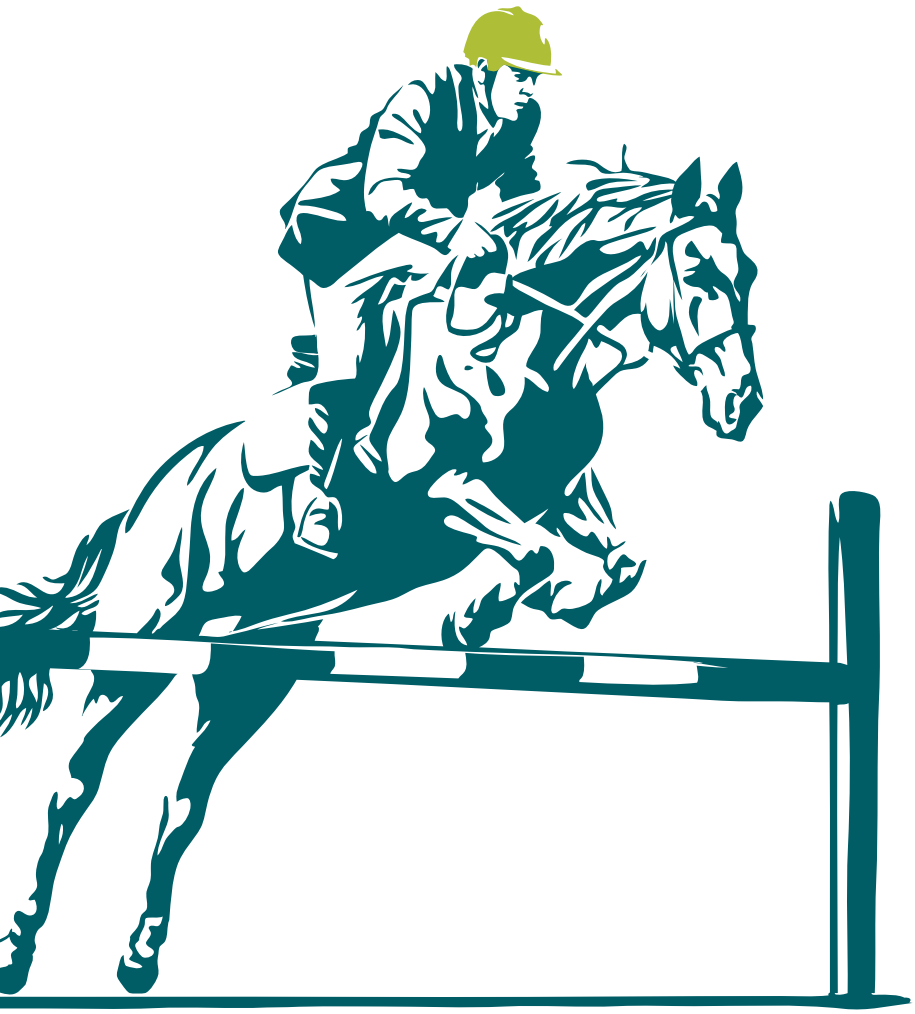
M&G Investment Funds (12)

Annual Long Report and audited Financial Statements
for the year ended 31 January 2016



Please note that when this document was originally published, on page 17 the 'Net assets attributable to shareholders' table right hand column should have referenced £ instead of $.

Also the 'Taxation' table on page 18 stated reference to 'note 6' when it should have stated reference to 'note 7'.

Additionally the 'Shares in issue' tables on page 19 listed several share classes as being 'Gross' when all the share classes should have been listed as 'Net'.

We would like to make you aware that these pages are correct in this version.

M&G INVESTMENTS

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M&G Investment Funds (12)
Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (12) presents its Annual Long Report and audited Financial Statements for the year ended 31 January 2016.

The audited financial statements of M&G Investment Funds (12) and the investment report and audited financial statements and notes of the sub-fund are presented in their individual sections of this report as set out in the contents page.

Company information

M&G Investment Funds (12) is an umbrella Open-Ended Investment Company (OEIC) and contains one sub-fund. This sub-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 2 November 2011 and the sub-fund was launched on 17 February 2012.

The Company's principal activity is to carry on business as an OEIC. The Company is structured as an umbrella company, and different sub-funds may be established by the ACD from time to time with the agreement of the Depositary and approval from the FCA.

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 manager

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

M&G Global Recovery Fund
David Williams

ACD

M&G Securities Limited,
Laurence Pountney Hill, London EC4R 0HH, 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 Tax Incentivised Savings Association.)

Directors of the ACD

W J Nott (Chief Executive),
G N Cotton, P R Jelfs, M Lewis, G W MacDowall, L J Mumford

Investment manager

M&G Investment Management Limited,
Laurence Pountney Hill, London EC4R 0HH, UK
Telephone: +44 (0)20 7626 4588
(Authorised and regulated by the Financial Conduct Authority)

Registrar

International Financial Data Services (UK) Limited,
IFDS House, St. Nicholas Lane, Basildon, Essex SS15 5FS, UK
(Authorised and regulated by the Financial Conduct Authority)

Depositary

National Westminster Bank Plc, Trustee & Depositary Services,
Younger Building, 3 Redheughs Avenue, Edinburgh EH12 9RH, UK
(Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority)

Independent auditor

Ernst & Young LLP
Ten George Street, Edinburgh EH2 2DZ, UK

Note to shareholders

With effect from 6 November 2015 the M&G International Specialist Equity Fund changed its name to M&G Global Recovery Fund. This change has no impact on the funds' investment approach and there will be no change to the way the fund is managed.

Investor information

The Prospectus, Instrument of Incorporation, Key Investor Information Documents, 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 International Investments Limited,
mainBuilding, Taunusanlage 19, 60325 Frankfurt am Main, Germany
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: +49 69 1338 6767
Email: iocs@mandg.co.uk

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

M&G Investment Funds (12)
Authorised Corporate Director's Report

Investor information

Austrian paying and information agent:
Raiffeisen Bank International AG,
Am Stadtpark 9, 1030 Wien, Austria

Belgian financial agent:
RBC Investor Services Belgium, Rogier Tower +10/43
Rogierplein 11 Place Rogier, B-1210 Brussel, Belgium

Danish representative agent:
Nordea Bank Danmark A/S,
Issuer Services, Postboks 850, 0900 Copenhagen C, Denmark

French centralising agent:
RBC Investor Services, Bank France S.A.,
105 rue Réaumur, 75002 Paris, France

German paying and information agent:
J.P. Morgan AG,
Junghofstraße 14, 60311 Frankfurt am Main, Germany

Irish facilities agent:
BNY Mellon Fund Services (Ireland) Limited,
Guild House, Guild Street, IFSC, Dublin 1, Ireland

Italian paying agents:
Allfunds Bank, S.A.,
Via Santa Margherita 7, 20121 Milano, Italy

Banca Monte dei Paschi di Siena S.p.A.,
Piazza Salimbeni 3, 53100 Siena, Italy

Banca Sella Holding S.p.A.,
Piazza Gaudenzio Sella 1, 13900 Biella, Italy

BNP PARIBAS Securities Services,
Via Ansperto 5, 20123 Milano, Italy

RBC Investor Services Bank S.A., Milan Branch
Via Vittor Pisani 26, 20124 Milano, Italy

State Street Bank S.p.A.,
Via Ferrante Aporti 10, 20125 Milano, Italy

Société Générale Securities Services S.A.,
Via Benigno Crespi 19A - MAC 2, 20159 Milano, Italy

Luxembourg paying and information agent:
J.P. Morgan Bank Luxembourg S.A., European Bank & Business Center, 6 c route de Trèves, 2633 Senningerberg, Luxembourg

Portuguese distributor:
Best - Banco Electrónico de Serviço Total, S.A.,
Praça Marquês de Pombal, no. 3 - 3º, 1250-161, Lisboa, Portugal

Spanish representative:
Allfunds Bank, S.A.,
Calle Estafeta, No 6 Complejo Plaza de la Fuente,
La Moraleja 28109, Alcobendas, Madrid, Spain

Swedish paying agent:
Skandinaviska Enskilda Banken AB (publ),
Sergels Torg 2, 106 40 Stockholm, Sweden

Swiss paying agent:
JP Morgan Chase Bank,
National Association, Columbus, Zurich Branch,
Dreikönigstrasse 21, 8002 Zürich, Switzerland

Swiss representative:
Carnegie Fund Services S.A.,
11, rue du Général-Dufour, 1204 Genève, Switzerland

Authorised Corporate Director's Responsibilities

The Authorised Corporate Director (ACD) is required to prepare annual and interim long and short reports for the Company. The ACD must ensure that the financial statements, contained in the Long Report, for the sub-fund 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.

M&G Investment Funds (12)
Depositary's Responsibilities and Report

Statement of the Depositary's Responsibilities

In respect of the financial statements of the Company

The Depositary is under a duty to take into custody and to hold the property of the Company. Under the Regulations relating to Reports, it is the duty of the Depositary to enquire into the conduct of the Authorised Corporate Director in the management of the Company in each accounting period and report thereon to shareholders in a report which shall contain the matters prescribed by the Regulations.

Report of the Depositary

To the shareholders of M&G Investment Funds (12) for the year ended 31 January 2016

The Depositary is responsible for the safekeeping of all of the property of the Company (other than tangible moveable property) which is entrusted to it and for the collection of revenue that arises from that property.

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes sourcebook (COLL), as amended, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended ('the OEIC Regulations'), the Company's Instrument of Incorporation and Prospectus, in relation to the pricing of, and dealings in, shares in the Company; the application of revenue of the Company; and the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary 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 Authorised Corporate Director:

- 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 revenue in accordance with COLL and, where applicable, the OEIC Regulations, the Instrument of Incorporation and Prospectus of the Company, and
- has observed the investment and borrowing powers and restrictions applicable to the Company.

Edinburgh
14 March 2016

National Westminster Bank Plc
Trustee and Depositary Services

M&G Investment Funds (12)
Independent Auditor's Report

Independent auditor's report to the shareholders of M&G Investment Funds (12) ICVC

We have audited the financial statements of M&G Investment Funds (12) ICVC ("the Company") for the year ended 31 January 2016 which comprise the Statement of Total return and Statement of Changes in Net Assets Attributable to Shareholders together with the Balance Sheet for the Company's sub-fund, the accounting policies of the Company and the related notes for the sub-fund. 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).

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

Respective responsibilities of the Authorised Corporate Director and Auditor

As explained more fully in the Authorised Corporate Director's responsibilities statement set out on page 2, the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Authorised Corporate Director; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the financial position of the Company comprising the sub-fund as at 31 January 2016 and of the net revenue and the net losses on the scheme property of the Company comprising the sub-fund for the year then ended; and
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes sourcebook of the Financial Conduct Authority and the Instrument of Incorporation;
- the information given in the Authorised Corporate Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- 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
- we have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Edinburgh
14 March 2016

Ernst & Young LLP
Statutory Auditor

The financial statements are published at www.mandg.co.uk/reports, which is a website maintained by M&G Securities Limited and M&G Financial Services Limited (M&G). The maintenance and integrity of the M&G website is the responsibility of the Authorised Corporate Director; 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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Annual report contained in this document has been extracted and translated from the Accounts of the Company which were produced in English and on which Ernst & Young LLP expressed the opinion reproduced/translated above.

Ernst & Young LLP express no opinion as to whether the contents have been properly extracted from the accounts on which they expressed their opinion or the accuracy of the translations made.

The financial statements for M&G Investment Funds (12) comprise the individual financial statements for the sub-fund and the notes below.

Notes to the financial statements

1 Statement of compliance

The financial statements of M&G Investment Funds (12) have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014 (2014 SORP).

2 Summary of significant accounting policies

a) Basis of preparation

The financial statements of M&G Investment Funds (12) 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.

M&G Investment Funds (12) and its sub-fund have adopted Financial Reporting Standard 102 (FRS 102) and the 2014 SORP. This has resulted in presentational changes to the financial statements. For further details please see the 'Financial statements and notes' of the sub-fund.

b) Functional and presentational currency

The functional and presentational currency of M&G Investment Funds (12) is US dollars.

c) Exchange rates

Transactions in currencies other than the sub-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 sub-fund's functional currency at the rate of exchange ruling as at 12 noon on 29 January 2016 being the last business day of the accounting period.

d) Investments - recognition and valuation

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

At the end of the reporting period all investments have been measured at their fair value using the prices and the portfolio holdings determined at 12 noon on 29 January 2016, being the last valuation point of the accounting period, as this is not materially different from a valuation carried out at close of business on the balance sheet date.

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

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

e) Recognition of income & expenses

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

Notes to the financial statements

2 Summary of significant accounting policies (continued)

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).
- 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.
- The value of any enhancement to a stock dividend is treated as capital.
- Distributions from collective investment schemes are treated as revenue in nature, except for any element of equalisation, which represents the average amount of income included in the price paid for the collective investment scheme, which is treated as capital.
- Debt security interest comprises the coupon interest and the difference between the purchase price and the expected maturity price spread over its expected remaining life. This is treated as revenue with the difference adjusting the cost of the shares and treated as capital.
- Other interest income, such as bank interest is treated as revenue.
- Underwriting commission is treated as revenue, except where the fund is required to take up all or some of the shares underwritten, in which case a proportion of the commission received is deducted from the cost of the shares and treated as capital.
- The treatment of the income on derivative contracts depends upon the nature of the transaction. Both motive and circumstances are used to determine whether the returns should be treated as capital or revenue. Where positions are undertaken to protect or enhance capital, and the circumstances support this, the returns are recognised in net capital gains; similarly where the motives and circumstances are to generate or protect revenue, and the circumstances support this, the returns are included within net revenue before taxation. Where positions generate total returns it will generally be appropriate to apportion such returns between capital and revenue to properly reflect the nature of the transaction.
- Expenses relating to the purchase and sale of investments are treated as capital; all other expenses are treated as revenue.
- Rebates of charges from holdings in collective investment schemes are treated as revenue or capital in accordance with the underlying scheme's distribution policy.

g) Tax

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

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

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

h) Allocation of returns to share classes

The annual management charge, any share class hedging returns and associated share class hedging charge are directly attributable to individual share classes. All other returns are apportioned to the 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 as set out in the notes to the 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, credit risk and liquidity risk.

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

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

Notes to the financial statements

3 Risk management policies (continued)

Market risk

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

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

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

Commitment approach

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

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

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

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

Value at Risk approach

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

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

The VaR model is based on a Monte Carlo process with actual VaR being reported on the basis of a 99% confidence interval over a one month period (20 business days). Risk factor history used in the Monte Carlo process is based on 250 business days. From the variance/covariance matrices, a parametric Monte Carlo scenario set of 5.000 simulations is derived and applied to the fund.

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

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

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

Fund	Global exposure approach
M&G Global Recovery Fund	Commitment

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

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

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

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

Credit risk

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

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

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

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.

G W MACDOWALL
L J MUMFORD
} Directors

14 March 2016

M&G Global Recovery Fund

Authorised Corporate Director's Report

Investment objective and policy up to 5 November 2015

Investment objective

The fund aims to maximise long term capital growth from a portfolio of predominantly international equities. Income is not a consideration.

Investment policy

The Fund predominantly invests in an internationally diversified range of equities issued by companies which, at the time of investment, the manager believes are out of favour with the market or whose future prospects are not fully recognised by the market. Derivatives may be used for investment and efficient portfolio management purposes, including hedging. The Fund may also invest in other transferable securities, warrants, money market instruments, deposits, cash, near cash and collective investment schemes.

Investment objective and policy from 6 November 2015

Investment objective

The fund aims to maximise long term capital growth. Income is not a consideration.

Investment policy

The Fund predominantly invests in a global range of equities issued by companies which, at the time of investment, the manager believes are out of favour with the market or whose future prospects are not fully recognised by the market. Derivatives may be used for investment and efficient portfolio management purposes, including hedging. The Fund may also invest in other transferable securities, warrants, money market instruments, deposits, cash, near cash and collective investment schemes.

Investment approach

The M&G Global Recovery Fund seeks to deliver long-term capital growth through investment in companies and stockmarkets around the world. The fund manager focuses on companies that have experienced difficulties but where a good management team is making a coherent effort to improve the shareholder returns of the business and where the stockmarket has overlooked the value of the businesses' assets. This approach means the fund manager is prepared to take a contrarian view and consider areas that are out of favour with other investors, seeking to exploit the market's inefficiency in pricing companies experiencing business challenges. Company management meetings and visits, as well as fundamental industry and financial research, are used to identify stocks for inclusion within the portfolio. The fund manager takes a long-term approach to investment, aiming to have a holding period of at least three to five years, and seeks opportunities across different geographies and industries to create a diversified portfolio.

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's focus is on companies that are out of favour with the market, 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 changed from 6 to 5 on 30 November 2015.

Please note that for the period 30 November 2015 to 31 January 2016 the risk number of the Sterling Class 'A' shares was incorrectly shown as 6 instead of 5 in the Key Investor Information Document.

Investment review

As at 1 February 2016, for the year ended 31 January 2016

Performance against objective

The M&G Global Recovery Fund aims to deliver growth of capital by investing at least 80% of the portfolio in a range of shares in companies from around the world that are out of favour with the stockmarket, where the fund manager believes a good management team is making concerted efforts to turn the business around. In a challenging market, the fund failed to achieve its objective as it produced a negative total return (the combination of income and growth of capital) across all share classes over the 12-month review period. The fund's returns were broadly in line with that of a comparative index, the MSCI AC World Index, which was -2,6% in sterling terms over the 12 months. [a]

Investment performance

The strength of the US dollar and uncertainty around when the US Federal Reserve would raise interest rates dominated macroeconomic events over the 12 months. In addition, concerns over the global macroeconomic outlook, falling commodity prices, low sentiment and low confidence, led investors to safer stocks where there is a greater element of certainty around companies' future earnings. The weakening oil price was an increasing focus over the period as share prices appeared to move in tandem with the commodity.

Investment review

Investment performance (continued)

This was a challenging market environment for stockpickers generally and for the fund to perform in. Up until the end of December 2015, the fund was producing positive returns and was comfortably outperforming its comparative index, the MSCI AC World Index. The brutal market conditions that took hold in January wiped out the majority of the gains. Shares suffered a painful 'correction' at the start of 2016 as threats of slower growth in China and a precipitous drop in the oil price dominated sentiment.

Against this backdrop, our holdings in Denmark and Australia, and at a sector level, in consumer discretionary, healthcare and materials, were positive for performance. Conversely, our holdings in the US, Canada and Hong Kong, and at a sector level, in energy, consumer staples and financials, detracted.

Our key aim on the fund is for stock selection to drive performance and encouragingly, where companies are delivering on their recovery strategy, we are seeing good returns. Our holdings in Denmark, one of the best-performing stockmarkets in 2015, were a key driver of performance. The largest holding in the fund, Danish jewellery retailer Pandora added the most value as the shares continued to build on their strong run from 2014. Pandora is successfully implementing its strategy to become a major operator in both the affordable jewellery market globally and in broader jewellery categories, in addition to its core product. Its new online offering continues to support store sales and its geographic expansion is at a relatively early stage, globally. Furthermore, the company is committed to returning cash to shareholders. Also in Denmark, consumer electronics company, Bang & Olufsen added value as did pharmaceutical company, H. Lundbeck, a recent disposal on the portfolio, having performed well.

In healthcare, our positions in US-listed biologics company, Hospira and Hutchison China MediTech (Chi-Med), a subsidiary of Hutchison Whampoa Ltd, were amongst the top-performing holdings. Hospira has now been taken over by US peer Pfizer in a deal that valued Hospira at around US$17 billion. This is an example of the increase in mergers and acquisitions activity we are seeing and the completion of the deal was positive for the fund, as both Hospira and Pfizer were on the portfolio. Chi-Med is a healthcare group based primarily in China. The company continues to make strong progress by broadening and deepening its drug research & development (R&D) pipeline through its Innovation Platform. Chi-Med's distribution business in China generates significant cashflow that helps to fund its R&D and the company is successfully transitioning into a fully-fledged pharmaceutical business.

Elsewhere, it was also encouraging to see our stock selection in the materials sector paying off, generating positive returns despite materials being one of the weakest sectors globally. The holding in Australia-listed gold producer and explorer, St Barbara was notably accretive and we had added to the holding at the start of the review period because of our confidence in the company's potential. Over 2015, the management successfully disposed of a loss-making asset and turned another around to be profitable. With the cash generated by its two key assets in Australia and Papua New Guinea, St Barbara surprised the market with how quickly it has reduced its debt burden. The shares rose more than 12-fold over the period.

Turning to the detractors, our weakest holding over the 12 months was copper miner First Quantum Minerals. Its share price has fallen on dismal economic news from China – the world's largest consumer of copper. Investors are growing increasingly concerned about the sustainability of the company's debt burden as copper prices decline. However, we have confidence that First Quantum has greater flexibility in its balance sheet than the market is giving credit for, with various options available in terms of asset sales and capital phasing at its Cobre Panama project. Also in resources, a number of our oil & gas holdings, including Anadarko Petroleum, Tullow Oil and Nostrum Oil & Gas, continued to struggle, at least in share price terms.

In Malaysia, our holding in AirAsia, the region's largest budget airline group, saw its shares suffer following the publication of an independent research report that questioned the company's accounting practices and liquidity. However, the report highlighted already known issues and management continues with its consolidation strategy which will provide investors with more clarity on its accounts. A weakening currency was also a headwind as the company's debt is in US dollars. AirAsia's Indonesia and Philippine subsidiaries faced financial and regulatory issues; however, we have confidence in the management and the business strategy and believe that value will be realised over the longer term.

The holding in Hong Kong-listed Li & Fung, a global supply chain manager for the retail industry, also detracted on poor sentiment on the outlook for China and weaker-than-expected demand from the apparel market in the US. The company has also faced a deflationary headwind which has negatively affected margins. Nonetheless, we believe it is a sound business.

Investment activities

We take a long-term approach to investment and aim to have a holding period of at least three to five years in order to allow the management teams of the companies that we back sufficient time to take the action required to return the businesses to health. For this reason, portfolio turnover tends to be low. However, the challenges experienced by the global economy in recent years have presented us with many exciting investment opportunities – companies that have got into difficulties or are going through a period of change and have been shunned or overlooked by other investors. Importantly, we believe each has the potential to resolve their issues, with a management team able to apply a rational strategy to turn the business around and, hopefully, improve returns for the company's shareholders.

We made 12 new purchases for the fund over the 12-month period. These included Mattel, Sony, Coach and Volkswagen. US-listed toy manufacturer, Mattel has a portfolio of core brands including Barbie, Hot Wheels and Fisher Price. A new management team at the company is making strategic changes to refocus on an innovative culture and to develop partnerships, as well as modernising its distribution channels.

Japan-listed Sony is a major consumer electronics maker. Its products include video games, digital cameras, and mobile phones. Management is focusing on the growth potential of the games business where it is investing in the expansion of its network services.

Fashion accessory company, Coach was added to the fund after the shares had endured three years of downward pressure. We believe the company could be poised to return to growth as its brand transformation (product, stores, and marketing) and restructuring initiatives begin to take effect. Coach's share price came under pressure as productivity and margins declined, but management are now fine-tuning the transformation strategy. Coach recently acquired the designer shoe brand, Stuart Weitzman.

M&G Global Recovery Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

Shares in German car manufacturer, Volkswagen were substantially marked down following the emissions scandal. We viewed this as an opportunity to invest in a company with leading brands and scope for further growth in Europe and the US. In our view, the punitive treatment of the company's share price was disproportionate to the effect on VW's long-term value. A provision of €6,9 billion has been set aside for the vehicle recall programme and the share price has factored in €18 billion to cover fines and litigation. While these issues are likely to dominate in the short term, over time we expect a gradual return to business as usual.

Since we will only own a maximum of 100 stocks in the portfolio, we generally have to sell something when we find a new turnaround candidate. Our 14 disposals over the review period included Hospira, through the takeover by Pfizer, Greenko, another sale following a bid approach, Freenet, Anheuser-Busch and H. Lundbeck. Freenet is the largest network-independent supplier of mobile communications services in Germany and the holding had made a significant contribution to performance over the past three and a half years. We sold the holding in multinational brewing company, Anheuser-Busch because although the holding had performed well for the fund, we could no longer justify the high valuation. Pharmaceutical company H. Lundbeck was sold for similar reasons.

Outlook

Despite the slightly disappointing performance over the period, we are really encouraged by the number of our companies on the portfolio delivering on their recovery strategy. As the stockmarket begins to recognise the value in these companies, this should feed through into performance as the share prices rise.

This is a long-term approach to investment and it is important to remember this when the markets and hence the fund are going through a volatile phase. We allow the management teams of companies that we back sufficient time to take the action required to return their businesses to health and that means we have to be patient and keep our nerve. It is quite normal for such companies to suffer temporary setbacks as they move through the process of improvement. Equally, it can take time for other investors to recognise the value in the company or begin to reward the management for the improvements they have made.

On 6 November 2015 the name of the fund changed to M&G Global Recovery Fund to better reflect the investment process. The fund invests in struggling companies with the potential to restore themselves to health, applying M&G's tried and tested recovery investing philosophy to a global investment universe.

David Williams
Fund manager

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

[a] For the performance of each share class, please refer to the 'Long-term performance by share class' table in the 'Fund performance' section of this report.

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

Investments

Portfolio statement

as at 31 January Holding		2016 $'000	2016 %	2015 *[a]* %
	Australia	**17.283**	**5,35**	**2,99**
4.532.927	Bionomics	1.027	0,32	
1.750.000	Mesoblast	1.877	0,58	
450.000	Mesoblast ADR	2.363	0,73	
35.808.750	Mineral Commodities	2.484	0,77	
450.000	Silex Systems	118	0,04	
8.900.000	St Barbara	9.199	2,84	
3.342.105	White Energy Company	215	0,07	
	Belgium	**0**	**0,00**	**1,77**
	Canada	**4.133**	**1,28**	**2,19**
22.750.000	DuSolo Fertilizers	727	0,22	
5.000.000	DuSolo Fertilizers wts. 2018	0	0,00	
1.050.000	First Quantum Minerals	1.931	0,60	
5.730.950	Midas Gold	1.262	0,39	
1.190.475	Midas Gold wts. 2017	0	0,00	
3.000.000	Mood Media	213	0,07	
	Denmark	**23.530**	**7,28**	**6,03**
428.511	Bang & Olufsen 'B'	4.513	1,40	
145.000	Pandora	19.017	5,88	
	France	**5.775**	**1,79**	**1,89**
100.378	Groupe Fnac	5.775	1,79	
	Germany	**17.357**	**5,37**	**5,26**
350.000	Commerzbank	2.844	0,88	
73.000	Fresenius Medical Care	6.364	1,96	
175.000	MagForce	994	0,31	
195.000	ThyssenKrupp	3.065	0,95	
35.000	Volkswagen Pref.	4.090	1,27	
	Hong Kong	**22.428**	**6,93**	**6,95**
87.250.000	China Financial Services	5.824	1,80	
15.000.000	Global Brands Group	2.272	0,70	
967.492	HSBC Holdings	6.763	2,09	
6.750.000	Li & Fung	3.848	1,19	
550.065	Standard Chartered	3.721	1,15	
	India	**212**	**0,07**	**0,15**
643.041	Great Eastern Energy GDR	212	0,07	
	Italy	**1.234**	**0,38**	**0,32**
1.745.400	Banca Monte dei Paschi di Siena	1.234	0,38	
	Japan	**7.497**	**2,32**	**0,52**
153.600	Sony	3.203	0,99	
90.000	Takeda Pharmaceutical	4.294	1,33	
	Malaysia	**5.126**	**1,59**	**1,59**
15.000.000	AirAsia	5.126	1,59	
	Netherlands	**7.831**	**2,42**	**3,80**
135.000	Aperam	4.205	1,30	
1.000.000	PostNL	3.626	1,12	
	Singapore	**3.565**	**1,10**	**1,11**
11.500.000	Genting Hong Kong	3.565	1,10	
	Switzerland	**5.079**	**1,57**	**1,92**
150.000	Garmin	5.079	1,57	
	United Arab Emirates	**5.190**	**1,61**	**1,74**
300.000	DP World	5.190	1,61	
	United Kingdom	**51.952**	**16,08**	**15,53**
1.250.000	African Minerals *[d]*	0	0,00	
1.900.000	BP	10.071	3,12	
5.574.887	Coal of Africa *[b]*	160	0,05	
350.000	Gulf Keystone Petroleum	63	0,02	
65.000	GW Pharmaceuticals ADR	3.381	1,05	

Investments

Portfolio statement (continued)

as at 31 January Holding		2016 $'000	2016 %	2015 [a] %
	United Kingdom (continued)			
575.000	Hutchinson China MediTech [b]	18.014	5,57	
18.500.000	International Petroleum [e]	0	0,00	
103.786	Izodia [f]	0	0,00	
13.884.180	Kenmare Resources	119	0,04	
249.014	Kenmare Resources wts. 2019	0	0,00	
894.398	KSK Power Ventur	320	0,10	
425.000	Nostrum Oil & Gas	1.739	0,54	
1.200.000	OPG Power Ventures [b]	1.305	0,40	
42.363.876	Ormonde Mining [b]	606	0,19	
375.000	Prudential [c]	7.234	2,24	
1.400.000	Regus	5.920	1,83	
1.250.000	Tullow Oil	3.020	0,93	
	United States	**144.661**	**44,75**	**46,20**
112.500	AbbVie	6.267	1,93	
125.000	American Airlines	4.765	1,47	
65.000	Anadarko Petroleum	2.421	0,75	
2.000.000	Athersys	2.300	0,71	
100.929	Best Buy	2.721	0,84	
100.000	Brunswick	3.994	1,24	
105.000	Carnival	4.918	1,52	
115.000	Citizen Financial Group	2.500	0,77	
90.000	Coach	3.224	1,00	
95.000	eBay	2.196	0,68	
265.000	GameStop	6.813	2,11	
26.000	Gilead Sciences	2.276	0,70	
110.000	Hain Celestial Group	3.799	1,18	
310.000	Hewlett-Packard Enterprise	4.086	1,26	
310.000	HP	2.936	0,91	
372.439	Innocoll	3.166	0,98	
615.000	J.C. Penney	4.194	1,30	
600.000	Kosmos Energy	2.478	0,77	
1.600.000	LeapFrog Enterprises	1.021	0,32	
225.000	Mattel	6.113	1,89	
195.000	Microsoft	10.150	3,14	
95.000	Paypal Holdings	3.252	1,01	
80.000	PepsiCo	7.796	2,41	
335.000	Pfizer	10.110	3,12	
170.000	Plum Creek Timber	6.622	2,05	
105.000	Principal Financial Group	3.933	1,22	
615.000	SuperValu	2.515	0,78	
162.500	Sysco	6.416	1,98	
150.000	Tyco International	5.019	1,55	
160.000	Wells Fargo	7.824	2,42	
315.000	Western Union	5.387	1,67	
120.000	Yahoo	3.449	1,07	
Portfolio of investments		**322.853**	**99,89**	**99,96**

Portfolio statement (continued)

as at 31 January Holding		2016 $'000	2016 %	2015 [a] %
	'AAA' rated money market funds [g]	**1.493**	**0,46**	**0,00**
1.044.000	Northern Trust Global Fund - Sterling	1.493	0,46	
Total portfolio (notes 2c & 2d on page 5)		**324.346**	**100,35**	**99,96**
Net other assets / (liabilities)		**(1.137)**	**(0,35)**	**0,04**
Net assets attributable to shareholders		**323.209**	**100,00**	**100,00**

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

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

[b] AIM quoted.

[c] Related party to the fund.

[d] Suspended on 20 November 2014.

[e] Suspended on 16 October 2015.

[f] Suspended on 16 December 2002.

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

Top ten portfolio transactions

for the year to 31 January 2016

Largest purchases	**$'000**
Mattel	5.741
Banca Monte dei Paschi di Siena	5.664
Kosmos Energy	5.308
GW Pharmaceuticals ADR	4.883
Commerzbank	4.573
Sony	4.350
Volkswagen Pref.	3.970
China Financial Services	3.824
Tullow Oil	3.483
Mesoblast ADR	3.480
Other purchases	42.489
Total purchases	**87.765**

Largest sales	**$'000**
Hospira	12.301
Pandora	9.390
Anheuser-Busch InBev	6.769
DCC	6.505
Unilever	6.473
Apache	6.270
ABM Industries	6.201
H. Lundbeck	5.315
Freenet	4.583
St Barbara	3.770
Other sales	42.393
Total sales	**109.970**

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

M&G Global Recovery Fund

Financial highlights

Fund performance

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

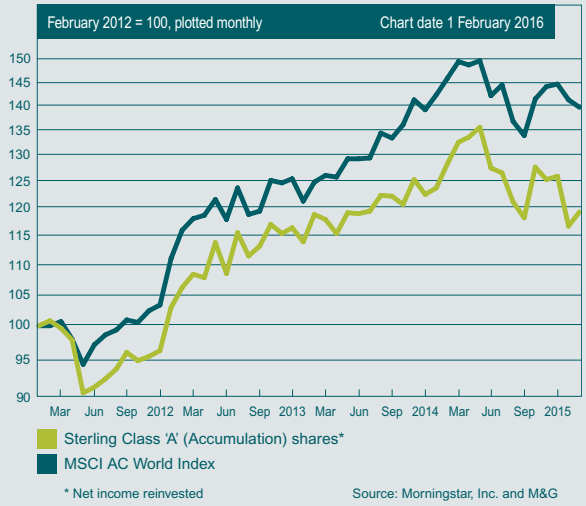
Fund level performance

Fund net asset value

as at 31 January	2016 $'000	2015 $'000	2014 $'000
Fund net asset value (NAV)	323.209	382.984	407.339

Performance since launch

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



To give an indication of how the results of the investment activities during the period have affected the performance of the fund the following table shows the compound rate of return, per annum, over the period. Calculated on a price to price basis with income reinvested.

Long-term performance by share class

	one year 02.02.15 % [a]	three years 01.02.13 % p.a.	five years 01.02.11 % p.a.	since launch % p.a.
Euro [b]				
Class 'A'	n/a	n/a	n/a	-13,8 [c]
Class 'C'	n/a	n/a	n/a	-13,6 [c]
Sterling [b]				
Class 'A'	-2,8	+4,9	n/a	+4,5 [d]
Class 'I'	-2,0	+5,7	n/a	+5,2 [d]
Class 'R'	-2,3	+5,4	n/a	+7,8 [e]
US dollar [b]				
Class 'A'	n/a	n/a	n/a	-13,8 [c]
Class 'C'	n/a	n/a	n/a	-13,6 [c]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 6 November 2015, the launch date of the share class. Absolute basis.

[d] 17 February 2012, the launch date of the fund.

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

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Investment management:** Charge paid to M&G for investment management of the fund (also known as Annual Management Charge).
- **Administration:** Charge paid to M&G for administration services in addition to investment management – any surplus from this charge will be retained by M&G.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit.

The operating charges paid by each share class of the fund are shown in the following performance tables. Operating 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 the same as the ongoing charges shown in the Key Investor Information Document, other than where 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.

For this fund there is no difference between operating charges and ongoing charges figures apart from Euro Class 'A' (Accumulation) and US dollar Class 'A' (Accumulation).

M&G Global Recovery Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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, method of execution and the quality of research provided. They are made up of direct and indirect portfolio transaction costs:

- **Direct portfolio transaction costs:** Broker execution commission, taxes, and costs of research from brokers and other research providers.
- **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 January Direct portfolio transaction costs [b]	2016 %	2015 %	2014 %	Average [a] %
Broker commission	0,06	0,04	0,05	0,05
Taxes	0,01	0,01	0,01	0,01
Costs before dilution adjustments	0,07	0,05	0,06	0,06
Dilution adjustments [c]	(0,01)	(0,01)	(0,02)	(0,01)
Total direct portfolio transaction costs	0,06	0,04	0,04	0,05
as at 31 January Indirect portfolio transaction costs	**2016 %**	**2015 %**	**2014 %**	**Average [a] %**
Average portfolio dealing spread	0,74	0,47	0,55	0,59

[a] Average of first three columns.

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

[c] In respect of direct portfolio transaction costs.

Specific share class performance

The following tables give the performance of each share class.

Euro Class 'A' Accumulation share performance

The share class was launched on 6 November 2015.

for the year to 31 January Change in NAV per share	2016 Euro ¢	2015 Euro ¢	2014 Euro ¢
Opening NAV	1.000,00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(152,47)	n/a	n/a
Operating charges	(4,68)	n/a	n/a
Return after operating charges	(157,15)	n/a	n/a
Closing NAV	842,85	n/a	n/a
Retained distributions	0,00	n/a	n/a
Direct portfolio transaction costs [a]	**Euro ¢**	**Euro ¢**	**Euro ¢**
Costs before dilution adjustments	0,64	n/a	n/a
Dilution adjustments [b]	(0,10)	n/a	n/a
Total direct portfolio transaction costs	0,54	n/a	n/a
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs	0,06	n/a	n/a
Operating charges [c]	1,88	n/a	n/a
Return after operating charges	-15,72	n/a	n/a
Historic yield	0,00	n/a	n/a
Effect on yield of charges offset against capital	n/a	n/a	n/a
Other information			
Closing NAV ($'000)	28	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0,01	n/a	n/a
Number of shares	3.000	n/a	n/a
Highest share price (Euro ¢)	10,07	n/a	n/a
Lowest share price (Euro ¢)	8,18	n/a	n/a

[c] As the share class was not in existence for the full period in 2016, 1,94% is a more reliable estimate of the 2016 ongoing charges.

Euro Class 'C' Accumulation share performance

The share class was launched on 6 November 2015.

for the year to 31 January Change in NAV per share	2016 Euro ¢	2015 Euro ¢	2014 Euro ¢
Opening NAV	1.000,00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(153,01)	n/a	n/a
Operating charges	(2,28)	n/a	n/a
Return after operating charges	(155,29)	n/a	n/a
Closing NAV	844,71	n/a	n/a
Retained distributions	0,00	n/a	n/a
Direct portfolio transaction costs [a]	**Euro ¢**	**Euro ¢**	**Euro ¢**
Costs before dilution adjustments	0,64	n/a	n/a
Dilution adjustments [b]	(0,10)	n/a	n/a
Total direct portfolio transaction costs	0,54	n/a	n/a
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs	0,06	n/a	n/a
Operating charges	0,92	n/a	n/a
Return after operating charges	-15,53	n/a	n/a
Historic yield	0,93	n/a	n/a
Effect on yield of charges offset against capital	n/a	n/a	n/a
Other information			
Closing NAV ($'000)	28	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0,01	n/a	n/a
Number of shares	3.000	n/a	n/a
Highest share price (Euro ¢)	10,07	n/a	n/a
Lowest share price (Euro ¢)	8,20	n/a	n/a

M&G Global Recovery Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Income share performance

The share class was launched on 17 February 2012.

for the year to 31 January Change in NAV per share	2016 UK p	2015 UK p	2014 UK p
Opening NAV	122,53	113,02	102,71
Return before operating charges and after direct portfolio transaction costs	(4,88)	11,69	12,55
Operating charges	(2,11)	(1,99)	(1,87)
Return after operating charges	(6,99)	9,70	10,68
Distributions	(0,20)	(0,19)	(0,37)
Closing NAV	115,34	122,53	113,02
Direct portfolio transaction costs [a]	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	0,09	0,06	0,07
Dilution adjustments [b]	(0,01)	(0,01)	(0,02)
Total direct portfolio transaction costs	0,08	0,05	0,05
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs	0,06	0,04	0,04
Operating charges	1,67	1,68	1,67
Return after operating charges	-5,70	+8,58	+10,40
Historic yield	0,18	0,15	0,33
Effect on yield of charges offset against capital	n/a	n/a	n/a
Other information			
Closing NAV ($'000)	320.441	381.521	406.562
Closing NAV percentage of total fund NAV (%)	99,14	99,62	99,80
Number of shares	194.217.954	206.440.136	218.561.747
Highest share price (UK p)	137,50	125,25	117,61
Lowest share price (UK p)	113,01	109,67	102,65

Sterling Class 'A' Accumulation share performance

The share class was launched on 17 February 2012.

for the year to 31 January Change in NAV per share	2016 UK p	2015 UK p	2014 UK p
Opening NAV	123,56	113,78	103,07
Return before operating charges and after direct portfolio transaction costs	(4,94)	11,78	12,59
Operating charges	(2,13)	(2,00)	(1,88)
Return after operating charges	(7,07)	9,78	10,71
Closing NAV	116,49	123,56	113,78
Retained distributions	0,21	0,19	0,38
Direct portfolio transaction costs [a]	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	0,09	0,06	0,07
Dilution adjustments [b]	(0,01)	(0,01)	(0,02)
Total direct portfolio transaction costs	0,08	0,05	0,05
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs	0,06	0,04	0,04
Operating charges	1,67	1,67	1,67
Return after operating charges	-5,72	+8,60	+10,39
Historic yield	0,18	0,15	0,33
Effect on yield of charges offset against capital	n/a	n/a	n/a
Other information			
Closing NAV ($'000)	448	502	446
Closing NAV percentage of total fund NAV (%)	0,14	0,13	0,11
Number of shares	268.647	268.891	238.279
Highest share price (UK p)	138,65	126,30	118,40
Lowest share price (UK p)	114,14	110,60	103,01

Sterling Class 'I' Income share performance

The share class was launched on 17 February 2012.

for the year to 31 January Change in NAV per share	2016 UK p	2015 UK p	2014 UK p
Opening NAV	123,07	113,23	102,72
Return before operating charges and after direct portfolio transaction costs	(4,92)	11,74	12,58
Operating charges	(1,17)	(1,11)	(1,06)
Return after operating charges	(6,09)	10,63	11,52
Distributions	(1,04)	(0,79)	(1,01)
Closing NAV	115,94	123,07	113,23
Direct portfolio transaction costs [a]	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	0,09	0,06	0,07
Dilution adjustments [b]	(0,01)	(0,01)	(0,02)
Total direct portfolio transaction costs	0,08	0,05	0,05
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs	0,06	0,04	0,04
Operating charges	0,93	0,93	0,94
Return after operating charges	-4,95	+9,39	+11,21
Historic yield	0,93	0,71	0,89
Effect on yield of charges offset against capital	n/a	n/a	n/a
Other information			
Closing NAV ($'000)	1.674	662	151
Closing NAV percentage of total fund NAV (%)	0,52	0,17	0,04
Number of shares	1.009.268	356.615	81.000
Highest share price (UK p)	138,34	125,79	118,07
Lowest share price (UK p)	113,94	110,06	102,67

Sterling Class 'I' Accumulation share performance

The share class was launched on 17 February 2012.

for the year to 31 January Change in NAV per share	2016 UK p	2015 UK p	2014 UK p
Opening NAV	126,15	115,30	103,67
Return before operating charges and after direct portfolio transaction costs	(5,13)	11,99	12,69
Operating charges	(1,20)	(1,14)	(1,06)
Return after operating charges	(6,33)	10,85	11,63
Closing NAV	119,82	126,15	115,30
Retained distributions	1,07	0,80	1,03
Direct portfolio transaction costs [a]	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	0,09	0,06	0,07
Dilution adjustments [b]	(0,01)	(0,01)	(0,02)
Total direct portfolio transaction costs	0,08	0,05	0,05
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs	0,06	0,04	0,04
Operating charges	0,92	0,93	0,93
Return after operating charges	-5,02	+9,41	+11,22
Historic yield	0,93	0,70	0,89
Effect on yield of charges offset against capital	n/a	n/a	n/a
Other information			
Closing NAV ($'000)	395	223	66
Closing NAV percentage of total fund NAV (%)	0,12	0,06	0,02
Number of shares	230.679	117.500	35.000
Highest share price (UK p)	141,76	128,76	119,96
Lowest share price (UK p)	117,38	112,67	103,62

M&G Global Recovery Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2016 UK p	2015 UK p	2014 UK p
Opening NAV	132,76	122,15	110,83
Return before operating charges and after direct portfolio transaction costs	(5,33)	12,64	13,57
Operating charges	(1,59)	(1,50)	(1,42)
Return after operating charges	(6,92)	11,14	12,15
Distributions	(0,78)	(0,53)	(0,83)
Closing NAV	125,06	132,76	122,15
Direct portfolio transaction costs [a]	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	0,09	0,07	0,08
Dilution adjustments [b]	(0,01)	(0,01)	(0,02)
Total direct portfolio transaction costs	0,08	0,06	0,06
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs	0,06	0,04	0,04
Operating charges	1,17	1,17	1,17
Return after operating charges	-5,21	+9,12	+10,96
Historic yield	0,65	0,48	0,68
Effect on yield of charges offset against capital	n/a	n/a	n/a
Other information			
Closing NAV ($'000)	143	74	112
Closing NAV percentage of total fund NAV (%)	0,04	0,02	0,03
Number of shares	80.199	37.000	56.000
Highest share price (UK p)	151,06	135,59	127,22
Lowest share price (UK p)	122,74	118,66	110,77

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2016 UK p	2015 UK p	2014 UK p
Opening NAV	134,50	123,33	111,09
Return before operating charges and after direct portfolio transaction costs	(5,46)	12,78	13,64
Operating charges	(1,63)	(1,61)	(1,40)
Return after operating charges	(7,09)	11,17	12,24
Closing NAV	127,41	134,50	123,33
Retained distributions	0,79	0,54	0,94
Direct portfolio transaction costs [a]	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	0,10	0,07	0,08
Dilution adjustments [b]	(0,01)	(0,01)	(0,02)
Total direct portfolio transaction costs	0,09	0,06	0,06
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs	0,06	0,04	0,04
Operating charges	1,17	1,24	1,15
Return after operating charges	-5,27	+9,06	+11,02
Historic yield	0,64	0,52	0,76
Effect on yield of charges offset against capital	n/a	n/a	n/a
Other information			
Closing NAV ($'000)	2	2	2
Closing NAV percentage of total fund NAV (%)	0,00	0,00	0,00
Number of shares	1.000	1.000	1.000
Highest share price (UK p)	151,06	137,42	128,34
Lowest share price (UK p)	124,82	120,30	111,03

US dollar Class 'A' Accumulation share performance

The share class was launched on 6 November 2015.

for the year to 31 January Change in NAV per share	2016 US ¢	2015 US ¢	2014 US ¢
Opening NAV	1.000,00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(149,44)	n/a	n/a
Operating charges	(4,68)	n/a	n/a
Return after operating charges	(154,12)	n/a	n/a
Closing NAV	845,88	n/a	n/a
Retained distributions	0,00	n/a	n/a
Direct portfolio transaction costs [a]	**US ¢**	**US ¢**	**US ¢**
Costs before dilution adjustments	0,64	n/a	n/a
Dilution adjustments [b]	(0,10)	n/a	n/a
Total direct portfolio transaction costs	0,54	n/a	n/a
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs	0,06	n/a	n/a
Operating charges [c]	1,90	n/a	n/a
Return after operating charges	-15,41	n/a	n/a
Historic yield	0,00	n/a	n/a
Effect on yield of charges offset against capital	n/a	n/a	n/a
Other information			
Closing NAV ($'000)	25	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0,01	n/a	n/a
Number of shares	3.000	n/a	n/a
Highest share price (US ¢)	10,00	n/a	n/a
Lowest share price (US ¢)	8,20	n/a	n/a

[c] As the share class was not in existence for the full period in 2016, 1,95% is a more reliable estimate of the 2016 ongoing charges.

US dollar Class 'C' Accumulation share performance

The share class was launched on 6 November 2015.

for the year to 31 January Change in NAV per share	2016 US ¢	2015 US ¢	2014 US ¢
Opening NAV	1.000,00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(149,96)	n/a	n/a
Operating charges	(2,27)	n/a	n/a
Return after operating charges	(152,23)	n/a	n/a
Closing NAV	847,77	n/a	n/a
Retained distributions	0,00	n/a	n/a
Direct portfolio transaction costs [a]	**US ¢**	**US ¢**	**US ¢**
Costs before dilution adjustments	0,64	n/a	n/a
Dilution adjustments [b]	(0,10)	n/a	n/a
Total direct portfolio transaction costs	0,54	n/a	n/a
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs	0,06	n/a	n/a
Operating charges	0,92	n/a	n/a
Return after operating charges	-15,22	n/a	n/a
Historic yield	0,93	n/a	n/a
Effect on yield of charges offset against capital	n/a	n/a	n/a
Other information			
Closing NAV ($'000)	25	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0,01	n/a	n/a
Number of shares	3.000	n/a	n/a
Highest share price (US ¢)	10,00	n/a	n/a
Lowest share price (US ¢)	8,22	n/a	n/a

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

[b] In respect of direct portfolio transaction costs.

Financial statements

Statement of total return

for the year to 31 January	Note	2016 $'000	2016 $'000	2015 $'000	2015 $'000
Income					
Net capital gains / (losses)	3		(38.084)		33.921
Revenue	5	7.820		7.502	
Expenses	6	(6.443)		(6.921)	
Net revenue before taxation		1.377		581	
Taxation	7	(657)		(607)	
Net revenue / (expense) after taxation			720		(26)
Total return before distributions			**(37.364)**		**33.895**
Distributions	8		(675)		(698)
Change in net assets attributable to shareholders from investment activities			**(38.039)**		**33.197**

Statement of change in net assets attributable to shareholders

for the year to 31 January	2016 $'000	2016 $'000	2015 $'000	2015 $'000
Opening net assets attributable to shareholders		**382.984**		**407.339**
Amounts received on issue of shares	6.517		3.006 [a]	
Amounts paid on cancellation of shares	(28.376)		(25.795) [a]	
		(21.859)		(22.789)
Dilution adjustments		116		120 [a]
Stamp Duty Reserve Tax		0		(2)
Change in net assets attributable to shareholders from investment activities (see above)		(38.039)		33.197
Retained distributions on Accumulation shares		4		2
Unclaimed distributions		3		2
Exchange differences resulting from translation to presentational currency		0		(34.885)
Closing net assets attributable to shareholders		**323.209**		**382.984**

[a] Restated, please see note 1 to the financial statements.

Balance sheet

as at 31 January	Note	2016 $'000	2015 $'000
Assets			
Fixed assets			
Investments		324.346	382.832
Current assets			
Debtors	9	1.379	2.999
Cash and bank balances	10	235	2.051
Total assets		**325.960**	**387.882**
Liabilities			
Creditors			
Distribution payable		(6)	(2)
Other creditors	11	(2.745)	(4.896)
Total liabilities		**(2.751)**	**(4.898)**
Net assets attributable to shareholders		**323.209**	**382.984**

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 5 and 6.

During the period the fund has adopted FRS 102 and the 2014 SORP. As a result there are some presentational changes to the classification of items in the financial statements. The following presentational changes are considered to be minimal and have no impact on the total return or net asset value in either the current or prior accounting period. In the 'Statement of change in net assets attributable to shareholders,' 'Dilution adjustments' are now disclosed as a separate line item and in the 'Balance sheet', 'Income tax payable' in respect of distributions is now included within the value of 'Distribution payable'.

'Dilution adjustments' totalling $116.000 (2015: $120.000) have been reclassified from 'Amounts received on issue of shares' of $16.000 (2015: $5.000) and 'Amounts paid on cancellation of shares' of $100.000 (2015: $115.000).

Interest payable of $1.000 (2015: $nil has been reclassified from 'Distributions' into 'Expenses').

Additionally, on 1 February 2015 the fund changed its functional and presentational currency from UK sterling to US dollars to better reflect the currency of its primary economic environment. The results for the current period have therefore been prepared and presented in US dollars. For comparability the results of the prior period have been translated from UK sterling to be presented in US dollars. The change in presentational currency represents a change in accounting policy which has been retrospectively applied.

Assets and liabilities have been translated into US dollars at the closing exchange rates. The impact of the change in presentation to US dollars in both periods was $nil for all 'Balance sheet' items. The table below shows the net assets attributable to shareholders in both US dollar and UK sterling terms for the current and prior periods:

Net assets attributable to shareholders	$'000	£'000
31 January 2014	407.339	247.487
31 January 2015	382.984	253.918
31 January 2016	323.209	225.941

All items in the 'Statement of total return' and other changes in net assets attributable to shareholders (changes in net assets) for the current period have been translated into US dollars at the dates of the transactions; and for the prior period these have been translated at the average rate for the period. A new financial statement line item 'Exchange differences resulting from translation to presentational currency' has been added to the 'Statement of change in net assets attributable to shareholders'. There is no translation adjustment in the current period, however in the prior period this was $34.885.000. This adjustment arises because of the different exchange rates used to translate balance sheet items and amounts relating to changes in net assets.

Notes to the financial statements

2 Distribution policy

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

3 Net capital gains / (losses)

for the year to 31 January	2016 $'000	2015 $'000
Non-derivative securities	(37.881)	33.738
Capital gains on US REIT	293	288
Currency gains / (losses)	(484)	(97)
Transaction charges	(12)	(8)
Net capital gains / (losses)	**(38.084)**	**33.921**

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 13 and 14.

for the year to 31 January	2016 $'000	% of transaction	2015 $'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	87.634		82.254	
Commissions	95	0,11	83	0,10
Taxes	36	0,04	26	0,03
Total purchases after transaction costs	**87.765**		**82.363**	
b) Sales				
Equities				
Equities before transaction costs	110.106		104.038	
Commissions	(133)	0,12	(93)	0,09
Taxes	(3)	0,00	(8)	0,01
Total sales after transaction costs	**109.970**		**103.937**	

c) Direct portfolio transaction costs	2016 $'000	% of average NAV	2015 $'000	% of average NAV
Commissions paid				
Equities	228	0,06	176	0,04
Taxes paid				
Equities	39	0,01	34	0,01
Total direct portfolio transaction costs [a]	**267**	**0,07**	**210**	**0,05**
d) Indirect portfolio transaction costs:		**%**		**%**
Portfolio dealing spread [b]		0,74		0,47

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

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

5 Revenue

for the year to 31 January	2016 $'000	2015 $'000
Dividends from equity investments: non-taxable	7.375	7.113
Interest distributions	4	7
Stock dividends	441	336
Underwriting commission	0	46
Total revenue	**7.820**	**7.502**

6 Expenses

for the year to 31 January	2016 $'000	2015 $'000
Payable to the ACD or associate		
Annual management charge	5.760	6.198
Administration charge	578	620
	6.338	6.818
Payable to the Depositary or associate		
Depositary's charge (including VAT)	30	33
Other expenses		
Audit fee (including VAT)	10	11
Interest payable	1	0
Safe custody charge	63	59
Tax fees (including VAT) [a]	1	0
	75	70
Total expenses	**6.443**	**6.921**

[a] Fees of $nil (2015: $nil) paid to overseas firms affiliated with Ernst & Young LLP.

7 Taxation

for the year to 31 January	2016 $'000	2015 $'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	657	607
Current tax charge (note 7b)	657	607
Deferred tax (note 7c)	0	0
Total taxation	**657**	**607**
b) Factors affecting taxation charge for the year		
Net revenue before taxation	1.377	581
Corporation tax at 20%	275	116
Effects of:		
Dividends not taxable	(1.475)	(1.422)
Stock dividends not taxable	(88)	(67)
Current year expenses not utilised	1.288	1.376
Withholding tax	657	607
Prior year adjustment	0	(3)
Current tax charge (note 7a)	**657**	**607**
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	**0**	**0**

The fund has not recognised a deferred tax asset of $4.790.000 (2015: $3.502.000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

Notes to the financial statements

8 Distributions

for the year to 31 January	2016 Inc [a]	2016 Acc [b]	2015 Inc [a]	2015 Acc [b]
Dividend distributions	**$'000**	**$'000**	**$'000**	**$'000**
Interim	639	2	670	2
Final	6	2	2	0
Total net distributions		649		674
Income deducted on cancellation of shares		36		29
Income received on issue of shares		(10)		(5)
Distributions		**675**		**698**
Net revenue / (expense) per statement of total return		720		(26)
Stock dividends not distributed		(441)		(336)
Capital gains tax offset against capital		55		57
Income deficit transferred to capital		341		1.003
Distributions		**675**		**698**

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 January	2016 $'000	2015 $'000
Currency deals outstanding	874	1.475
Dividends receivable	82	116
Sales awaiting settlement	257	1.275
Withholding tax recoverable	166	133
Total debtors	**1.379**	**2.999**

10 Cash and bank balances

as at 31 January	2016 $'000	2015 $'000
Cash held as bank balances	235	2.051
Total cash and bank balances	**235**	**2.051**

11 Other creditors

as at 31 January	2016 $'000	2015 $'000
Amounts payable on cancellation of shares	263	745
Currency deals outstanding	870	1.469
Expenses payable	179	255
Purchases awaiting settlement	1.433	2.427
Total other creditors	**2.745**	**4.896**

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2015: 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 below.

Share class	Opening 01.02.15	Movements Issued	Movements Cancelled	Closing 31.01.16
Euro				
Class 'A' Accumulation (Net)	n/a	3.000	0	3.000
Class 'C' Accumulation (Net)	n/a	3.000	0	3.000
Sterling				
Class 'A' Income (Net)	206.440.136	2.431.095	(14.653.277)	194.217.954
Class 'A' Accumulation (Net)	268.891	43.026	(43.270)	268.647
Class 'I' Income (Net)	356.615	783.491	(130.838)	1.009.268
Class 'I' Accumulation (Net)	117.500	142.503	(29.324)	230.679
Class 'R' Income (Net)	37.000	55.000	(11.801)	80.199
Class 'R' Accumulation (Net)	1.000	0	0	1.000
US dollar				
Class 'A' Accumulation (Net)	n/a	3.000	0	3.000
Class 'C' Accumulation (Net)	n/a	3.000	0	3.000

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %
Euro			
Class 'A'	4,00	n/a	1,75
Class 'C'	1,25	n/a	0,75
Sterling			
Class 'A'	4,00	n/a	1,50
Class 'I'	1,00	n/a	0,75
Class 'R'	1,00	n/a	1,00
US dollar			
Class 'A'	4,00	n/a	1,75
Class 'C'	1,25	n/a	0,75

Notes to the financial statements

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 ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end to the ACD of $160.000 (2015: $208.000) in respect of the ACD's annual management charge and administration charge are included within expenses payable as disclosed in note 11.

During the year, there were transactions in shares in related parties of Prudential plc with a total value of $1.564.000 (2015: $nil).

At the balance sheet date, the fund held shares in related parties of M&G Securities Limited with a value of $7.234.000 (2015: $10.821.000).

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling nil% (2015: nil%) of the fund's shares.

16 Events after the balance sheet date

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

17 Portfolio 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. Quoted prices for identical instruments in active markets

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 techniques using observable market data

This includes publically traded corporate bonds and instruments which have been valued using models with observable market data inputs such as quoted prices for similar instruments, interest rates, yield curves or credit spreads. Over-the-counter instruments have also been included in the category.

Level 3. Valuation techniques using non-observable market data

Instruments which have been valued using models with non-observable market data inputs. This includes private equity, unlisted closed ended funds, investment analyst recommended price where the market price is deemed to not be a true representation of fair value. However no such financial instruments were held.

Valuation technique	Assets 2016 $'000	Liabilities 2016 $'000	Assets 2015 $'000	Liabilities 2015 $'000
Level 1	322.853	0	382.832	0
Level 2	1.493	0	0	0
Level 3	0	0	0	0
	324.346	**0**	**382.832**	**0**

18 Risk management policies

General risk management policies for funds are described in note 3 to the financial statements.

19 Market risk

With respect to market risk, the fund has significant exposure to the risk detailed in note 20.

20 Currency risk

as at 31 January	2016 $'000	2015 $'000
Currency exposure in respect of the fund		
Australian dollar	14.921	11.460
Canadian dollar	4.133	8.400
Danish krone	23.566	23.112
Euro	31.750	50.386
Hong Kong dollar	22.428	26.587
Japanese yen	7.498	1.501
Malaysian ringgit	5.126	6.086
Sterling	51.205	59.585
Swiss franc	0	30
US dollar	162.582	195.837
Total	**323.209**	**382.984**

21 Credit risk

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

Notes to the financial statements

22 Dividend distribution tables

This fund pays half yearly dividend distributions and the following table sets out the distribution periods.

Half-yearly distribution periods

	Start	End	xd	payment
Interim	01.02.15	31.07.15	03.08.15	30.09.15
Final	01.08.15	31.01.16	01.02.16	31.03.16

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 net revenue 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 net revenue and equalisation. Equalisation is the average amount of revenue 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 following tables show the split of the Group 2 rates into the Net revenue and Equalisation components.

Euro Class 'A' Accumulation shares

Ordinary distributions	Group 2		Group 1 & 2	
	Net revenue	Equalisation	Distribution	
for the year to 31 January	2016	2016	2016	2015
	¢	¢	¢	¢
Interim	n/a	n/a	n/a	n/a
Final	nil	nil	nil	n/a

Euro Class 'C' Accumulation shares

Ordinary distributions	Group 2		Group 1 & 2	
	Net revenue	Equalisation	Distribution	
for the year to 31 January	2016	2016	2016	2015
	¢	¢	¢	¢
Interim	n/a	n/a	n/a	n/a
Final	nil	nil	nil	n/a

Sterling Class 'A' Income shares

Ordinary distributions	Group 2		Group 1 & 2	
	Net revenue	Equalisation	Distribution	
for the year to 31 January	2016	2016	2016	2015
	p	p	p	p
Interim	0,0000	0,2028	0,2028	0,1920
Final	nil	nil	nil	nil

Sterling Class 'A' Accumulation shares

Ordinary distributions	Group 2		Group 1 & 2	
	Net revenue	Equalisation	Distribution	
for the year to 31 January	2016	2016	2016	2015
	p	p	p	p
Interim	0,0000	0,2055	0,2055	0,1933
Final	nil	nil	nil	nil

Sterling Class 'I' Income shares

Ordinary distributions	Group 2		Group 1 & 2	
	Net revenue	Equalisation	Distribution	
for the year to 31 January	2016	2016	2016	2015
	p	p	p	p
Interim	0,2098	0,4661	0,6759	0,6298
Final	0,0000	0,3658	0,3658	0,1580

Sterling Class 'I' Accumulation shares

Ordinary distributions	Group 2		Group 1 & 2	
	Net revenue	Equalisation	Distribution	
for the year to 31 January	2016	2016	2016	2015
	p	p	p	p
Interim	0,1583	0,5403	0,6986	0,6397
Final	0,0000	0,3748	0,3748	0,1648

Sterling Class 'R' Income shares

Ordinary distributions	Group 2		Group 1 & 2	
	Net revenue	Equalisation	Distribution	
for the year to 31 January	2016	2016	2016	2015
	p	p	p	p
Interim	0,0000	0,5630	0,5630	0,5200
Final	0,0000	0,2170	0,2170	0,0092

Sterling Class 'R' Accumulation shares

Ordinary distributions	Group 2		Group 1 & 2	
	Net revenue	Equalisation	Distribution	
for the year to 31 January	2016	2016	2016	2015
	p	p	p	p
Interim	0,5750	0,0000	0,5750	0,5390
Final	0,2180	0,0000	0,2180	nil

US dollar Class 'A' Accumulation shares

Ordinary distributions	Group 2		Group 1 & 2	
	Net revenue	Equalisation	Distribution	
for the year to 31 January	2016	2016	2016	2015
	¢	¢	¢	¢
Interim	n/a	n/a	n/a	n/a
Final	nil	nil	nil	n/a

US dollar Class 'C' Accumulation shares

Ordinary distributions	Group 2		Group 1 & 2	
	Net revenue	Equalisation	Distribution	
for the year to 31 January	2016	2016	2016	2015
	¢	¢	¢	¢
Interim	n/a	n/a	n/a	n/a
Final	nil	nil	nil	n/a

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M&G Investment Funds (12)

Other regulatory disclosures

Interest bearing assets

In accordance with the EU Savings Directive (2003/48/EC), we are required to disclose the percentage of interest-bearing assets held.

	% of NAV
M&G Global Recovery Fund	0,53

Swiss investor information

For sub-funds registered in Switzerland we are required by FINMA to disclose the Total Expense Ratio (TER).

For this fund the TERs are the same as the Operating Charges disclosed in the fund's Financial Highlights section.

Glossary

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

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Distribution: Distributions represent a share in the net 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.

Glossary

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 date: The date on which declared distributions officially belong to underlying investors, rather than the fund, usually the first business day of the month.

Exposure: The proportion of a fund invested in a particular share/fixed income security, sector/region, usually expressed as a percentage of the overall portfolio.

Fixed income security: A loan in the form of a security, usually issued by a government or company, which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid. Also referred to as a bond.

Floating rate notes (FRNs): Securities whose interest (income) payments are periodically adjusted depending on the change in a reference interest rate.

Foreign exchange: The exchange of one currency for another, or the conversion of one currency into another currency. Foreign exchange also refers to the global market where currencies are traded virtually around the clock. The term foreign exchange is usually abbreviated as 'forex' and occasionally as 'FX'.

Foreign exchange (FX) strategy: Currencies can be an asset class in its own right, along with company shares, fixed income securities, property and cash. Foreign exchange strategy can therefore be a source of investment returns.

Forward contract: A contract between two parties to buy or sell a particular commodity or financial instrument at a pre-determined price at a future date. Examples include foward 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 pre-determined 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 share: A type of share 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 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.

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.

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.

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.

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 non-payment 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: Category of shares held by investors in a fund (share classes differ by levels of charge and/or by other features such as currency or share class hedging).

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.

Glossary

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.

Top-down investing: An investment approach that analyses economic factors, ie surveys the 'big picture', before selecting which companies to invest in. The top-down investor will look at which industries are likely to generate the best returns in certain economic conditions and limit the search to that area.

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

Treasuries: Fixed income securities issued by the US government.

Triple A or AAA rated: The highest possible rating a fixed income security, also called a bond, can be assigned by credit rating agencies. Bonds that are rated AAA are perceived to have the lowest risk of default. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

UCITS: Stands for Undertakings for Collective Investments 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.

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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