.37	+11.92
Historic yield	0.79	1.15	0.79
Other information			
Closing NAV (\$'000)	369,113	297,667	267,712
Closing NAV (%)	11.22	10.25	9.99
Number of shares	10,754,838	11,513,938	11,693,471
Highest share price (UK p)	2,490.96	2,012.73	1,891.03
Lowest share price (UK p)	1,896.51	1,500.94	1,482.31

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	101.76	100.15	100.00
Return before operating charges	29.86	4.23	2.10
Operating charges	(0.83)	(0.65)	(0.05)
Return after operating charges	29.03	3.58	2.05
Distributions	(2.02)	(1.97)	(1.90)
Closing NAV	128.77	101.76	100.15
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.04	0.01
Dilution adjustments ^a	(0.02)	(0.02)	0.00
Total direct transaction costs	0.04	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.02	0.10
Operating charges	0.66	0.66	0.66
Return after charges	+28.53	+3.57	+2.05
Historic yield	1.58	2.00	1.69
Other information			
Closing NAV (\$'000)	2,422	203	169
Closing NAV (%)	0.07	0.01	0.01
Number of shares	1,366,092	149,885	138,924
Highest share price (UK p)	130.71	107.33	102.60
Lowest share price (UK p)	99.35	80.05	99.24

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	115.72	111.72	100.00
Return before operating charges	33.90	4.73	12.02
Operating charges	(0.89)	(0.73)	(0.30)
Return after operating charges	33.01	4.00	11.72
Distributions	(1.42)	(1.50)	(1.27)
Retained distributions	1.42	1.50	1.27
Closing NAV	148.73	115.72	111.72
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.04	0.05
Dilution adjustments ^a	(0.02)	(0.02)	(0.01)
Total direct transaction costs	0.04	0.02	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.02	0.10
Operating charges ^c	0.66	0.66	0.67
Return after charges	+28.53	+3.58	+11.72
Historic yield	0.96	1.34	0.60
Other information			
Closing NAV (\$'000)	958	536	188
Closing NAV (%)	0.03	0.02	0.01
Number of shares	468,034	348,033	138,014
Highest share price (UK p)	148.63	119.72	112.36
Lowest share price (UK p)	112.97	89.30	99.20

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	169.51	167.58	153.00
Return before operating charges	49.56	7.05	19.58
Operating charges	(2.17)	(1.83)	(1.77)
Return after operating charges	47.39	5.22	17.81
Distributions	(3.36)	(3.29)	(3.23)
Closing NAV	213.54	169.51	167.58
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.06	0.17
Dilution adjustments ^a	(0.03)	(0.03)	(0.02)
Total direct transaction costs	0.06	0.03	0.15
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.02	0.10
Operating charges ^c	1.11	1.11	1.17
Return after charges	+27.96	+3.11	+11.64
Historic yield	1.58	2.00	1.63
Other information			
Closing NAV (\$'000)	6,159	4,738	4,206
Closing NAV (%)	0.19	0.16	0.16
Number of shares	2,094,676	2,101,303	2,061,137
Highest share price (UK p)	216.75	179.20	171.86
Lowest share price (UK p)	165.37	133.60	134.91

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	190.48	184.73	165.47
Return before operating charges	55.67	7.77	21.17
Operating charges	(2.44)	(2.02)	(1.91)
Return after operating charges	53.23	5.75	19.26
Distributions	(1.36)	(1.70)	(1.52)
Retained distributions	1.36	1.70	1.52
Closing NAV	243.71	190.48	184.73
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.07	0.18
Dilution adjustments ^a	(0.03)	(0.03)	(0.02)
Total direct transaction costs	0.07	0.04	0.16
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.02	0.10
Operating charges ^c	1.11	1.11	1.17
Return after charges	+27.95	+3.11	+11.64
Historic yield	0.56	0.92	0.58
Other information			
Closing NAV (\$'000)	29,568	22,124	19,127
Closing NAV (%)	0.90	0.76	0.71
Number of shares	8,811,115	8,730,287	8,502,016
Highest share price (UK p)	243.55	197.55	185.87
Lowest share price (UK p)	185.82	147.28	145.90

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	1,005.28	996.34	914.07
Return before operating charges	293.56	41.81	116.36
Operating charges	(15.05)	(13.34)	(14.83)
Return after operating charges	278.51	28.47	101.53
Distributions	(19.89)	(19.53)	(19.26)
Closing NAV	1,263.90	1,005.28	996.34
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.51	0.38	1.00
Dilution adjustments ^a	(0.17)	(0.15)	(0.12)
Total direct transaction costs	0.34	0.23	0.88
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.02	0.10
Operating charges ^c	1.30	1.36	1.65
Return after charges	+27.70	+2.86	+11.11
Historic yield	1.58	2.00	1.64
Other information			
Closing NAV (\$'000)	55,735	45,963	44,642
Closing NAV (%)	1.69	1.58	1.67
Number of shares	3,202,676	3,436,769	3,679,292
Highest share price (UK p)	1,282.95	1,064.19	1,022.01
Lowest share price (UK p)	980.34	793.24	804.66

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	1,632.43	1,587.10	1,428.35
Return before operating charges	476.47	66.58	181.92
Operating charges	(24.42)	(21.25)	(23.17)
Return after operating charges	452.05	45.33	158.75
Distributions	(8.10)	(10.83)	(6.01)
Retained distributions	8.10	10.83	6.01
Closing NAV	2,084.48	1,632.43	1,587.10
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.83	0.61	1.56
Dilution adjustments ^a	(0.28)	(0.25)	(0.18)
Total direct transaction costs	0.55	0.36	1.38
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.02	0.10
Operating charges ^c	1.30	1.36	1.65
Return after charges	+27.69	+2.86	+11.11
Historic yield	0.39	0.68	0.15
Other information			
Closing NAV (\$'000)	104,612	87,924	89,535
Closing NAV (%)	3.18	3.03	3.34
Number of shares	3,644,868	4,048,615	4,632,482
Highest share price (UK p)	2,083.11	1,695.14	1,597.12
Lowest share price (UK p)	1,591.78	1,263.54	1,257.47

Financial highlights

US dollar Class 'A' Income share performance

The share class was launched on 8 August 2014. The share class closed on 15 December 2020.

for the year to 31 August Change in NAV per share	2021 US ¢	2020 US ¢	2019 US ¢
Opening NAV	1,445.21	1,317.67	1,294.54
Return before operating charges	146.57	180.77	72.60
Operating charges	(8.16)	(25.19)	(23.95)
Return after operating charges	138.41	155.58	48.65
Distributions	n/a	(28.04)	(25.52)
Return to shareholder as a result of share class closure	(1,583.62)	n/a	n/a
Closing NAV	0.00	1,445.21	1,317.67
Direct transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.66	0.53	1.39
Dilution adjustments ^a	(0.06)	(0.21)	(0.16)
Total direct transaction costs	0.60	0.32	1.23
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.02	0.10
Operating charges ^c	1.86	1.86	1.92
Return after charges	+9.58	+11.81	+3.76
Historic yield	0.00	1.99	1.77
Other information			
Closing NAV (\$'000)	0	17	56
Closing NAV (%)	0.00	0.00	0.00
Number of shares	0	1,204	4,215
Highest share price (US ¢)	1,597.09	1,492.68	1,366.55
Lowest share price (US ¢)	1,358.96	990.52	1,105.71

US dollar Class 'A' Accumulation share performance

The share class was launched on 9 March 2007.

for the year to 31 August Change in NAV per share	2021 US ¢	2020 US ¢	2019 US ¢
Opening NAV	1,567.50	1,401.98	1,351.12
Return before operating charges	526.92	192.33	75.95
Operating charges	(34.35)	(26.81)	(25.09)
Return after operating charges	492.57	165.52	50.86
Distributions	0.00	(3.21)	(1.75)
Retained distributions	0.00	3.21	1.75
Closing NAV	2,060.07	1,567.50	1,401.98
Direct transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.82	0.56	1.46
Dilution adjustments ^a	(0.27)	(0.23)	(0.17)
Total direct transaction costs	0.55	0.33	1.29
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.02	0.10
Operating charges ^c	1.86	1.86	1.92
Return after charges	+31.42	+11.81	+3.76
Historic yield	0.00	0.21	0.00
Other information			
Closing NAV (\$'000)	26,590	18,686	20,522
Closing NAV (%)	0.81	0.64	0.77
Number of shares	1,290,733	1,192,076	1,463,766
Highest share price (US ¢)	2,058.72	1,588.17	1,426.36
Lowest share price (US ¢)	1,473.79	1,053.89	1,154.11

Financial highlights

US dollar Class 'C' Income share performance

The share class was launched on 8 August 2014. The share class closed on 15 December 2020.

for the year to 31 August Change in NAV per share	2021 US ¢	2020 US ¢	2019 US ¢
Opening NAV	1,601.22	1,445.32	1,405.70
Return before operating charges	162.74	199.45	79.84
Operating charges	(4.11)	(12.54)	(12.27)
Return after operating charges	158.63	186.91	67.57
Distributions	n/a	(31.01)	(27.95)
Return to shareholder as a result of share class closure	(1,759.85)	n/a	n/a
Closing NAV	0.00	1,601.22	1,445.32
Direct transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.73	0.58	1.53
Dilution adjustments ^a	(0.07)	(0.23)	(0.18)
Total direct transaction costs	0.66	0.35	1.35
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.02	0.10
Operating charges ^c	0.84	0.84	0.90
Return after charges	+9.91	+12.93	+4.81
Historic yield	0.00	1.99	1.75
Other information			
Closing NAV (\$'000)	0	6	6
Closing NAV (%)	0.00	0.00	0.00
Number of shares	0	401	401
Highest share price (US ¢)	1,774.77	1,645.02	1,496.45
Lowest share price (US ¢)	1,506.83	1,092.69	1,204.50

US dollar Class 'C' Accumulation share performance

The share class was launched on 9 March 2007. The share class closed on 15 December 2020.

for the year to 31 August Change in NAV per share	2021 US ¢	2020 US ¢	2019 US ¢
Opening NAV	1,789.13	1,584.37	1,511.73
Return before operating charges	181.65	218.77	86.25
Operating charges	(4.67)	(14.01)	(13.61)
Return after operating charges	176.98	204.76	72.64
Distributions	n/a	(19.99)	(16.66)
Retained distributions	n/a	19.99	16.66
Return to shareholder as a result of share class closure	(1,966.11)	n/a	n/a
Closing NAV	0.00	1,789.13	1,584.37
Direct transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.82	0.63	1.64
Dilution adjustments ^a	(0.08)	(0.26)	(0.19)
Total direct transaction costs	0.74	0.37	1.45
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.02	0.10
Operating charges ^c	0.86	0.86	0.92
Return after charges	+9.89	+12.92	+4.81
Historic yield	0.00	1.15	0.85
Other information			
Closing NAV (\$'000)	0	55	48
Closing NAV (%)	0.00	0.00	0.00
Number of shares	0	3,051	3,051
Highest share price (US ¢)	1,982.79	1,803.19	1,609.39
Lowest share price (US ¢)	1,683.48	1,197.74	1,295.48

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

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Statement of total return

		2021		2020	
for the year to 31 August	Note	\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains/(losses)	3		845,739		308,027
Revenue	5	60,577		61,641	
Expenses	6	(49,179)		(42,648)	
Net revenue/(expense) before taxation		11,398		18,993	
Taxation	7	(6,131)		(6,273)	
Net revenue/(expense) after taxation			5,267		12,720
Total return before distributions			851,006	320,747	
Distributions	8		(10,650)		(15,973)
Change in net assets attributable to shareholders from investment activities			840,356	304,774	

Statement of change in net assets attributable to shareholders

for the year to 31 August	2021		2020	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		2,905,044		2,678,721
Amounts received on issue of shares	122,518		293,714	
Amounts paid on cancellation of shares	(583,795)		(384,727)	
		(461,277)		(91,013)
Dilution adjustments		761		811
Change in net assets attributable to shareholders from investment activities (see above)		840,356		304,774
Retained distributions on Accumulation shares		4,905		11,744
Unclaimed distributions		12		7
Closing net assets attributable to shareholders		3,289,801		2,905,044

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Balance sheet

as at 31 August	Note	2021 \$'000	2020 \$'000
Assets			
Fixed assets			
Investments		3,230,140	2,881,322
Current assets			
Debtors	9	7,495	7,031
Cash and bank balances	10	62,665	26,702
Total assets		3,300,300	2,915,055
Liabilities			
Creditors			
Distribution payable		(4,906)	(5,227)
Other creditors	11	(5,593)	(4,784)
Total liabilities		(10,499)	(10,011)
Net assets attributable to shareholders		3,289,801	2,905,044

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Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 10 to 13.

The fund's functional and presentational currency is US dollars as this better reflects the currency of its primary economic environment.

2 Distribution policy

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

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

3 Net capital gains/(losses)

for the year to 31 August	2021 \$'000	2020 \$'000
Non-derivative securities	845,040	307,155
Currency gains/(losses)	699	867
Transaction charges	0	5
Net capital gains/(losses)	845,739	308,027

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4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 183 to 184.

for the year to 31 August	2021 \$'000	% of transaction	2020 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	754,584		799,501	
Commissions	261	0.03	300	0.04
Taxes	507	0.07	286	0.04
Equities after transaction costs	755,352		800,087	
Other transaction types				
Corporate actions	894		0	
Total purchases after transaction costs	756,246		800,087	
b) Sales				
Equities				
Equities before transaction costs	1,250,923		887,342	
Commissions	(444)	0.04	(318)	0.04
Taxes	(167)	0.01	(129)	0.01
Total sales after transaction costs	1,250,312		886,895	
	2021 \$'000	% of average NAV	2020 \$'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	705	0.02	618	0.02
Taxes paid				
Equities	674	0.02	415	0.02
Total direct portfolio transaction costs^a	1,379	0.04	1,033	0.04
		%		%
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^b		0.09		0.19

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

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

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5 Revenue

for the year to 31 August	2021 \$'000	2020 \$'000
Bank interest	18	10
Dividends from equity investments: non-taxable	54,025	56,416 ^a
Dividends from equity investments: taxable	1,979	1,776 ^a
Property distribution: non-taxable	0	33 ^a
Property distribution: taxable	3,906	3,406 ^a
Stock dividends	649	0
Total revenue	60,577	61,641

^a The prior year amounts have been restated due to the reclassification of revenue in the current year.

6 Expenses

for the year to 31 August	2021 \$'000	2020 \$'000
Payable to the ACD or associate		
Annual charge	49,134	42,632
Other expenses		
Interest payable	46	41
Safe custody charge ^a	(1)	(25)
	45	16
Total expenses	49,179	42,648

Audit fees for the financial year ending 2021 were £10,000 (2020: £9,000) (including VAT), which are covered by the annual charge.

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

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7 Taxation

for the year to 31 August	2021 \$'000	2020 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	5,981	6,273
Withholding tax on capital gains (US)	150	0
Deferred tax (note 7c)	0	0
Total taxation	6,131	6,273
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	11,398	18,993
Corporation tax at 20%	2,280	3,799
Effects of:		
Dividends from equity investments: non-taxable	(10,805)	(11,290)
Capital income subject to taxation	200	0
Stock dividends not taxable	(130)	0
Current year expenses not utilised	8,600	7,603
Withholding tax	5,981	6,273
Withholding tax expensed	(145)	(112)
Withholding tax on capital gains (US)	150	0
Total tax charge (note 7a)	6,131	6,273
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of \$193,944,000 (2020: \$185,344,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

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8 Distributions

for the year to 31 August		2021		2020	
Dividend distributions		Inc ^a	Acc ^b	Inc ^a	Acc ^b
		\$'000	\$'000	\$'000	\$'000
Final		4,906	4,905	5,227	11,744
Total net distributions			9,811		16,971
Income deducted on cancellation of shares			1,079		976
Income received on issue of shares			(240)		(1,974)
Distributions			10,650		15,973
Net revenue/(expense) per statement of total return			5,267		12,720
Expenses offset against capital			3,590		3,253
Stock dividends not distributed			(649)		0
Capital gains tax offset against capital			150		0
Income deficit transferred to capital			2,292		0
Distributions			10,650		15,973

^a Distributions payable on Income shares.

^b Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2021	2020
	\$'000	\$'000
Amounts receivable from M&G Global Leaders Fund	507	511
Amounts receivable on issues of shares	886	164
Currency deals outstanding	0	149
Dividends receivable	2,920	2,771
Sales awaiting settlement	0	1,644
Withholding tax recoverable	3,182	1,792
Total debtors	7,495	7,031

10 Cash and bank balances

as at 31 August	2021	2020
	\$'000	\$'000
Cash held as bank balances	62,665	26,702
Total cash and bank balances	62,665	26,702

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11 Other creditors

as at 31 August	2021 \$'000	2020 \$'000
Amounts payable on cancellation of shares	2,473	2,397
Annual charge payable	3,120	2,237
Bank overdraft interest payable	0	1
Currency deals outstanding	0	149
Total other creditors	5,593	4,784

12 Contingent assets, liabilities and outstanding commitments

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

13 Shares in issue

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

Share class	Opening 01.09.20	Issued	Movements Cancelled	Closing 31.08.21
Euro				
Class 'A' Income	161,938	16,800	(68,091)	110,647
Class 'A' Accumulation	39,204,905	274,962	(3,603,461)	35,876,406
Class 'C' Income	32,405	0	(200)	32,205
Class 'C' Accumulation	3,488,303	1,377,334	(4,757,615)	108,022
Sterling				
Class 'A' Income	11,240,858	137,175	(1,732,153)	9,645,880
Class 'A' Accumulation	13,278,877	178,799	(1,201,285)	12,256,391
Class 'I' Income	2,648,682	174,388	(386,300)	2,436,770
Class 'I' Accumulation	11,513,938	278,801	(1,037,901)	10,754,838
Class 'PP' Income	149,885	1,352,912	(136,705)	1,366,092
Class 'PP' Accumulation	348,033	163,900	(43,899)	468,034
Class 'R' Income	2,101,303	307,017	(313,644)	2,094,676
Class 'R' Accumulation	8,730,287	966,976	(886,148)	8,811,115
Class 'X' Income	3,436,769	57,728	(291,821)	3,202,676
Class 'X' Accumulation	4,048,615	22,425	(426,172)	3,644,868
US dollar				
Class 'A' Income	1,204	94	(1,298)	0
Class 'A' Accumulation	1,192,076	406,330	(307,673)	1,290,733
Class 'C' Income	401	0	(401)	0
Class 'C' Accumulation	3,051	0	(3,051)	0

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14 Charging structure

The table below sets out the charging structure for each class of share in existence at the balance sheet date. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Annual charge ^a to 14.02.21 %	Annual charge ^a from 15.02.21 %
Euro		
Class 'A'	1.90	1.90
Class 'C'	0.90	0.90
Sterling		
Class 'A'	1.40	1.30
Class 'I'	0.90	0.90
Class PP'	0.70	0.70
Class 'R'	1.15	1.15
Class 'X'	1.40	1.30
US dollar		
Class 'A'	1.90	1.90

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

15 Related parties

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

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

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 4.64% (2020: 5.16%) of the fund's shares.

16 Events after the balance sheet date

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

17 Fair value analysis

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

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

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

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Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 August	Assets 2021 \$'000	Liabilities 2021 \$'000	Assets 2020 \$'000	Liabilities 2020 \$'000
Basis of valuation				
Level 1	3,230,140	0	2,881,322	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	3,230,140	0	2,881,322	0

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 13 to 14.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by \$161,507,000 (2020: \$144,066,000). A five per cent decrease would have an equal and opposite effect.

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20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by \$81,339,000 (2020: \$72,627,000)^a. A five per cent decrease would have an equal and opposite effect.

as at 31 August	2021 \$'000	2020 ^a \$'000
Currency exposure in respect of the fund		
Australian dollar	85,414	101,357
Canadian dollar	238,034	174,056
Danish krone	35,890	49,864
Euro	581,365	500,574
Hong Kong dollar	195,305	161,977
Japanese yen	130,088	135,102
Singapore dollar	32,495	40,441
South Korean won	63,149	67,797
Sterling	165,671	138,114
Swedish krona	30,487	31,674
Swiss franc	68,884	51,590
US dollar	1,663,019	1,452,498
Total	3,289,801	2,905,044

^a The comparatives have been re-analysed to reflect changes due to the prior year fair value adjustment.

21 Interest rate risk sensitivity and exposure

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

22 Credit risk

Credit risk is not considered significant for the fund as there are no counterparty or derivative balances and is therefore not disclosed.

23 Dividend distribution tables

This fund pays annual ordinary distributions and the following table sets out the distribution period.

Annual distribution period

	Start	End	Xd	Payment
Final	01.09.20	31.08.21	01.09.21	31.10.21

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

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

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

Euro Class 'A' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 Euro ¢	2021 Euro ¢	2021 Euro ¢	2020 Euro ¢
Final	42.4171	27.6854	70.1025	66.4701

Euro Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 Euro ¢	2021 Euro ¢	2021 Euro ¢	2020 Euro ¢
Final	0.0000	0.0000	0.0000	7.7057

Euro Class 'C' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 Euro ¢	2021 Euro ¢	2021 Euro ¢	2020 Euro ¢
Final	82.2010	0.0000	82.2010	77.1586

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 Euro ¢	2021 Euro ¢	2021 Euro ¢	2020 Euro ¢
Final	43.0332	3.3595	46.3927	49.6984

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	11.5114	8.3109	19.8223	19.4662

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Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Final	3.6067	4.5759	8.1826	10.9390

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Final	14.6197	19.3134	33.9331	33.1572

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Final	7.9159	11.5552	19.4711	21.7113

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Final	0.6906	1.3300	2.0206	1.9701

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Final	0.5643	0.8603	1.4246	1.5024

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Final	1.5659	1.7922	3.3581	3.2893

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Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	0.6772	0.6863	1.3635	1.6967

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	16.0502	3.8365	19.8867	19.5296

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	3.9246	4.1779	8.1025	10.8287

US dollar Class 'A' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 US ¢	2021 US ¢	2021 US ¢	2020 US ¢
Final	0.0000	0.0000	0.0000	28.0437

US dollar Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 US ¢	2021 US ¢	2021 US ¢	2020 US ¢
Final	0.0000	0.0000	0.0000	3.2069

US dollar Class 'C' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 US ¢	2021 US ¢	2021 US ¢	2020 US ¢
Final	0.0000	0.0000	0.0000	31.0105

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US dollar Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 US ¢	2021 US ¢	2021 US ¢	2020 US ¢
Final	0.0000	0.0000	0.0000	19.9862

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Investment objective

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

Investment policy

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

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

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

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

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

The investment approach aims to exploit price volatility.

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

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

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

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

Benchmark up to 16 September 2020

Benchmark: MSCI Japan Index.

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

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

Benchmark from 17 September 2020

Benchmark: MSCI Japan Index.

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

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

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

Risk profile

The fund invests in the shares of companies listed in Japan and is, therefore, subject to the price volatility of the Japanese stockmarket and the performance of

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

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

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 September 2021, for the year ended 31 August 2021

Performance against objective

Between 1 September 2020 (the start of the review period) and 1 September 2021, the M&G Japan Fund delivered a positive total return (the combination of income and growth of capital) across all its sterling

share classes. Fund performance was well ahead of the fund's benchmark, the MSCI Japan Index, which rose by 18.7% over the same period under review.

Over five years, the fund generated an annualised positive total return across its sterling share classes, but lagged its benchmark, which returned 8.7% pa over this period. Therefore, the fund did not meet the objective over its specified timeframe of five years.

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

Performance review

Over the review period, the fund recorded a positive return and significantly outperformed its benchmark, the MSCI Japan Index. When I took over as manager of the fund on 20 September 2019, I began a portfolio restructuring in order to ensure the fund's holdings were in line with my assessment of the best available risk-adjusted return opportunities. This process was completed by the second quarter of 2020. This is the first annual report where I have been the fund manager throughout the 12-month review period in question and it is pleasing to be able to report very strong performance.

Japanese equities (company shares) performed strongly in the first half of the review period, particularly from early-November 2020 onwards, following the news that global vaccination programmes were being rolled out to combat COVID-19. Sentiment was also buoyed by a return to economic growth in the second half of 2020 and accelerating corporate reform. Performance was more measured from March 2021 onwards, except for August when the stockmarket made strong gains.

Overall, despite strong gains in absolute terms, the Japanese stockmarket trailed other developed markets during the review period and the shares of small and mid-cap companies generally lagged large-cap companies.

The review period broadly coincided with the tenure of Yoshihide Suga, who took over as prime minister in

Authorised Corporate Director's Report

September 2020 and resigned early on in September 2021. Unfortunately for ex-Prime Minister Suga, his popularity rating plummeted to an all-time low in July, partly because of the perceived mishandling of the response to the COVID-19 pandemic. However, the market has responded positively to the news of his resignation.

Whilst COVID-19-linked concerns remain heightened in Japan, the latest quarterly results season (for the period to end-June 2021) was broadly positive, which is indicative of impressive earnings resilience, in our view. As of the end of the review period, earnings momentum (upward revisions to expectations about companies' future earnings) within the Japanese market is one of the strongest globally.

Given the overall strength of the market, cyclical stocks, including those in technology, materials, consumer discretionary, industrials and financials outperformed. (Cyclical stocks are those that typically follow the cycles of the economy.) Conversely, defensive stocks, including those in consumer staples, healthcare, telecommunications and utilities lagged. (Defensive companies are those that typically have continual demand for their products, whatever the business cycle).

During the review period, the Japanese stockmarket experienced periods when different factors (or investment styles) were in and out of favour. Despite this, the fund outperformed its benchmark irrespective of which style was leading the market (for example the value style – where the focus is on companies with low share prices, where the risk is higher but the potential for a strong increase in share price is also higher, or the growth style – focusing on companies that are expected to grow at a fast rate, but whose stock prices are already relatively high). This result was intentional. The portfolio is designed to focus on company-specific stock ideas, which display strong upside potential, whilst at the same time having a margin of safety, to protect against downside scenarios.

The fund's top contributor to outperformance was industrial and engineering company Hitachi Zosen. The

company's share price almost doubled over the 12 months under review, and we believe this poorly covered company continues to offer significant upside. This is a prime example of how we can proactively release value through constructive and active engagement with a company. We worked with senior management to guide and influence a variety of strategic decisions and to prompt improved communication with the investment community. We are happy with the improvements being made, especially the improved investor relation efforts, which have contributed to the increase in valuation of this business.

Other key contributors included Mitsui OSK Lines and Nikon. The Japanese shipping conglomerate, Mitsui OSK, saw its share price more than triple over the 12 months under review. The company's most recent results (for the quarter ending June 2021) were very strong thanks to booming conditions in the container industry. The quarterly net earnings essentially equalled their previous full year and prompted Mitsui OSK to almost quadruple its full year earnings guidance, the second upward revision in just three months. In addition, the firm raised its dividend per share guidance meaningfully, driving the implied dividend yield – the annual income distributed by a company as a percentage of its share price as at a certain date – (at the time of the announcement) to 11%. We believe the demand for shipping will continue to be a tailwind for the valuation of this company and remain invested.

Nikon joined the portfolio following a series of conversations with senior management. Whilst Nikon's camera business is clearly challenged, we believe the market is attributing no value to the company's lithography division, one of the largest in the world. Moreover, investors are completely overlooking its strong balance sheet and the sense of urgency of the new management team, in our view. We see significant potential to engage with Nikon and support the company as it looks to reposition its strategy. Indeed, an introduction we made between Nikon and UK-based Oxford Nanopore has already yielded a strategic collaboration between the two companies.

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Holdings in Fujimi and Taiyo Yuden also added value. Fujimi recently reported quarterly results which once again were better than expected. We have been engaging with this semiconductor-related company and feel encouraged by our ongoing dialogue on issues ranging from corporate governance to commercial strategy and we remain invested.

We added materials and electronics company Taiyo Yuden to the portfolio in June 2020 (before the start of the review period). Our investment was based on the view that structural improvements in Taiyo Yuden's earnings power were not reflected in the share price. A reassessment of the company by investors led to a significant increase in its share price in the review period. This position is now closed.

Conversely, holdings that detracted from relative performance included Tokyo Broadcasting System (TBS) Holdings and Credit Saison. The fact the fund does not hold some high growth names such as Keyence, Recruit and Tokyo Electron also detracted, but the effects are relatively small and we feel comfortable that our active positions, where we have conviction and unique perspectives earned through our continued analytical work, more than made up for those detractions.

Media conglomerate TBS has an overly strong and inefficient balance sheet, in our view. Although the company is feeling the short-term impact of COVID-19 on its profits, we believe upside potential exists over the medium term. Several activist investors are putting pressure on the company to release the value trapped in cross shareholdings (that is, holdings in other companies). We are happy to remain invested and benefit from the general trend for companies to improve their returns to shareholders.

Shares in Credit Saison lagged the financials sector. The shares are currently trading on a very low multiple of earnings and a large percentage of its market capitalisation is accounted for by its crossholdings. The market seems to be missing the impressive re-invigoration of the company's commercial strategy, in our view. At this very depressed valuation, we would not

be surprised to see value-releasing merger and acquisition activity.

Investment activities

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

In mid-November, news of an effective COVID-19 vaccine led to a sharp fall in Nintendo's share price, as investors rotated into stocks deemed to be beneficiaries of a successful vaccine rollout. This response was, in our view, overly simplistic; we therefore took the opportunity to buy this 'quality and growth' name at what we feel is a very reasonable price. We believe that consensus expectations for Nintendo's earnings reflect an anchored and COVID-centric perspective of underlying business trends. We believe there is a good likelihood that earnings could comfortably beat consensus forecasts for the year ahead, and furthermore, this is not reflected in the current share price.

Other notable new positions added in 2020 included asset manager Sparx Group and Sumitomo Heavy Industries. We have been following and engaging with Sparx Group for more than a year and we believe the medium-term earnings power of the company, and its venture capital business, is entirely under-appreciated by the market.

Sumitomo Heavy Industries is engaged in many commercial segments, including some growth businesses. The market had been pessimistic of the capital goods sector in general when we invested; however, compared to its competitors, we feel this company offers solid earnings potential at a very attractive valuation.

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Around the same time, we reduced the fund's exposure to Japanese real estate investment trusts (JREITs) and closed the position in ORIX JREIT. We also sold Rohm, a manufacturer of semiconductor testing equipment and electronic measuring devices. The stock price had risen significantly since we initiated the position in March 2020. When we invested, Rohm's valuation was depressed, despite being a high-quality growth company.

In the first quarter of 2021, we initiated positions in Musashi Seimitsu Industry, Sumitomo Electric, Sankyu, Tokuyama Corp, NEC and Sanrio. In each case, we see a significant opportunity to add value through constructive engagement with management.

We also began a position in Kirin Holdings, by switching out of Asahi Group. We see a better risk-reward profile for Kirin, following the significant performance divergence between the two beverage companies. Other holdings that left the portfolio included Subaru, Suzuki Motor, Toyo Tire, Invincible Investment REIT and Fast Retailing.

Over the final few months of the review period, activity has been lighter with only two new holdings added – Earth and Kintetsu World Express – whilst Nomura Holdings, Sumitomo Electric and DIP have left the portfolio.

Earth is a company with a unique position and a large market share in the domestic market for insecticide. We are engaging with the management on a range of issues such as environmental, social and governance (ESG) considerations and business strategy. We believe this is where we can actively promote change that is positive for shareholders. The company's focus on pricing power, merger and acquisition activity and corporate governance suggests to us that this is one of the new breed of companies that could benefit from the structural changes taking place in Japan today.

Outlook

Looking ahead, we are excited about the fund's holdings. As corporate reform continues to accelerate in Japan, we feel more than ever that our ability to add value through differentiated idea generation, sound

stewardship and value-adding engagements will deliver rewards for our investors and the companies in which we invest.

Whilst near-term political uncertainties exist, the corporate reform agenda has, in our opinion, been largely depoliticised and we see a low risk of this trend stalling. We believe Japanese company shares remain attractively valued in an absolute and global context, an observation that is at odds with the strength of earnings trends. With extremely supportive economic policies as a backdrop to the reform-driven earnings resilience, we feel the stage is well set for good prospective returns.

From a portfolio perspective, as active managers, we are increasingly enthusiastic about the investment opportunities we see in the stockmarket today. Not only do we believe we can add value as stock pickers, but we can also leverage M&G's long tradition of engaging with management to catalyse value realisation. Our unique approach to investment through building working relationships with our investee companies over a long period of time has furnished us with expertise and global networks in certain segments of the market.

We continue to leverage these relationships to actively help companies that we engage with to become better versions of themselves. We believe this 'servant leadership' model of engagements affords us access to companies in ways that will encourage positive change. ('Servant leadership' is a leadership philosophy which states that influence comes only after serving.)

While we are seeing returns from our effort already reflected in the fund's performance, there are still many companies in the portfolio where we feel the potential for superior return is sizeable. In addition, we see a large pool of potential opportunities we can explore in the Japanese stockmarket today.

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We continue to see valuations in Japanese companies as highly supportive for prospective returns. More importantly, the significant variation in valuation between stocks, combined with continued restructuring at the company level, leaves us excited about the opportunity to add additional value through our stockpicking and engagement approach.

Carl Vine

Fund manager

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

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

Investments

Portfolio statement

Holding	as at 31.08.21 ¥'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities	26,404,493	100.67	99.74
Chemicals	1,323,465	5.04	4.64
68,100 Fujimi	418,134	1.59	
137,700 JSR	524,637	2.00	
173,200 Tokuyama	380,694	1.45	
Construction & engineering	455,549	1.74	2.13
62,300 Kyudenko	246,397	0.94	
60,800 Taisei	209,152	0.80	
Electrical equipment	554,908	2.11	3.89
116,700 Fuji Electric	554,908	2.11	
Industrial conglomerates	906,218	3.45	0.00
149,000 Hitachi	906,218	3.45	
Machinery	1,342,275	5.12	5.37
448,200 Hino Motors	426,238	1.63	
1,150,800 Hitachi Zosen	916,037	3.49	
Trading companies & distributors	741,960	2.83	3.57
305,900 Mitsui	741,960	2.83	
Air freight & logistics	877,218	3.34	0.00
328,300 Kintetsu World Express	877,218	3.34	
Airlines	0	0.00	1.84
Marine	532,100	2.03	0.00
62,600 Mitsui OSK Lines	532,100	2.03	
Road & rail	951,556	3.63	4.64
120,200 Keisei Electric Railway	406,276	1.55	
106,500 Sankyu	545,280	2.08	
Transportation infrastructure	387,674	1.48	1.04
163,300 Kamigumi	387,674	1.48	
Auto components	636,415	2.43	4.16
209,000 Musashi Seimitsu Industry	404,415	1.54	
25,000 Toyota Industries	232,000	0.89	
Automobiles	2,842,095	10.83	8.09
260,500 Honda Motor	870,070	3.32	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 ¥'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Automobiles (continued)			
238,700 Isuzu Motors	332,032	1.26	
171,100 Toyota Motor	1,639,993	6.25	
Household durables	2,017,411	7.69	6.83
379,500 Haseko	577,220	2.20	
473,300 Nikon	548,081	2.09	
78,600 Sony	892,110	3.40	
Specialty retail	606,874	2.31	0.79
278,000 Sanrio	606,874	2.31	
Food & staples retailing	773,610	2.95	2.48
160,700 Seven & i	773,610	2.95	
Beverages	663,502	2.53	1.74
333,000 Kirin	663,502	2.53	
Household products	521,147	1.99	0.00
80,300 Earth	521,147	1.99	
Personal products	309,690	1.18	0.83
186,000 Mandom	309,690	1.18	
Pharmaceuticals	1,378,963	5.26	5.27
268,400 Astellas Pharma	497,211	1.90	
37,000 Shionogi	257,002	0.98	
170,000 Takeda Pharmaceutical	624,750	2.38	
Banks	790,425	3.01	3.98
708,700 Mitsubishi UFJ Financial	420,968	1.60	
97,200 Sumitomo Mitsui Financial	369,457	1.41	
Diversified financial services	860,160	3.28	2.97
420,000 ORIX	860,160	3.28	
Consumer finance	629,128	2.40	4.00
502,900 Credit Saison	629,128	2.40	
Capital markets	747,883	2.85	0.85
2,729,500 Sparx	747,883	2.85	
Insurance	0	0.00	0.61

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 ¥'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
IT services	1,442,040	5.50	1.52
130,700 NEC	755,446	2.88	
229,400 Nihon Unisys	686,594	2.62	
Electronic equipment, instruments & components	0	0.00	4.49
Semiconductors & semiconductor equipment	581,392	2.22	2.93
250,600 SUMCO	581,392	2.22	
Diversified telecommunication services	725,486	2.77	2.57
247,100 Nippon Telegraph & Telephone	725,486	2.77	
Wireless telecommunication services	287,988	1.10	2.30
46,600 SoftBank	287,988	1.10	
Media	455,386	1.74	3.24
283,200 TBS	455,386	1.74	
Entertainment	1,094,202	4.17	0.00
20,700 Nintendo	1,094,202	4.17	
Interactive media & services	0	0.00	1.91
Equity real estate investment trusts (REITs)	0	0.00	4.30
Real estate management & development	967,773	3.69	6.76
280,300 Mitsui Fudosan	707,197	2.70	
92,600 Nomura Real Estate	260,576	0.99	
Total portfolio (notes 2c & 2d on page 10)	26,404,493	100.67	99.74
Net other assets/(liabilities)	(175,946)	(0.67)	0.26
Net assets attributable to shareholders	26,228,547	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 due to the prior year fair value adjustment.

Investments

Top ten portfolio transactions for the year to 31 August 2021

Largest purchases	¥'000
Nintendo	1,280,811
Toyota Motor	1,163,495
Kintetsu World Express	870,408
NEC	817,935
Sparx	762,107
Kirin	716,564
Nihon Unisys	709,413
Earth	568,442
Astellas Pharma	538,622
Tokuyama	513,954
Other purchases	5,378,367
Total purchases	13,320,118

Largest sales	¥'000
Hitachi Zosen	748,934
Toyota Industries	670,506
Asahi	639,018
Dip	577,632
Taiyo Yuden	574,629
Fuji Electric	570,206
SUMCO	526,155
East Japan Railway	473,935
Mitsui Fudosan	469,295
Japan Airlines	430,812
Other sales	9,878,961
Total sales	15,560,083

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value as at	31.08.21 ¥'000	31.08.20 ¥'000	31.08.19 ¥'000
Fund net asset value (NAV)	26,228,547	21,462,317	39,372,800

Performance since launch

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

April 1971 = 100, plotted monthly
Chart date 1 September 2021



Source: Morningstar, Inc. and M&G

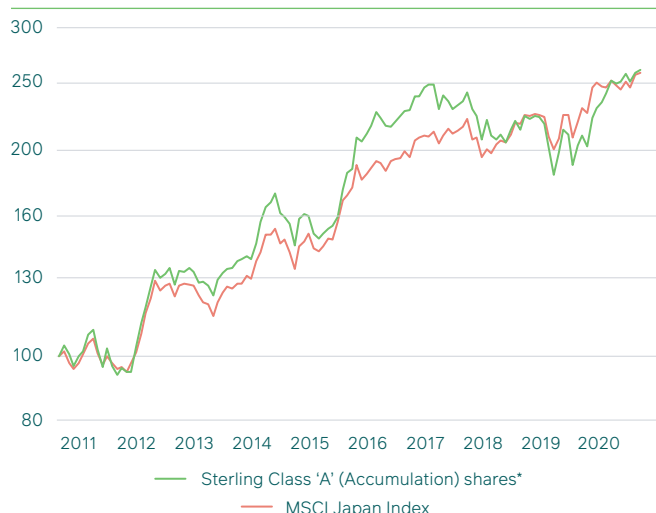
* Income reinvested

Financial highlights

Ten-year performance

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

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



Source: Morningstar, Inc. and M&G

* Income reinvested

Long-term performance by share class

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

Share class	One year 01.09.20 % ^a	Three years 03.09.18 % pa	Five years 01.09.16 % pa	Since launch % pa
Sterling				
Class 'A'	+29.9	+3.7	+7.3	+7.1
Class 'I'	+30.5	+4.3	+7.9	+12.4
Class 'PP'	+30.8	n/a	n/a	+9.6
Class 'R'	+30.2	+4.0	+7.7	+12.1
Class 'X'	+29.9	+3.7	+7.3	+7.6

^a Not annualised.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

Financial highlights

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

for the year to 31 August Direct portfolio transaction costs ^b	2021 %	2020 %	2019 %	Average ^a %
Broker commission	0.04	0.13	0.03	0.07
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.04	0.13	0.03	0.07
Dilution adjustments ^c	(0.02)	(0.03)	(0.01)	(0.02)
Total direct portfolio transaction costs	0.02	0.10	0.02	0.05
as at 31 August Indirect portfolio transaction costs	2021 %	2020 %	2019 %	Average ^a %
Average portfolio dealing spread	0.22	0.30	0.18	0.23

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

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

Historic yields for the current year are calculated as at 10 September 2021.

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 9 May 1977.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	48.79	52.24	59.26
Return before operating charges	13.35	(1.38)	(4.56)
Operating charges	(0.77)	(0.72)	(0.91)
Return after operating charges	12.58	(2.10)	(5.47)
Distributions	(1.25)	(1.35)	(1.55)
Closing NAV	60.12	48.79	52.24
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.06	0.02
Dilution adjustments ^a	(0.01)	(0.01)	(0.01)
Total direct transaction costs	0.01	0.05	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.10	0.02
Operating charges ^c	1.34	1.40	1.66
Return after charges	+25.78	-4.02	-9.23
Historic yield	0.78	2.76	2.20
Other information			
Closing NAV (¥'000)	16,031,935	12,916,402	12,899,625
Closing NAV (%)	61.12	60.18	32.76
Number of shares	176,157,464	188,897,091	190,577,938
Highest share price (UK p)	62.46	56.35	61.36
Lowest share price (UK p)	47.78	40.28	50.62

Sterling Class 'A' Accumulation share performance

The share class was launched on 6 April 1971.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	58.94	61.41	67.65
Return before operating charges	16.14	(1.62)	(5.20)
Operating charges	(0.93)	(0.85)	(1.04)
Return after operating charges	15.21	(2.47)	(6.24)
Distributions	(0.62)	(0.76)	(0.66)
Retained distributions	0.62	0.76	0.66
Closing NAV	74.15	58.94	61.41
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.08	0.03
Dilution adjustments ^a	(0.01)	(0.02)	(0.01)
Total direct transaction costs	0.02	0.06	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.10	0.02
Operating charges ^c	1.34	1.40	1.65
Return after charges	+25.81	-4.02	-9.22
Historic yield	1.96	1.29	0.37
Other information			
Closing NAV (¥'000)	988,027	874,576	925,712
Closing NAV (%)	3.77	4.07	2.35
Number of shares	8,801,728	10,586,036	11,634,097
Highest share price (UK p)	75.48	66.24	70.07
Lowest share price (UK p)	57.74	47.35	57.80

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	1,975.85	2,105.24	2,370.67
Return before operating charges	541.75	(55.82)	(185.60)
Operating charges	(20.97)	(19.00)	(17.75)
Return after operating charges	520.78	(74.82)	(203.35)
Distributions	(50.84)	(54.57)	(62.08)
Closing NAV	2,445.79	1,975.85	2,105.24
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.91	2.64	0.80
Dilution adjustments ^a	(0.37)	(0.61)	(0.23)
Total direct transaction costs	0.54	2.03	0.57
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.10	0.02
Operating charges ^c	0.90	0.90	0.93
Return after charges	+26.36	-3.55	-8.58
Historic yield	1.15	2.75	2.18
Other information			
Closing NAV (¥'000)	231,255	196,985	13,271,529
Closing NAV (%)	0.88	0.92	33.71
Number of shares	62,456	71,131	4,865,680
Highest share price (UK p)	2,539.95	2,272.99	2,456.36
Lowest share price (UK p)	1,935.27	1,627.28	2,035.73

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	2,256.65	2,339.60	2,558.57
Return before operating charges	618.92	(62.00)	(197.45)
Operating charges	(23.95)	(20.95)	(21.52)
Return after operating charges	594.97	(82.95)	(218.97)
Distributions	(34.92)	(40.35)	(43.79)
Retained distributions	34.92	40.35	43.79
Closing NAV	2,851.62	2,256.65	2,339.60
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.04	2.91	0.95
Dilution adjustments ^a	(0.42)	(0.68)	(0.28)
Total direct transaction costs	0.62	2.23	0.67
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.10	0.02
Operating charges ^c	0.90	0.90	0.92
Return after charges	+26.37	-3.55	-8.56
Historic yield	1.95	1.78	1.14
Other information			
Closing NAV (¥'000)	8,475,819	7,089,795	11,853,097
Closing NAV (%)	32.32	33.03	30.10
Number of shares	1,963,326	2,241,547	3,910,336
Highest share price (UK p)	2,901.09	2,526.19	2,651.62
Lowest share price (UK p)	2,210.43	1,808.55	2,197.55

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	90.69	96.43	100.00
Return before operating charges	24.89	(2.58)	(0.74)
Operating charges	(0.75)	(0.66)	(0.05)
Return after operating charges	24.14	(3.24)	(0.79)
Distributions	(2.34)	(2.50)	(2.78)
Closing NAV	112.49	90.69	96.43
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.12	0.00
Dilution adjustments ^a	(0.02)	(0.03)	0.00
Total direct transaction costs	0.02	0.09	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.10	0.02
Operating charges	0.70	0.70	0.70
Return after charges	+26.62	-3.36	-0.79
Historic yield	1.32	2.75	2.30
Other information			
Closing NAV (¥'000)	8,175	2,542	2,499
Closing NAV (%)	0.03	0.01	0.01
Number of shares	48,000	20,000	20,000
Highest share price (UK p)	116.79	104.16	100.68
Lowest share price (UK p)	88.83	74.62	97.17

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	97.24	100.62	100.00
Return before operating charges	26.69	(2.69)	0.91
Operating charges	(0.80)	(0.69)	(0.29)
Return after operating charges	25.89	(3.38)	0.62
Distributions	(1.73)	(1.93)	(1.97)
Retained distributions	1.73	1.93	1.97
Closing NAV	123.13	97.24	100.62
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.12	0.02
Dilution adjustments ^a	(0.02)	(0.03)	0.00
Total direct transaction costs	0.02	0.09	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.10	0.02
Operating charges ^c	0.70	0.70	0.68
Return after charges	+26.62	-3.36	+0.62
Historic yield	1.95	1.98	0.95
Other information			
Closing NAV (¥'000)	15,150	14,123	13,688
Closing NAV (%)	0.06	0.07	0.03
Number of shares	81,274	103,627	105,000
Highest share price (UK p)	125.23	108.69	104.26
Lowest share price (UK p)	95.25	77.86	94.45

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	195.27	208.58	235.48
Return before operating charges	53.50	(5.55)	(18.21)
Operating charges	(2.65)	(2.36)	(2.53)
Return after operating charges	50.85	(7.91)	(20.74)
Distributions	(5.02)	(5.40)	(6.16)
Closing NAV	241.10	195.27	208.58
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.26	0.09
Dilution adjustments ^a	(0.04)	(0.06)	(0.03)
Total direct transaction costs	0.05	0.20	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.10	0.02
Operating charges ^c	1.15	1.15	1.17
Return after charges	+26.04	-3.79	-8.81
Historic yield	0.94	2.75	2.19
Other information			
Closing NAV (¥'000)	38,582	28,685	30,720
Closing NAV (%)	0.15	0.13	0.08
Number of shares	105,703	104,806	113,675
Highest share price (UK p)	250.48	225.09	243.94
Lowest share price (UK p)	191.26	161.01	201.85

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	221.27	229.97	252.12
Return before operating charges	60.65	(6.10)	(19.44)
Operating charges	(3.02)	(2.60)	(2.71)
Return after operating charges	57.63	(8.70)	(22.15)
Distributions	(2.79)	(3.41)	(3.68)
Retained distributions	2.79	3.41	3.68
Closing NAV	278.90	221.27	229.97
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.28	0.09
Dilution adjustments ^a	(0.04)	(0.07)	(0.03)
Total direct transaction costs	0.06	0.21	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.10	0.02
Operating charges ^c	1.15	1.15	1.17
Return after charges	+26.05	-3.78	-8.79
Historic yield	1.96	1.53	0.89
Other information			
Closing NAV (¥'000)	276,358	203,422	195,644
Closing NAV (%)	1.05	0.95	0.50
Number of shares	654,513	655,926	656,618
Highest share price (UK p)	283.84	248.19	261.24
Lowest share price (UK p)	216.73	177.53	216.17

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	48.09	51.50	58.42
Return before operating charges	13.17	(1.37)	(4.50)
Operating charges	(0.76)	(0.71)	(0.89)
Return after operating charges	12.41	(2.08)	(5.39)
Distributions	(1.24)	(1.33)	(1.53)
Closing NAV	59.26	48.09	51.50
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.06	0.02
Dilution adjustments ^a	(0.01)	(0.01)	(0.01)
Total direct transaction costs	0.01	0.05	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.10	0.02
Operating charges ^c	1.34	1.40	1.65
Return after charges	+25.81	-4.04	-9.23
Historic yield	0.78	2.76	2.20
Other information			
Closing NAV (¥'000)	100,259	80,922	85,946
Closing NAV (%)	0.38	0.38	0.22
Number of shares	1,117,566	1,200,555	1,288,120
Highest share price (UK p)	61.57	55.55	60.49
Lowest share price (UK p)	47.10	39.70	49.90

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	58.16	60.60	66.75
Return before operating charges	15.92	(1.60)	(5.13)
Operating charges	(0.92)	(0.84)	(1.02)
Return after operating charges	15.00	(2.44)	(6.15)
Distributions	(0.61)	(0.75)	(0.65)
Retained distributions	0.61	0.75	0.65
Closing NAV	73.16	58.16	60.60
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.08	0.03
Dilution adjustments ^a	(0.01)	(0.02)	(0.01)
Total direct transaction costs	0.02	0.06	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.02	0.10	0.02
Operating charges ^c	1.34	1.40	1.65
Return after charges	+25.79	-4.03	-9.21
Historic yield	1.96	1.29	0.37
Other information			
Closing NAV (¥'000)	62,987	54,865	94,340
Closing NAV (%)	0.24	0.26	0.24
Number of shares	568,680	673,075	1,201,666
Highest share price (UK p)	74.47	65.36	69.14
Lowest share price (UK p)	56.96	46.71	57.03

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

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Statement of total return

for the year to 31 August	Note	2021		2020	
		¥'000	¥'000	¥'000	¥'000
Income					
Net capital gains/(losses)	3		7,238,072		(96,573)
Revenue	5	639,151		1,119,304	
Expenses	6	(302,346)		(399,765)	
Net revenue/(expense) before taxation		336,805		719,539	
Taxation	7	(62,717)		(118,319)	
Net revenue/(expense) after taxation			274,088		601,220
Total return before distributions			7,512,160		504,647
Distributions	8		(482,918)		(892,981)
Change in net assets attributable to shareholders from investment activities			7,029,242		(388,334)

Statement of change in net assets attributable to shareholders

for the year to 31 August	2021		2020	
	¥'000	¥'000	¥'000	¥'000
Opening net assets attributable to shareholders		21,462,317		39,372,800
Amounts received on issue of shares	2,781,658		775,180	
Amounts paid on cancellation of shares	(5,171,723)		(18,475,821)	
		(2,390,065)		(17,700,641)
Dilution adjustments		11,554		36,297
Change in net assets attributable to shareholders from investment activities (see above)		7,029,242		(388,334)
Retained distributions on Accumulation shares		115,484		142,195
Unclaimed distributions		15		0
Closing net assets attributable to shareholders		26,228,547		21,462,317

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Balance sheet

as at 31 August	Note	2021 ¥'000	2020 ¥'000
Assets			
Fixed assets			
Investments		26,404,493	21,407,041
Current assets			
Debtors	9	15,478	50,069
Cash and bank balances	10	393,772	402,626
Total assets		26,813,743	21,859,736
Liabilities			
Creditors			
Distribution payable		(341,973)	(366,364)
Other creditors	11	(243,223)	(31,055)
Total liabilities		(585,196)	(397,419)
Net assets attributable to shareholders		26,228,547	21,462,317

Financial statements and notes

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 10 to 13.

The fund's functional and presentational currency is the Japanese yen as this better reflects the currency of its primary economic environment.

2 Distribution policy

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

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

3 Net capital gains/(losses)

for the year to 31 August	2021 ¥'000	2020 ¥'000
Non-derivative securities	7,237,417	185,433
Derivative contracts	18	(240,323)
Currency gains/(losses)	637	(41,583)
Transaction charges	0	(100)
Net capital gains/(losses)	7,238,072	(96,573)

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4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 220 to 221.

for the year to 31 August	2021 ¥'000	% of transaction	2020 ¥'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	13,314,631		42,942,712	
Commissions	5,487	0.04	19,320	0.04
Total purchases after transaction costs	13,320,118		42,962,032	
b) Sales				
Equities				
Equities before transaction costs	15,352,871		61,306,191	
Commissions	(4,388)	0.03	(24,994)	0.04
Equities after transaction costs	15,348,483		61,281,197	
Other transaction types				
Corporate actions	211,600		0	
Total sales after transaction costs	15,560,083		61,281,197	
	2021 ¥'000	% of average NAV	2020 ¥'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	9,875	0.04	44,314	0.13
Derivatives	0	0.00	101	0.00
Total commissions paid	9,875	0.04	44,415	0.13
Taxes paid				
Derivatives	0	0.00	351	0.00
Total direct portfolio transaction costs^a	9,875	0.04	44,766	0.13
		%		%
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^b		0.22		0.30

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

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

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5 Revenue

for the year to 31 August	2021 ¥'000	2020 ¥'000
Bank interest	60	4
Derivative revenue	0	(88)
Dividends from equity investments: non-taxable	626,521	1,166,719
Dividends from equity investments: taxable	12,570	(47,331)
Total revenue	639,151	1,119,304

6 Expenses

for the year to 31 August	2021 ¥'000	2020 ¥'000
Payable to the ACD or associate		
Annual charge	301,026	395,482
Other expenses		
Interest payable	1,320	4,652
Safe custody charge ^a	0	(369)
	1,320	4,283
Total expenses	302,346	399,765

Audit fees for the financial year ending 2021 were £10,000 (2020: £9,000) (including VAT), which are covered by the annual charge.

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

Financial statements and notes

7 Taxation

for the year to 31 August	2021 ¥'000	2020 ¥'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	62,717	118,319
Deferred tax (note 7c)	0	0
Total taxation	62,717	118,319
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	336,805	719,539
Corporation tax at 20%	67,361	143,908
Effects of:		
Dividends from equity investments: non-taxable	(125,305)	(233,344)
Current year expenses not utilised	58,286	89,436
Withholding tax	62,717	118,319
Overseas tax expensed	(342)	0
Total tax charge (note 7a)	62,717	118,319
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of ¥1,245,077,000 (2020: ¥1,186,791,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

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8 Distributions

for the year to 31 August Dividend distributions	2021		2020	
	Inc ^a ¥'000	Acc ^b ¥'000	Inc ^a ¥'000	Acc ^b ¥'000
Final	341,973	115,484	366,364	142,195
Total net distributions		457,457		508,559
Income deducted on cancellation of shares		51,355		393,578
Income received on issue of shares		(25,894)		(9,156)
Distributions		482,918		892,981
Net revenue/(expense) per statement of total return		274,088		601,220
Expenses offset against capital		208,840		291,766
Undistributed income brought forward		11		6
Undistributed income carried forward		(21)		(11)
Distributions		482,918		892,981

^a Distributions payable on Income shares.

^b Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2021 ¥'000	2020 ¥'000
Currency deals outstanding	0	3,149
Dividends receivable	15,478	46,633
Sales awaiting settlement	0	287
Total debtors	15,478	50,069

10 Cash and bank balances

as at 31 August	2021 ¥'000	2020 ¥'000
Cash held as bank balances	393,772	402,626
Total cash and bank balances	393,772	402,626

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11 Other creditors

as at 31 August	2021 ¥'000	2020 ¥'000
Amounts payable on cancellation of shares	0	6,759
Annual charge payable	18,548	13,022
Currency deals outstanding	0	3,142
Purchases awaiting settlement	216,543	0
Payable to M&G (Lux) Japan Fund	8,132	8,132
Total other creditors	243,223	31,055

12 Contingent assets, liabilities and outstanding commitments

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

13 Shares in issue

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

Share class	Opening 01.09.20	Issued	Movements Cancelled	Closing 31.08.21
Sterling				
Class 'A' Income	188,897,091	5,871,301	(18,610,928)	176,157,464
Class 'A' Accumulation	10,586,036	6,954,130	(8,738,438)	8,801,728
Class 'I' Income	71,131	13,314	(21,989)	62,456
Class 'I' Accumulation	2,241,547	367,729	(645,950)	1,963,326
Class 'PP' Income	20,000	38,000	(10,000)	48,000
Class 'PP' Accumulation	103,627	55,000	(77,353)	81,274
Class 'R' Income	104,806	22,033	(21,136)	105,703
Class 'R' Accumulation	655,926	111,078	(112,491)	654,513
Class 'X' Income	1,200,555	98,006	(180,995)	1,117,566
Class 'X' Accumulation	673,075	122,133	(226,528)	568,680

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14 Charging structure

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

Share class	Annual charge ^a to 14.02.21 %	Annual charge ^a from 15.02.21 %
Sterling		
Class 'A'	1.40	1.30
Class 'I'	0.90	0.90
Class 'PP'	0.70	0.70
Class 'R'	1.15	1.15
Class 'X'	1.40	1.30

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

15 Related parties

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

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

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 92.54% (2020: 92.70%) of the fund's shares.

16 Events after the balance sheet date

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

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

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Level 3: Valuation technique using unobservable inputs

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

as at 31 August	Assets 2021 ¥'000	Liabilities 2021 ¥'000	Assets 2020 ¥'000	Liabilities 2020 ¥'000
Basis of valuation				
Level 1	26,404,493	0	21,407,041	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	26,404,493	0	21,407,041	0

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 13 to 14.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by ¥1,320,225,000 (2020: ¥1,070,352,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

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

21 Interest rate risk sensitivity and exposure

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

22 Credit risk

Credit risk is not considered significant for the fund as there are no counterparty or derivative balances and is therefore not disclosed.

23 Dividend distribution tables

This fund pays annual ordinary distributions and the following table sets out the distribution period.

Annual distribution period

	Start	End	Xd	Payment
Final	01.09.20	31.08.21	01.09.21	31.10.21

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

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

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

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	0.4055	0.8473	1.2528	1.3515

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	0.3862	0.2288	0.6150	0.7620

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	19.5540	31.2879	50.8419	54.5690

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	8.1891	26.7298	34.9189	40.3488

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	2.3356	0.0000	2.3356	2.5016

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Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	0.9080	0.8196	1.7276	1.9306

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	2.6977	2.3218	5.0195	5.4013

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	0.7881	2.0031	2.7912	3.4091

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	0.7239	0.5111	1.2350	1.3322

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	0.1025	0.5044	0.6069	0.7519

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Investment objective

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

Investment policy

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

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

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

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

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

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

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

The investment approach aims to take advantage of price volatility.

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

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

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

Benchmark up to 16 September 2020

Benchmark: Russell/Nomura Mid-Small Cap Index.

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

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

Benchmark from 17 September 2020

Benchmark: Russell/Nomura Mid-Small Cap Index.

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

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

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

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Risk profile

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

The fund's focus is on smaller companies where the share price movement can be more unpredictable and the shares more difficult to buy and sell compared to those of larger companies. Diversification is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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 September 2021, for the year ended 31 August 2021

Performance against objective

Between 1 September 2020 (the start of the review period) and 1 September 2021, the M&G Japan Smaller Companies Fund delivered a positive total return (the combination of income and growth of capital) across all its sterling share classes. Fund

performance was well ahead of the fund's benchmark, the Russell/Nomura Mid-Small Cap Index, which rose by 14.9% over the same period under review.

Over five years, the fund generated an annualised positive total return across its sterling share classes and outperformed its benchmark, which returned 7.8% pa over this period. Therefore, the fund met its objective over the specified timeframe of five years.

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

Performance review

Over the review period, the fund recorded a positive return and significantly outperformed its benchmark the Russell/Nomura Mid-Small Cap Index. When I took over as manager of the fund on 20 September 2019, I began a portfolio restructuring in order to ensure the fund's holdings were in line with my assessment of the best available risk-adjusted return opportunities. This process was completed by the second quarter of 2020. This is the first annual report where I have been the fund manager throughout the 12-month review period in question and it is pleasing to be able to report very strong performance.

Japanese equities (company shares) performed strongly in the first half of the review period, particularly from early-November 2020 onwards, following the news that global vaccination programmes were being rolled out to combat COVID-19. Sentiment was also buoyed by a return to economic growth in the second half of 2020 and accelerating corporate reform. Performance was more measured from March 2021 onwards, except for August when the stockmarket made strong gains.

Overall, despite strong gains in absolute terms, the Japanese stockmarket trailed other developed markets during the review period and the shares of small and mid-cap companies generally lagged large-cap companies.

The review period broadly coincided with the tenure of Yoshihide Suga, who took over as prime minister in

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September 2020 and resigned early on in September 2021. Unfortunately for ex-Prime Minister Suga, his popularity rating plummeted to an all-time low in July, partly because of the perceived mishandling of the response to the COVID-19 pandemic. However, the market has responded positively to the news of his resignation.

Whilst COVID-19-linked concerns remain heightened in Japan, the latest quarterly results season (for the period to end-June 2021) was broadly positive, which is indicative of impressive earnings resilience, in our view. As of the end of the review period, earnings momentum (upward revisions to expectations about companies' future earnings) within the Japanese market is one of the strongest globally.

During the review period, the Japanese stockmarket experienced periods when different factors (or investment styles) were in and out of favour. Despite this, the fund outperformed its benchmark irrespective of which style was leading the market (for example the value style – where the focus is on companies with low share prices, where the risk is higher but the potential for a strong increase in share price is also higher, or the growth style – focusing on companies that are expected to grow at a fast rate, but whose stock prices are already relatively high). This result was intentional. The portfolio is designed to focus on company-specific stock ideas, which display strong upside potential, whilst at the same time having a margin of safety, to protect against downside scenarios.

The largest contribution to relative performance came from QD Laser, an initial public offering (IPO) that started trading in February 2021. The company is a world leader in Quantum Dot Lasers. We were excited about this company at its IPO, given the application of its technology in several semiconductor markets that we follow. Additionally, we have been upbeat about the potential of QD Laser to use its technology to address the significant market for visually impaired adults. Therefore, we were determined to take part in the IPO. This proved prescient, with the shares rising by 500% at one point during February. We have reduced the size of the holding, but remain invested.

Nippon Pillar Packing, the largest overweight position in the fund, also added value. We started accumulating a position during the first quarter of 2021, with the view that earnings were due to accelerate very meaningfully, a prospect not reflected in its share price. From then until the end of the review period, the stock rose some 50%, in local currency terms.

This profitable company is not widely covered. However, we believe it has an extremely high-quality business thanks to a 90% market share in a niche component used in semiconductor clean rooms. The company reported its biggest quarterly operating profit on record in the quarter ending June and it raised its full-year guidance materially. We believe there is still significant upside in this stock, driven by further upgrades to earnings expectations, as well as a potential increase in the multiple of earnings the company trades on (a multiple of earnings, the price/earnings ratio, is used to gauge how cheap or expensive a company is by comparison with its peers; the higher the multiple of earnings a company trades on, the higher its stock price).

Another top contributor to outperformance was industrial and engineering company Hitachi Zosen. The company's share price almost doubled over the 12 months under review, and we believe this poorly covered company continues to offer significant upside. This is a prime example of how we can proactively release value through constructive and active engagement with a company. We worked with senior management to guide and influence a variety of strategic decisions and to prompt improved communication with the investment community. We are happy with the improvements being made, especially the improved investor relation efforts, which have contributed to the increase in valuation of this business.

Tokyo Steel, a recent addition to the portfolio, also added value. We are focused on the longer-term potential of Tokyo Steel, given that the company's manufacturing process results in around 40% less carbon emissions than traditional blast furnace steel manufacturing. Despite this positive climate characteristic, Tokyo Steel continues to operate well

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below full capacity. We think this represents an easy win for the company, as Japan is determined to improve its climate credentials. We shall be lobbying auto makers to insist that Tokyo Steel's capacity is always utilised. There is no excuse, from a climate perspective, for the least carbon-emitting operation to be running below full capacity. A full-capacity scenario could meaningfully increase earnings for Tokyo Steel.

Auto parts manufacturer Musashi Seimitsu and industrial Nippon Thompson also boosted relative returns. Our investment case for Musashi Seimitsu was two-fold when we invested. Firstly, we thought the stock would prove to be a good investment if earnings merely returned to pre-COVID-19 levels in the coming years. Secondly, following significant due diligence into the company's various venture capital investments, we saw a significant chance that the company would enter a period of structural growth in the years ahead. We remain invested, as we believe the structural opportunity is still to be fully priced into the shares.

Nippon Thompson is viewed by the market as a cyclical machine tool company with no structural growth prospects. Our assessment differs meaningfully. Whilst indeed cyclical, structural improvements in both the company's cost base as well as the competitiveness of its core products lead us to believe that future earnings could be a multiple of historic levels.

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

Other holdings that held back relative returns included TBS Holdings, Perseus Proteomics and

Benext-Yumeshin Group - although it is worth noting that the detractor from these holdings is very small compared to the positive gains by the fund's top performers.

Media conglomerate TBS has an overly strong and inefficient balance sheet in our view. Although the company is feeling the short-term impact of COVID-19 on its profits, we believe upside potential exists over the medium term. Several activist investors are putting pressure on the company to release the value trapped in cross shareholdings (that is, holdings in other companies). We are happy to remain invested and benefit from the general trend for companies to improve their returns to shareholders.

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

We believe the merger between Benext and Yumeshin is transformational and puts the company in pole position to consolidate the fragmented staffing industry in Japan. In our view, its share price does not fully reflect the enlarged company's earnings potential.

Investment activities

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

We feel this is especially true in the small and mid-cap space, where coverage by the investment community is more limited. New investments made during the review period exemplify our approach, where we seek to add value through understanding the business like a business owner, and not simply as a passive investor.

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Early in the review period, aside from the new investment in Yukiguni Maitake which we have already discussed, we initiated a holding in Nikon. Nikon joined the portfolio following a series of conversations with senior management. Whilst Nikon's camera business is clearly challenged, we believe the market is attributing no value to the company's lithography division, one of the largest in the world. Moreover, investors are completely overlooking its strong balance sheet and the sense of urgency of the new management team, in our view. We see significant potential to engage with Nikon and support the company as it looks to reposition its strategy. Indeed, an introduction we made between Nikon and UK-based Oxford Nanopore has already yielded a strategic collaboration between the two companies.

Conversely, we closed the fund's position in JMDC. The technology company's shares had performed very well for the fund, and we felt we could reinvest the capital into better opportunities. We continue to be impressed by the company and its prospects and remain exposed to JMDC through our holding in its parent company Noritsu Koki. Other positions we exited in the latter stages of 2020 included ORIX JREIT (Japanese real estate investment trust) and Sumitomo Mitsui Trust Holdings.

In early 2021, we initiated holdings in Earth, Kyudenko, Mandom and Tokyo Steel Manufacturing (mentioned above).

Earth is a company with a unique position and a large market share in the domestic market for insecticide. We are engaging with the management on a range of issues such as environmental, social and governance (ESG) considerations and business strategy. We believe this is where we can actively promote change that is positive for shareholders. The company's focus on pricing power, merger and acquisition activity and corporate governance suggests to us that this is one of the new breed of companies that could benefit from the structural changes taking place in Japan today.

These purchases were partly funded by taking profits in companies such as Taiyo Yuden, Taisei Corp, Shin Etsu

Polymer, and Mitsubishi Logisnext. We also closed the fund's positions in Sumitomo Electric Industries and Sumitomo Heavy Industries.

In March 2021, we closed the fund's position in Asahi Group and switched into Kirin Holdings. We saw a better risk-reward profile for Kirin, following the significant performance divergence between the two beverage companies at the time.

In the final three months of the review period, we added Namura Shipbuilding and Nihon Unisys to the portfolio. While the shipbuilding sector is not attracting attention, we believe it will have a big part to play in Japan's carbon-neutral ambitions. As Japan promotes ammonia as a replacement to its existing thermal power sources, demand for LPG (liquefied petroleum gas) carriers, which transport ammonia, is likely to rise significantly. We believe this shipbuilder (which is not widely followed by the market) will be a key beneficiary of this multi-year trend.

Nihon Unisys is an IT services company that specialises in systems integration. As digitalisation is becoming more of a focus for companies and capex spending on IT continues to increase, we feel this company will benefit from a structural tailwind that will drive margin and earnings expansion. We took advantage of temporary share price weakness to invest. The stock trades on a lower multiple of earnings than its peers, due to its smaller size and because some of its current projects have been temporarily affected by the COVID-19 restrictions.

On the other hand, we closed positions in StemRIM, Toyota Motor, DIP, Sun Corp and JSR following strong share price performance from each of them. Sun Corp's share price has risen by more than 100% since we initiated a position approximately one year ago. JSR's share price has more than doubled from its low in February 2020. JSR has been a core holding for the fund in recent years and we remain very positively inclined to the company, but at the current valuation, other demands for capital have driven an exit.

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Outlook

Looking ahead, we are excited about the fund's holdings. As corporate reform continues to accelerate in Japan, we feel more than ever that our ability to add value through differentiated idea generation, sound stewardship and value-adding engagements will deliver rewards for our investors and the companies in which we invest. This is especially true in the small and mid-cap companies that this fund invests in.

Whilst near-term political uncertainties exist, the corporate reform agenda has, in our opinion, been largely depoliticised and we see a low risk of this trend stalling. We believe Japanese company shares remain attractively valued in an absolute and global context, an observation that is at odds with the strength of earnings trends. With extremely supportive economic policies as a backdrop to the reform-driven earnings resilience, we feel the stage is well set for good prospective returns.

From a portfolio perspective, as active managers, we are increasingly enthusiastic about the investment opportunities we see in the stockmarket today. Not only do we believe we can add value as stock pickers, but we can also leverage M&G's long tradition of engaging with management to catalyse value realisation. Our unique approach to investment through building working relationships with our investee companies over a long period of time has furnished us with expertise and global networks in certain segments of the market.

We continue to leverage these relationships to actively help companies that we engage with to become better versions of themselves. We believe this 'servant leadership' model of engagements affords us access to companies in ways that will encourage positive change. ('Servant leadership' is a leadership philosophy which states that influence comes only after serving).

While we are seeing returns from our effort already reflected in the fund's performance, there are still many companies in the portfolio where we feel the potential for superior return is sizeable. In addition, we see a large pool of potential opportunities we can explore in the Japanese stockmarket today.

We continue to see valuations in Japanese companies as highly supportive for prospective returns. More importantly, the significant variation in valuation between stocks, combined with continued restructuring at the company level, leaves us excited about the opportunity to add additional value through our stockpicking and engagement approach.

Carl Vine

Fund manager

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

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

Investments

Portfolio statement

Holding	as at 31.08.21 ¥'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities	15,098,843	98.95	100.07
Software & computer services	396,273	2.60	0.00
132,400 Nihon Unisys	396,273	2.60	
Technology hardware & equipment	1,083,159	7.10	3.50
76,000 NEC	439,280	2.88	
192,400 QD Laser	214,911	1.41	
184,900 SUMCO	428,968	2.81	
Pharmaceuticals & biotechnology	222,829	1.46	1.20
364,100 Perseus Proteomics	222,829	1.46	
Banks	0	0.00	1.32
Finance & credit services	0	0.00	8.80
Investment banking & brokerage services	515,114	3.37	0.00
1,879,977 Sparx	515,114	3.37	
Real estate investment & services	301,661	1.98	3.96
107,200 Nomura Real Estate	301,661	1.98	
Real estate investment trusts	0	0.00	3.46
Automobiles & parts	263,740	1.73	12.04
136,300 Musashi Seimitsu Industry	263,740	1.73	
Household goods & home construction	0	0.00	1.02
Leisure goods	940,133	6.16	0.00
315,500 Nikon	365,349	2.39	
263,300 Sanrio	574,784	3.77	
Personal goods	246,420	1.61	0.00
148,000 Mandom	246,420	1.61	
Media	228,336	1.50	5.40
142,000 TBS	228,336	1.50	
Travel & leisure	0	0.00	5.83
Beverages	383,357	2.51	1.77
192,400 Kirin	383,357	2.51	
Food producers	530,700	3.48	0.00
39,400 Morinaga	151,887	1.00	
232,686 Yukiguni Maitake	378,813	2.48	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 ¥'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Personal care, drug & grocery stores	95,543	0.63	0.00
80,900 Axxzia	95,543	0.63	
Construction & materials	1,100,601	7.21	11.39
173,600 Haseko	264,046	1.73	
575,000 Hitachi Zosen	457,700	3.00	
57,100 Kyudenko	225,830	1.48	
60,700 Taiheiyo Cement	153,025	1.00	
Electronic & electrical equipment	1,678,998	11.00	4.97
66,400 Fuji Electric	315,732	2.07	
100,800 MINEBEA MITSUMI	285,465	1.87	
416,300 Nippon Pillar Packing	1,077,801	7.06	
General industrials	349,494	2.29	3.17
146,600 Noritsu Koki	349,494	2.29	
Industrial engineering	456,218	2.99	13.14
803,200 Nippon Thompson	456,218	2.99	
Industrial support services	1,398,778	9.17	7.66
395,900 BeNext-Yumeshin	473,101	3.10	
297,800 Credit Saison	372,548	2.44	
187,556 Forum Engineering	164,299	1.08	
326,200 Relia	388,830	2.55	
Industrial transportation	2,844,692	18.64	4.92
242,800 Isuzu Motors	337,735	2.21	
165,000 Kamigumi	391,710	2.57	
49,300 Keisei Electric Railway	166,634	1.09	
248,800 Kintetsu World Express	664,793	4.36	
1,783,100 Namura Shipbuilding	385,150	2.52	
94,100 Sakai Moving Service	457,326	3.00	
86,200 Sankyu	441,344	2.89	
Industrial metals & mining	343,213	2.25	0.00
288,900 Tokyo Steel Manufacturing	343,213	2.25	
Chemicals	1,719,584	11.27	6.52
97,600 Earth	633,424	4.15	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 ¥'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Chemicals (continued)			
52,900 Fujimi	324,806	2.13	
143,000 T Hasegawa	398,684	2.61	
165,000 Tokuyama	362,670	2.38	
Total portfolio (notes 2c & 2d on page 10)	15,098,843	98.95	100.07
Net other assets/(liabilities)	160,314	1.05	(0.07)
Net assets attributable to shareholders	15,259,157	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 due to fair value adjustment.

Investments

Top ten portfolio transactions for the year to 31 August 2021

Largest purchases	¥'000
Nippon Pillar Packing	719,482
Earth	601,079
BeNext-Yumeshin	540,551
Tokyo Steel Manufacturing	487,607
Yukiguni Maitake	484,190
NEC	470,744
Sakai Moving Service	470,494
Tokuyama	468,326
Toyota Motor	421,778
Nihon Unisys	411,329
Other purchases	7,297,441
Total purchases	12,373,021

Largest sales	¥'000
QD Laser	1,285,746
Toyota Motor	465,762
Tokyo Steel Manufacturing	381,759
Musashi Seimitsu Industry	373,522
JSR	358,674
Hitachi Zosen	338,699
Sun	329,967
Dip	302,396
Asahi	289,269
Yamaha Motor	263,785
Other sales	6,804,208
Total sales	11,193,787

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value as at	31.08.21 ¥'000	31.08.20 ¥'000	31.08.19 ¥'000
Fund net asset value (NAV)	15,259,157	9,226,228	10,191,282

Performance since launch

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

May 1984 = 100, plotted monthly
Chart date 1 September 2021



Source: Morningstar, Inc. and M&G

* Income reinvested

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

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Long-term performance by share class

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

Share class	One year 01.09.20 % ^a	Three years 03.09.18 % pa	Five years 01.09.16 % pa	Since launch % pa
Sterling				
Class 'A'	+46.5	+7.0	+10.4	+7.6
Class 'I'	+47.2	+7.6	+11.1	+15.3
Class 'PP'	n/a	n/a	n/a	+0.9 ^a
Class 'R'	+46.8	+7.4	+10.8	+15.0
Class 'X'	+46.5	+7.0	+10.4	+10.7

^a Not annualised.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

Financial highlights

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

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

Portfolio transaction costs

for the year to 31 August Direct portfolio transaction costs ^b	2021 %	2020 %	2019 %	Average ^a %
Broker commission	0.06	0.10	0.02	0.06
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.06	0.10	0.02	0.06
Dilution adjustments ^c	(0.03)	(0.01)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.03	0.09	0.00	0.04
as at 31 August Indirect portfolio transaction costs	2021 %	2020 %	2019 %	Average ^a %
Average portfolio dealing spread	0.28	0.45	0.24	0.32

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

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

Historic yields for the current year are calculated as at 10 September 2021.

Sterling Class 'A' Income share performance

The share class was launched on 15 May 1984.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	443.42	458.90	551.72
Return before operating charges	194.72	1.37	(72.36)
Operating charges	(7.53)	(6.36)	(8.19)
Return after operating charges	187.19	(4.99)	(80.55)
Distributions	(10.16)	(10.49)	(12.27)
Closing NAV	620.45	443.42	458.90
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.35	0.46	0.21
Dilution adjustments ^a	(0.16)	(0.06)	(0.21)
Total direct transaction costs	0.19	0.40	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.09	0.00
Operating charges ^c	1.34	1.40	1.67
Return after charges	+42.22	-1.09	-14.60
Historic yield	1.53	2.33	2.12
Other information			
Closing NAV (¥'000)	3,066,026	2,612,570	2,524,860
Closing NAV (%)	20.09	28.31	24.77
Number of shares	3,264,134	4,203,733	4,246,569
Highest share price (UK p)	646.95	502.79	563.71
Lowest share price (UK p)	435.12	339.56	441.44

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 15 May 1984.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	508.90	514.41	602.18
Return before operating charges	223.62	1.64	(78.78)
Operating charges	(8.79)	(7.15)	(8.99)
Return after operating charges	214.83	(5.51)	(87.77)
Distributions	(3.21)	(4.78)	(3.84)
Retained distributions	3.21	4.78	3.84
Closing NAV	723.73	508.90	514.41
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.42	0.52	0.24
Dilution adjustments ^a	(0.19)	(0.06)	(0.24)
Total direct transaction costs	0.23	0.46	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.09	0.00
Operating charges ^c	1.34	1.40	1.67
Return after charges	+42.21	-1.07	-14.58
Historic yield	0.41	0.92	0.18
Other information			
Closing NAV (¥'000)	1,139,686	821,695	935,664
Closing NAV (%)	7.47	8.90	9.18
Number of shares	1,040,180	1,152,023	1,403,903
Highest share price (UK p)	742.48	563.69	615.44
Lowest share price (UK p)	499.37	380.70	481.95

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	2,229.42	2,295.69	2,739.70
Return before operating charges	981.84	6.88	(359.88)
Operating charges	(26.38)	(20.54)	(23.01)
Return after operating charges	955.46	(13.66)	(382.89)
Distributions	(51.19)	(52.61)	(61.12)
Closing NAV	3,133.69	2,229.42	2,295.69
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.85	2.32	1.08
Dilution adjustments ^a	(0.83)	(0.28)	(1.08)
Total direct transaction costs	1.02	2.04	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.09	0.00
Operating charges ^c	0.90	0.90	0.93
Return after charges	+42.86	-0.60	-13.98
Historic yield	1.53	2.32	2.09
Other information			
Closing NAV (¥'000)	847,789	474,000	1,002,372
Closing NAV (%)	5.56	5.14	9.84
Number of shares	178,704	151,693	337,007
Highest share price (UK p)	3,265.63	2,520.18	2,801.10
Lowest share price (UK p)	2,187.85	1,703.32	2,204.55

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	2,523.14	2,537.79	2,949.28
Return before operating charges	1,111.07	8.01	(386.64)
Operating charges	(29.77)	(22.66)	(24.85)
Return after operating charges	1,081.30	(14.65)	(411.49)
Distributions	(29.68)	(35.97)	(39.91)
Retained distributions	29.68	35.97	39.91
Closing NAV	3,604.44	2,523.14	2,537.79
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.09	2.57	1.16
Dilution adjustments ^a	(0.94)	(0.31)	(1.16)
Total direct transaction costs	1.15	2.26	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.09	0.00
Operating charges ^c	0.90	0.90	0.93
Return after charges	+42.86	-0.58	-13.95
Historic yield	0.77	1.40	1.00
Other information			
Closing NAV (¥'000)	8,916,204	4,426,516	4,783,506
Closing NAV (%)	58.43	47.98	46.94
Number of shares	1,633,973	1,251,696	1,454,835
Highest share price (UK p)	3,695.82	2,786.43	3,016.20
Lowest share price (UK p)	2,476.06	1,883.28	2,373.84

Sterling Class 'PP' Income share performance

The share class was launched on 28 June 2021.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges	(0.05)	n/a	n/a
Operating charges	(0.11)	n/a	n/a
Return after operating charges	(0.16)	n/a	n/a
Distributions	(0.10)	n/a	n/a
Closing NAV	99.74	n/a	n/a
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	n/a	n/a
Dilution adjustments ^a	(0.01)	n/a	n/a
Total direct transaction costs	0.06	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	n/a	n/a
Operating charges	0.60	n/a	n/a
Return after charges	-0.16	n/a	n/a
Historic yield	1.53	n/a	n/a
Other information			
Closing NAV (¥'000)	3,022	n/a	n/a
Closing NAV (%)	0.02	n/a	n/a
Number of shares	20,010	n/a	n/a
Highest share price (UK p)	102.33	n/a	n/a
Lowest share price (UK p)	96.67	n/a	n/a

Financial highlights

Sterling Class 'PP' Accumulation share performance

The share class was launched on 28 June 2021.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges	(0.05)	n/a	n/a
Operating charges	(0.11)	n/a	n/a
Return after operating charges	(0.16)	n/a	n/a
Distributions	0.00	n/a	n/a
Retained distributions	0.00	n/a	n/a
Closing NAV	99.84	n/a	n/a
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	n/a	n/a
Dilution adjustments ^a	(0.01)	n/a	n/a
Total direct transaction costs	0.06	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	n/a	n/a
Operating charges	0.60	n/a	n/a
Return after charges	-0.16	n/a	n/a
Historic yield	1.05	n/a	n/a
Other information			
Closing NAV (¥'000)	3,023	n/a	n/a
Closing NAV (%)	0.02	n/a	n/a
Number of shares	20,000	n/a	n/a
Highest share price (UK p)	102.33	n/a	n/a
Lowest share price (UK p)	96.67	n/a	n/a

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	220.63	227.76	272.50
Return before operating charges	97.05	0.67	(35.77)
Operating charges	(3.29)	(2.59)	(2.90)
Return after operating charges	93.76	(1.92)	(38.67)
Distributions	(5.06)	(5.21)	(6.07)
Closing NAV	309.33	220.63	227.76
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.18	0.23	0.11
Dilution adjustments ^a	(0.08)	(0.03)	(0.11)
Total direct transaction costs	0.10	0.20	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.09	0.00
Operating charges ^c	1.15	1.15	1.18
Return after charges	+42.50	-0.84	-14.19
Historic yield	1.53	2.32	2.10
Other information			
Closing NAV (¥'000)	46,529	30,474	34,452
Closing NAV (%)	0.30	0.33	0.34
Number of shares	99,358	98,547	116,750
Highest share price (UK p)	322.47	249.78	278.55
Lowest share price (UK p)	216.51	168.76	218.86

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	247.21	249.27	290.41
Return before operating charges	108.75	0.78	(38.06)
Operating charges	(3.69)	(2.84)	(3.08)
Return after operating charges	105.06	(2.06)	(41.14)
Distributions	(2.14)	(2.92)	(3.22)
Retained distributions	2.14	2.92	3.22
Closing NAV	352.27	247.21	249.27
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.20	0.25	0.11
Dilution adjustments ^a	(0.09)	(0.03)	(0.11)
Total direct transaction costs	0.11	0.22	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.09	0.00
Operating charges ^c	1.15	1.15	1.18
Return after charges	+42.50	-0.83	-14.17
Historic yield	0.57	1.16	0.73
Other information			
Closing NAV (¥'000)	388,371	240,598	234,168
Closing NAV (%)	2.55	2.61	2.30
Number of shares	728,228	694,378	725,069
Highest share price (UK p)	361.33	273.42	296.94
Lowest share price (UK p)	242.60	184.73	233.31

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	440.68	456.08	548.32
Return before operating charges	193.61	1.36	(71.85)
Operating charges	(7.56)	(6.33)	(8.20)
Return after operating charges	186.05	(4.97)	(80.05)
Distributions	(10.10)	(10.43)	(12.19)
Closing NAV	616.63	440.68	456.08
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.36	0.46	0.21
Dilution adjustments ^a	(0.16)	(0.06)	(0.21)
Total direct transaction costs	0.20	0.40	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.09	0.00
Operating charges ^c	1.34	1.40	1.67
Return after charges	+42.22	-1.09	-14.60
Historic yield	1.53	2.33	2.12
Other information			
Closing NAV (¥'000)	176,775	138,063	145,225
Closing NAV (%)	1.16	1.50	1.42
Number of shares	189,364	223,527	245,768
Highest share price (UK p)	642.96	499.68	560.24
Lowest share price (UK p)	432.44	337.47	438.72

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	505.04	510.51	597.62
Return before operating charges	221.91	1.61	(78.14)
Operating charges	(8.70)	(7.08)	(8.97)
Return after operating charges	213.21	(5.47)	(87.11)
Distributions	(3.18)	(4.75)	(3.81)
Retained distributions	3.18	4.75	3.81
Closing NAV	718.25	505.04	510.51
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.41	0.51	0.23
Dilution adjustments ^a	(0.18)	(0.06)	(0.23)
Total direct transaction costs	0.23	0.45	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.09	0.00
Operating charges ^c	1.34	1.40	1.67
Return after charges	+42.22	-1.07	-14.58
Historic yield	0.41	0.92	0.18
Other information			
Closing NAV (¥'000)	671,732	482,312	531,035
Closing NAV (%)	4.40	5.23	5.21
Number of shares	617,764	681,367	802,867
Highest share price (UK p)	736.86	559.42	610.78
Lowest share price (UK p)	495.59	377.81	478.30

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

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Statement of total return

for the year to 31 August	Note	2021		2020	
		¥'000	¥'000	¥'000	¥'000
Income					
Net capital gains/(losses)	3		4,680,528		581,297
Revenue	5	253,507		260,021	
Expenses	6	(134,966)		(110,822)	
Net revenue/(expense) before taxation		118,541		149,199	
Taxation	7	(25,097)		(26,830)	
Net revenue/(expense) after taxation			93,444		122,369
Total return before distributions			4,773,972		703,666
Distributions	8		(143,446)		(167,087)
Change in net assets attributable to shareholders from investment activities			4,630,526		536,579

Statement of change in net assets attributable to shareholders

for the year to 31 August	2021		2020	
	¥'000	¥'000	¥'000	¥'000
Opening net assets attributable to shareholders		9,226,228		10,191,282
Amounts received on issue of shares	4,289,030		595,610	
Amounts paid on cancellation of shares	(2,982,440)		(2,180,473)	
		1,306,590		(1,584,863)
Dilution adjustments		12,024		5,034
Change in net assets attributable to shareholders from investment activities (see above)		4,630,526		536,579
Retained distributions on Accumulation shares		83,789		78,196
Closing net assets attributable to shareholders		15,259,157		9,226,228

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Balance sheet

as at 31 August	Note	2021 ¥'000	2020 ¥'000
Assets			
Fixed assets			
Investments		15,098,843	9,232,885
Current assets			
Debtors	9	46,875	24,187
Cash and bank balances	10	308,597	95,140
Total assets		15,454,315	9,352,212
Liabilities			
Creditors			
Distribution payable		(67,714)	(76,996)
Other creditors	11	(127,444)	(48,988)
Total liabilities		(195,158)	(125,984)
Net assets attributable to shareholders		15,259,157	9,226,228

Financial statements and notes

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 10 to 13.

The fund's functional and presentational currency is the Japanese yen as this better reflects the currency of its primary economic environment.

2 Distribution policy

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

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

3 Net capital gains/(losses)

for the year to 31 August	2021 ¥'000	2020 ¥'000
Non-derivative securities	4,686,723	574,938
Derivative contracts	1	4,395
Currency gains/(losses)	(6,196)	1,769
Transaction charges	0	195
Net capital gains/(losses)	4,680,528	581,297

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 250 to 251.

for the year to 31 August	2021 ¥'000	% of transaction	2020 ¥'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	12,369,265		10,607,317	
Commissions	3,756	0.03	4,698	0.04
Total purchases after transaction costs	12,373,021		10,612,015	
b) Sales				
Equities				
Equities before transaction costs	11,197,859		12,219,493	
Commissions	(4,072)	0.04	(5,107)	0.04
Total sales after transaction costs	11,193,787		12,214,386	

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	2021 ¥'000	% of average NAV	2020 ¥'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	7,828	0.06	9,805	0.10
Derivatives	0	0.00	24	0.00
Total commissions paid	7,828	0.06	9,829	0.10
Taxes paid				
Derivatives	0	0.00	82	0.00
Total direct portfolio transaction costs^a	7,828	0.06	9,911	0.10
		%		%
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^b		0.28		0.45

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

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

5 Revenue

for the year to 31 August	2021 ¥'000	2020 ¥'000
Bank interest	27	7
Derivative revenue	0	(28)
Dividends from equity investments: non-taxable	250,677	263,892
Dividends from equity investments: taxable	2,505	(8,259) ^a
Interest distributions	5	0
Property distribution: taxable	293	4,409 ^a
Total revenue	253,507	260,021

^a The prior year amounts have been restated due to the reclassification of revenue in the current year.

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6 Expenses

for the year to 31 August	2021 ¥'000	2020 ¥'000
Payable to the ACD or associate		
Annual charge	134,002	109,534
Other expenses		
Interest payable	964	1,487
Safe custody charge ^a	0	(199)
	964	1,288
Total expenses	134,966	110,822

Audit fees for the financial year ending 2021 were £10,000 (2020: £9,000) (including VAT), which are covered by the annual charge.

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

7 Taxation

for the year to 31 August	2021 ¥'000	2020 ¥'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	25,097	26,830
Deferred tax (note 7c)	0	0
Total taxation	25,097	26,830
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	118,541	149,199
Corporation tax at 20%	23,708	29,840
Effects of:		
Dividends from equity investments: non-taxable	(50,136)	(52,779)
Current year expenses not utilised	26,522	22,939
Withholding tax	25,097	26,830
Overseas tax expensed	(94)	0
Total tax charge (note 7a)	25,097	26,830
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of ¥617,270,000 (2020: ¥590,748,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

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8 Distributions

for the year to 31 August Dividend distributions	2021		2020	
	Inc ^a ¥'000	Acc ^b ¥'000	Inc ^a ¥'000	Acc ^b ¥'000
Final	67,714	83,789	76,996	78,196
Total net distributions	151,503		155,192	
Income deducted on cancellation of shares	19,647		14,314	
Income received on issue of shares	(27,704)		(2,419)	
Distributions	143,446		167,087	
Net revenue/(expense) per statement of total return	93,444		122,369	
Expenses offset against capital	50,002		44,719	
Undistributed income brought forward	3		2	
Undistributed income carried forward	(3)		(3)	
Distributions	143,446		167,087	

^a Distributions payable on Income shares.

^b Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2021 ¥'000	2020 ¥'000
Amounts receivable on issues of shares	15,222	2,746
Currency deals outstanding	17,031	11,666
Dividends receivable	14,622	9,634
Sales awaiting settlement	0	141
Total debtors	46,875	24,187

10 Cash and bank balances

as at 31 August	2021 ¥'000	2020 ¥'000
Cash held as bank balances	308,597	95,140
Total cash and bank balances	308,597	95,140

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11 Other creditors

as at 31 August	2021 ¥'000	2020 ¥'000
Amounts payable on cancellation of shares	2,176	19,237
Annual charge payable	9,410	5,085
Currency deals outstanding	17,063	11,640
Purchases awaiting settlement	85,769	0
Payable to M&G (Lux) Japan Smaller Companies Fund	13,026	13,026
Total other creditors	127,444	48,988

12 Contingent assets, liabilities and outstanding commitments

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

13 Shares in issue

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

Share class	Opening 01.09.20	Issued	Movements Cancelled	Closing 31.08.21
Sterling				
Class 'A' Income	4,203,733	29,253	(968,852)	3,264,134
Class 'A' Accumulation	1,152,023	254,217	(366,060)	1,040,180
Class 'I' Income	151,693	77,810	(50,799)	178,704
Class 'I' Accumulation	1,251,696	654,340	(272,063)	1,633,973
Class 'PP' Income	0	20,010	0	20,010
Class 'PP' Accumulation	0	20,000	0	20,000
Class 'R' Income	98,547	13,703	(12,892)	99,358
Class 'R' Accumulation	694,378	166,908	(133,058)	728,228
Class 'X' Income	223,527	5,371	(39,534)	189,364
Class 'X' Accumulation	681,367	151,462	(215,065)	617,764

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14 Charging structure

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

Share class	Annual charge ^a to 14.02.21 %	Annual charge ^a from 15.02.21 %
Sterling		
Class 'A'	1.40	1.30
Class 'I'	0.90	0.90
Class 'PP'	n/a	0.60
Class 'R'	1.15	1.15
Class 'X'	1.40	1.30

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

15 Related parties

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

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

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 35.78% (2020: 43.70%) of the fund's shares.

16 Events after the balance sheet date

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

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Financial statements and notes

Level 3: Valuation technique using unobservable inputs

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

as at 31 August	Assets 2021 ¥'000	Liabilities 2021 ¥'000	Assets 2020 ¥'000	Liabilities 2020 ¥'000
Basis of valuation				
Level 1	15,098,843	0	9,232,885	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	15,098,843	0	9,232,885	0

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 13 to 14.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by ¥754,942,000 (2020: ¥461,644,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

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

21 Interest rate risk sensitivity and exposure

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

22 Credit risk

Credit risk is not considered significant for the fund as there are no counterparty or derivative balances and is therefore not disclosed.

23 Dividend distribution tables

This fund pays annual ordinary distributions and the following table sets out the distribution period.

Annual distribution period

	Start	End	Xd	Payment
Final	01.09.20	31.08.21	01.09.21	31.10.21

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

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

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

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	5.4117	4.7481	10.1598	10.4930

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	2.5596	0.6458	3.2054	4.7812

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	20.1412	31.0524	51.1936	52.6083

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	6.4454	23.2315	29.6769	35.9664

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	0.0996	0.0000	0.0996	n/a

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Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	0.0000	0.0000	0.0000	n/a

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	2.7670	2.2934	5.0604	5.2136

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	1.0269	1.1101	2.1370	2.9240

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	6.2288	3.8684	10.0972	10.4285

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	0.3372	2.8436	3.1808	4.7450

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Investment objective

The fund has two aims:

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

Investment policy

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

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

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

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

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

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

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

Benchmark up to 16 September 2020

Benchmark: S&P 500 Index.

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

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

Benchmark from 17 September 2020

Benchmark: S&P 500 Index.

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

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

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

Risk profile

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

The fund's focus is on shares of companies that have the potential to grow their dividends over the long term.

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Income distributions from the fund's holdings, however, are not guaranteed and may vary. Diversification across industries and market capitalisation is key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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 September 2021, for the year ended 31 August 2021

Distribution summary

Over the 12-month review period, the fund distributed income of 41.0379 pence per Sterling Class 'A' (Income) share, compared to 41.2095 pence in the same period in the previous financial year. This represents a decline of 0.4%. The Sterling Class 'I' (income) share distributed 50.1330 pence, which is marginally lower than the 50.1122 pence paid a year ago. The shortfall in distributions paid by the fund's sterling share classes was due to the weakness of the US dollar. In US dollars, the currency in which the fund's income objective is determined, the distribution rose 6.1% from last year for the Sterling Class 'A' (Income) share and 6.6% for the Sterling Class 'I' (income) share.

Despite the severe pressure on economic activity in the immediate aftermath of the pandemic, corporate cashflows have improved quickly, with the result that dividends and dividend growth have been restored across the US market as a signal of future confidence. (Dividends represent a share in the profits of a company and are paid out to the company's shareholders at set times of the year.) For all the resilience of corporate America, US companies were not completely immune to dividend cuts. AT&T's decision to reduce its dividend and end its long sequence of dividend growth served as a rude reminder of the need to be selective.

The fund benefited from this backdrop of recovery with higher dividends from a broad range of sectors. In contrast to previous years when the majority of holdings delivered dividend increases in the region of 5% to 15%, we saw an unusually high number of companies raising their dividends by 15% or more. There were no dividend cuts.

The technology sector continued to provide a source of robust dividend growth, with NXP Semiconductors leading the list with a 50% increase. In the same industry, KLA Corp and Lam Research raised their dividends by 17% and 15%, respectively. Fidelity National Information Services (FIS) and MasterCard reported double-digit increases in digital payments, while Microsoft delivered a similar increase in software.

Dividend growth was most apparent in economically sensitive sectors. In financials, S&P Global boosted its dividend by 15%, closely followed by BlackRock at 14%. JPMorgan Chase reported a double-digit increase after regulatory approval. The Progressive Corporation provided a positive surprise with a special dividend equivalent to 5% of the company's market value.

In materials, Methanex tripled its dividend following a cut in 2020, while L3Harris Technologies reported a 20% hike in industrials. Gibson Energy also reported a higher dividend.

In consumer discretionary, Tractor Supply raised its dividend for the second time in a year, with a 30% boost to the quarterly payment which resulted in a 49%

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year-on-year increase. Lowe's, another specialist retailer, reported a 33% increase. Nike and Activision Blizzard, two more businesses which proved resilient during lockdown, hiked their dividends by 12% and 15%, respectively.

Healthcare continued to provide reliable growth among defensive sectors, with strong contributions from our new holdings: Abbott Laboratories and Thermo Fisher Scientific raised their dividends by 25% and 18%, respectively. Anthem and UnitedHealth, our established positions in managed care, reported increases of 19% and 16%. Bristol Myers Squibb, Merck and Agilent Technologies delivered dividend growth in the high single-digits. (Defensive stocks are companies that tend to have stable earnings and are less affected by peaks and troughs in the economy.)

In other defensive sectors, Mondelez International (consumer staples) and NextEra Energy (utilities) reported double-digit growth.

It was also pleasing to see other new holdings make their mark. Lundin Mining raised its regular dividend by 50% for the second time in 2021 and announced its inaugural special dividend tied to operating performance. American Tower, a beneficiary of the structural growth in digital infrastructure, continued its sequence of raising the dividend each quarter and announced a 15% increase for the year ahead. Cogent Communications applied the same dividend policy with a similar growth rate.

It was not all good news, however, as ONEOK held its dividend flat. Dividend progress for the energy infrastructure company stalled last year against a difficult backdrop for the energy sector, but we envisage a return to dividend growth at the appropriate time.

Static dividends were the exception rather than the rule and we are encouraged that the majority of the fund's holdings delivered solid, and in many cases impressive, dividend growth. We remain vigilant about the dividend outlook, but continue to believe that the fund is well placed to deliver on its objective of providing a rising income stream for investors. Judging from recent

reporting seasons, there is ample evidence to suggest that corporate America is looking to the future with optimism.

Performance against objective

Between 1 September 2020 (the start of the review period) and 1 September 2021, the fund delivered a positive total return (the combination of income and growth of capital) across all its share classes but performance relative to its benchmark, the S&P 500 Index, was mixed. The S&P 500 Index returned 27.0% in sterling during the 12 months under review.

Over a longer timeframe of five years, the fund generated a positive total return across all its share classes but lagged behind the S&P 500 Index which delivered an annualised return of 17.2% in sterling. Therefore the fund did not meet the objective of providing a higher total return, net of the ongoing charge figure, than that of the S&P 500 Index over any five-year period.

The fund delivered on the objective of growing the distribution every year in US dollars. The growth in distributed income for the Sterling Class 'A' (Income) share and the Sterling Class 'I' (Income) share was 6.1% and 6.6% in US dollars, respectively, during the 12 months under review.

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 US stockmarket continued to recover with the major indices – the S&P 500 Index, Dow Jones Industrial Average and Nasdaq Composite – reaching record highs. The dominant feature of the 12-month review period was the change in market leadership. News of effective vaccines prompted a dramatic change in sentiment, which resulted in economically sensitive stocks leading the markets higher as investors contemplated a world returning to normal following the devastating effects of COVID-19.

Financials emerged as the standout performer, followed by energy, materials and industrials.

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Technology underperformed as the strength in semiconductors was offset by the relative weakness of software and hardware. Amazon.com's lack of progress held back returns in consumer discretionary. The defensive areas of consumer staples, utilities and healthcare struggled in an environment of rising bond yields.

Against this backdrop, the fund generated a positive return across all its share classes but performance relative to its benchmark, the S&P 500 Index, was mixed.

The fund's semiconductor holdings – Lam Research, Broadcom and KLA Corp – featured prominently among the top positive contributors. ONEOK outperformed in a buoyant energy sector, while BlackRock added the most value in financials. The timely sale of Apple in November and the zero exposure to Amazon.com also helped performance relative to the S&P 500 Index. Amazon.com does not pay a dividend and is therefore ineligible for our dividend growth approach.

FIS led the detractors as growth characteristics were out of favour in a market hell bent on economic growth. Visa and MasterCard performed in a similar vein. We continue to believe that these technology companies are well placed to benefit from the structural trends in digital payments. All three holdings also have sizeable exposure to travel-related spend, which we believe will translate into higher earnings as international mobility picks up.

Not owning Alphabet, which surged more than 70%, also weighed on performance relative to the S&P 500 Index. The owner of Google is a non-dividend-payer and therefore falls outside our scope.

Defensive stocks including Merck (healthcare) and Mondelez International (consumer staples) were also left behind in the market rally. We have confidence in their ability to deliver stable growth over the long term and their valuations remain attractive, in our view.

Investment activities

There were 11 new purchases and 10 complete sales during the 12-month review period, a level of turnover

consistent with our long-term investment horizon of three to five years. The number of holdings increased to 41.

American Tower was added to the portfolio in September to capitalise on the long-term growth in digital infrastructure. Despite its status as a real estate investment trust (REIT), the communication towers company should not be considered as a bond proxy. American Tower has a broad geographic footprint with significant exposure to the structural growth in emerging markets driven by increasing wireless penetration and data usage. Becton Dickinson, the medical technology company, was sold as a source of cash.

Sysco, NXP Semiconductors and Charles Schwab were purchased as potential beneficiaries of the economy reopening. Sysco, the global leader in food service distribution, is a supplier to restaurants, as well as healthcare and educational facilities, and we believe that the company is well placed for a world of increased mobility when 'stay at home' restrictions are eventually eased. There is evidence to suggest that there is pent-up demand for people to eat out and that consumers' willingness to do so has not been permanently impaired. NXP is a recognised leader in its end markets of automotive, industrial & IoT (internet of things), mobile and communication infrastructure, with a strong commitment to returning excess cash to shareholders – a commitment which was duly endorsed with a 50% dividend increase. Charles Schwab provides exposure to the financial markets with increased economies of scale following the recent acquisition of TD Ameritrade.

We sold Apple in November to fund these purchases after the shares doubled from their initial purchase during the COVID-driven market downturn. The holding period was considerably shorter than usual, but we saw better opportunities in other economically sensitive businesses. Las Vegas Sands, the gaming company, and Marsh & McLennan, the insurer, also provided a source of cash.

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Cogent Communications, Thermo Fisher Scientific and Abbott Laboratories were added to the portfolio in January. Cogent is an internet service provider which is well placed for a pick-up in business activity, while Thermo Fisher and Abbott Labs are exposed to long-term growth markets. Thermo Fisher is a leading provider of scientific instruments used in research & development, while Abbott Labs is a market leader in medical devices, including COVID-19 tests.

Sempra Energy in utilities and Constellation Brands, the beverage company, provided the source of cash for these new holdings.

Carrier Global (industrials), Qualcomm (technology), Caterpillar (industrials) and Lundin Mining (materials) were the new purchases during the second-half of the review period. All four companies are potential beneficiaries of an economic reopening, as well as structural trends including the need to address climate change. Carrier, for example, has dominant market positions in heating, ventilation and air conditioning systems and has ambitious plans to reduce greenhouse gas emissions from buildings over the next decade.

First Republic Bank was sold after strong performance. The shares more than doubled from our initial purchase in October 2016. L3Harris Technologies also exited the portfolio after a strong run. We divested the holding due to concerns about the long-term sustainability of defence businesses. Bristol Myers Squibb (healthcare) and Comcast (communication services) were also sold as a source of cash.

Outlook

The results season continues to demonstrate that corporate America is in good shape: cashflows have recovered strongly from the dark days of the pandemic and dividends are flowing freely once more. We remain well positioned for this scenario of economic strength, particularly with the exposure to the fund's cyclical 'assets' category.

We continue to have conviction in our semiconductor holdings which are exposed to improving demand in a variety of end markets, without the excessive valuations attached to many growth stocks. We also have

exposure to potential beneficiaries of a pick-up in business and consumer spending, although we have been selective in our approach.

For all the excitement about the reopening, we are looking beyond the immediate future; we continue to focus our attention on identifying long-term winners in a post-COVID world. Digital payments remains an area where we have a high degree of confidence that the structural growth is not only intact but accelerating due to permanent changes in consumer behaviour. The ease of online purchases and delivery is unlikely to be a temporary phenomenon, in our view, restricted to life in lockdown. The long-run shift away from cash transactions towards card and digital payments shows no signs of abating. Companies such as Visa and MasterCard are at the forefront of this multi-decade theme, with the additional kicker of increasing demand from the resumption of international travel.

A corollary of economic growth is the spectre of inflation which has manifested itself in higher bond yields. Higher bond yields have in turn weighed heavily on growth stocks as well as defensive stocks perceived as bond proxies. Our analysis of market history suggests that rising bond yields do not present an insurmountable obstacle for our strategy, as dividend growth provides a powerful tailwind. Valuation remains a critical aspect of our fundamental analysis to ensure that we do not overpay for the growth we seek.

We remain undeterred in our pursuit of dividend growth and remain resolutely committed to its viability not only as a source of rising income, but also as a total return strategy in the US market over the long term.

John Weavers

Fund manager

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

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

Investments

Portfolio statement

Holding	as at 31.08.21 \$'000	as at 31.08.21 %	as at 31.08.20 %
Equities	944,744	99.32	99.71
Oil, gas & consumable fuels	41,618	4.38	4.31
847,808 Gibson Energy	15,379	1.62	
494,797 ONEOK	26,239	2.76	
Chemicals	30,549	3.21	3.09
57,928 Air Products & Chemicals	15,652	1.64	
411,403 Methanex	14,897	1.57	
Metals & mining	3,542	0.37	0.00
436,235 Lundin Mining	3,542	0.37	
Aerospace & defence	0	0.00	3.04
Building products	14,095	1.48	0.00
242,885 Carrier Global	14,095	1.48	
Machinery	3,720	0.39	0.00
17,593 Caterpillar	3,720	0.39	
Road & rail	24,293	2.55	2.98
110,880 Union Pacific	24,293	2.55	
Textiles, apparel & luxury goods	11,126	1.17	0.73
66,214 NIKE	11,126	1.17	
Hotels, restaurants & leisure	0	0.00	2.06
Specialty retail	56,761	5.97	6.16
222,957 Lowe's	45,708	4.81	
57,080 Tractor Supply	11,053	1.16	
Food & staples retailing	23,028	2.42	0.00
291,535 Sysco	23,028	2.42	
Beverages	0	0.00	3.67
Food products	20,429	2.15	2.95
328,647 Mondelez International	20,429	2.15	
Health care equipment & supplies	7,690	0.81	1.20
61,064 Abbott Laboratories	7,690	0.81	
Health care providers & services	81,055	8.52	7.47
97,176 Anthem	36,010	3.79	
107,688 UnitedHealth	45,045	4.73	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 \$'000	as at 31.08.21 %	as at 31.08.20 %
Equities (continued)			
Pharmaceuticals	24,687	2.60	5.72
322,744 Merck	24,687	2.60	
Life sciences tools & services	13,724	1.44	1.13
14,974 Agilent Technologies	2,646	0.28	
19,832 Thermo Fisher Scientific	11,078	1.16	
Banks	25,781	2.71	3.37
160,709 JPMorgan Chase	25,781	2.71	
Capital markets	80,141	8.43	5.19
44,431 Blackrock	42,103	4.43	
256,432 Charles Schwab	18,835	1.98	
43,223 S&P Global	19,203	2.02	
Insurance	4,969	0.52	3.14
51,684 Progressive	4,969	0.52	
IT services	156,922	16.50	17.31
63,254 Automatic Data Processing	13,220	1.39	
18,711 Broadridge Financial Solutions	3,225	0.34	
354,060 FIS	45,047	4.74	
93,914 MasterCard	33,157	3.48	
269,383 Visa	62,273	6.55	
Software	85,995	9.04	9.00
283,326 Microsoft	85,995	9.04	
Technology hardware, storage & peripherals	0	0.00	2.16
Semiconductors & semiconductor equipment	134,855	14.18	8.77
74,473 Broadcom	37,143	3.91	
44,342 KLA	15,159	1.59	
59,683 Lam Research	36,261	3.81	
135,941 NXP Semiconductors	30,932	3.25	
105,261 QUALCOMM	15,360	1.62	
Diversified telecommunication services	13,699	1.44	0.00
187,585 Cogent Communications	13,699	1.44	
Media	0	0.00	1.42

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 \$'000	as at 31.08.21 %	as at 31.08.20 %
Equities (continued)			
Entertainment	21,022	2.21	0.56
259,143 Activision Blizzard	21,022	2.21	
Electric utilities	9,732	1.02	1.02
115,915 NextEra Energy	9,732	1.02	
Multi-utilities	0	0.00	1.07
Equity real estate investment trusts (REITs)	55,311	5.81	2.19
93,440 American Tower REIT	27,253	2.86	
100,048 Crown Castle International REIT	19,239	2.02	
10,498 Equinix REIT	8,819	0.93	
Portfolio of investments	944,744	99.32	99.71
Cash equivalents	6,344	0.67	0.56
'AAA' rated money market funds^a	6,344	0.67	0.56
6,344,000 Northern Trust Global Fund - US dollar	6,344	0.67	
Share class hedging	0	0.00	0.00
Forward currency contracts for share class hedging	0	0.00	0.00
£23,451 Bought for C\$40,736 (expires 22.09.21)	0	0.00	
£1,102,926 Bought for \$1,518,627 (expires 22.09.21)	0	0.00	
Total portfolio (notes 2c & 2d on page 10)	951,088	99.99	100.27
Net other assets/(liabilities)	59	0.01	(0.27)
Net assets attributable to shareholders	951,147	100.00	100.00

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

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

Investments

Top ten portfolio transactions for the year to 31 August 2021

Largest purchases	\$'000
American Tower REIT	24,230
NXP Semiconductors	23,310
Sysco	22,464
Activision Blizzard	17,777
FIS	17,549
Charles Schwab	15,070
QUALCOMM	14,879
Visa	12,944
Cogent Communications	12,939
MasterCard	12,584
Other purchases	109,931
Total purchases	283,677

Largest sales	\$'000
Constellation Brands	39,452
L3Harris Technologies	31,667
Lam Research	29,326
Bristol-Myers Squibb	26,252
Broadridge Financial Solutions	21,543
Las Vegas Sands	18,153
Microsoft	18,041
Apple	17,964
Broadcom	16,301
Marsh & McLennan	16,256
Other sales	220,940
Total sales	455,895

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

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value as at	31.08.21 \$'000	31.08.20 \$'000	31.08.19 \$'000
Fund net asset value (NAV)	951,147	892,230	796,408

Performance since launch

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

December 1972 = 100, plotted monthly
Chart date 1 September 2021



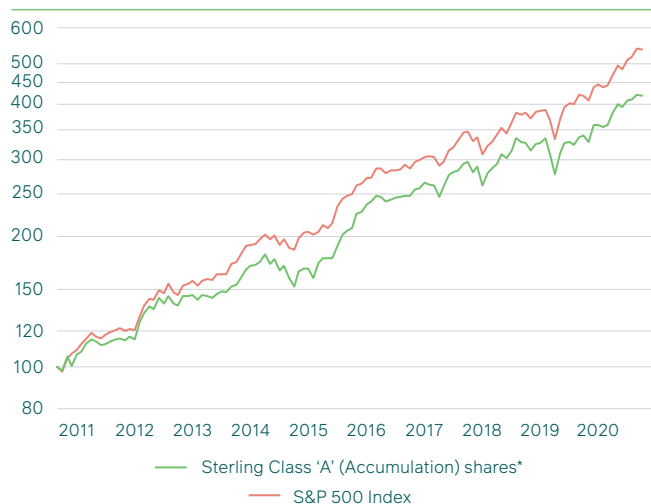
Source: Morningstar, Inc. and M&G

* Income reinvested

Ten-year performance

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

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



Source: Morningstar, Inc. and M&G

* Income reinvested

Financial highlights

Long-term performance by share class

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

Share class	One year 01.09.20 % ^a	Three years 03.09.18 % pa	Five years 01.09.16 % pa	Since launch % pa
Sterling				
Class 'A'	+25.8	+12.3	+15.7	+9.5
Class 'I'	+26.4	+12.9	+16.4	+16.3
Class 'I-H'	+28.6	n/a	n/a	+19.9
Class 'PP'	+26.5	n/a	n/a	+15.3
Class 'PP-H'	+28.7	n/a	n/a	+20.1
Class 'R'	+26.1	+12.7	+16.1	+16.0
Class 'X'	+25.8	+12.3	+15.7	+12.5

^a Not annualised.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

Financial highlights

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

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

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

Portfolio transaction costs

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

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

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

Financial highlights

Historic yields for the current year are calculated as at 10 September 2021.

Sterling Class 'A' Income share performance

The share class was launched on 28 March 1977.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	2,286.43	2,268.86	2,063.65
Return before operating charges	590.93	84.99	280.90
Operating charges	(27.02)	(26.21)	(33.54)
Return after operating charges	563.91	58.78	247.36
Distributions	(41.04)	(41.21)	(42.15)
Closing NAV	2,809.30	2,286.43	2,268.86
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.61	0.74	0.57
Dilution adjustments ^a	(0.44)	(0.37)	(0.44)
Total direct transaction costs	0.17	0.37	0.13
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.00
Operating charges ^c	1.06	1.20	1.62
Return after charges	+24.66	+2.59	+11.99
Historic yield	1.48	1.88	1.60
Other information			
Closing NAV (\$'000)	114,146	93,279	88,039
Closing NAV (%)	12.00	10.45	11.05
Number of shares	2,950,929	3,066,620	3,186,315
Highest share price (UK p)	2,825.02	2,413.52	2,334.57
Lowest share price (UK p)	2,221.36	1,699.17	1,803.87

Sterling Class 'A' Accumulation share performance

The share class was launched on 18 December 1972.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	3,272.35	3,187.64	2,842.81
Return before operating charges	850.50	121.75	391.29
Operating charges	(38.87)	(37.04)	(46.46)
Return after operating charges	811.63	84.71	344.83
Distributions	(20.77)	(21.93)	(11.38)
Retained distributions	20.77	21.93	11.38
Closing NAV	4,083.98	3,272.35	3,187.64
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.88	1.04	0.79
Dilution adjustments ^a	(0.63)	(0.52)	(0.61)
Total direct transaction costs	0.25	0.52	0.18
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.00
Operating charges ^c	1.06	1.20	1.62
Return after charges	+24.80	+2.66	+12.13
Historic yield	0.46	0.70	0.22
Other information			
Closing NAV (\$'000)	119,714	105,120	105,025
Closing NAV (%)	12.59	11.78	13.19
Number of shares	2,128,919	2,414,691	2,705,508
Highest share price (UK p)	4,081.92	3,403.39	3,253.92
Lowest share price (UK p)	3,179.21	2,405.65	2,494.58

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	2,787.80	2,752.60	2,485.40
Return before operating charges	722.37	103.87	340.41
Operating charges	(19.22)	(18.56)	(22.26)
Return after operating charges	703.15	85.31	318.15
Distributions	(50.13)	(50.11)	(50.95)
Closing NAV	3,440.82	2,787.80	2,752.60
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.74	0.90	0.69
Dilution adjustments ^a	(0.53)	(0.45)	(0.53)
Total direct transaction costs	0.21	0.45	0.16
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.00
Operating charges ^c	0.62	0.70	0.89
Return after charges	+25.22	+3.10	+12.80
Historic yield	1.48	1.88	1.59
Other information			
Closing NAV (\$'000)	211,496	267,340	216,276
Closing NAV (%)	22.24	29.97	27.16
Number of shares	4,464,144	7,208,368	6,451,931
Highest share price (UK p)	3,460.02	2,935.06	2,831.05
Lowest share price (UK p)	2,710.77	2,067.28	2,177.71

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	3,165.54	3,068.30	2,716.56
Return before operating charges	824.86	118.07	376.33
Operating charges	(21.90)	(20.83)	(24.59)
Return after operating charges	802.96	97.24	351.74
Distributions	(35.59)	(35.74)	(31.31)
Retained distributions	35.59	35.74	31.31
Closing NAV	3,968.50	3,165.54	3,068.30
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.85	1.01	0.77
Dilution adjustments ^a	(0.60)	(0.51)	(0.59)
Total direct transaction costs	0.25	0.50	0.18
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.00
Operating charges ^c	0.62	0.70	0.89
Return after charges	+25.37	+3.17	+12.95
Historic yield	0.91	1.18	0.82
Other information			
Closing NAV (\$'000)	328,810	316,182	310,167
Closing NAV (%)	34.57	35.45	38.95
Number of shares	6,017,503	7,507,995	8,300,842
Highest share price (UK p)	3,966.50	3,283.76	3,130.75
Lowest share price (UK p)	3,078.07	2,322.13	2,389.45

Financial highlights

Sterling Class 'I-H' Income share performance

The share class was launched on 6 December 2019.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	105.02	100.00	n/a
Return before operating charges	31.19	6.92	n/a
Operating charges	(0.77)	(0.51)	n/a
Return after operating charges	30.42	6.41	n/a
Distributions	(1.96)	(1.39)	n/a
Closing NAV	133.48	105.02	n/a
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.02	n/a
Dilution adjustments ^a	(0.02)	(0.01)	n/a
Total direct transaction costs	0.01	0.01	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	n/a
Operating charges	0.65	0.73	n/a
Return after charges	+28.97	+6.41	n/a
Historic yield	1.48	1.96	n/a
Other information			
Closing NAV (\$'000)	68	74	n/a
Closing NAV (%)	0.01	0.01	n/a
Number of shares	37,166	52,984	n/a
Highest share price (UK p)	134.23	108.23	n/a
Lowest share price (UK p)	98.86	67.20	n/a

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 6 December 2019.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	106.77	100.00	n/a
Return before operating charges	31.92	7.28	n/a
Operating charges	(0.79)	(0.51)	n/a
Return after operating charges	31.13	6.77	n/a
Distributions	(1.24)	(0.87)	n/a
Retained distributions	1.24	0.87	n/a
Closing NAV	137.90	106.77	n/a
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.02	n/a
Dilution adjustments ^a	(0.02)	(0.01)	n/a
Total direct transaction costs	0.01	0.01	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	n/a
Operating charges	0.63	0.73	n/a
Return after charges	+29.16	+6.77	n/a
Historic yield	0.90	1.20	n/a
Other information			
Closing NAV (\$'000)	1,434	550	n/a
Closing NAV (%)	0.15	0.06	n/a
Number of shares	755,452	387,032	n/a
Highest share price (UK p)	137.83	108.23	n/a
Lowest share price (UK p)	100.50	67.37	n/a

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	102.15	100.71	100.00
Return before operating charges	26.51	3.80	1.55
Operating charges	(0.57)	(0.53)	(0.04)
Return after operating charges	25.94	3.27	1.51
Distributions	(1.84)	(1.83)	(0.80)
Closing NAV	126.25	102.15	100.71
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.03	0.00
Dilution adjustments ^a	(0.02)	(0.02)	0.00
Total direct transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.00
Operating charges	0.47 ^d	0.55	0.55
Return after charges	+25.39	+3.25	+1.51
Historic yield	1.47	1.88	1.66
Other information			
Closing NAV (\$'000)	76,888	282	147
Closing NAV (%)	8.08	0.03	0.02
Number of shares	44,230,835	207,337	120,000
Highest share price (UK p)	126.95	107.47	102.51
Lowest share price (UK p)	99.36	75.70	98.21

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	112.55	108.93	100.00
Return before operating charges	29.34	4.20	9.21
Operating charges	(0.62)	(0.58)	(0.28)
Return after operating charges	28.72	3.62	8.93
Distributions	(1.28)	(1.42)	(0.76)
Retained distributions	1.28	1.42	0.76
Closing NAV	141.27	112.55	108.93
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.04	0.01
Dilution adjustments ^a	(0.02)	(0.02)	(0.01)
Total direct transaction costs	0.01	0.02	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.00
Operating charges ^c	0.51 ^d	0.55	0.32
Return after charges	+25.52	+3.32	+8.93
Historic yield	0.92	1.40	0.68
Other information			
Closing NAV (\$'000)	19,438	44,912	11,106
Closing NAV (%)	2.04	5.03	1.39
Number of shares	9,992,567	29,995,878	8,371,659
Highest share price (UK p)	141.20	116.66	111.13
Lowest share price (UK p)	109.47	82.51	98.26

Financial highlights

Sterling Class 'PP-H' Income share performance

The share class was launched on 6 December 2019.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	105.42	100.00	n/a
Return before operating charges	31.41	7.22	n/a
Operating charges	(0.63)	(0.41)	n/a
Return after operating charges	30.78	6.81	n/a
Distributions	(1.97)	(1.39)	n/a
Closing NAV	134.23	105.42	n/a
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.02	n/a
Dilution adjustments ^a	(0.02)	(0.01)	n/a
Total direct transaction costs	0.01	0.01	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	n/a
Operating charges	0.52	0.58	n/a
Return after charges	+29.20	+6.81	n/a
Historic yield	1.47	1.96	n/a
Other information			
Closing NAV (\$'000)	37	28	n/a
Closing NAV (%)	0.00	0.00	n/a
Number of shares	20,150	20,150	n/a
Highest share price (UK p)	134.98	108.26	n/a
Lowest share price (UK p)	99.25	67.18	n/a

Sterling Class 'PP-H' Accumulation share performance

The share class was launched on 6 December 2019

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	106.89	100.00	n/a
Return before operating charges	32.01	7.31	n/a
Operating charges	(0.64)	(0.42)	n/a
Return after operating charges	31.37	6.89	n/a
Distributions	(1.36)	(0.98)	n/a
Retained distributions	1.36	0.98	n/a
Closing NAV	138.26	106.89	n/a
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.02	n/a
Dilution adjustments ^a	(0.02)	(0.01)	n/a
Total direct transaction costs	0.01	0.01	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	n/a
Operating charges	0.52	0.58	n/a
Return after charges	+29.35	+6.89	n/a
Historic yield	0.99	1.42	n/a
Other information			
Closing NAV (\$'000)	38	29	n/a
Closing NAV (%)	0.00	0.00	n/a
Number of shares	20,100	20,100	n/a
Highest share price (UK p)	138.19	108.26	n/a
Lowest share price (UK p)	100.64	67.40	n/a

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	275.07	272.28	246.46
Return before operating charges	71.17	10.23	33.69
Operating charges	(2.66)	(2.49)	(2.82)
Return after operating charges	68.51	7.74	30.87
Distributions	(4.94)	(4.95)	(5.05)
Closing NAV	338.64	275.07	272.28
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.09	0.07
Dilution adjustments ^a	(0.05)	(0.04)	(0.05)
Total direct transaction costs	0.02	0.05	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.00
Operating charges ^c	0.86	0.95	1.14
Return after charges	+24.91	+2.84	+12.53
Historic yield	1.48	1.88	1.59
Other information			
Closing NAV (\$'000)	2,721	2,106	2,048
Closing NAV (%)	0.29	0.24	0.26
Number of shares	583,512	575,619	617,767
Highest share price (UK p)	340.53	289.98	280.09
Lowest share price (UK p)	267.35	204.20	215.78

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	310.16	301.38	267.49
Return before operating charges	80.71	11.55	36.98
Operating charges	(3.01)	(2.77)	(3.09)
Return after operating charges	77.70	8.78	33.89
Distributions	(2.62)	(2.79)	(2.39)
Retained distributions	2.62	2.79	2.39
Closing NAV	387.86	310.16	301.38
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.10	0.08
Dilution adjustments ^a	(0.06)	(0.05)	(0.06)
Total direct transaction costs	0.02	0.05	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.00
Operating charges ^c	0.86	0.95	1.14
Return after charges	+25.05	+2.91	+12.67
Historic yield	0.68	0.94	0.62
Other information			
Closing NAV (\$'000)	14,065	10,799	9,464
Closing NAV (%)	1.48	1.21	1.19
Number of shares	2,633,752	2,617,134	2,578,719
Highest share price (UK p)	387.66	322.16	307.58
Lowest share price (UK p)	301.46	227.77	235.10

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,283.15	2,265.62	2,060.68
Return before operating charges	590.10	84.86	280.53
Operating charges	(26.99)	(26.18)	(33.50)
Return after operating charges	563.11	58.68	247.03
Distributions	(40.97)	(41.15)	(42.09)
Closing NAV	2,805.29	2,283.15	2,265.62
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.61	0.74	0.57
Dilution adjustments ^a	(0.43)	(0.37)	(0.44)
Total direct transaction costs	0.18	0.37	0.13
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.00
Operating charges ^c	1.06	1.20	1.62
Return after charges	+24.66	+2.59	+11.99
Historic yield	1.48	1.88	1.60
Other information			
Closing NAV (\$'000)	11,679	10,125	9,992
Closing NAV (%)	1.23	1.13	1.25
Number of shares	302,351	333,345	362,164
Highest share price (UK p)	2,820.97	2,410.06	2,331.24
Lowest share price (UK p)	2,218.18	1,696.73	1,801.30

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	3,224.77	3,141.21	2,801.41
Return before operating charges	838.07	120.05	385.60
Operating charges	(38.29)	(36.49)	(45.80)
Return after operating charges	799.78	83.56	339.80
Distributions	(20.34)	(21.61)	(11.22)
Retained distributions	20.34	21.61	11.22
Closing NAV	4,024.55	3,224.77	3,141.21
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.87	1.03	0.78
Dilution adjustments ^a	(0.62)	(0.52)	(0.60)
Total direct transaction costs	0.25	0.51	0.18
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.00
Operating charges ^c	1.06	1.20	1.62
Return after charges	+24.80	+2.66	+12.13
Historic yield	0.51	0.70	0.22
Other information			
Closing NAV (\$'000)	50,613	41,404	44,144
Closing NAV (%)	5.32	4.64	5.54
Number of shares	913,356	965,105	1,153,968
Highest share price (UK p)	4,022.51	3,353.83	3,206.53
Lowest share price (UK p)	3,132.99	2,370.62	2,458.25

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

^d As the operating charges figure has been calculated on average NAV basis during the period, the difference between the 'PP' Income and Accumulation share class charges is due to large movements on both the share classes.

Financial statements and notes

Financial statements

Statement of total return

		2021		2020	
for the year to 31 August	Note	\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains/(losses)	3		227,810		82,910
Revenue	5	17,456		18,580	
Expenses	6	(6,850)		(6,979)	
Net revenue/(expense) before taxation		10,606		11,601	
Taxation	7	(2,381)		(2,627)	
Net revenue/(expense) after taxation			8,225		8,974
Total return before distributions			236,035		91,884
Distributions	8		(11,175)		(11,783)
Change in net assets attributable to shareholders from investment activities			224,860		80,101

Statement of change in net assets attributable to shareholders

for the year to 31 August	2021		2020	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		892,230		796,408
Amounts received on issue of shares	177,734		189,071	
Amounts paid on cancellation of shares	(348,246)		(178,880)	
		(170,512)		10,191
Dilution adjustments		240		195
Change in net assets attributable to shareholders from investment activities (see above)		224,860		80,101
Retained distributions on Accumulation shares		4,329		5,335
Closing net assets attributable to shareholders		951,147		892,230

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Balance sheet

as at 31 August	Note	2021 \$'000	2020 \$'000
Assets			
Fixed assets			
Investments		944,744	889,669
Current assets			
Debtors	9	655	2,135
Cash and bank balances	10	3,504	1,904
Cash equivalents		6,344	5,013
Total assets		955,247	898,721
Liabilities			
Creditors			
Distribution payable		(2,544)	(2,613)
Other creditors	11	(1,556)	(3,878)
Total liabilities		(4,100)	(6,491)
Net assets attributable to shareholders		951,147	892,230

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Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 10 to 13.

The fund's functional and presentational currency is US dollars as this better reflects the currency of its primary economic environment.

2 Distribution policy

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

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

3 Net capital gains/(losses)

for the year to 31 August	2021 \$'000	2020 \$'000
Non-derivative securities	227,622	82,691
Derivative contracts	23	25
Currency gains/(losses)	165	194
Net capital gains/(losses)	227,810	82,910

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 278 to 279.

for the year to 31 August	2021 \$'000	% of transaction	2020 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	283,589		423,047	
Commissions	88	0.03	137	0.03
Total purchases after transaction costs	283,677		423,184	
b) Sales				
Equities				
Equities before transaction costs	456,028		387,386	
Commissions	(126)	0.03	(134)	0.03
Taxes	(7)	0.00	(8)	0.00
Total sales after transaction costs	455,895		387,244	

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	2021 \$'000	% of average NAV	2020 \$'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	214	0.02	271	0.03
Total commissions paid	214	0.02	271	0.03
Taxes paid				
Equities	7	0.00	8	0.00
Total taxes paid	7	0.00	8	0.00
Total direct portfolio transaction costs^a	221	0.02	279	0.03
		%		%
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^b		0.04		0.04

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

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

5 Revenue

for the year to 31 August	2021 \$'000	2020 \$'000
Bank interest	0	2
Dividends from equity investments: non-taxable	16,466	18,101
Dividends from equity investments: taxable	28	(210) ^a
Interest distributions	5	227
Property distribution: taxable	953	449 ^a
Rebate of ongoing charges from underlying funds	4	11
Total revenue	17,456	18,580

^a The prior year amounts have been restated due to the reclassification of revenue in the current year.

6 Expenses

for the year to 31 August	2021 \$'000	2020 \$'000
Payable to the ACD or associate		
Annual charge	6,850	6,980
Other expenses		
Safe custody charge ^a	0	(1)
Total expenses	6,850	6,979

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

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

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7 Taxation

for the year to 31 August	2021 \$'000	2020 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	2,234	2,627
Prior year adjustment	147	0
Deferred tax (note 7c)	0	0
Total taxation	2,381	2,627
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	10,606	11,601
Corporation tax at 20%	2,121	2,320
Effects of:		
Dividends from equity investments: non-taxable	(3,293)	(3,620)
Current year expenses not utilised	1,199	1,314
Withholding tax	2,234	2,627
Withholding tax expensed	(27)	(14)
Prior year adjustment	147	0
Total tax charge (note 7a)	2,381	2,627
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of \$43,080,000 (2020: \$41,851,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

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8 Distributions

for the year to 31 August Dividend distributions	2021		2020	
	Inc ^a \$'000	Acc ^b \$'000	Inc ^a \$'000	Acc ^b \$'000
First interim	1,281	937	1,260	1,062
Second interim	1,268	870	1,294	1,249
Third interim	1,249	787	1,282	1,101
Final	2,544	1,735	2,613	1,923
Total net distributions	10,671		11,784	
Income deducted on cancellation of shares	1,069		642	
Income received on issue of shares	(565)		(643)	
Distributions	11,175		11,783	
Net revenue/(expense) per statement of total return	8,225		8,974	
Expenses offset against capital	2,950		2,809	
Distributions	11,175		11,783	

^a Distributions payable on Income shares.

^b Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2021 \$'000	2020 \$'000
Amounts receivable on issues of shares	0	270
Currency deals outstanding	0	403
Dividends receivable	607	403
Sales awaiting settlement	0	894
Withholding tax recoverable	48	165
Total debtors	655	2,135

10 Cash and bank balances

as at 31 August	2021 \$'000	2020 \$'000
Cash held as bank balances	3,504	1,904
Total cash and bank balances	3,504	1,904

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11 Other creditors

as at 31 August	2021 \$'000	2020 \$'000
Amounts payable on cancellation of shares	1,174	2,130
Annual charge payable	382	362
Currency deals outstanding	0	399
Purchases awaiting settlement	0	959
Payable to M&G (Lux) North American Dividend Fund	0	28
Total other creditors	1,556	3,878

12 Contingent assets, liabilities and outstanding commitments

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

13 Shares in issue

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

Share class	Opening 01.09.20	Issued	Movements Cancelled	Closing 31.08.21
Sterling				
Class 'A' Income	3,066,620	1,379,947	(1,495,638)	2,950,929
Class 'A' Accumulation	2,414,691	123,784	(409,556)	2,128,919
Class 'I' Income	7,208,368	524,504	(3,268,728)	4,464,144
Class 'I' Accumulation	7,507,995	322,059	(1,812,551)	6,017,503
Class 'I-H' Income	52,984	0	(15,818)	37,166
Class 'I-H' Accumulation	387,032	411,253	(42,833)	755,452
Class 'PP' Income	207,337	47,219,753	(3,196,255)	44,230,835
Class 'PP' Accumulation	29,995,878	6,190,411	(26,193,722)	9,992,567
Class 'PP-H' Income	20,150	0	0	20,150
Class 'PP-H' Accumulation	20,100	0	0	20,100
Class 'R' Income	575,619	57,506	(49,613)	583,512
Class 'R' Accumulation	2,617,134	538,397	(521,779)	2,633,752
Class 'X' Income	333,345	5,087	(36,081)	302,351
Class 'X' Accumulation	965,105	47,509	(99,258)	913,356

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14 Charging structure

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

Share class	Annual charge ^a to 14.02.2021 %	Annual charge ^a from 15.02.2021 %
Sterling		
Class 'A'	1.20	0.95
Class 'I'	0.70	0.55
Class 'I-H'	0.73	0.58
Class 'PP'	0.55	0.45
Class 'PP-H'	0.58	0.48
Class 'R'	0.95	0.80
Class 'X'	1.20	0.95

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

15 Related parties

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

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

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 2.36% (2020: 3.34%) of the fund's shares.

16 Events after the balance sheet date

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

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

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Level 3: Valuation technique using unobservable inputs

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

as at 31 August	Assets 2021 \$'000	Liabilities 2021 \$'000	Assets 2020 \$'000	Liabilities 2020 \$'000
Basis of valuation				
Level 1	944,744	0	889,664	0
Level 2	0	0	5	0
Level 3	0	0	0	0
	944,744	0	889,669	0

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 13 to 14.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by \$47,237,000 (2020: \$44,483,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by \$1,093,000 (2020: \$1,008,000). A five per cent decrease would have an equal and opposite effect.

as at 31 August	2021 \$'000	2020 \$'000
Currency exposure in respect of the fund		
Canadian dollar	20,325	18,094
Sterling	7	1,400
US dollar	930,815	872,731
Currency exposure in respect of share class hedging		
Canadian dollar	(32)	(13)
Sterling	1,551	672
US dollar	(1,519)	(654)
Total	951,147	892,230

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21 Interest rate risk sensitivity and exposure

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

22 Credit risk

Credit risk in regards to derivative balances is not considered significant and is therefore not disclosed.

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

As at 31 August 2021 the total value of exposure to counterparties was below \$500, therefore rounded to nil.

as at 31 August 2021	Forward currency contracts \$'000
State Street Bank	0
Total	0
as at 31 August 2020	Forward currency contracts \$'000
State Street Bank	5
Total	5

23 Exchange rate risk for hedged share classes

Hedged share classes operate currency hedges designed to reduce the impact of exchange rates in certain circumstances. As a result, profit and loss on the currency hedges may impact the liquidity of the overall fund. On a day to day basis this is monitored using reporting from the outsourced provider of the hedged share class service. On an ongoing basis the size of the hedged share classes is monitored to ensure that unforeseen exchange rate volatility could adequately manage without significantly impacting all shareholders.

24 Dividend distribution tables

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

Quarterly distribution periods

	Start	End	Xd	Payment
First interim	01.09.20	30.11.20	01.12.20	31.01.21
Second interim	01.12.20	28.02.21	02.03.21	30.04.21
Third interim	01.03.21	31.05.21	01.06.21	31.07.21
Final	01.06.21	31.08.21	01.09.21	31.10.21

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

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

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

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution	
			2021 UK p	2020 UK p
First interim	2.0743	6.1620	8.2363	8.2629
Second interim	3.5289	4.3706	7.8995	8.2751
Third interim	0.0000	7.7399	7.7399	8.6498
Final	1.6012	15.5610	17.1622	16.0217

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution	
			2021 UK p	2020 UK p
First interim	0.1783	3.7234	3.9017	3.9540
Second interim	0.2032	3.9574	4.1606	5.1116
Third interim	0.0000	1.8807	1.8807	5.3716
Final	4.5692	6.2548	10.8240	7.4953

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution	
			2021 UK p	2020 UK p
First interim	2.7624	7.2854	10.0478	10.0295
Second interim	3.7414	5.9054	9.6468	10.0553
Third interim	0.0000	9.4603	9.4603	10.5211
Final	5.9740	15.0041	20.9781	19.5063

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Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	1.5208	5.4346	6.9554	6.8790
Second interim	0.0000	6.9302	6.9302	7.5594
Third interim	0.0000	6.9700	6.9700	7.9411
Final	3.1708	11.5673	14.7381	13.3650

Sterling Class 'I-H' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.0000	0.3888	0.3888	n/a
Second interim	0.0000	0.3800	0.3800	0.3099
Third interim	0.0000	0.3760	0.3760	0.3510
Final	0.0776	0.7369	0.8145	0.7245

Sterling Class 'I-H' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.1931	0.0927	0.2858	n/a
Second interim	0.0309	0.2130	0.2439	0.2078
Third interim	0.0000	0.2429	0.2429	0.2366
Final	0.1821	0.2849	0.4670	0.4293

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.3683	0.0000	0.3683	0.3670
Second interim	0.0000	0.3536	0.3536	0.3681
Third interim	0.0000	0.3469	0.3469	0.3853
Final	0.2877	0.4822	0.7699	0.7143

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Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.0506	0.2974	0.3480	0.2770
Second interim	0.1136	0.1712	0.2848	0.2965
Third interim	0.0000	0.2763	0.2763	0.3118
Final	0.0693	0.3044	0.3737	0.5391

Sterling Class 'PP-H' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.3902	0.0000	0.3902	n/a
Second interim	0.3817	0.0000	0.3817	0.3098
Third interim	0.3779	0.0000	0.3779	0.3526
Final	0.8188	0.0000	0.8188	0.7270

Sterling Class 'PP-H' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.2686	0.0000	0.2686	n/a
Second interim	0.2683	0.0000	0.2683	0.2294
Third interim	0.2676	0.0000	0.2676	0.2606
Final	0.5572	0.0000	0.5572	0.4949

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.1767	0.8144	0.9911	0.9918
Second interim	0.0000	0.9511	0.9511	0.9939
Third interim	0.0000	0.9322	0.9322	1.0393
Final	0.3417	1.7251	2.0668	1.9261

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Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.0562	0.4695	0.5257	0.5248
Second interim	0.0000	0.5342	0.5342	0.6127
Third interim	0.0000	0.5224	0.5224	0.6439
Final	0.1727	0.8672	1.0399	1.0103

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.0483	8.1762	8.2245	8.2511
Second interim	0.0000	7.8882	7.8882	8.2632
Third interim	0.0000	7.7288	7.7288	8.6374
Final	3.1499	13.9802	17.1301	15.9987

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.1218	3.7231	3.8449	3.8963
Second interim	0.0000	4.1001	4.1001	5.0372
Third interim	0.1205	4.1472	4.2677	5.2944
Final	1.7980	6.3337	8.1317	7.3870

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Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the S&P 500 Index, over any five-year period.

Investment policy

At least 80% of the fund is invested directly in equity securities and equity related securities of companies across any sectors and market capitalisations that are incorporated, domiciled, or do most of their business activity in the United States of America and Canada.

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

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

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

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

The investment approach identifies shares of North American companies which, in the fund manager's opinion at the time of investment, are undervalued.

When analysing companies, the fund manager seeks to identify companies that are mispriced, while trying to avoid companies that are cheap for a reason and whose share prices are unlikely to improve over time.

The investment approach combines strict value-focused screening with rigorous qualitative analysis to ensure the fund has a consistent and disciplined value bias without compromising on the robustness of the companies in the portfolio.

The fund manager expects the overall stock selection and value style to be the main drivers of performance rather than any individual sector or stock.

Benchmark up to 16 September 2020

Benchmark: S&P 500 Index.

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

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

Benchmark from 17 September 2020

Benchmark: S&P 500 Index.

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

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

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

Risk profile

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

The fund's focus is on companies that are deemed to be undervalued or out of favour with the market, and

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whose potential value, in the fund manager's view, is yet to be reflected in the share price. These stocks could potentially experience a degree of illiquidity in times of market distress. However, the fund is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. The fund also invests in the shares of smaller companies, which can be more unpredictable and difficult to buy and sell. Diversification across industries and market capitalisation is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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 September 2021, for the year ended 31 August 2021

Performance against objective

Between 1 September 2020 (the start of the review period) and 1 September 2021, the fund's sterling share classes delivered a positive total return (the combination of income and growth of capital). The returns were ahead of the return from the fund's benchmark, the S&P 500 Index, which rose 27.0% in the review period.

Over five years, the fund generated a positive return, but trailed the S&P 500 Index, which returned 17.2% pa over this period. Therefore the fund did not meet the objective of providing a higher total return, net of the ongoing charge figure, than the S&P 500 Index over any five-year period.

For much of the past decade, the 'value' investment style (investing in cheap, out-of-favour stocks) has struggled to keep pace with the broader market. The fund's underperformance over the past five years can be attributed largely to the significant headwind from its value investing approach.

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

Performance review

US stockmarkets continued to recover in the 12 months under review and the S&P 500 Index reached record highs. The gains were driven primarily by investors' optimism that coronavirus vaccines would enable the global economy to make a swift rebound from the devastating effects of COVID-19. As the vaccination rollout gathered momentum and businesses reopened, the US economy bounced back strongly, with robust jobs growth and solid corporate results.

Investor sentiment was also lifted by the huge amounts of stimulus from central banks and governments, across major economies, to counteract the impact of the pandemic. In particular, investors welcomed US president Joe Biden's US\$1.9 trillion stimulus package, designed to help the economy recover, and a US\$1 trillion infrastructure plan to invest in roads, bridges, high speed internet and electric vehicle charging points.

On the other hand, the rapid spread of the Delta variant of coronavirus was a source of concern as surging cases posed a risk to the economic recovery. Investors also worried that, in light of the robust economic growth, policymakers might start to withdraw, or "taper", some of the pandemic-era stimulus measures. However, investors were somewhat reassured by

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comments from central bankers that they were in no hurry to raise interest rates.

A dominant feature of the 12-month review period was a change in market leadership at the sector level. When positive vaccine news in November 2020 offered the prospect of life returning to normal, investors turned to economically sensitive stocks that would likely benefit from the reopening of economies.

In the US market, financials were the standout performer, supported by the improved economic outlook. Energy stocks rallied as oil prices climbed on expectations that demand would recover. Supply cuts by leading oil producers also boosted crude prices. Industrials and materials outperformed the broader market too.

On the other hand, consumer staples and utilities were among the weakest sectors as defensive stocks were out of favour in this period of optimism. (Defensive stocks are generally regarded as stable businesses that can deliver consistent earnings even in challenging economic conditions.) Consumer discretionary stocks also underperformed the broader market, dragged down by weakness from online retailer Amazon.com. Amazon was one of the 'winners' during COVID-19 lockdowns but it struggled in the period as investors favoured stocks that might do well in a post-COVID world. Information technology, the largest sector in the S&P 500 Index, lagged during this period as well, although the semiconductor sub-sector outperformed as shortage of supply became apparent.

In terms of investment style, cheap, out-of-favour 'value' stocks (where the focus is on companies with low share prices, where the risk is higher but the potential for a strong increase in share price is also higher) benefited from the rotation towards previously neglected cyclical sectors such as energy and financials. Value stocks outperformed the broader market by a wide margin in the 12 months, which was helpful for the fund's performance. In the last three months of the review period, though, the value investment style experienced a headwind as investors

began to avoid what are perceived to be riskier assets and revert back to high-growth large cap stocks.

At the portfolio level, stock selection in consumer discretionary made a significant contribution to relative performance. This was a combination of holding companies that might benefit from the process of 'normalisation', as well as not owning Amazon which declined.

Our holdings in luxury accessories company Tapestry, jeanswear maker Kontoor Brands and cosmetics firm Coty were notable contributors as their share prices more than doubled in value. All three companies had struggled in lockdown but they rallied on expectations that demand would rebound as vaccination rates rose and economic activity resumed. Tapestry, which makes handbags and purses, reported better-than-expected quarterly results, and said it planned to return a significant amount of cash to shareholders.

Financial holdings Hartford Financial Services and JP Morgan Chase made positive contributions too. JP Morgan gained on better-than-expected quarterly profits and optimism about the economic outlook. Meanwhile, Hartford's share price jumped when the insurer received a takeover bid from larger rival Chubb, which it subsequently rejected.

In technology, our holding in IT services firm Oracle added value. The company is going through a transition to build up its cloud computing business. While this investment is likely to weigh on performance in the near term, we are optimistic about the company's longer term growth prospects. Not holding any shares in Apple was helpful too as the large index stock underperformed.

In contrast, some of our defensive holdings, which had been resilient earlier in the pandemic, did not participate in the market's rise. In healthcare, drugmakers Bristol Myers Squibb and Merck & Co were notable detractors. Our shares in gold miner Newmont also retreated when gold prices fell as investor confidence increased (gold is typically favoured by investors when their confidence in investing in stockmarkets is low). Telecommunications firm Verizon

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Communications was a drag on relative performance too. The company has been investing in its 5G wireless network and reported encouraging growth in new subscribers.

Similarly, Israel-based Check Point Software Technologies held back relative performance. The computer and network security firm performed well in the pandemic as the shift to home working boosted demand for its services. However, the stock lost ground in the review period. We remain positive on the outlook for the company.

Investment activities

During the period, we identified new opportunities in a number of different industries. We invested in three companies that own and develop properties in a range of real estate sectors: Highwoods Properties, National Retail Properties and PS Business Parks. The property sector has been particularly hard hit by the coronavirus pandemic and measures introduced to curb its spread, but we believe these stocks are attractively valued.

We also started a position in tobacco company Altria. In our view, Altria's share price is more than reflecting the structural issues that the company is facing. Other newcomers included agricultural sciences company FMC Corporation and biopharmaceutical company AbbVie. Investors have been concerned about the loss of patent protection for one of AbbVie's leading drugs, Humira, but we are optimistic about the company's prospects. Women's healthcare company Organon joined the portfolio too, after being spun off from Merck & Co, one of the fund's holdings.

In addition, we bought some more shares in existing positions such as telecommunications firm Verizon, utility company Exelon and Check Point Software Technologies.

On the other hand, we closed our long-standing position in retailer Target on valuation grounds. The company was a notable 'stay at home' beneficiary during the COVID-19 pandemic and the stock has risen to valuation levels that we think are too high.

We also sold our entire stakes in communications company Lumen Technologies and pharmaceutical firm Viatris. Hotel company Extended Stay America left the portfolio too, after being taken over.

We took some profits from stocks that had performed well, including package delivery company FedEx, which benefited from the increase in e-commerce during lockdowns, Hartford Financial and Oracle.

Outlook

Investors' optimism about the vaccine-driven economic recovery is currently being tempered by concerns about the impact of the Delta variant of COVID-19. Investors also remain nervous about the removal of COVID-19-related stimulus measures and potential interest rate rises, despite policymakers' assurances that rate hikes are not imminent. Given these worries and with stockmarkets at record highs after a remarkable run of gains, it is possible that we could experience some market turbulence in the near term.

However, investors' preoccupation with the macroeconomic situation could also be a source of opportunities for long-term stockpickers to identify mispriced companies.

As value investors, we remain optimistic about the future. The powerful rotation towards value stocks that accompanied news of effective coronavirus vaccines and the prospect of normalisation was encouraging. Although this trend lost momentum towards the end of the review period, it served as a reminder of how shifts in investment styles can happen suddenly and with force. The valuation gap between the cheap and expensive stocks in the market remains very wide, with the recent rotation away from value stocks driven mostly, in our view, by sentiment rather than fundamental performance of the companies. We believe this potentially bodes well for a meaningful comeback for value as an investment style.

In addition to this, we are seeing some what we regard as irrational price movements in the market today, while we experience a change in regime after a long period of

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low interest rates and inflation. In our view, this is a favourable environment for disciplined, selective value investors.

Daniel White

Fund manager

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

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

Investments

Portfolio statement

Holding	as at 31.08.21 \$'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities	291,276	96.87	96.51
Oil, gas & consumable fuels	13,636	4.53	5.26
67,186 Chevron	6,611	2.20	
41,594 Cobalt International Energy ^b	0	0.00	
61,837 ConocoPhillips	3,475	1.15	
167,616 Euronav	1,350	0.45	
23,323 Hess	1,611	0.53	
255,058 Kosmos Energy	589	0.20	
Chemicals	2,963	0.98	0.00
31,751 FMC	2,963	0.98	
Construction materials	3,938	1.31	1.08
25,072 Eagle Materials	3,938	1.31	
Containers & packaging	2,715	0.90	0.89
52,927 Westrock	2,715	0.90	
Metals & mining	5,722	1.90	2.16
36,908 Newmont	2,122	0.70	
51,254 Steel Dynamics	3,600	1.20	
Paper & forest products	2,108	0.70	0.48
38,482 Domtar	2,108	0.70	
Aerospace & defence	3,422	1.14	1.12
17,186 General Dynamics	3,422	1.14	
Building products	3,016	1.00	1.58
30,682 Owens Corning	3,016	1.00	
Industrial conglomerates	2,813	0.94	0.77
26,737 General Electric	2,813	0.94	
Machinery	7,602	2.53	2.19
17,441 Caterpillar	3,688	1.23	
20,402 Oshkosh	2,356	0.78	
19,294 SPX FLOW	1,558	0.52	
Professional services	2,400	0.80	0.64
19,803 ManpowerGroup	2,400	0.80	
Air freight & logistics	2,563	0.85	1.84
9,651 FedEx	2,563	0.85	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 \$'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Airlines	2,811	0.93	0.92
57,180 Southwest Airlines	2,811	0.93	
Road & rail	2,852	0.95	1.17
86,202 CSX	2,852	0.95	
Auto components	2,557	0.85	0.67
32,287 Magna International	2,557	0.85	
Automobiles	3,087	1.03	0.98
62,793 General Motors	3,087	1.03	
Textiles, apparel & luxury goods	6,516	2.17	1.32
12,542 Columbia Sportswear	1,291	0.43	
38,403 Kontoor Brands	2,113	0.70	
75,469 Tapestry	3,112	1.04	
Hotels, restaurants & leisure	0	0.00	0.88
Internet & direct marketing retail	7,087	2.36	1.78
91,419 eBay	7,087	2.36	
Multiline retail	0	0.00	1.02
Specialty retail	3,036	1.01	0.83
54,318 Foot Locker	3,036	1.01	
Food & staples retailing	6,769	2.25	2.63
127,831 Kroger	5,906	1.96	
15,184 Weis Markets	863	0.29	
Beverages	9,502	3.16	3.35
103,120 Coca-Cola Europacific Partners	6,027	2.00	
74,366 Molson Coors Beverage	3,475	1.16	
Food products	3,057	1.02	0.91
39,105 Tyson Foods	3,057	1.02	
Tobacco	6,393	2.13	0.00
128,622 Altria	6,393	2.13	
Household products	1,330	0.44	0.77
33,708 Energizer	1,330	0.44	
Personal products	2,173	0.72	0.42
228,309 Coty	2,173	0.72	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 \$'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Health care equipment & supplies	4,828	1.61	2.16
17,613 Stryker	4,828	1.61	
Health care providers & services	11,039	3.67	2.89
17,585 Anthem	6,516	2.17	
14,924 LabCorp	4,523	1.50	
Biotechnology	4,930	1.64	0.00
40,893 AbbVie	4,930	1.64	
Pharmaceuticals	33,678	11.20	12.58
115,395 Bristol-Myers Squibb	7,756	2.58	
53,288 Johnson & Johnson	9,254	3.08	
64,374 Merck	4,924	1.64	
119,043 Organon	4,013	1.33	
165,375 Pfizer	7,731	2.57	
Banks	23,537	7.83	6.41
64,078 Citigroup	4,592	1.53	
64,490 JPMorgan Chase	10,346	3.44	
20,408 PNC Financial Services	3,889	1.29	
38,495 Truist Financial	2,186	0.73	
52,153 Wells Fargo	2,524	0.84	
Thriffs & mortgage finance	3,065	1.02	1.22
65,575 Capitol Federal Financial	748	0.25	
187,042 New York Community Bancorp	2,317	0.77	
Diversified financial services	2,534	0.84	1.00
39,028 Voya Financial	2,534	0.84	
Insurance	12,078	4.02	3.30
68,082 Hartford Financial Services	4,566	1.52	
48,592 Loews	2,713	0.90	
40,476 MetLife	2,504	0.83	
19,930 Reinsurance Group of America	2,295	0.77	
IT services	8,270	2.75	3.02
69,294 Cognizant Technology Solutions	5,324	1.77	
81,192 DXC Technology	2,946	0.98	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 \$'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Software	12,915	4.29	4.88
47,828 Check Point Software Technologies	6,054	2.01	
76,712 Oracle	6,861	2.28	
Communications equipment	8,495	2.82	2.66
143,717 Cisco Systems	8,495	2.82	
Technology hardware, storage & peripherals	5,916	1.97	1.72
273,541 Hewlett Packard Enterprise	4,188	1.39	
27,838 Western Digital	1,728	0.58	
Electronic equipment, instruments & components	1,104	0.37	0.48
48,951 Vishay Intertechnology	1,104	0.37	
Semiconductors & semiconductor equipment	6,505	2.16	2.24
76,028 Intel	4,101	1.36	
32,859 Micron Technology	2,404	0.80	
Diversified telecommunication services	9,434	3.14	4.68
98,796 AT&T	2,689	0.90	
123,178 Verizon Communications	6,745	2.24	
Wireless telecommunication services	1,228	0.41	0.82
30,797 Telephone and Data Systems	621	0.21	
18,984 U.S. Cellular	607	0.20	
Media	9,585	3.19	3.96
134,320 Comcast	8,020	2.67	
69,946 News	1,565	0.52	
Interactive media & services	5,231	1.74	4.11
1,809 Alphabet	5,231	1.74	
Electric utilities	9,685	3.22	2.72
196,641 Exelon	9,685	3.22	
Equity real estate investment trusts (REITs)	7,151	2.38	0.00
53,361 Highwoods Properties REIT	2,430	0.81	
50,047 National Retail Properties REIT	2,367	0.79	
15,117 PS Business Parks REIT	2,354	0.78	
Portfolio of investments	291,276	96.87	96.51

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 \$'000	as at 31.08.21 %	as at 31.08.20 % ^a
Cash equivalents	11,626	3.87	4.22
'AAA' rated money market funds^c	11,626	3.87	4.22
11,626,108 Northern Trust Global Fund - US dollar	11,626	3.87	
Total portfolio (notes 2c & 2d on page 10)	302,902	100.74	100.73
Net other assets/(liabilities)	(2,215)	(0.74)	(0.73)
Net assets attributable to shareholders	300,687	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 due to the prior year fair value adjustment.

^b Delisted.

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

Investments

Top ten portfolio transactions for the year to 31 August 2021

Largest purchases	\$'000
Altria	6,402
AbbVie	4,655
FMC	4,100
LabCorp	3,843
Organon	3,436
Check Point Software Technologies	2,914
Verizon Communications	2,774
Exelon	2,749
eBay	2,674
JP Morgan Chase	2,483
Other purchases	52,457
Total purchases	88,487

Largest sales	\$'000
Alphabet	8,135
Oracle	5,536
Comcast	4,897
Anthem	4,835
JPMorgan Chase	4,129
Pfizer	3,710
FedEx	3,583
Target	3,541
Bristol-Myers Squibb	3,480
Johnson & Johnson	3,377
Other sales	87,675
Total sales	132,898

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

Financial highlights

Fund performance

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

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

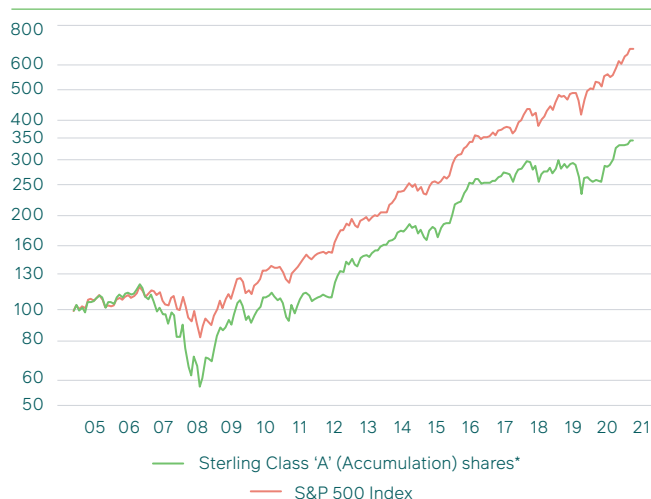
Fund level performance

Fund net asset value as at	31.08.21 \$'000	31.08.20 \$'000	31.08.19 \$'000
Fund net asset value (NAV)	300,687	262,804	382,362

Performance since launch

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

July 2005 = 100, plotted monthly
Chart date 1 September 2021



Source: Morningstar, Inc. and M&G

* Income reinvested

Long-term performance by share class

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

Share class	One year 01.09.20 % ^a	Three years 03.09.18 % pa	Five years 01.09.16 % pa	Since launch % pa
Sterling				
Class 'A'	+35.2	+4.7	+9.7	+8.0
Class 'I'	+35.8	+5.3	+10.4	+14.4
Class 'PP'	+35.9	n/a	n/a	+9.2
Class 'R'	+35.4	+5.1	+10.1	+14.1
Class 'X'	+35.2	+4.7	+9.7	+8.0

^a Not annualised.

Financial highlights

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

Portfolio transaction costs

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

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

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

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

Financial highlights

Portfolio transaction costs

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

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

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

Historic yields for the current year are calculated as at 10 September 2021.

Sterling Class 'A' Income share performance

The share class was launched on 1 July 2005.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	116.40	129.96	140.72
Return before operating charges	40.53	(9.33)	(5.48)
Operating charges	(1.47)	(1.50)	(2.15)
Return after operating charges	39.06	(10.83)	(7.63)
Distributions	(2.75)	(2.73)	(3.13)
Closing NAV	152.71	116.40	129.96
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.03	0.04
Dilution adjustments ^a	(0.03)	(0.03)	(0.04)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	1.06	1.20	1.62
Return after charges	+33.56	-8.33	-5.42
Historic yield	1.83	2.42	1.55
Other information			
Closing NAV (\$'000)	111,513	109,988	140,267
Closing NAV (%)	37.09	41.85	36.68
Number of shares	53,033,068	71,027,778	88,623,981
Highest share price (UK p)	156.12	138.91	142.58
Lowest share price (UK p)	114.17	100.33	119.15

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 1 July 2005.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	129.67	141.48	149.58
Return before operating charges	45.15	(10.18)	(5.81)
Operating charges	(1.63)	(1.63)	(2.29)
Return after operating charges	43.52	(11.81)	(8.10)
Distributions	(1.45)	(1.42)	(0.94)
Retained distributions	1.45	1.42	0.94
Closing NAV	173.19	129.67	141.48
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.04	0.04
Dilution adjustments ^a	(0.03)	(0.04)	(0.04)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	1.06	1.20	1.63
Return after charges	+33.56	-8.35	-5.42
Historic yield	0.85	1.13	0.00
Other information			
Closing NAV (\$'000)	2,210	1,840	2,215
Closing NAV (%)	0.73	0.70	0.58
Number of shares	926,592	1,066,393	1,285,337
Highest share price (UK p)	173.93	151.21	151.56
Lowest share price (UK p)	127.19	109.21	126.65

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	2,236.83	2,484.99	2,671.02
Return before operating charges	780.61	(179.11)	(103.49)
Operating charges	(16.38)	(16.72)	(22.90)
Return after operating charges	764.23	(195.83)	(126.39)
Distributions	(53.02)	(52.33)	(59.64)
Closing NAV	2,948.04	2,236.83	2,484.99
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.51	0.66	0.74
Dilution adjustments ^a	(0.51)	(0.66)	(0.70)
Total direct transaction costs	0.00	0.00	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	0.61	0.70	0.90
Return after charges	+34.17	-7.88	-4.73
Historic yield	1.83	2.41	1.53
Other information			
Closing NAV (\$'000)	30,114	17,066	20,972
Closing NAV (%)	10.01	6.50	5.48
Number of shares	741,872	573,492	692,995
Highest share price (UK p)	3,013.61	2,661.33	2,706.35
Lowest share price (UK p)	2,195.94	1,923.79	2,267.01

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	2,527.31	2,743.64	2,879.86
Return before operating charges	881.91	(197.68)	(112.12)
Operating charges	(18.55)	(18.65)	(24.10)
Return after operating charges	863.36	(216.33)	(136.22)
Distributions	(41.57)	(40.13)	(39.03)
Retained distributions	41.57	40.13	39.03
Closing NAV	3,390.67	2,527.31	2,743.64
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.58	0.74	0.79
Dilution adjustments ^a	(0.58)	(0.74)	(0.75)
Total direct transaction costs	0.00	0.00	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	0.61	0.70	0.89
Return after charges	+34.16	-7.88	-4.73
Historic yield	1.25	1.64	0.64
Other information			
Closing NAV (\$'000)	148,487	83,552	212,609
Closing NAV (%)	49.38	31.79	55.61
Number of shares	3,180,554	2,485,038	6,363,265
Highest share price (UK p)	3,404.84	2,938.09	2,918.01
Lowest share price (UK p)	2,481.01	2,123.84	2,444.30

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	86.84	96.33	100.00
Return before operating charges	30.32	(6.96)	(1.38)
Operating charges	(0.52)	(0.50)	(0.04)
Return after operating charges	29.80	(7.46)	(1.42)
Distributions	(2.06)	(2.03)	(2.25)
Closing NAV	114.58	86.84	96.33
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	0.00
Dilution adjustments ^a	(0.02)	(0.03)	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges	0.47 ^d	0.55	0.55
Return after charges	+34.32	-7.74	-1.42
Historic yield	1.83	2.41	1.60
Other information			
Closing NAV (\$'000)	589	109	54
Closing NAV (%)	0.20	0.04	0.01
Number of shares	373,595	94,866	46,000
Highest share price (UK p)	117.13	103.23	101.74
Lowest share price (UK p)	85.27	74.64	96.40

Financial highlights

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	91.89	99.61	100.00
Return before operating charges	32.05	(7.23)	(0.10)
Operating charges	(0.50)	(0.49)	(0.29)
Return after operating charges	31.55	(7.72)	(0.39)
Distributions	(1.64)	(1.59)	(1.48)
Retained distributions	1.64	1.59	1.48
Closing NAV	123.44	91.89	99.61
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.02	0.01
Dilution adjustments ^a	(0.02)	(0.02)	(0.01)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	0.55 ^d	0.55	0.61
Return after charges	+34.33	-7.75	-0.39
Historic yield	1.35	1.79	0.49
Other information			
Closing NAV (\$'000)	268	44,541	24
Closing NAV (%)	0.09	16.95	0.01
Number of shares	157,391	36,433,920	20,000
Highest share price (UK p)	123.96	106.72	105.81
Lowest share price (UK p)	90.23	77.17	95.20

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	221.36	246.53	265.66
Return before operating charges	77.17	(17.73)	(10.34)
Operating charges	(2.29)	(2.25)	(2.87)
Return after operating charges	74.88	(19.98)	(13.21)
Distributions	(5.24)	(5.19)	(5.92)
Closing NAV	291.00	221.36	246.53
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.07	0.07
Dilution adjustments ^a	(0.05)	(0.07)	(0.07)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	0.86	0.95	1.15
Return after charges	+33.83	-8.10	-4.97
Historic yield	1.83	2.41	1.54
Other information			
Closing NAV (\$'000)	503	345	390
Closing NAV (%)	0.17	0.13	0.10
Number of shares	125,448	117,193	129,927
Highest share price (UK p)	297.49	263.77	269.17
Lowest share price (UK p)	217.22	190.59	225.30

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	247.53	269.43	283.46
Return before operating charges	86.28	(19.44)	(10.97)
Operating charges	(2.55)	(2.46)	(3.06)
Return after operating charges	83.73	(21.90)	(14.03)
Distributions	(3.33)	(3.32)	(3.14)
Retained distributions	3.33	3.32	3.14
Closing NAV	331.26	247.53	269.43
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.07	0.08
Dilution adjustments ^a	(0.06)	(0.07)	(0.07)
Total direct transaction costs	0.00	0.00	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	0.86	0.95	1.14
Return after charges	+33.83	-8.13	-4.95
Historic yield	1.02	1.38	0.41
Other information			
Closing NAV (\$'000)	3,834	2,776	2,942
Closing NAV (%)	1.27	1.06	0.77
Number of shares	840,499	842,906	896,706
Highest share price (UK p)	332.65	288.20	287.21
Lowest share price (UK p)	242.89	208.24	240.40

Sterling Class 'X' Income share performance

The share class was launched on 1 July 2005.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	116.44	130.00	140.76
Return before operating charges	40.54	(9.33)	(5.47)
Operating charges	(1.47)	(1.50)	(2.16)
Return after operating charges	39.07	(10.83)	(7.63)
Distributions	(2.75)	(2.73)	(3.13)
Closing NAV	152.76	116.44	130.00
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.03	0.04
Dilution adjustments ^a	(0.03)	(0.03)	(0.04)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	1.06	1.20	1.63
Return after charges	+33.55	-8.33	-5.42
Historic yield	1.83	2.42	1.55
Other information			
Closing NAV (\$'000)	1,469	1,290	1,444
Closing NAV (%)	0.49	0.49	0.38
Number of shares	698,607	833,185	912,135
Highest share price (UK p)	156.17	138.95	142.62
Lowest share price (UK p)	114.21	100.36	119.19

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 July 2005.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	130.00	141.86	150.00
Return before operating charges	45.29	(10.23)	(5.83)
Operating charges	(1.63)	(1.63)	(2.31)
Return after operating charges	43.66	(11.86)	(8.14)
Distributions	(1.46)	(1.42)	(0.94)
Retained distributions	1.46	1.42	0.94
Closing NAV	173.66	130.00	141.86
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.04	0.04
Dilution adjustments ^a	(0.03)	(0.04)	(0.04)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	1.05	1.20	1.63
Return after charges	+33.58	-8.36	-5.43
Historic yield	0.85	1.13	0.00
Other information			
Closing NAV (\$'000)	1,700	1,297	1,445
Closing NAV (%)	0.57	0.49	0.38
Number of shares	711,067	749,789	836,491
Highest share price (UK p)	174.40	151.63	151.97
Lowest share price (UK p)	127.54	109.50	127.01

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

^d As the operating charges figure has been calculated on average NAV basis during the period, the difference between the 'PP' Income and Accumulation share class charges is due to large movements on both the share classes.

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Statement of total return

for the year to 31 August	Note	2021		2020	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains/(losses)	3		81,816		1,753
Revenue	5	6,330		8,123	
Expenses	6	(2,187)		(2,853)	
Net revenue/(expense) before taxation		4,143		5,270	
Taxation	7	(922)		(1,186)	
Net revenue/(expense) after taxation			3,221		4,084
Total return before distributions			85,037		5,837
Distributions	8		(4,615)		(5,893)
Change in net assets attributable to shareholders from investment activities			80,422		(56)

Statement of change in net assets attributable to shareholders

for the year to 31 August	2021		2020	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		262,804		382,362
Amounts received on issue of shares	91,272		69,486	
Amounts paid on cancellation of shares	(135,827)		(191,325)	
		(44,555)		(121,839)
Dilution adjustments		121		166
Change in net assets attributable to shareholders from investment activities (see above)		80,422		(56)
Retained distributions on Accumulation shares		1,895		2,171
Closing net assets attributable to shareholders		300,687		262,804

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Balance sheet

as at 31 August	Note	2021 \$'000	2020 \$'000
Assets			
Fixed assets			
Investments		291,276	253,602
Current assets			
Debtors	9	911	1,905
Cash and bank balances	10	735	153
Cash equivalents		11,626	11,122
Total assets		304,548	266,782
Liabilities			
Creditors			
Distribution payable		(2,598)	(3,020)
Other creditors	11	(1,263)	(958)
Total liabilities		(3,861)	(3,978)
Net assets attributable to shareholders		300,687	262,804

Financial statements and notes

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 10 to 13.

The fund's functional and presentational currency is US dollars as this better reflects the currency of its primary economic environment.

2 Distribution policy

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

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

3 Net capital gains/(losses)

for the year to 31 August	2021 \$'000	2020 \$'000
Non-derivative securities	82,161	2,123
Currency gains/(losses)	(345)	(369)
Transaction charges	0	(1)
Net capital gains/(losses)	81,816	1,753

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 313 to 314.

for the year to 31 August	2021 \$'000	% of transaction	2020 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	88,465		115,884	
Commissions	22	0.02	26	0.02
Total purchases after transaction costs	88,487		115,910	
b) Sales				
Equities				
Equities before transaction costs	132,928		227,889	
Commissions	(28)	0.02	(54)	0.02
Taxes	(2)	0.00	(5)	0.00
Total sales after transaction costs	132,898		227,830	

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	2021 \$'000	% of average NAV	2020 \$'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	50	0.02	80	0.03
Taxes paid				
Equities	2	0.00	5	0.00
Total direct portfolio transaction costs^a	52	0.02	85	0.03
		%		%
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^b		0.03		0.03

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

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

5 Revenue

for the year to 31 August	2021 \$'000	2020 \$'000
Bank interest	0	5
Dividends from equity investments: non-taxable	6,067	8,169
Dividends from equity investments: taxable	73	(253)
Interest distributions	9	191
Property distribution: taxable	175	0
Rebate of ongoing charges from underlying funds	6	11
Total revenue	6,330	8,123

6 Expenses

for the year to 31 August	2021 \$'000	2020 \$'000
Payable to the ACD or associate		
Annual charge	2,187	2,853
Total expenses	2,187	2,853

Audit fees for the financial year ending 2021 were £10,000 (2020: £9,000) (including VAT), which are covered by the annual charge.

Financial statements and notes

7 Taxation

for the year to 31 August	2021 \$'000	2020 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	921	1,186
Withholding tax on capital gains (US)	1	0
Deferred tax (note 7c)	0	0
Total taxation	922	1,186
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	4,143	5,270
Corporation tax at 20%	828	1,054
Effects of:		
Dividends from equity investments: non-taxable	(1,213)	(1,634)
Capital income subject to taxation	1	0
Current year expenses not utilised	388	580
Withholding tax	921	1,186
Withholding tax on capital gains (US)	1	0
Overseas tax expensed	(4)	0
Total tax charge (note 7a)	922	1,186
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of \$12,395,000 (2020: \$12,007,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

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8 Distributions

for the year to 31 August		2021		2020	
Dividend distributions		Inc ^a	Acc ^b	Inc ^a	Acc ^b
		\$'000	\$'000	\$'000	\$'000
Final		2,598	1,895	3,020	2,171
Total net distributions			4,493		5,191
Income deducted on cancellation of shares			1,001		1,535
Income received on issue of shares			(879)		(833)
Distributions			4,615		5,893
Net revenue/(expense) per statement of total return			3,221		4,084
Expenses offset against capital			1,393		1,809
Capital gains tax offset against capital			1		0
Distributions			4,615		5,893

^a Distributions payable on Income shares.

^b Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2021	2020
	\$'000	\$'000
Amounts receivable on issues of shares	41	341
Currency deals outstanding	276	255
Distributions receivable	0	2
Dividends receivable	464	449
Sales awaiting settlement	0	732
Withholding tax recoverable	130	126
Total debtors	911	1,905

10 Cash and bank balances

as at 31 August	2021	2020
	\$'000	\$'000
Cash held as bank balances	735	153
Total cash and bank balances	735	153

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11 Other creditors

as at 31 August	2021 \$'000	2020 \$'000
Amounts payable on cancellation of shares	839	568
Annual charge payable	129	117
Currency deals outstanding	276	253
Expenses payable	0	1
Payable to M&G (Lux) North American Value Fund	19	19
Total other creditors	1,263	958

12 Contingent assets, liabilities and outstanding commitments

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

13 Shares in issue

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

Share class	Opening 01.09.20	Issued	Movements Cancelled	Closing 31.08.21
Sterling				
Class 'A' Income	71,027,778	5,432,276	(23,426,986)	53,033,068
Class 'A' Accumulation	1,066,393	150,596	(290,397)	926,592
Class 'I' Income	573,492	381,632	(213,252)	741,872
Class 'I' Accumulation	2,485,038	1,425,410	(729,894)	3,180,554
Class 'PP' Income	94,866	490,000	(211,271)	373,595
Class 'PP' Accumulation	36,433,920	134,060	(36,410,589)	157,391
Class 'R' Income	117,193	35,538	(27,283)	125,448
Class 'R' Accumulation	842,906	177,471	(179,878)	840,499
Class 'X' Income	833,185	68,538	(203,116)	698,607
Class 'X' Accumulation	749,789	666,946	(705,668)	711,067

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14 Charging structure

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

Share class	Annual charge ^a to 14.02.21 %	Annual charge ^a from 15.02.21 %
Sterling		
Class 'A'	1.20	0.95
Class 'I'	0.70	0.55
Class 'PP'	0.55	0.45
Class 'R'	0.95	0.80
Class 'X'	1.20	0.95

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

15 Related parties

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

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

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 86.51% (2020: 53.64%) of the fund's shares.

16 Events after the balance sheet date

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

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

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Level 3: Valuation technique using unobservable inputs

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

as at 31 August	Assets 2021 \$'000	Liabilities 2021 \$'000	Assets 2020 \$'000	Liabilities 2020 \$'000
Basis of valuation				
Level 1	291,276	0	253,602	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	291,276	0	253,602	0

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 13 to 14.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by \$14,564,000 (2020: \$12,680,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

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

21 Interest rate risk sensitivity and exposure

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

22 Credit risk

Credit risk is not considered significant for the fund as there are no counterparty or derivative balances and is therefore not disclosed.

Financial statements and notes

23 Dividend distribution tables

This fund pays annual ordinary distributions and the following table sets out the distribution period.

Annual distribution period

	Start	End	Xd	Payment
Final	01.09.20	31.08.21	01.09.21	31.10.21

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

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

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

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	1.7528	0.9997	2.7525	2.7300

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	0.4987	0.9525	1.4512	1.4161

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	25.7260	27.2979	53.0239	52.3321

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Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Final	13.5660	28.0027	41.5687	40.1339

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Final	2.0600	0.0000	2.0600	2.0314

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Final	0.7838	0.8593	1.6431	1.5945

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Final	2.7602	2.4801	5.2403	5.1852

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Final	1.5196	1.8136	3.3332	3.3178

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Income 2021 UK p	Group 2 Equalisation 2021 UK p	Group 1 & 2 Distribution 2021 UK p	2020 UK p
Final	1.4485	1.3048	2.7533	2.7308

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Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	0.8198	0.6352	1.4550	1.4201

Authorised Corporate Director's Report

Investment objective

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

Investment policy

The fund will invest at least 80% in the equities of European smaller companies, from the bottom third (by total market capitalisation) of all publicly listed equities in Europe including the UK.

The fund has a concentrated portfolio and usually holds fewer than 45 stocks.

The fund uses an investment process that is based on the fundamental analysis of competitively advantaged companies with sustainable business models.

Sustainability considerations play an important role in determining the investment universe and assessing business models. Companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment and anti-corruption are excluded from the investment universe. Companies involved in the production of tobacco and controversial weapons are also excluded.

The fund may also invest in collective investment schemes, including funds managed by M&G, other transferable securities and warrants.

Cash and near cash may be held for ancillary purposes and derivatives may be used for efficient portfolio management and hedging purposes.

Investment approach

The fund makes long-term investments in smaller companies with sustainable business models and competitively advantageous characteristics to protect their profitability. Importantly, the fund manager invests in businesses where short-term issues have provided a clear valuation opportunity.

Sustainability considerations are fully integrated into the investment process.

The fund manager believes that this approach offers a powerful combination, providing the long-term compounded value of quality businesses, as well as the potential boost to a company's share price when a short-term issue has been resolved.

Benchmark up to 16 September 2020

Benchmark: EMIX Smaller European Companies Index.

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

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

Benchmark from 17 September 2020

Benchmark: EMIX Smaller European Companies Index.

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

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

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

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Risk profile

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

The fund's focus is on smaller companies where the share price movement can be more unpredictable and the shares more difficult to buy and sell compared to those of larger companies. Diversification across countries, industries and market capitalisation is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 1 September 2021, for the year ended 31 August 2021

Performance against objective

Between 1 September 2020 (the start of the review period) and 1 September 2021, the M&G Pan European Select Smaller Companies Fund delivered a positive total return (the combination of income and growth of

capital) across all of its sterling share classes. Fund performance was ahead of the average return from the fund's benchmark, the EMIX Smaller European Companies Index, which returned 41.1% in sterling terms over the same period under review. On 15 December 2020, the fund's non-sterling share classes were closed.

Over five years, the fund generated a positive total return across all its share classes, but lagged the benchmark, where the average return was 13.3% pa in sterling. Therefore, the fund's performance has not met its current objective over its specified timeframe of five years.

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

Performance review

The smaller European companies universe delivered strong returns for the 12 months under review, outpacing both the wider European and global indices. Sentiment was supported in the latter part of the period by vaccine rollouts picking up pace across much of the developed world, and governments in most developed markets continuing to ease COVID-related restrictions, with activity levels subsequently picking up.

The start of the period under review, however, was marked by extreme volatility (or market turbulence), as investors grappled with the prospects of a second wave of COVID-19 infections and what further lockdowns could mean for the economy, as new restrictions came into force across regions. With partial national shutdowns announced in the two largest European economies and further restrictions across the continent in the face of quickly rising COVID cases, some European indices saw their worst performance since March 2020. That negative sentiment was partly shared on the other side of the Atlantic, with infection cases in the US reaching record highs as well, while a lack of further stimulus measures ahead of the US election also helped to dampen the mood.

As we moved through the period, though, a sense of exuberance came to dominate markets, with positive

Authorised Corporate Director's Report

sentiment largely supported by two overriding themes. First and foremost was the well-received news of three breakthroughs in the delivery of a COVID-19 vaccine, all of which showed high rates of efficacy. This provided a degree of respite from anxiety over rising COVID cases and ongoing lockdowns, and offered hope that a return to more normal conditions could happen sooner than previously expected. The second theme was the US Presidential election, with markets reacting positively to Joe Biden's victory over incumbent Donald Trump.

This exuberance was tempered, however, amid concerns over the worsening global coronavirus situation, in particular the disastrous surge of cases in India and the spread of the Delta variant. Markets were further spooked by the Chinese regulatory crackdown on the education tech sector, adding to concerns of a slower-than-expected post-pandemic recovery.

As we moved through the summer months, though, economies continued to reopen, with a number of developed markets further lifting pandemic-related restrictions. Confidence was bolstered by strong economic data and good company results, while we also saw the US Senate pass a well-received landmark US\$1.0 trillion infrastructure package, and Chinese markets stabilising following a tumultuous sell-off in July. While the recovery continued, the relentless COVID-19 Delta variant remained, with daily cases picking up globally. However, regions with effective vaccination programmes, including the UK and Europe, saw a much lower level of hospitalisation cases than during the previous wave. In regions with lower vaccine availability, or lower take-up in the case of the US, hospitalisations increased more sharply. Overall, while sentiment remained broadly positive, the increasing COVID outbreaks led to some fears over global growth prospects, exacerbated by China's continued regulatory crackdown.

Against this background, within the smaller European companies universe, basic materials was the top performing sector for the period, with consumer discretionary, industrials and technology also delivering very strong performance. On the downside, energy returned the weakest performance for the period, while

some of the more 'defensive' sectors (that is, those that have relatively predictable and stable earnings regardless of the state of the overall economy) also performed poorly, compared to the wider market. These included utilities, consumer staples, and telecoms.

For the fund, outperformance was driven by stockpicking, most clearly in the industrials, healthcare and financial sectors, while the above-index position in consumer discretionary, and lack of holdings in utilities and telecoms, was also supportive. At an individual stock level, the fund's largest contributor was UK construction materials company investor SigmaRoc. At the beginning of 2021, the company delivered strong results that beat investors' expectations, with good operational cash generation for the year and encouraging market conditions across all of its businesses, with particularly strong demand for its repair maintenance and improvement (RMI) and infrastructure products continuing into the early part of 2021. The company then continued to deliver operational success, including the announced acquisition of Nordkalk, Northern Europe's leading limestone products company.

German online brokerage leader Flatex delivered solid performance as well. The company benefited from heightened trading activities in light of stockmarket volatility, with sentiment further boosted by the successful completion of the takeover of Dutch competitor Degiro, first announced at the end of 2019. We believe the successful acquisition, which completed in the summer before the start of the review period, makes Flatex a European online brokerage champion. The market seemed to agree, with the company's shares rising steadily for much of the period under review.

Other supportive holdings included UK cyber security firm Darktrace, Spanish swimming pool and wellness equipment company Fluidra and Swedish private healthcare provider Medcover.

On the downside, stockpicking within the consumer discretionary, technology and basic materials sectors weighed on relative performance for the period, with

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the largest individual detractor being Swedish professional information services provider Karnov Group. The company maintains all of the case files for legal cases in Norway, Sweden and Denmark, with a database going back 150 years. Legal firms, and others, pay an annual subscription for access to this data, with some 80% recurring subscriptions paid in cash at the start of the year, meaning a very predictable cash stream. As the market turned to more cyclical companies (which are more sensitive to economic activity) in the latter part of 2020, Karnov's shares fell out of favour.

Irish diversified business services and distribution firm DCC dragged on returns as well. The company's shares had been weak since the summer of 2020 when it received a number of analyst downgrades, partly on concerns over the impact of electric vehicles on its fuel distribution services, a fall in its expected profitability and capital efficiency, and lacklustre merger and acquisition activity. Its shares saw a boost in November on decent results, but then gradually declined for the remainder of the year. As the shares returned to favour in 2021, we took the opportunity to close the holding, seeing better opportunities elsewhere.

Other detractors included Belgian SME billing and payments platform UnifiedPost, German energy infrastructure solutions provider Friedrich Vorwerk Group, and global database technology provider Exasol.

Investment activities

We run a concentrated portfolio of fewer than 50 holdings, maintaining a watchlist of around 200 quality 'moated' companies that we would like to own when the timing and price are right (moated companies are those where we feel the business model is well protected from competition). We monitor our watchlist closely, waiting patiently for short-term issues to create buying opportunities.

During the period under review, market turbulence created a number of such opportunities, and we held 13 new holdings in the portfolio by the end of the period. One such holding was UK cyber security firm Darktrace, mentioned above. Founded in 2013 by

mathematicians and cyber experts from government intelligence backgrounds, Darktrace was the first company to apply artificial intelligence (AI) to the challenge of cyber security. Its Enterprise Immune System technology uses AI and unsupervised machine learning to autonomously detect and take action against cyber-threats across diverse digital environments, including cloud and virtual environments, Internet of Things, and industrial control systems. We took part in the initial public offering (IPO) in May, which was a controversial one for many UK-based investors due to Darktrace's links with former executives of Autonomous (the UK-based software firm that was bought by HP). Those concerns, coupled with the failed Deliveroo IPO shortly before Darktrace came to market, resulted in what we believe to be a very attractive valuation.

We also took part in the IPO of Swiss aircraft parts and auxiliary equipment manufacturer Montana Aerospace, one of the world's leading manufacturers of complex lightweight components and structures for the aerospace industry, and a principal supplier of aerostructures to both Airbus and Boeing. Montana is a highly integrated, full-service provider with state-of-the-art production facilities in Europe, the US and Asia, which supports the 'local-to-local' strategy of its customers. In simple terms, the company has perfected the technique for forming metal using pressure. The main benefits of this are less scrap, more use of recycled metal and lower logistics costs, because it can form and finish airframe components on a single site versus shipping parts around the globe.

As a final example, we invested in Dutch filtration specialist NX Filtration. The company manufactures nanofiltration modules for use in water treatment (wastewater or industrial filtration, eg beverages). The filters act like a molecular sieve, sifting particles as small as nano-plastics, PFAS (forever chemicals) and pharmaceuticals out of water. The system is designed to require less maintenance, fewer filtration steps and less energy consumption, so in addition to improving water quality, the system reduces the carbon footprint of existing water treatment processes.

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Conversely, we closed 15 positions during the period under review, where we lost faith in the investment case, saw better opportunities elsewhere, or believed the company to be fully valued. As a few examples, we sold our shares in Irish housebuilder Cairn Homes, ultimately on what we believed to be weak governance at the company. We sold DCC, mentioned above, to fund the purchase of LNG containment systems specialist GTT, where we believed the fundamentals were better. In terms of companies looking expensive in our opinion, we sold the shares of specialist UK food producer Cranswick, Irish video game industry services company Keywords Studios, and Swedish independent oil and gas E&P company Lundin Energy, all on valuation grounds.

Outlook

As vaccine rollouts continued to pick up pace across much of the developed world, and governments in most developed markets continued to ease COVID-related restrictions, we believe this economic reopening will continue to drive earnings recovery.

We think that the 'K-shaped' recovery (where companies exposed to COVID lockdowns, for example, declined and others rose) should converge, as services companies are due for a catch-up, which we believe should be very supportive for those businesses that survive. The UK has been left behind due to Brexit and an overweight position in COVID-hit sectors (including energy, media and leisure), but we should theoretically be on the other side of both issues as we move into 2022. We are keeping an eye on hidden green-tech champions, given the green elements of government stimulus proposals, as well as 'boring quality', which has been left behind in the rush to 'work- from-home winners' and subsequently 'vaccine recovery plays'.

We think the fund has proven to be resilient in the current inflationary environment and we will continue to stick to our balanced approach. As long-term investors, we do not try to time the market or position the fund for inflationary or thematic scenarios, but rather focus on companies with what we consider to be strong business models that can generate compounding returns over time.

In terms of the current portfolio, we remain confident in the quality of our holdings, and firmly believe that they will generate long-term value for the fund. As long-term investors, this is our focus, and we continue to be optimistic about their prospects.

Michael Oliveros

Fund manager

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

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

Please refer to the 'Important Information' section within the ACD report on pages 2 to 3 for details of the fund merger and termination of this fund.

Investments

Portfolio statement

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities	152,846	99.61	99.41
Software & computer services	16,657	10.85	13.96
279,191 Auto Trader	2,045	1.33	
634,808 Darktrace	4,714	3.07	
135,878 Exasol	2,296	1.50	
432,409 HolidayCheck	936	0.61	
144,638 Unifiedpost	2,553	1.66	
84,013 Vitec Software	4,113	2.68	
Technology hardware & equipment	2,926	1.91	1.89
14,279 SOITEC	2,926	1.91	
Health care providers	4,784	3.12	3.00
186,177 Medicover	4,784	3.12	
Pharmaceuticals & biotechnology	13,585	8.85	9.23
10,330 ALK-Abelló	4,280	2.79	
124,967 Biotage	2,973	1.94	
87,030 Laboratorios Farmaceuticos ROVI	4,530	2.95	
495,784 MagForce	1,802	1.17	
Banks	3,893	2.54	3.94
96,813 KBC Ancora	3,893	2.54	
Investment banking & brokerage services	8,964	5.84	6.04
56,694 flatexDEGIRO	5,142	3.35	
222,021 Georgia Capital	1,615	1.05	
3,758 Hypoport	2,207	1.44	
Non-life insurance	1,624	1.06	1.42
152,261 Hiscox	1,624	1.06	
Automobiles & parts	0	0.00	0.03
Consumer services	3,865	2.52	4.01
694,191 Karnov	3,865	2.52	
Household goods & home construction	0	0.00	0.95
Leisure goods	7,748	5.05	3.44
133,431 Embracer	2,524	1.65	
36,699 Focus Home Interactive	2,059	1.34	
40,965 PIERER Mobility	3,165	2.06	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Media	3,019	1.97	3.67
55,151 CTS Eventim	3,019	1.97	
Retailers	15,451	10.07	5.60
249,518 Global Fashion	2,652	1.73	
191,172 Mister Spex	4,667	3.04	
657,277 Pets at Home	3,824	2.49	
227,839 WH Smith	4,308	2.81	
Travel & leisure	2,872	1.87	2.48
215,983 JET2	2,872	1.87	
Beverages	2,946	1.92	3.16
17,768 Rémy Cointreau	2,946	1.92	
Food producers	0	0.00	2.68
Construction & materials	24,469	15.95	4.20
221,251 Arbonia	3,883	2.53	
156,540 Fluidra	5,538	3.61	
118,761 Friedrich Vorwerk	4,891	3.19	
8,009,508 SigmaRoc	10,157	6.62	
Aerospace & defence	6,718	4.38	0.00
191,185 Montana Aerospace	6,718	4.38	
Electronic & electrical equipment	4,560	2.97	5.89
12,656 VAT	4,560	2.97	
Industrial engineering	9,603	6.26	1.20
79,239 Aalberts	4,211	2.75	
436,251 NX Filtration	5,392	3.51	
Industrial support services	2,781	1.81	5.08
143,333 ISS	2,781	1.81	
Industrial transportation	8,337	5.43	7.86
19,894 DSV PANALPINA	4,331	2.82	
12,414 ID Logistics	4,006	2.61	
Chemicals	6,015	3.92	5.69
106,684 AlzChem	2,651	1.73	
38,934 Brenntag	3,364	2.19	

Investments

Portfolio statement (continued)

Holding	as at 31.08.21 €'000	as at 31.08.21 %	as at 31.08.20 % ^a
Equities (continued)			
Non-renewable energy	2,029	1.32	3.99
28,780 Gaztransport & Technigaz	2,029	1.32	
Portfolio of investments	152,846	99.61	99.41
Cash equivalents	3,736	2.43	0.53
'AAA' rated money market funds^b	3,736	2.43	0.53
3,863,850 Northern Trust Global Fund - Euro	3,736	2.43	
Total portfolio (notes 2c & 2d on page 10)	156,582	102.04	99.94
Net other assets/(liabilities)	(3,133)	(2.04)	0.06
Net assets attributable to shareholders	153,449	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 due to the prior year fair value adjustment.

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

Investments

Top ten portfolio transactions for the year to 31 August 2021

Largest purchases	€'000
Montana Aerospace	5,818
Friedrich Vorwerk	5,344
Fluidra	5,114
NX Filtration	4,799
Mister Spex	4,779
SigmaRoc	4,319
Embracer	3,712
Unifiedpost	3,620
Exasol	3,180
Gaztransport & Technigaz	3,155
Other purchases	18,254
Total purchases	62,094

Largest sales	€'000
flatexDEGIRO	5,335
SimCorp	5,122
Keywords Studios	5,005
WH Smith	4,911
DCC	4,861
Thule	4,732
Medicover	4,540
Avanza Bank	4,534
EMIS	4,460
Cranswick	4,420
Other sales	86,610
Total sales	134,530

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

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value as at	31.08.21 €'000	31.08.20 €'000	31.08.19 €'000
Fund net asset value (NAV)	153,449	159,592	209,245

Performance since launch

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

September 1996 = 100, plotted monthly
Chart date 1 September 2021



Source: Morningstar, Inc. and M&G

* Income reinvested

Long-term performance by share class

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period to 15 December 2020 for the non-sterling share classes and 1 September 2021 for sterling share classes. Calculated on a price to price basis with income reinvested. Please refer to 'Specific share class performance' tables for the share class launch dates.

Share class	One year 01.09.20 % ^a	Three years 03.09.18 % pa	Five years 01.09.16 % pa	Since launch % pa
Euro				
Class 'A'	+13.2	+1.7	+4.0	+6.9
Class 'C'	+13.5	+2.5	+4.8	+7.7
Sterling				
Class 'A'	+47.8	+10.3	+10.4	+10.4
Class 'I'	+48.4	+11.0	+11.1	+13.5
Class 'R'	+48.1	+10.7	+10.8	+13.2
Class 'X'	+47.8	+10.3	+10.4	+12.8
US dollar				
Class 'A'	+14.8	+3.7	+6.1	+4.8
Class 'C'	+15.1	+4.5	+6.9	+5.6

^a Not annualised.

Financial highlights

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Financial highlights

Portfolio transaction costs

for the year to 31 August Direct portfolio transaction costs ^b	2021 %	2020 %	2019 %	Average ^a %
Broker commission	0.03	0.04	0.03	0.03
Taxes	0.02	0.03	0.09	0.06
Costs before dilution adjustments	0.05	0.07	0.12	0.09
Dilution adjustments ^c	(0.04)	(0.03)	(0.04)	(0.04)
Total direct portfolio transaction costs	0.01	0.04	0.08	0.05
as at 31 August Indirect portfolio transaction costs	2021 %	2020 %	2019 %	Average ^a %
Average portfolio dealing spread	0.37	0.38	0.31	0.35

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

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

Historic yields for the current year are calculated as at 10 September 2021.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

The share class closed on 15 December 2020.

for the year to 31 August Change in NAV per share	2021 Euro €	2020 Euro €	2019 Euro €
Opening NAV	3,138.69	3,028.08	3,399.39
Return before operating charges	426.01	160.65	(319.13)
Operating charges	(15.78)	(50.04)	(52.18)
Return after operating charges	410.23	110.61	(371.31)
Distributions	0.00	0.00	(17.89)
Retained distributions	0.00	0.00	17.89
Return to shareholder as a result of share class closure	(3,548.92)	n/a	n/a
Closing NAV	0.00	3,138.69	3,028.08
Direct transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	1.69	2.06	3.66
Dilution adjustments ^a	(1.32)	(0.93)	(1.30)
Total direct transaction costs	0.37	1.13	2.36
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.04	0.08
Operating charges ^c	1.65	1.65	1.68
Return after charges	+13.07	+3.65	-10.92
Historic yield	0.00	0.00	0.08
Other information			
Closing NAV (€'000)	0	4,389	5,932
Closing NAV (%)	0.00	2.74	2.83
Number of shares	0	139,850	195,903
Highest share price (Euro €)	3,548.92	3,527.58	3,423.56
Lowest share price (Euro €)	2,976.57	1,965.66	2,737.12

Financial highlights

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

The share class closed on 15 December 2020.

for the year to 31 August Change in NAV per share	2021 Euro ¢	2020 Euro ¢	2019 Euro ¢
Opening NAV	3,605.29	3,450.64	3,844.70
Return before operating charges	490.01	183.87	(361.61)
Operating charges	(9.32)	(29.22)	(32.45)
Return after operating charges	480.69	154.65	(394.06)
Distributions	0.00	(12.43)	(46.98)
Retained distributions	0.00	12.43	46.98
Return to shareholder as a result of share class closure	(4,085.98)	n/a	n/a
Closing NAV	0.00	3,605.29	3,450.64
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.94	2.33	4.16
Dilution adjustments ^a	(1.51)	(1.05)	(1.48)
Total direct transaction costs	0.43	1.28	2.68
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.04	0.08
Operating charges ^c	0.85	0.85	0.92
Return after charges	+13.33	+4.48	-10.25
Historic yield	0.00	0.35	0.93
Other information			
Closing NAV (€'000)	0	17,085	15,996
Closing NAV (%)	0.00	10.71	7.64
Number of shares	0	473,877	463,580
Highest share price (Euro ¢)	4,085.98	4,034.61	3,873.72
Lowest share price (Euro ¢)	3,423.72	2,249.93	3,103.03

Sterling Class 'A' Income share performance

The share class was launched on 30 September 1996.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	340.66	335.91	381.77
Return before operating charges	162.61	13.17	(32.31)
Operating charges	(5.31)	(4.42)	(5.70)
Return after operating charges	157.30	8.75	(38.01)
Distributions	(3.14)	(4.00)	(7.85)
Closing NAV	494.82	340.66	335.91
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.21	0.22	0.41
Dilution adjustments ^a	(0.17)	(0.10)	(0.14)
Total direct transaction costs	0.04	0.12	0.27
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.04	0.08
Operating charges ^c	1.30	1.35	1.65
Return after charges	+46.18	+2.60	-9.96
Historic yield	0.00	1.20	2.01
Other information			
Closing NAV (€'000)	42,825	49,595	69,052
Closing NAV (%)	27.91	31.08	33.01
Number of shares	7,438,518	13,027,008	18,638,811
Highest share price (UK p)	496.78	365.02	385.58
Lowest share price (UK p)	326.69	224.40	308.71

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 30 September 1996.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	384.48	374.73	416.18
Return before operating charges	183.68	14.63	(35.24)
Operating charges	(6.14)	(4.88)	(6.21)
Return after operating charges	177.54	9.75	(41.45)
Distributions	0.00	0.00	(2.31)
Retained distributions	0.00	0.00	2.31
Closing NAV	562.02	384.48	374.73
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.25	0.24	0.44
Dilution adjustments ^a	(0.20)	(0.11)	(0.16)
Total direct transaction costs	0.05	0.13	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.04	0.08
Operating charges ^c	1.29	1.35	1.66
Return after charges	+46.18	+2.60	-9.96
Historic yield	0.00	0.00	0.08
Other information			
Closing NAV (€'000)	23,308	16,526	16,936
Closing NAV (%)	15.19	10.36	8.09
Number of shares	3,564,461	3,846,132	4,097,725
Highest share price (UK p)	560.68	407.20	420.32
Lowest share price (UK p)	368.71	250.33	336.53

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	1,898.96	1,863.09	2,102.00
Return before operating charges	909.48	73.41	(177.90)
Operating charges	(20.07)	(15.29)	(17.58)
Return after operating charges	889.41	58.12	(195.48)
Distributions	(17.58)	(22.25)	(43.43)
Closing NAV	2,770.79	1,898.96	1,863.09
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.24	1.22	2.24
Dilution adjustments ^a	(0.97)	(0.55)	(0.80)
Total direct transaction costs	0.27	0.67	1.44
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.04	0.08
Operating charges ^c	0.85	0.85	0.92
Return after charges	+46.84	+3.12	-9.30
Historic yield	0.85	1.19	1.99
Other information			
Closing NAV (€'000)	8,861	5,848	6,007
Closing NAV (%)	5.77	3.66	2.87
Number of shares	274,861	275,563	292,341
Highest share price (UK p)	2,781.68	2,028.50	2,123.07
Lowest share price (UK p)	1,822.64	1,248.12	1,703.77

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	2,141.37	2,076.71	2,289.68
Return before operating charges	1,026.01	81.70	(193.89)
Operating charges	(23.09)	(17.04)	(19.08)
Return after operating charges	1,002.92	64.66	(212.97)
Distributions	0.00	(7.38)	(28.27)
Retained distributions	0.00	7.38	28.27
Closing NAV	3,144.29	2,141.37	2,076.71
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.42	1.36	2.43
Dilution adjustments ^a	(1.12)	(0.61)	(0.86)
Total direct transaction costs	0.30	0.75	1.57
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.04	0.08
Operating charges ^c	0.85	0.85	0.92
Return after charges	+46.84	+3.11	-9.30
Historic yield	0.00	0.35	0.91
Other information			
Closing NAV (€'000)	64,085	38,655	42,023
Closing NAV (%)	41.76	24.22	20.08
Number of shares	1,751,792	1,615,244	1,834,697
Highest share price (UK p)	3,136.75	2,260.96	2,312.58
Lowest share price (UK p)	2,055.30	1,391.17	1,855.85

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	187.65	184.56	208.76
Return before operating charges	89.79	7.24	(17.67)
Operating charges	(2.59)	(1.95)	(2.22)
Return after operating charges	87.20	5.29	(19.89)
Distributions	(1.73)	(2.20)	(4.31)
Closing NAV	273.12	187.65	184.56
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.12	0.12	0.22
Dilution adjustments ^a	(0.10)	(0.05)	(0.08)
Total direct transaction costs	0.02	0.07	0.14
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.04	0.08
Operating charges ^c	1.10	1.10	1.17
Return after charges	+46.47	+2.87	-9.53
Historic yield	1.10	1.20	1.99
Other information			
Closing NAV (€'000)	1,167	640	548
Closing NAV (%)	0.76	0.40	0.26
Number of shares	367,365	305,292	269,287
Highest share price (UK p)	274.18	200.75	210.85
Lowest share price (UK p)	180.03	123.47	169.08

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	209.91	204.07	225.56
Return before operating charges	100.40	8.01	(19.10)
Operating charges	(2.87)	(2.17)	(2.39)
Return after operating charges	97.53	5.84	(21.49)
Distributions	0.00	(0.22)	(2.26)
Retained distributions	0.00	0.22	2.26
Closing NAV	307.44	209.91	204.07
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.14	0.13	0.24
Dilution adjustments ^a	(0.11)	(0.06)	(0.09)
Total direct transaction costs	0.03	0.07	0.15
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.04	0.08
Operating charges ^c	1.10	1.10	1.17
Return after charges	+46.46	+2.86	-9.53
Historic yield	0.00	0.11	0.63
Other information			
Closing NAV (€'000)	9,343	6,260	6,330
Closing NAV (%)	6.09	3.92	3.03
Number of shares	2,612,060	2,668,431	2,812,189
Highest share price (UK p)	306.71	221.97	227.81
Lowest share price (UK p)	201.38	136.52	182.68

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	336.97	332.27	377.64
Return before operating charges	160.98	12.99	(31.96)
Operating charges	(5.37)	(4.33)	(5.64)
Return after operating charges	155.61	8.66	(37.60)
Distributions	(3.11)	(3.96)	(7.77)
Closing NAV	489.47	336.97	332.27
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.22	0.22	0.40
Dilution adjustments ^a	(0.17)	(0.10)	(0.14)
Total direct transaction costs	0.05	0.12	0.26
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.04	0.08
Operating charges ^c	1.29	1.35	1.66
Return after charges	+46.18	+2.61	-9.96
Historic yield	1.25	1.20	2.01
Other information			
Closing NAV (€'000)	2,466	1,833	1,938
Closing NAV (%)	1.61	1.15	0.93
Number of shares	433,022	486,713	528,883
Highest share price (UK p)	491.40	361.08	381.40
Lowest share price (UK p)	323.15	221.98	305.37

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	379.83	370.20	411.14
Return before operating charges	181.45	14.44	(34.80)
Operating charges	(6.06)	(4.81)	(6.14)
Return after operating charges	175.39	9.63	(40.94)
Distributions	0.00	0.00	(2.28)
Retained distributions	0.00	0.00	2.28
Closing NAV	555.22	379.83	370.20
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.25	0.24	0.44
Dilution adjustments ^a	(0.19)	(0.11)	(0.16)
Total direct transaction costs	0.06	0.13	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.04	0.08
Operating charges ^c	1.29	1.35	1.66
Return after charges	+46.18	+2.60	-9.96
Historic yield	0.00	0.00	0.08
Other information			
Closing NAV (€'000)	1,394	1,033	1,027
Closing NAV (%)	0.91	0.65	0.49
Number of shares	215,856	243,267	251,417
Highest share price (UK p)	553.89	402.28	415.23
Lowest share price (UK p)	364.25	247.31	332.46

US dollar Class 'A' Accumulation share performance

The share class was launched on 8 August 2014. The share class closed on 15 December 2020.

for the year to 31 August Change in NAV per share	2021 US ¢	2020 US ¢	2019 US ¢
Opening NAV	1,164.75	1,042.28	1,236.53
Return before operating charges	186.50	139.77	(175.77)
Operating charges	(5.89)	(17.30)	(18.48)
Return after operating charges	180.61	122.47	(194.25)
Distributions	0.00	0.00	(6.16)
Retained distributions	0.00	0.00	6.16
Return to shareholder as a result of share class closure	(1,345.36)	n/a	n/a
Closing NAV	0.00	1,164.75	1,042.28
Direct transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.63	0.71	1.30
Dilution adjustments ^a	(0.49)	(0.32)	(0.46)
Total direct transaction costs	0.14	0.39	0.84
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.04	0.08
Operating charges ^c	1.65	1.65	1.68
Return after charges	+15.51	+11.75	-15.71
Historic yield	0.00	0.00	0.08
Other information			
Closing NAV (€'000)	0	176	214
Closing NAV (%)	0.00	0.11	0.10
Number of shares	0	17,998	22,634
Highest share price (US ¢)	1,345.36	1,213.09	1,255.52
Lowest share price (US ¢)	1,086.07	658.76	972.43

Financial highlights

US dollar Class 'C' Accumulation share performance

The share class was launched on 8 August 2014. The share class closed on 15 December 2020.

for the year to 31 August Change in NAV per share	2021 US ¢	2020 US ¢	2019 US ¢
Opening NAV	1,220.33	1,083.35	1,275.61
Return before operating charges	195.75	146.40	(181.75)
Operating charges	(3.16)	(9.42)	(10.51)
Return after operating charges	192.59	136.98	(192.26)
Distributions	0.00	(4.21)	(14.75)
Retained distributions	0.00	4.21	14.75
Return to shareholder as a result of share class closure	(1,412.92)	n/a	n/a
Closing NAV	0.00	1,220.33	1,083.35
Direct transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.66	0.75	1.34
Dilution adjustments ^a	(0.51)	(0.34)	(0.48)
Total direct transaction costs	0.15	0.41	0.86
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.04	0.08
Operating charges ^c	0.85	0.85	0.92
Return after charges	+15.78	+12.64	-15.07
Historic yield	0.00	0.35	0.98
Other information			
Closing NAV (€'000)	0	17,552	43,242
Closing NAV (%)	0.00	11.00	20.67
Number of shares	0	1,712,207	4,407,172
Highest share price (US ¢)	1,412.92	1,264.33	1,295.76
Lowest share price (US ¢)	1,139.45	687.76	1,005.54

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

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Statement of total return

		2021		2020	
for the year to 31 August	Note	€'000	€'000	€'000	€'000
Income					
Net capital gains/(losses)	3		66,638		7,050
Revenue	5	1,318		2,432	
Expenses	6	(1,686)		(1,993)	
Net revenue/(expense) before taxation		(368)		439	
Taxation	7	(61)		(32)	
Net revenue/(expense) after taxation			(429)		407
Total return before distributions			66,209		7,457
Distributions	8		(343)		(1,069)
Change in net assets attributable to shareholders from investment activities			65,866		6,388

Statement of change in net assets attributable to shareholders

for the year to 31 August	2021		2020	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		159,592		209,245
Amounts received on issue of shares	46,738		3,497	
Amounts paid on cancellation of shares	(118,921)		(59,939)	
		(72,183)		(56,442)
Dilution adjustments		174		142
Change in net assets attributable to shareholders from investment activities (see above)		65,866		6,388
Retained distributions on Accumulation shares		0		259
Closing net assets attributable to shareholders		153,449		159,592

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Financial statements

Balance sheet

as at 31 August	Note	2021 €'000	2020 €'000
Assets			
Fixed assets			
Investments		0	158,646
Current assets			
Investments		152,846	0
Debtors	9	436	403
Cash and bank balances	10	152	508
Cash equivalents		3,736	854
Total assets		157,170	160,411
Liabilities			
Creditors			
Bank overdrafts		(3,124)	0
Distribution payable		(351)	(680)
Other creditors	11	(246)	(139)
Total liabilities		(3,721)	(819)
Net assets attributable to shareholders		153,449	159,592

Financial statements and notes

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 10 to 13.

The fund's functional and presentational currency is the euro as this better reflects the currency of its primary economic environment.

2 Distribution policy

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

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

3 Net capital gains/(losses)

for the year to 31 August	2021 €'000	2020 €'000
Non-derivative securities	66,629	7,168
Currency gains/(losses)	8	(120)
Transaction charges	0	2
Rebate of ongoing charges from underlying funds taken to capital	1	0
Net capital gains/(losses)	66,638	7,050

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 342 to 343.

for the year to 31 August	2021 €'000	% of transaction	2020 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	62,043		65,282	
Commissions	16	0.03	24	0.04
Taxes	35	0.06	58	0.09
Total purchases after transaction costs	62,094		65,364	
b) Sales				
Equities				
Equities before transaction costs	134,576		120,549	
Commissions	(46)	0.03	(41)	0.03
Total sales after transaction costs	134,530		120,508	

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	2021 €'000	% of average NAV	2020 €'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	62	0.03	65	0.04
Total commissions paid	62	0.03	65	0.04
Taxes paid				
Equities	35	0.02	58	0.03
Total taxes paid	35	0.02	58	0.03
Total direct portfolio transaction costs^a	97	0.05	123	0.07
		%		%
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^b		0.37		0.38

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

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

5 Revenue

for the year to 31 August	2021 €'000	2020 €'000
Bank interest	1	1
Dividends from equity investments: non-taxable	1,228	2,204
Dividends from equity investments: taxable	33	(29)
Rebate of ongoing charges from underlying funds	0	1
Stock dividends	56	255
Total revenue	1,318	2,432

6 Expenses

for the year to 31 August	2021 €'000	2020 €'000
Payable to the ACD or associate		
Annual charge	1,679	1,980
Other expenses		
Interest payable	7	14
Safe custody charge ^a	0	(1)
	7	13
Total expenses	1,686	1,993

Audit fees for the financial year ending 2021 were £10,000 (2020: £9,000) (including VAT), which are covered by the annual charge.

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

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7 Taxation

for the year to 31 August	2021 €'000	2020 €'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	61	32
Deferred tax (note 7c)	0	0
Total taxation	61	32
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	(368)	439
Corporation tax at 20%	(74)	88
Effects of:		
Dividends from equity investments: non-taxable	(245)	(441)
Stock dividends not taxable	(11)	(5)
Expenses not deductible for tax purposes	0	(46)
Current year expenses not utilised	330	404
Withholding tax	61	32
Total tax charge (note 7a)	61	32
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of €5,282,000 (2020: €4,952,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

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8 Distributions

for the year to 31 August		2021		2020	
Dividend distributions		Inc ^a	Acc ^b	Inc ^a	Acc ^b
		€'000	€'000	€'000	€'000
Final		351	0	680	259
Total net distributions			351		939
Income deducted on cancellation of shares			(73)		138
Income received on issue of shares			65		(8)
Distributions			343		1,069
Net revenue/(expense) per statement of total return			(429)		407
Expenses offset against capital			646		848
Stock dividends not distributed			(56)		(229)
Income deficit transferred to capital			182		43
Distributions			343		1,069

^a Distributions payable on Income shares.

^b Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2021	2020
	€'000	€'000
Currency deals outstanding	69	0
Dividends receivable	31	90
Withholding tax recoverable	336	313
Total debtors	436	403

10 Cash and bank balances

as at 31 August	2021	2020
	€'000	€'000
Cash held as bank balances	152	508
Total cash and bank balances	152	508

11 Other creditors

as at 31 August	2021	2020
	€'000	€'000
Amounts payable on cancellation of shares	81	53
Annual charge payable	96	86
Currency deals outstanding	69	0
Total other creditors	246	139

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12 Contingent assets, liabilities and outstanding commitments

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

13 Shares in issue

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

Share class	Opening 01.09.20	Issued	Movements Cancelled	Closing 31.08.21
Euro				
Class 'A' Accumulation	139,850	400	(140,250)	0
Class 'C' Accumulation	473,877	29,737	(503,614)	0
Sterling				
Class 'A' Income	13,027,008	90,802	(5,679,292)	7,438,518
Class 'A' Accumulation	3,846,132	29,295	(310,966)	3,564,461
Class 'I' Income	275,563	19,654	(20,356)	274,861
Class 'I' Accumulation	1,615,244	1,580,672	(1,444,124)	1,751,792
Class 'R' Income	305,292	95,562	(33,489)	367,365
Class 'R' Accumulation	2,668,431	310,568	(366,939)	2,612,060
Class 'X' Income	486,713	8,338	(62,029)	433,022
Class 'X' Accumulation	243,267	14,389	(41,800)	215,856
US dollar				
Class 'A' Accumulation	17,998	0	(17,998)	0
Class 'C' Accumulation	1,712,207	0	(1,712,207)	0

14 Charging structure

The table below sets out the charging structure for each class of share in existence at the balance sheet date. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Annual charge ^a to 14.02.21 %	Annual charge ^a from 15.02.21 %
Sterling		
Class 'A'	1.35	1.25
Class 'I'	0.85	0.85
Class 'R'	1.10	1.10
Class 'X'	1.35	1.25

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

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15 Related parties

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

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

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 8.50% (2020: 25.39%) of the fund's shares.

16 Events after the balance sheet date

At the shareholder meeting on 20 October 2021, mergers of the M&G European Select Fund and M&G Pan European Select Smaller Companies Fund into the M&G European Sustain Paris Aligned Fund were approved by shareholders. The effective date of the mergers is 10 December 2021.

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 August	Assets 2021 €'000	Liabilities 2021 €'000	Assets 2020 €'000	Liabilities 2020 €'000
Basis of valuation				
Level 1	152,846	0	158,646	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	152,846	0	158,646	0

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

Financial statements and notes

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 13 to 14.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by €7,642,000 (2020: €7,932,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by €3,953,000 (2020: €4,943,000)^a. A five per cent decrease would have an equal and opposite effect.

as at 31 August	2021 €'000	2020 ^a €'000
Currency exposure in respect of the fund		
Danish krone	11,480	16,686
Euro	74,387	60,728
Norwegian krone	0	12
Sterling	30,812	39,448
Swedish krona	18,412	31,109
Swiss franc	18,343	11,609
US dollar	15	0
Total	153,449	159,592

^a The comparatives have been re-analysed to reflect changes due to the prior year fair value adjustment.

21 Interest rate risk sensitivity and exposure

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

22 Credit risk

Credit risk is not considered significant for the fund as there are no counterparty or derivative balances and is therefore not disclosed.

23 Dividend distribution tables

This fund pays annual ordinary distributions and the following table sets out the distribution period.

Annual distribution period

	Start	End	Xd	Payment
Final	01.09.20	31.08.21	01.09.21	31.10.21

Financial statements and notes

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

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

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

Euro Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 Euro ¢	2021 Euro ¢	2021 Euro ¢	2020 Euro ¢
Final	0.0000	0.0000	0.0000	0.0000

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 Euro ¢	2021 Euro ¢	2021 Euro ¢	2020 Euro ¢
Final	0.0000	0.0000	0.0000	12.4262

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	2.6089	0.5348	3.1437	4.0000

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	0.0000	0.0000	0.0000	0.0000

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Final	9.5549	8.0209	17.5758	22.2454

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Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
Final	0.0000	0.0000	0.0000	7.3806

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
Final	0.7550	0.9790	1.7340	2.2008

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
Final	0.0000	0.0000	0.0000	0.2213

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
Final	2.9344	0.1752	3.1096	3.9568

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
Final	0.0000	0.0000	0.0000	0.0000

US dollar Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021 US ¢	Equalisation 2021 US ¢	2021 US ¢	2020 US ¢
Final	0.0000	0.0000	0.0000	0.0000

Financial statements and notes

US dollar Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2021	Equalisation	2021	2020
	US ¢	2021	2021	2020
	US ¢	US ¢	US ¢	US ¢
Final	0.0000	0.0000	0.0000	4.2059

Other regulatory disclosures

Remuneration

In line with the requirements of the Undertakings for Collective Investment in Transferable Securities (UCITS) V, M&G Securities Limited is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under the UCITS Directive.

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

M&G Securities Limited is required under UCITS to make quantitative disclosures of remuneration. These disclosures are made in line with M&G's interpretation of currently available guidance on quantitative remuneration disclosures. As market or regulatory guidance evolves, M&G may consider it appropriate to make changes to the way in which quantitative disclosures are calculated.

The 'Identified Staff' of M&G Securities Limited are those who could have a material impact on the risk profile of M&G Securities Limited or the UCITS funds it manages and generally includes senior management, risk takers and control functions. 'Identified Staff' typically provide both UCITS and non-UCITS related services and have a number of areas of responsibility. Therefore, only the portion of remuneration for those individuals' services which may be attributable to UCITS is included in the remuneration figures disclosed. Accordingly the figures are not representative of any individual's actual remuneration.

The amounts shown below reflect payments made in respect of the financial year 1 January 2020 to 31 December 2020.

	Fixed Remuneration £000	Variable Remuneration £000	Total £000
Senior Management	582	711	1,293
Other Identified Staff	6,524	22,054	28,578

Swiss investor information

For funds registered in Switzerland we are required by FINMA to disclose the Total Expense Ratio (TER).

For these funds the TERs are the same as the operating charges disclosed in the fund's financial highlights section under 'Performance and charges'.

Glossary

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

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

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

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

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

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

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

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

Bunds Fixed income securities issued by the German government.

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

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

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

Cash equivalents Deposits or investments with similar characteristics to cash.

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

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

Consumer Prices Index (CPI) An index used to measure inflation, which is the rate of change in prices for a basket of goods and services. The contents of the basket are meant to be representative of products and services we typically spend our money on.

Convertible bonds Fixed income securities that can be exchanged for predetermined amounts of company shares at certain times during their life.

Corporate bonds Fixed income securities issued by a company. They are also known as bonds and can offer higher interest payments than bonds issued by governments as they are often considered more risky.

Coupon The interest paid by the government or company that has raised a loan by selling bonds.

Credit The borrowing capacity of an individual, company or government. More narrowly, the term is often used as a synonym for fixed income securities issued by companies.

Credit default swaps (CDS) Are a type of derivative, namely financial instruments whose value, and price, are dependent on one or more underlying assets. CDS are insurance-like contracts that allow investors to transfer the risk of a fixed income security defaulting to another investor.

Credit rating An independent assessment of a borrower's ability to repay its debts. A high rating indicates that the credit rating agency considers the issuer to be at low risk of default; likewise, a low rating indicates high risk of default. Standard & Poor's, Fitch and Moody's are the three most prominent credit rating agencies. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Credit rating agency A company that analyses the financial strength of issuers of fixed income securities and attaches a rating to their debt. Examples include Standard & Poor's and Moody's.

Credit risk Risk that a financial obligation will not be paid and a loss will result for the lender.

Glossary

Credit selection The process of evaluating a fixed income security, also called a bond, in order to ascertain the ability of the borrower to meet its debt obligations. This research seeks to identify the appropriate level of default risk associated with investing in that particular bond.

Credit spread The difference between the yield of a corporate bond, a fixed income security issued by a company, and a government bond of the same life span. Yield refers to the income received from an investment and is expressed as a percentage of the investment's current market value.

Default When a borrower does not maintain interest payments or repay the amount borrowed when due.

Defaulted bond When a bond issuer does not maintain interest payments or repay the amount borrowed when due.

Default risk Risk that a debtholder will not receive interest and full repayment of the loan when due.

Derivatives Financial instruments whose value, and price, are dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded on a regulated exchange or traded over the counter.

Developed economy/market Well-established economies with a high degree of industrialisation, standard of living and security.

Dilution adjustments The dilution adjustment is used to protect ongoing investors against the transaction charges incurred in investing or divesting in respect of creations and cancellations. The dilution adjustment is made up of the direct and indirect transaction charges. In the financial statements the direct transaction charges as a percentage of average NAV will be disclosed. This percentage will take account of those direct transaction charges that have been recovered through the dilution adjustment leaving a percentage that just represents the costs incurred in portfolio management.

Distribution Distributions represent a share in the income of the fund and are paid out to Income shareholders or reinvested for Accumulation shareholders at set times of the year (monthly, quarterly, half-yearly or annually). They may either be in the form of interest distributions or dividend distributions.

Distribution yield Expresses the amount that is expected to be distributed by the fund over the next 12 months as a percentage of the share price as at a certain date. It is based on the expected gross income less the ongoing charges.

Diversification The practice of investing in a variety of assets. This is a risk management technique where, in a well-diversified portfolio, any loss from an individual holding should be offset by gains in other holdings, thereby lessening the impact on the overall portfolio.

Dividend Dividends represent a share in the profits of a company and are paid out to the company's shareholders at set times of the year.

Duration A measure of the sensitivity of a fixed income security, also called a bond, or bond fund to changes in interest rates. The longer a bond or bond fund's duration, the more sensitive it is to interest rate movements.

Duration risk The longer a fixed income security, also called a bond, or bond fund's duration, the more sensitive and therefore at risk it is to changes in interest rates.

Emerging economy or market Economies in the process of rapid growth and increasing industrialisation. Investments in emerging markets are generally considered to be riskier than those in developed markets.

Equities Shares of ownership in a company.

Exchange traded Usually refers to investments traded on an exchange, such as company shares on a stock exchange.

Ex-dividend, ex-distribution or XD date The date on which declared distributions officially belong to underlying investors.

Exposure The proportion of a fund invested in a particular share/fixed income security, sector/region, usually expressed as a percentage of the overall portfolio.

Fixed income security A loan in the form of a security, usually issued by a government or company, which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid. Also referred to as a bond.

Floating rate notes (FRNs) Securities whose interest (income) payments are periodically adjusted depending on the change in a reference interest rate.

Foreign exchange The exchange of one currency for another, or the conversion of one currency into another currency. Foreign exchange also refers to the global market where currencies are traded virtually around the clock. The term foreign exchange is usually abbreviated as 'forex' and occasionally as 'FX'.

Glossary

Foreign exchange (FX) strategy Currencies can be an asset class in its own right, along with company shares, fixed income securities, property and cash. Foreign exchange strategy can therefore be a source of investment returns.

Forward contract A contract between two parties to buy or sell a particular commodity or financial instrument at a pre-determined price at a future date. Examples include forward currency contracts.

Fundamentals (company) A basic principle, rule, law, or the like, that serves as the groundwork of a system. A company's fundamentals pertain specifically to that company, and are factors such as its business model, earnings, balance sheet and debt.

Fundamentals (economic) A basic principle, rule, law, or the like, that serves as the groundwork of a system. Economic fundamentals are factors such as inflation, employment, economic growth.

Futures A futures contract is a contract between two parties to buy or sell a particular commodity or financial instrument at a predetermined price at a future date. Futures are traded on a regulated exchange.

Gilts Fixed income securities issued by the UK government.

Government bonds Fixed income securities issued by governments, that normally pay a fixed rate of interest over a given time period, at the end of which the initial investment is repaid.

Hedging A method of reducing unnecessary or unintended risk.

High water mark (HWM) The highest level that a fund's NAV (net asset value) has reached at the end of any 12-month accounting period.

High yield bonds Fixed income securities issued by companies with a low credit rating from a recognised credit rating agency. They are considered to be at higher risk of default than better quality, ie higher-rated fixed income securities but have the potential for higher rewards. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Historic yield The historic yield reflects distributions declared over the past 12 months as a percentage of the share price, as at the date shown.

Income yield Refers to the income received from an investment and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value.

Index An index represents a particular market or a portion of it, serving as a performance indicator for that market.

Income shares A type of share where distributions are paid out as cash on the payment date.

Income units A type of unit where distributions are paid out as cash on the payment date.

Index tracking A fund management strategy that aims to match the returns from a particular index.

Index-linked bonds Fixed income securities where both the value of the loan and the interest payments are adjusted in line with inflation over the life of the security. Also referred to as inflation-linked bonds.

Inflation The rate of increase in the cost of living. Inflation is usually quoted as an annual percentage, comparing the average price this month with the same month a year earlier.

Inflation risk The risk that inflation will reduce the return of an investment in real terms.

Initial public offering (IPO) The first sale of shares by a private company to the public.

Interest rate risk The risk that a fixed income investment will lose value if interest rates rise.

Interest rate swap An agreement between two parties to swap a fixed interest payment with a variable interest payment over a specified period of time.

Investment Association (IA) The UK trade body that represents fund managers. It works with investment managers, liaising with government on matters of taxation and regulation, and also aims to help investors understand the industry and the investment options available to them.

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.

Glossary

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.

Long position Refers to ownership of a security held in the expectation that the security will rise in value.

Macroeconomic Refers to the performance and behaviour of an economy at the regional or national level. Macroeconomic factors such as economic output, unemployment, inflation and investment are key indicators of economic performance. Sometimes abbreviated to 'macro'.

Maturity The length of time until the initial investment amount of a fixed income security is due to be repaid to the holder of the security.

Modified duration A measure of the sensitivity of a fixed income security, called a bond, or bond fund to changes in interest rates. The longer a bond or bond fund's duration, the more sensitive it is to interest rate movements.

Monetary easing When central banks lower interest rates or buy securities on the open market to increase the money in circulation.

Monetary policy A central bank's regulation of money in circulation and interest rates.

Monetary tightening When central banks raise interest rates or sell securities on the open market to decrease the money in circulation.

Morningstar™ A provider of independent investment research, including performance statistics and independent fund ratings.

Near cash Deposits or investments with similar characteristics to cash.

Net asset value (NAV) A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.

Ongoing Charge Figure The ongoing charge figure represents the operating costs investors can reasonably expect to pay under normal circumstances.

Open-ended investment company (OEIC) A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Options Financial contracts that offer the right, but not the obligation, to buy or sell an asset at a given price on or before a given date in the future.

Over-the-counter (OTC) Whereby financial assets are traded directly between two parties. This is in contrast to exchange trading, which is carried out through exchanges set up specifically for the purpose of trading. OTC is also known as off-exchange trading.

Overweight If a fund is 'overweight' a stock, it holds a larger proportion of that stock than the comparable index or sector.

Payment date The date on which distributions will be paid by the fund to investors, usually the last business day of the month.

Physical assets An item of value that has tangible existence, for example, cash, equipment, inventory or real estate. Physical assets can also refer to securities, such as company shares or fixed income securities.

Portfolio transaction cost The cost of trading, such as brokerage, clearing, exchange fees and bid-offer spread as well as taxes such as stamp duty.

Preference shares Preference shares are a loan to a company that may be traded in the same way as ordinary shares, but generally have a higher yield and pay dividends on fixed dates. Preference shares have varying characteristics as to the treatment of the principal and the dividend payment, which includes ranking them above ordinary shares when it comes to dividend payments.

Principal The face value of a fixed income security, which is the amount due back to the investor by the borrower when the security reaches the end of its life.

Private placement An offer of sale of securities to a relatively small number of investors selected by the company, generally investment banks, mutual funds, insurance companies or pension funds.

Property Expense Ratio (PER) Property expenses are the operating expenses that relate to the management of the property assets in the portfolio. These include: insurance and rates, rent review and lease renewal costs and maintenance and repairs, but not improvements. They depend on the level of activity taking place within the fund. The Property Expense Ratio is the ratio of property expenses to the fund's net asset value.

Glossary

Real yield The return of an investment, adjusted for changes in prices in an economy.

Retail Prices Index (RPI) A UK inflation index that measures the rate of change in prices for a basket of goods and services in the UK, including mortgage payments and council tax.

Risk The chance that an investment's return will be different to what is expected. Risk includes the possibility of losing some or all of the original investment.

Risk management The term used to describe the activities the fund manager undertakes to limit the risk of a loss in a fund.

Risk premium The difference between the return from a risk-free asset, such as a high-quality government bond or cash, and the return from an investment in any other asset. The risk premium can be considered the 'price' or 'pay-off' for taking on increased risk. A higher risk premium implies higher risk.

Risk-free asset An asset that notionally carries no risk of nonpayment by the borrower such as a high-quality fixed income security issued by a government or cash.

Risk/reward ratio A ratio comparing the expected returns of an investment with the amount of risk undertaken.

Safe-haven assets Refers to assets that investors perceive to be relatively safe from suffering a loss in times of market turmoil.

Security Financial term for a paper asset – usually a share in a company or a fixed income security also known as a bond.

Share class Each M&G fund has different share classes, such as A, R and I. Each has a different level of charges and minimum investment. Details on charges and minimum investments can be found in the Key Investor Information Documents.

Share class hedging Activities undertaken in respect of hedged shares to mitigate the impact on performance of exchange rate movements between the fund's currency exposure and the investor's chosen currency.

Short position A way for a fund manager to express his or her view that the market might fall in value.

Short selling This often refers to the practice whereby an investor sells an asset they do not own. The investor borrows the asset from someone who does own it and pays a fee. The investor must eventually return the borrowed asset by buying it in the open market. If the asset has fallen in price, the investor buys it for less than they sold it for, thus making a profit. The contrary may also occur.

Short-dated corporate bonds Fixed income securities issued by companies and repaid over relatively short periods.

Short-dated government bonds Fixed income securities issued by governments and repaid over relatively short periods.

Sovereign debt Debt of a government. Also referred to as government bonds.

Sub-investment grade bonds Fixed income securities issued by a company with a low rating from a recognised credit rating agency. They are considered to be at higher risk from default than those issued by companies with higher credit ratings. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Suspended Temporarily halting the trading of a listed security on the stock exchange. It can be voluntary (requested by the issuing company) or imposed by regulators. Typically, trading suspensions are introduced ahead of important news announcements, following technical glitches, or due to regulatory concerns.

Swing pricing Swing pricing is a method of protecting long-term shareholders in the fund from bearing the costs of transactions carried out by shorter-term investors. When investors buy or sell shares in the fund, the fund manager has to buy or sell underlying securities to either invest the cash obtained from investors, or to provide them with cash in exchange for their shares. Swing pricing essentially adjusts the fund shares' daily price to take into account the costs of buying or selling the underlying securities held by the fund. This ensures that transaction costs such as brokerage fees and administrative charges are borne by those investors who trade shares in the fund, not by those who remain invested in the fund. (Also see dilution adjustment).

Top-down investing An investment approach that analyses economic factors, ie surveys the 'big picture', before selecting which companies to invest in. The top-down investor will look at which industries are likely to generate the best returns in certain economic conditions and limit the search to that area.

Total return The term for the gain or loss derived from an investment over a particular period. Total return includes income (in the form of interest or dividend payments) and capital gains.

Treasuries Fixed income securities issued by the US government.

Glossary

Triple A or AAA rated The highest possible rating a fixed income security, also called a bond, can be assigned by credit rating agencies. Bonds that are rated AAA are perceived to have the lowest risk of default. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

UCITS Stands for Undertakings for Collective Investment in Transferable Securities. This is the European regulatory framework for an investment vehicle that can be marketed across the European Union and is designed to enhance the single market in financial assets while maintaining high levels of investor protection.

Unconstrained The term used to describe the mandate of a fund whereby the manager has the freedom to invest according to his or her own strategy, not being obliged to allocate capital according to the weightings of any index, for example.

Underlying value The fundamental value of a company, reflecting both tangible and intangible assets, rather than the current market value.

Underlying yield Refers to the income received by a managed fund, and is usually expressed annually as a percentage based on the fund's current value.

Underweight If a portfolio is 'underweight' a stock, it holds a smaller proportion of that stock than the comparable index or sector.

Unit trust A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Unit/share type Type of units/shares held by investors in a trust or fund (unit/share types differ by features such as whether income is to be paid out as cash or reinvested on the payment date).

Unlisted/unquoted stocks Shares of ownership in companies that are not listed on a public exchange, known as private companies.

Valuation The worth of an asset or company based on its current price.

Volatile When the value of a particular share, market or sector swings up and down fairly frequently and/or significantly, it is considered volatile.

Volatility The degree to which a given security, fund, or index rapidly changes. It is calculated as the degree of deviation from the norm for that type of investment over a given time period. The higher the volatility, the riskier the security tends to be.

Warrant A security issued by a company that gives the holder the right to buy shares in that company at a specified price and within a certain timeframe.

Yield This refers to either the interest received from a fixed income security or to the dividends received from a share. It is usually expressed as a percentage based on the investment's costs, its current market value or its face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

Yield (equity) Refers to the dividends received by a holder of company shares and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

Yield (bonds) This refers to the interest received from a fixed income security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

Yield (income) Refers to the income received from an investment and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value.

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