

M&G Investment Funds (14)

Interim Long Report and unaudited Financial Statements
for the six months ended 31 October 2016



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M&G Investment Funds (14)

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (14) presents its Interim Long Report and unaudited Financial Statements for the six months ended 31 October 2016.

The unaudited financial statements of M&G Investment Funds (14) and the investment report and unaudited financial statements and notes of each sub-fund are presented in their individual sections of this report as set out in the contents page.

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

Company information

M&G Investment Funds (14) is an umbrella Open-Ended Investment Company (OEIC) and contains two sub-funds, hereinafter referred to as 'funds' in the rest of this report. Each fund is a UCITS (Undertakings for Collective Investment in Transferable Securities) scheme as defined in the Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA). This OEIC is an Investment Company with Variable Capital (ICVC) incorporated under the Open-Ended Investment Companies Regulations 2001. It is authorised and regulated by the FCA under the Financial Services and Markets Act 2000.

The Company was authorised on 8 October 2013, the M&G Income Allocation Fund was launched on 7 November 2013 and the M&G Prudent Allocation Fund was launched on 23 April 2015.

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

As at 31 October 2016, none of the funds held shares of the other funds within this OEIC.

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

Fund managers

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

M&G Income Allocation Fund

Steven Andrew

M&G Prudent Allocation Fund

Juan Nevado & Craig Moran

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, 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

Important information

Please note that with effect from 1 July 2016, the M&G Prudent Allocation Fund began taking the annual management charge, administration charge and where relevant the share class hedging charge, from capital in the case of Income shares, and from income in the case of Accumulation shares.

Please note that with effect from 1 July 2016, the M&G Income Allocation Fund began taking the annual management charge, administration charge and where relevant, the share class hedging charge, from income in the case of Accumulation shares. The charges disclosed above will continue to be taken from capital in the case of Income shares.

For the above funds the objectives and policies will remain unchanged. All costs associated with introducing these changes will be borne by M&G Securities Limited.

M&G Investment Funds (14)

Authorised Corporate Director's Report

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.

Austrian Paying and Information Agent:

Société Générale Vienna Branch, Zweigniederlassung Wien,
Prinz Eugen-Strasse 8-10/5/Top 11, 1040 Wien, Austria

Belgian Financial Agent:

Société Générale Private Banking NV,
Kortrijksesteenweg 302, 9000 Gent, Belgium

Danish Representative Agent:

Nordea Bank Danmark A/S,
Client Relations DK, Investor Services & Solutions,
Postbox 850, Reg.no.6428. HH. 6, 1., 0900 Copenhagen C, Denmark

French Centralising Agent:

RBC Investor Services, Bank France S.A.,
105 rue Réaumur, 75002 Paris, France

German Information Agent:

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

Greek Paying Agent and Distributor:

Eurobank Ergasias S.A,
8, Othonos Street, 10557, Athens, Greece

Irish Facilities Agent:

Société Générale SA, Dublin Branch,
3rd Floor IFSC House – The 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:

Société Générale Bank & Trust SA,
Centre operationel, 28-32, place de la Gare, 1616 Luxembourg,
Grand Duchy of 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:

Nordea Bank AB (publ),
Smålandsgatan 17, 105 71 Stockholm, Sweden

Swiss Paying Agent and Representative:

Société Générale, Paris, Zurich Branch,
Talacker 50, P.O. Box 5070, 8021 Zurich, Switzerland

M&G Investment Funds (14)

Authorised Corporate Director's Report

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 each of the funds are prepared in accordance with the Investment Association Statement of Recommended Practice for Financial Statements of UK Authorised Funds (SORP) and UK Financial Reporting Standards, and give a true and fair view of the net revenue or expenses and net capital gains or losses for the accounting period, and the financial position at the end of that period.

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

M&G Investment Funds (14)

Financial statements and notes

The financial statements for M&G Investment Funds (14) comprise the individual financial statements for each fund and the notes below.

Notes to the financial statements

Accounting policies

The interim financial statements have been prepared on the same basis as the audited annual financial statements for the year ended 30 April 2016. They are prepared in accordance with the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014 (2014 SORP).

Amendments to FRS 102 'Fair value hierarchy disclosures' effective for annual periods beginning on or after 1 January 2017 have been early adopted. These amendments improve the consistency of fair value disclosures for financial instruments with those required by EU-adopted IFRS (International Financial Reporting Standards).

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 December 2016

M&G Income Allocation Fund

Authorised Corporate Director's Report

Investment objective

The Fund aims to generate a growing level of income over the medium term through investment in a range of global assets. The Fund also aims to provide capital growth over the long term.

Investment policy

The manager adopts a flexible approach to the allocation of capital between asset classes in response to changes in economic conditions and the valuation of assets. As a result, at any one time the portfolio may be diversified across asset classes, sectors, currencies and countries or, at the investment manager's discretion, may be more focussed. Market risk will be managed through active asset allocation.

The fund can invest in transferable securities such as equities and fixed income assets (including, but not limited to, corporate bonds and government and public securities), warrants, money market instruments, deposits, cash and near cash. The Fund's exposure to these assets may be gained directly, or indirectly via investment in collective investment schemes and via derivatives (including equity index futures, currency forwards, interest rate swaps and other derivatives). The manager may seek to manage currency risk through the combination of diversification and hedging. Derivatives may also be used for efficient portfolio management purposes.

Investment approach

The fund manager believes the best way to meet the income objective is by investing flexibly among different asset classes. This approach combines in-depth research to determine the value of assets over the medium to long term, with analysis of investors' emotional reaction to events to identify investment opportunities. In particular, the manager seeks to respond when asset prices move away from a reasonable sense of 'fair' value due to investors reacting emotionally to events. He believes such episodes create opportunities because emotions should be less important than asset valuations over the medium and long term.

The fund invests in a range of income-generating assets from around the world. It will typically invest 10-50% of its assets in company shares, 40-80% in fixed income securities and up to 20% in other assets, which can include convertibles (fixed income investments that have the right to be converted into a predetermined number of company shares). At least 70% of the fund will be held in euro assets. The fund may also invest in derivatives, which are financial instruments whose value is linked to the expected future price movements of an underlying asset. The holdings in different asset classes will be adjusted regularly according to where the fund manager sees the most value and to manage risks.

Risk profile

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

The fund adopts a flexible approach to the allocation of capital between asset classes in response to changes in economic conditions and the valuation of assets, and the manager will seek to maximise portfolio diversity wherever possible. The fund has a bias towards income-producing assets. Income distributions from the fund's holdings, however, are not guaranteed and may vary.

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

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



The above number:

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

Investment review

As at 1 November 2016, for the six months ended 31 October 2016

Distribution summary

The fund distributed six monthly payments totalling 16,38c per Euro Class 'A' (Income) share over the six months under review. This represents a decline of 9,1% from the 18,02c distributed during the same period a year earlier. As at the end of the reporting period, the payout represented a yield (distributed income as a percentage of the share price at the end of the period) of 3,7%.

The fund's distribution and distribution yield are shown in the 'Specific share class performance' tables in this report. Please note, this fund provides a variable level of income.

Performance against objective

Between 3 May 2016 (the start of the review period) and 1 November 2016, the M&G Income Allocation Fund produced a positive total return (the combination of income and growth of capital) across all of its share classes. The fund's returns were ahead of that of its peer group, the Morningstar EUR Moderate Allocation Global Sector, which delivered an average return of 2,6% over the same period.

The fund has achieved both its income objective in terms of generating a growing level of income over the medium term, with the total annual distribution having increased in each full financial year, and its aim of achieving long-term capital growth.^[a]

M&G Income Allocation Fund

Authorised Corporate Director's Report

Investment review

Investment performance

Most asset classes, including equities (company shares), bonds and commodities, such as oil and gold, rallied during the six-month review period in euro terms. (Bonds are loans that are extended by an investor to an issuer – such as a company or government – in exchange for regular interest payments. Bonds issued by companies are referred to as 'corporate bonds', while those issued by governments are called 'government bonds'.) This occurred despite several events taking place that might have been expected to unsettle investors, such as the UK's vote to withdraw from the European Union (so-called 'Brexit'), a potential increase in US interest rates, an attempted coup in Turkey and the prospect of Donald Trump becoming the next US president.

Although investors remained concerned about the economic background and the potential of political events to cause further uncertainty in financial markets, they seemed to prefer to focus on the supportive action taken by central banks around the world. Bankers in the US, UK, Europe and Japan demonstrated once again that they are trying to boost economic activity by keeping interest rates low. Even the US Federal Reserve (Fed), which appeared to be preparing for an interest rate increase as economic data improved, opted to keep borrowing costs unchanged, to the relief of investors. While nothing is certain, it appears that investors have managed to move on from the concerns about global recession that caused asset prices to fall at the beginning of 2016 and the shock of the Brexit vote in June.

The major exception to the general increase in asset prices was the UK, where the Brexit decision had a significantly adverse effect on the country's currency. The decline of the pound relative to the euro meant that UK shares and bonds fell in price when measured in euros.

In terms of the global economic background, we believe that modest progress continues to be made, although it remains relatively weak. This view, and the subsequent belief that better economic activity will eventually be reflected in improved company earnings and higher share prices, is the reason why we have maintained a bias towards equities throughout the review period. In our opinion, equities offer significantly better value than bonds, which we regard as expensive.

Government bond markets have been supported by massive bond-buying programmes introduced by central banks in order to keep interest rates low, in the hopes that this will stimulate economic growth. The prices of many such bonds hit record highs in the summer, meaning that their prospective return, or yield, fell to record lows. (A bond's yield is its interest payment expressed as a percentage of the bond's price. The yield moves in the opposite direction to price – when prices go up, yields go down and vice versa.) Government bonds from several countries, because of their high prices, now provide negative yields, meaning that an investor who purchases the bond and retains it until repayment is guaranteed to lose money.

Towards the end of the review period, investors began to question long-held assumptions that interest rates, economic growth and inflation would all stay low and many government bonds experienced some of the largest price falls in recent years. Despite this, we think that many Western government bond markets remain overvalued.

Therefore, we continued to position the fund in favour of equities, which we think are more attractively valued than bonds and, if selected carefully, can pay a healthy level of income. The bias towards equities was the major driver of the fund's robust performance over the six months under review, with substantial value being generated by our holdings of shares in US companies, particularly technology businesses and banks. Positions in the shares of Japanese financial groups, which recovered from a period of weakness early in the year, as well as companies in France and Germany were also valuable.

We purchased shares in US banks so as to benefit from increased expectations of higher US interest rates, which should support bank earnings, and to protect the fund in the event that a recovery in economic growth caused a sell-off in government bonds. Whenever US economic data improved, bank shares tended to rally, a process that was helped by better-than-expected earnings in the financial sector. We remain comfortable with the fund's exposure to US banks since we appear to be in the early stages of potential economic expansion. The election of Donald Trump as US president, who has proposed pro-growth policies such as higher infrastructure spending, further supports that view.

Investor sentiment was not uniformly positive throughout the review period, however. The fund's performance was therefore also helped by our holdings of government bonds, which rose in price whenever risk appetite waned, after the Brexit vote, for example. We had invested in government bonds from peripheral European countries, such as Italy, Spain and Portugal because, in our view, their prices were unjustifiably low relative to German bonds. The bonds from Spain and Portugal generated positive contributions, as did US government bonds, which are held as 'insurance' against a significant fall in equity prices. Government bonds from South Africa also delivered robust returns.

Investment activities

Although most asset classes rose in price during the period under review, it was not all plain sailing. There were several bouts of volatility, caused by investors reacting to unexpected events, such as the Brexit vote. During each episode of turbulence, we carefully weighed up whether there had been any change in the economic background that could justify the sharp movements in price or whether they were simply driven by shifts in investors' sentiment. On occasions, we adjusted the fund's positioning in response to changes in asset prices that we thought would eventually be 'corrected'. The largest overall change was an increase in the allocation to equities, where we used bouts of share price weakness to increase our holdings, often selling government bonds at the same time. By the end of the period, the proportion of the fund invested in equities was close to the maximum of the fund's typical allocation range.

For example, the share prices of many Japanese banks fell sharply in the early part of the period as investors became increasingly concerned about the potential effect of negative interest rates on financial groups' profits. We believed these worries were overdone and that Japanese banks would remain profitable. We therefore took advantage of the lower prices to increase our holdings, a move that proved worthwhile later in the period. At the same time, we used price weakness to buy shares in US technology companies. To make room for these purchases, we reduced exposure to government bonds from Brazil, Colombia and Chile.

M&G Income Allocation Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

When government bond prices rallied in the summer, pushing their yields down to record lows, this reinforced our view that future returns from bonds were likely to be significantly lower than from equities. Accordingly, we took profits by selling some of our 30-year government bonds from Portugal, which had performed very well. Similarly, we scaled back the size of our holding of 30-year US government bonds as we felt they had become increasingly vulnerable to price falls. We reinvested the proceeds in equities, mostly from the US.

Towards the end of the review period, we increased the fund's allocation to UK equities. Following the vote to leave the European Union, shares in many domestically oriented UK companies fell sharply and did not recover to the extent of companies whose earnings are mainly in foreign currencies. This gave us the opportunity to invest at what we thought were attractive price levels, especially in light of our belief that the UK economy was reasonably robust. On the other hand, we reduced positions in Europe, the US and Asia.

The fund's cash holding remained relatively high throughout the period. Not only did this reduce the risk from potential asset price falls in the event of a negative surprise, but it gave us scope to exploit any unwarranted changes in valuation that took place.

Outlook

The outlook for financial markets remains unclear. Although many equity and bond markets have recently touched record highs, there are many factors around that could cause investor sentiment to deteriorate rapidly. This includes the fallout from the unexpected result of the US presidential election, as well as the pace of increases in US interest rates, plus the ongoing Brexit saga. Elsewhere, there is a referendum in Italy and more elections in Spain, while in 2017 we have the prospect of elections in France and Germany.

Political uncertainty aside, modest global economic progress appears to be taking place, although, in our view, growth is far from strong. Activity seems to be picking up in some emerging markets and remains broadly stable in most developed markets. In this fairly unexciting global growth environment, we believe the identification of compelling investment opportunities requires a global and highly flexible approach. At the moment, we believe the clearest signal in financial markets is the difference in valuation that exists between equities and bonds, encouraging our view that equities represent significantly better value than bonds.

We are also convinced that so-called 'safe havens', such as government bonds from the US, UK and Germany, are unattractive, not just because of their low or negative yields, but because they remain vulnerable to further changes in investor sentiment.

At the moment, we remain comfortable with the fund being positioned broadly in favour of assets that would benefit from a gradual pick-up in global economic activity and so we maintain a bias towards equities. We also like certain corporate bonds and government bonds issued by countries in peripheral Europe, such as Italy, Spain and Portugal, as well as emerging markets. Not only do these bonds provide higher

levels of yield but they introduce valuable diversity to the portfolio. As always, we are closely watching changes in prices and the economic background, along with the global newsflow, so as to determine the relative attractiveness of various assets. In order to generate the best returns for our investors, we will continue to invest in those areas of the market that we believe combine strong growth characteristics with attractive valuations, while diversifying the fund across both sectors and geographies.

Steven Andrew
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.

M&G Income Allocation Fund

Authorised Corporate Director's Report

Investment review

Classification of investments



Investments

Portfolio statement

as at Holding	31.10.16 €'000	31.10.16 %	30.04.16 %
Equities	426.154	50,50	41,07
France	19.340	2,29	1,88
55.059 Christian Dior	9.652	1,14	
58.306 LVMH	9.688	1,15	
Germany	18.683	2,21	2,43
160.571 Daimler	10.434	1,23	
46.554 Munich Re	8.249	0,98	
Italy	12.116	1,44	1,52
210.351 Atlantia	4.680	0,56	
814.832 Banca Mediolanum	5.142	0,61	
43.207 Tod's	2.294	0,27	
Netherlands	10.366	1,23	1,19
176.497 Akzo Nobel	10.366	1,23	
Spain	26.747	3,17	3,61
4.265.302 Abengoa	883	0,10	
219.490 Grupo Catalana Occidentales	6.324	0,75	
251.914 Inditex	8.016	0,95	
1.743.431 Prosegur Seguridad	11.524	1,37	
United Kingdom	55.306	6,55	3,36
1.516.014 BAE Systems	9.125	1,08	
749.152 British Land	4.850	0,57	
1.087.087 Carillion	3.026	0,36	
3.922.251 Cobham	6.208	0,74	
478.301 easyJet	4.973	0,59	
265.691 GlaxoSmithKline	4.766	0,57	
578.360 Greene King	4.670	0,55	
813.078 HSBC Holdings	5.600	0,66	
1.196.783 ITV	2.285	0,27	
2.014.866 Legal & General Group	4.705	0,56	
1.350.558 Marks & Spencer Group	5.098	0,60	
Australia	8.352	0,99	0,89
1.109 BT Investment Management	7	0,00	
74.298 Commonwealth Bank of Australia	3.785	0,45	
215.496 Westpac Banking	4.560	0,54	
China	3.167	0,38	0,31
7.750.000 Bank of China 'H'	3.167	0,38	
Hong Kong	0	0,00	0,95
Japan	72.492	8,59	5,36
2.811.000 Concordia Financial Group	11.898	1,41	
2.477.700 Mitsubishi UFJ Financial Group	11.726	1,39	
7.485.800 Mizuho Financial Group	11.512	1,36	
2.859.900 Resona Holdings	11.583	1,37	
381.800 Sumitomo Mitsui Financial Group	12.118	1,44	
123.500 Takeda Pharmaceutical	5.045	0,60	
856.000 Yamaguchi Financial Group	8.610	1,02	
Singapore	1.558	0,18	0,16
48.000 Jardine Cycle & Carriage	1.329	0,16	
271.000 Sembcorp Marine	229	0,02	
South Africa	2.348	0,28	0,35
489.935 Truworths International	2.348	0,28	
Canada	34.080	4,04	3,99
198.710 Bank of Montreal	11.575	1,37	
230.193 Bank of Nova Scotia	11.327	1,34	
617.979 Shaw Communications	11.178	1,33	

M&G Income Allocation Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)

as at Holding	31.10.16 €'000	31.10.16 %	30.04.16 %
United States	161,599	19,15	15,07
564.500 5th Third Bancorp	11.139	1,32	
155.900 American Express	9.460	1,12	
108.133 Apple	11.228	1,33	
832.300 Bank of America	12.662	1,50	
771.100 Ford Motor	8.245	0,98	
186.540 J.P.Morgan Chase	11.771	1,40	
939.200 KeyCorp	12.058	1,43	
107.800 M&T Bank	12.015	1,42	
115.000 Mastercard	11.206	1,33	
607.500 Meridian Bioscience	9.070	1,07	
207.700 Microsoft	11.355	1,35	
211.400 Pfizer	6.164	0,73	
131.900 PNC Financial Services	11.454	1,36	
305.000 US Bancorp	12.430	1,47	
268.725 Wells Fargo	11.342	1,34	
Bond portfolios	7,766	0,92	0,80
260.700 SPDR® Barclays 10+ Year US Corporate Bond UCITS ETF	7.766	0,92	
Debt securities	356,811	42,29	48,63
'AA' credit rated bonds	50,014	5,93	8,31
CLP11.760.000.000 Chile (Republic of) 5,5% 2020	17.445	2,07	
\$34.443.500 US Treasury 2,75% 2042	32.569	3,86	
'A' credit rated bonds	32,518	3,85	3,84
MXN428.045.300 Mexico (United Mexican States) 8,5% 2038	24.779	2,94	
PEN17.751.000 Peru (Republic of) 6,95% 2031	5.239	0,62	
£2.077.000 Thames Water Utilities Cayman 7,241% 2058	2.500	0,29	
'BBB' credit rated bonds	135,928	16,11	19,54
\$4.311.000 Alcoa 5,55% 2017	3.962	0,47	
COP44.648.600.000 Colombia (Republic of) 10% 2024	16.051	1,90	
\$800.000 Ford Motor 7,125% 2025	898	0,11	
\$1.752.000 HCA Holdings 4,75% 2023	1.668	0,20	
£1.077.000 innogy Finance (formerly RWE Finance) 5,625% 2023	1.453	0,17	
€23.233.000 Italy (Republic of) 4,75% 2044	32.535	3,85	
£955.000 Marks & Spencer 4,75% 2025	1.194	0,14	
\$240.000 Norfolk Southern Railway 9,75% 2020	278	0,03	
\$4.073.000 Qwest 6,875% 2033	3.673	0,44	
£813.000 RSA Insurance Var. Rate 2039 (9,375%)	1.041	0,12	
ZAR501.234.702 South Africa (Republic of) 6,25% 2036	24.768	2,94	
€21.153.000 Spain (Kingdom of) 2,15% 2025	23.091	2,74	
€13.660.000 Spain (Kingdom of) 5,15% 2044	21.564	2,56	
\$120.000 Thomson-Reuters 5,85% 2040	126	0,01	
\$327.000 Western Union 6,2% 2036	313	0,04	
\$3.566.000 Zoetis 3,25% 2023	3.313	0,39	
'BB' credit rated bonds	100,226	11,88	12,26
\$3.714.000 Bank of America Var. Rate Perp. (8%)	3.453	0,41	
BRL28.443.000 Brazil (Federal Republic of) 10% 2019	7.957	0,94	
£2.778.000 Enterprise Inns 6% 2023	3.152	0,37	
\$2.445.000 Frontier Communications 8,5% 2020	2.387	0,28	
€3.195.000 KPN Var. Rate Perp. (6,125%)	3.435	0,41	
€2.954.000 Lock 7% 2021	3.071	0,37	
€40.708.000 Portugal (Republic of) 4,1% 2045	39.198	4,65	

Portfolio statement (continued)

as at Holding	31.10.16 €'000	31.10.16 %	30.04.16 %
'BB' credit rated bonds (continued)			
€27.907.000 Portugal (Republic of) 4,8% 2020	31.068	3,68	
€2.400.000 Telefónica (Europe) Var. Rate Perp. (6,5%)	2.558	0,30	
€3.887.000 Wind Acquisition Finance 4% 2020	3.947	0,47	
'B' credit rated bonds	29,674	3,52	2,95
€2.806.000 Altice Financing 9% 2023	3.172	0,38	
€2.613.000 Ardagh Packaging Finance 4,25% 2022	2.690	0,32	
\$7.103.000 Beazer Homes 9,125% 2019	6.501	0,77	
€3.210.000 Carlson Wagonlit 7,5% 2019	3.333	0,40	
£845.051 Gala Group Finance 8,875% 2018	963	0,11	
\$6.317.000 Sprint Capital 6,875% 2028	5.284	0,63	
\$131.000 TRU Taj 12% 2021	122	0,01	
\$4.941.000 Windstream 7,5% 2023	4.267	0,50	
€3.297.000 Ziggo Bond Finance 4,625% 2025	3.342	0,40	
'CCC' credit rated bonds	0	0,00	0,69
Bonds with no credit rating	8,451	1,00	1,04
£2.968.000 Admiral 5,5% 2024	3.384	0,40	
£2.792.000 BUPA Finance 5% 2023	3.290	0,39	
£1.292.000 John Lewis 6,125% 2025	1.777	0,21	
Forward currency contracts	(2,185)	(0,26)	0,33
AUD(8.765.900) Sold for €5.954.387 (expires 23.11.16)	(124)	(0,02)	
CAD(14.942.445) Sold for €10.174.896 (expires 23.11.16)	(18)	0,00	
¥610.996.221 Bought for €5.392.586 (expires 22.11.16)	(82)	(0,01)	
¥(8.637.318.367) Sold for €76.842.692 (expires 22.11.16)	1.769	0,21	
ZAR166.915.857 Bought for €10.453.475 (expires 23.11.16)	741	0,09	
ZAR(166.915.857) Sold for €10.712.503 (expires 23.11.16)	(482)	(0,06)	
£(30.477.166) Sold for €34.135.804 (expires 23.11.16)	275	0,03	
\$12.604.834 Bought for €11.442.141 (expires 23.11.16)	59	0,01	
\$(253.306.548) Sold for €226.791.832 (expires 23.11.16)	(4.323)	(0,51)	
Portfolio of investments	788,546	93,45	90,83
Forward currency contracts for share class hedging	1	0,00	0,00
SGD165.780 Bought for €108.733 (expires 16.11.16)	0	0,00	
CHF79.926 Bought for €73.366 (expires 16.11.16)	0	0,00	
\$174.804 Bought for €158.465 (expires 16.11.16)	1	0,00	
Total portfolio	788,547	93,45	90,83
Net other assets / (liabilities)	55,231	6,55	9,17
Net assets attributable to shareholders	843,778	100,00	100,00

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

Portfolio transactions

for the six months to 31 October	2016 €'000	2015 €'000
Portfolio transactions		
Total purchases	44.777	415.510
Total sales	113.851	556.223

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

M&G Income Allocation Fund

Financial highlights

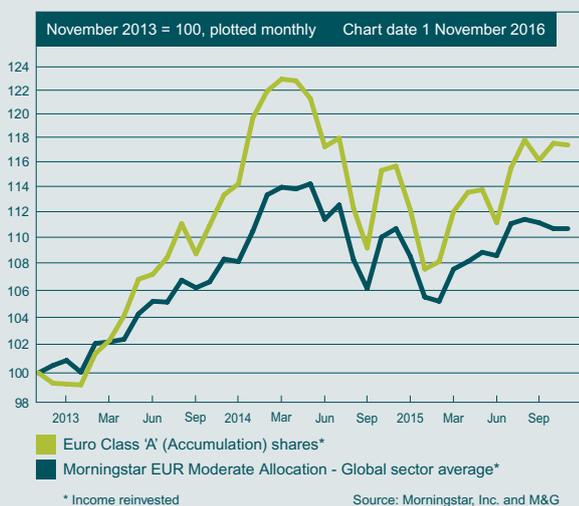
Fund performance

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

The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (14), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

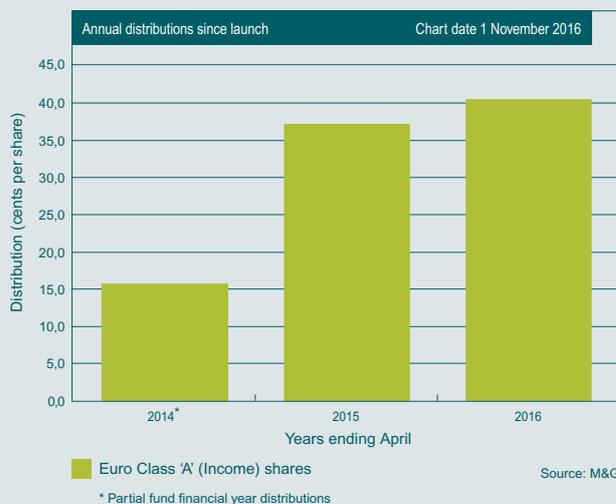
Performance since launch

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



Distribution since launch

The chart below shows the annual distribution of Euro Class 'A' (Income) shares since launch.



To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period.

Long-term performance by share class

	Six months 03.05.16 % [a]	Three years 01.11.13 % p.a.	Five years 01.11.11 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	+4,2	n/a	n/a	+5,5 [c]
Class 'A Q'	+4,2	n/a	n/a	-2,1 [d]
Class 'B Q'	+4,0	n/a	n/a	+4,5 [e]
Class 'C'	+4,4	n/a	n/a	+6,2 [c]
Class 'C Q'	+4,5	n/a	n/a	-1,5 [d]
Singapore dollar [b]				
Class 'A-H'	+5,0	n/a	n/a	+4,3 [f]
Class 'C-H'	+5,3	n/a	n/a	+5,0 [f]
Swiss franc [b]				
Class 'A-H'	+3,8	n/a	n/a	+4,7 [c]
Class 'C-H'	+4,3	n/a	n/a	+5,3 [c]
US dollar [b]				
Class 'A-H'	+4,9	n/a	n/a	+3,8 [f]
Class 'C-H'	+5,2	n/a	n/a	+4,5 [f]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 7 November 2013, the launch date of the fund.

[d] 8 May 2015, the launch date of the share class.

[e] 11 September 2015, the launch date of the share class.

[f] 9 October 2015, the launch date of the share class.

M&G Income Allocation Fund

Financial highlights

Fund performance

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.
- **Share class hedging:** Charge paid to M&G for currency hedging services to minimise exchange rate risk for the share class.
- **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, unless disclosed under the specific share class performance table.

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

	Six months to 31.10.16	Year to 30.04.16	Year to 30.04.15	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0,01	0,04	0,09	0,04
Taxes	0,04	0,39	0,25	0,23
Costs before dilution adjustments	0,05	0,43	0,34	0,27
Dilution adjustments ^[c]	(0,01)	(0,02)	(0,19)	(0,07)
Total direct portfolio transaction costs	0,04	0,41	0,15	0,20
as at	31.10.16	30.04.16	30.04.15	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0,22	0,32	0,31	0,28

^[a] Average of first three columns.

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

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

M&G Income Allocation Fund

Financial highlights

Specific share class performance

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

Euro Class 'A' Income share performance

The share class was launched on 7 November 2013.

	Six months to 31.10.16 Euro ¢	Year to 30.04.16 Euro ¢	Year to 30.04.15 Euro ¢
Change in NAV per share			
Opening NAV	1.039,09	1.163,28	1.020,47
Return before operating charges and after direct portfolio transaction costs	45,44	(65,69)	198,86
Operating charges	(8,90)	(17,92)	(18,79)
Return after operating charges	36,54	(83,61)	180,07
Distributions	(16,38)	(40,58)	(37,26)
Closing NAV	1.059,25	1.039,09	1.163,28
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0,28	4,62	3,82
Dilution adjustments ^[b]	(0,05)	(0,23)	(2,33)
Total direct portfolio transaction costs	0,23	4,39	1,49
Performance and charges	%	%	%
Direct portfolio transaction costs	0,04	0,41	0,15
Operating charges	1,69	1,68	1,68
Return after operating charges	+3,52	-7,19	+17,65
Historic yield ^[c]	3,68	3,99	3,24
Effect on yield of charges offset against capital	1,67	1,68	1,68
Other information			
Closing NAV (€'000)	433.867	459.186	560.029
Closing NAV percentage of total fund NAV (%)	51,42	50,63	38,02
Number of shares	40.959.775	44.191.108	48.142.248
Highest share price (Euro ¢)	1.074,33	1.163,08	1.205,28
Lowest share price (Euro ¢)	994,21	944,02	1.025,33

Euro Class 'A' Accumulation share performance

The share class was launched on 7 November 2013.

	Six months to 31.10.16 Euro ¢	Year to 30.04.16 Euro ¢	Year to 30.04.15 Euro ¢
Change in NAV per share			
Opening NAV	1.135,16	1.223,11	1.036,84
Return before operating charges and after direct portfolio transaction costs	50,04	(68,78)	205,88
Operating charges	(9,79)	(19,17)	(19,61)
Return after operating charges	40,25	(87,95)	186,27
Distributions	(12,49)	(43,52)	(38,48)
Retained distributions	12,49	43,52	38,48
Closing NAV	1.175,41	1.135,16	1.223,11
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0,31	4,93	3,99
Dilution adjustments ^[b]	(0,05)	(0,24)	(2,43)
Total direct portfolio transaction costs	0,26	4,69	1,56
Performance and charges	%	%	%
Direct portfolio transaction costs	0,04	0,41	0,15
Operating charges	1,69	1,68	1,68
Return after operating charges	+3,55	-7,19	+17,97
Historic yield ^[c]	2,10	3,92	3,18
Effect on yield of charges offset against capital	0,02	1,68	1,68
Other information			
Closing NAV (€'000)	341.193	384.920	555.063
Closing NAV percentage of total fund NAV (%)	40,44	42,44	37,69
Number of shares	29.027.465	33.908.782	45.381.392
Highest share price (Euro ¢)	1.185,72	1.222,94	1.262,60
Lowest share price (Euro ¢)	1.089,39	1.018,00	1.043,62

Euro Class 'A Q' Income share performance

The share class was launched on 8 May 2015.

	Six months to 31.10.16 Euro ¢	Year to 30.04.16 Euro ¢	Year to 30.04.15 Euro ¢
Change in NAV per share			
Opening NAV	903,05	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	39,58	(47,86)	n/a
Operating charges	(7,74)	(14,97)	n/a
Return after operating charges	31,84	(62,83)	n/a
Distributions	(14,28)	(34,12)	n/a
Closing NAV	920,61	903,05	n/a
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0,24	3,90	n/a
Dilution adjustments ^[b]	(0,04)	(0,19)	n/a
Total direct portfolio transaction costs	0,20	3,71	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0,04	0,41	n/a
Operating charges	1,69	1,66	n/a
Return after operating charges	+3,53	-6,28	n/a
Historic yield ^[c]	3,55	3,84	n/a
Effect on yield of charges offset against capital	1,67	1,67	n/a
Other information			
Closing NAV (€'000)	5.339	3.074	n/a
Closing NAV percentage of total fund NAV (%)	0,63	0,34	n/a
Number of shares	579.979	340.390	n/a
Highest share price (Euro ¢)	936,00	1.008,35	n/a
Lowest share price (Euro ¢)	866,35	818,94	n/a

M&G Income Allocation Fund

Financial highlights

Specific share class performance

Euro Class 'B Q' Income share performance

The share class was launched on 11 September 2015.

Change in NAV per share	Six months to 31.10.16 Euro ¢	Year to 30.04.16 Euro ¢	Year to 30.04.15 Euro ¢
Opening NAV	990,81	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	43,88	34,81	n/a
Operating charges	(11,02)	(15,49)	n/a
Return after operating charges	32,86	19,32	n/a
Distributions	(15,88)	(28,51)	n/a
Closing NAV	1.007,79	990,81	n/a

Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0,27	3,11	n/a
Dilution adjustments ^[b]	(0,04)	(0,15)	n/a
Total direct portfolio transaction costs	0,23	2,96	n/a

Performance and charges	%	%	%
Direct portfolio transaction costs	0,04	0,41	n/a
Operating charges	2,19	2,16	n/a
Return after operating charges	+3,32	+1,93	n/a
Historic yield ^[c]	3,58	3,33	n/a
Effect on yield of charges offset against capital	2,17	2,16	n/a

Other information

Closing NAV (€000)	3.365	1.892	n/a
Closing NAV percentage of total fund NAV (%)	0,40	0,21	n/a
Number of shares	333.883	190.940	n/a
Highest share price (Euro ¢)	1.025,28	1.041,26	n/a
Lowest share price (Euro ¢)	949,91	899,32	n/a

Euro Class 'B Q' Accumulation share performance

The share class was launched on 11 September 2015.

Change in NAV per share	Six months to 31.10.16 Euro ¢	Year to 30.04.16 Euro ¢	Year to 30.04.15 Euro ¢
Opening NAV	1.019,47	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	45,37	35,09	n/a
Operating charges	(11,39)	(15,62)	n/a
Return after operating charges	33,98	19,47	n/a
Distributions	(9,87)	(28,70)	n/a
Retained distributions	9,87	28,70	n/a
Closing NAV	1.053,45	1.019,47	n/a

Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0,28	3,13	n/a
Dilution adjustments ^[b]	(0,04)	(0,15)	n/a
Total direct portfolio transaction costs	0,24	2,98	n/a

Performance and charges	%	%	%
Direct portfolio transaction costs	0,04	0,41	n/a
Operating charges	2,19	2,15	n/a
Return after operating charges	+3,33	+1,95	n/a
Historic yield ^[c]	1,51	3,33	n/a
Effect on yield of charges offset against capital	0,02	2,16	n/a

Other information

Closing NAV (€000)	735	469	n/a
Closing NAV percentage of total fund NAV (%)	0,09	0,05	n/a
Number of shares	69.769	46.041	n/a
Highest share price (Euro ¢)	1.063,29	1.046,36	n/a
Lowest share price (Euro ¢)	977,51	914,83	n/a

Euro Class 'C' Income share performance

The share class was launched on 7 November 2013.

Change in NAV per share	Six months to 31.10.16 Euro ¢	Year to 30.04.16 Euro ¢	Year to 30.04.15 Euro ¢
Opening NAV	1.059,87	1.175,62	1.023,82
Return before operating charges and after direct portfolio transaction costs	45,53	(68,13)	198,72
Operating charges	(4,49)	(8,82)	(9,38)
Return after operating charges	41,04	(76,95)	189,34
Distributions	(16,15)	(38,80)	(37,54)
Closing NAV	1.084,76	1.059,87	1.175,62

Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0,29	4,60	3,88
Dilution adjustments ^[b]	(0,05)	(0,23)	(2,36)
Total direct portfolio transaction costs	0,24	4,37	1,52

Performance and charges	%	%	%
Direct portfolio transaction costs	0,04	0,41	0,15
Operating charges	0,83	0,83	0,83
Return after operating charges	+3,87	-6,55	+18,49
Historic yield ^[c]	3,39	3,73	3,23
Effect on yield of charges offset against capital	0,82	0,83	0,83

Other information

Closing NAV (€000)	28.081	23.441	4.942
Closing NAV percentage of total fund NAV (%)	3,33	2,59	0,34
Number of shares	2.588.725	2.211.725	420.417
Highest share price (Euro ¢)	1.099,13	1.175,57	1.217,76
Lowest share price (Euro ¢)	1.015,23	959,52	1.029,49

Euro Class 'C' Accumulation share performance

The share class was launched on 7 November 2013.

Change in NAV per share	Six months to 31.10.16 Euro ¢	Year to 30.04.16 Euro ¢	Year to 30.04.15 Euro ¢
Opening NAV	1.153,49	1.235,30	1.040,11
Return before operating charges and after direct portfolio transaction costs	50,17	(71,96)	205,15
Operating charges	(4,93)	(9,85)	(9,96)
Return after operating charges	45,24	(81,81)	195,19
Distributions	(15,13)	(43,74)	(38,88)
Retained distributions	15,13	43,74	38,88
Closing NAV	1.198,73	1.153,49	1.235,30

Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0,31	5,13	4,09
Dilution adjustments ^[b]	(0,05)	(0,25)	(2,49)
Total direct portfolio transaction costs	0,26	4,88	1,60

Performance and charges	%	%	%
Direct portfolio transaction costs	0,04	0,41	0,15
Operating charges	0,84	0,83	0,83
Return after operating charges	+3,92	-6,62	+18,77
Historic yield ^[c]	2,81	3,94	3,18
Effect on yield of charges offset against capital	0,02	0,83	0,83

Other information

Closing NAV (€000)	30.847	33.749	352.624
Closing NAV percentage of total fund NAV (%)	3,66	3,73	23,94
Number of shares	2.573.313	2.925.854	28.545.747
Highest share price (Euro ¢)	1.208,05	1.235,25	1.274,84
Lowest share price (Euro ¢)	1.109,26	1.033,63	1.046,89

M&G Income Allocation Fund

Financial highlights

Specific share class performance

Euro Class 'C Q' Income share performance

The share class was launched on 8 May 2015.

	Six months to 31.10.16	Year to 30.04.16	Year to 30.04.15
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	909,07	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	39,11	(49,53)	n/a
Operating charges	(3,83)	(7,62)	n/a
Return after operating charges	35,28	(57,15)	n/a
Distributions	(14,03)	(33,78)	n/a
Closing NAV	930,32	909,07	n/a
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0,26	4,10	n/a
Dilution adjustments ^[b]	(0,04)	(0,20)	n/a
Total direct portfolio transaction costs	0,22	3,90	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0,04	0,41	n/a
Operating charges	0,83	0,83	n/a
Return after operating charges	+3,88	-5,72	n/a
Historic yield ^[c]	3,45	3,79	n/a
Effect on yield of charges offset against capital	0,80	0,83	n/a
Other information			
Closing NAV (€'000)	9	9	n/a
Closing NAV percentage of total fund NAV (%)	0,00	0,00	n/a
Number of shares	1.000	1.000	n/a
Highest share price (Euro ¢)	944,98	1.008,63	n/a
Lowest share price (Euro ¢)	873,12	822,97	n/a

Singapore dollar Class 'A-H' Income share performance

The share class was launched on 9 October 2015.

	Six months to 31.10.16	Year to 30.04.16	Year to 30.04.15
Change in NAV per share	Singapore ¢	Singapore ¢	Singapore ¢
Opening NAV	982,22	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	48,41	15,51	n/a
Operating charges	(8,48)	(10,64)	n/a
Return after operating charges	39,93	4,87	n/a
Distributions	(15,54)	(22,65)	n/a
Closing NAV	1.006,61	982,22	n/a
Direct portfolio transaction costs ^[a]	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	0,27	2,76	n/a
Dilution adjustments ^[b]	(0,04)	(0,14)	n/a
Total direct portfolio transaction costs	0,23	2,62	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0,04	0,41	n/a
Operating charges	1,70	1,69	n/a
Return after operating charges	+4,07	+0,49	n/a
Historic yield ^[c]	3,51	4,02	n/a
Effect on yield of charges offset against capital	1,67	1,69	n/a
Other information			
Closing NAV (€'000)	26	26	n/a
Closing NAV percentage of total fund NAV (%)	0,00	0,00	n/a
Number of shares	4.000	4.000	n/a
Highest share price (Singapore ¢)	1.020,82	1.020,36	n/a
Lowest share price (Singapore ¢)	942,85	889,13	n/a

Singapore dollar Class 'A-H' Accumulation share performance

The share class was launched on 9 October 2015.

	Six months to 31.10.16	Year to 30.04.16	Year to 30.04.15
Change in NAV per share	Singapore ¢	Singapore ¢	Singapore ¢
Opening NAV	1.005,15	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	51,55	15,89	n/a
Operating charges	(8,72)	(10,74)	n/a
Return after operating charges	42,83	5,15	n/a
Distributions	(10,98)	(22,86)	n/a
Retained distributions	10,98	22,86	n/a
Closing NAV	1.047,98	1.005,15	n/a
Direct portfolio transaction costs ^[a]	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	0,27	2,79	n/a
Dilution adjustments ^[b]	(0,04)	(0,14)	n/a
Total direct portfolio transaction costs	0,23	2,65	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0,04	0,41	n/a
Operating charges	1,69	1,69	n/a
Return after operating charges	+4,26	+0,51	n/a
Historic yield ^[c]	1,93	4,02	n/a
Effect on yield of charges offset against capital	0,01	1,69	n/a
Other information			
Closing NAV (€'000)	28	26	n/a
Closing NAV percentage of total fund NAV (%)	0,00	0,00	n/a
Number of shares	4.001	4.001	n/a
Highest share price (Singapore ¢)	1.055,47	1.026,04	n/a
Lowest share price (Singapore ¢)	967,65	899,48	n/a

Singapore dollar Class 'C-H' Income share performance

The share class was launched on 9 October 2015.

	Six months to 31.10.16	Year to 30.04.16	Year to 30.04.15
Change in NAV per share	Singapore ¢	Singapore ¢	Singapore ¢
Opening NAV	986,84	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	47,92	13,94	n/a
Operating charges	(4,24)	(5,36)	n/a
Return after operating charges	43,68	8,58	n/a
Distributions	(15,10)	(21,74)	n/a
Closing NAV	1.015,42	986,84	n/a
Direct portfolio transaction costs ^[a]	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	0,27	2,77	n/a
Dilution adjustments ^[b]	(0,04)	(0,14)	n/a
Total direct portfolio transaction costs	0,23	2,63	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0,04	0,41	n/a
Operating charges	0,84	0,85	n/a
Return after operating charges	+4,43	+0,86	n/a
Historic yield ^[c]	3,35	3,73	n/a
Effect on yield of charges offset against capital	0,82	0,85	n/a
Other information			
Closing NAV (€'000)	27	26	n/a
Closing NAV percentage of total fund NAV (%)	0,00	0,00	n/a
Number of shares	4.002	4.002	n/a
Highest share price (Singapore ¢)	1.028,68	1.021,39	n/a
Lowest share price (Singapore ¢)	948,34	891,47	n/a

M&G Income Allocation Fund

Financial highlights

Specific share class performance

Singapore dollar Class 'C-H' Accumulation share performance

The share class was launched on 9 October 2015.

	Six months to 31.10.16	Year to 30.04.16	Year to 30.04.15
Change in NAV per share	Singapore ¢	Singapore ¢	Singapore ¢
Opening NAV	1,008.87	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	50.97	14.27	n/a
Operating charges	(4.35)	(5.40)	n/a
Return after operating charges	46.62	8.87	n/a
Distributions	(13.14)	(21.96)	n/a
Retained distributions	13.14	21.96	n/a
Closing NAV	1,055.49	1,008.87	n/a
Direct portfolio transaction costs ^[a]	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	0.27	2.79	n/a
Dilution adjustments ^[b]	(0.04)	(0.14)	n/a
Total direct portfolio transaction costs	0.23	2.65	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.41	n/a
Operating charges	0.84	0.85	n/a
Return after operating charges	+4.62	+0.89	n/a
Historic yield ^[c]	2.56	3.73	n/a
Effect on yield of charges offset against capital	0.01	0.85	n/a
Other information			
Closing NAV (€'000)	28	27	n/a
Closing NAV percentage of total fund NAV (%)	0.00	0.00	n/a
Number of shares	4,003	4,003	n/a
Highest share price (Singapore ¢)	1,061.99	1,027.03	n/a
Lowest share price (Singapore ¢)	972.32	901.52	n/a

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 7 November 2013.

	Six months to 31.10.16	Year to 30.04.16	Year to 30.04.15
Change in NAV per share	Swiss ¢	Swiss ¢	Swiss ¢
Opening NAV	1,112.35	1,210.38	1,034.98
Return before operating charges and after direct portfolio transaction costs	45.85	(78.84)	195.78
Operating charges	(9.71)	(19.19)	(20.38)
Return after operating charges	36.14	(98.03)	175.40
Distributions	(12.09)	(43.62)	(38.14)
Retained distributions	12.09	43.62	38.14
Closing NAV	1,148.49	1,112.35	1,210.38
Direct portfolio transaction costs ^[a]	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.30	4.89	4.11
Dilution adjustments ^[b]	(0.05)	(0.24)	(2.51)
Total direct portfolio transaction costs	0.25	4.65	1.60
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.41	0.15
Operating charges	1.71	1.71	1.69
Return after operating charges	+3.25	-8.10	+16.95
Historic yield ^[c]	2.14	4.06	3.18
Effect on yield of charges offset against capital	0.02	1.71	1.69
Other information			
Closing NAV (€'000)	63	81	192
Closing NAV percentage of total fund NAV (%)	0.01	0.01	0.01
Number of shares	5,936	8,019	16,582
Highest share price (Swiss ¢)	1,159.61	1,210.11	1,250.29
Lowest share price (Swiss ¢)	1,068.37	1,000.36	1,041.97

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 7 November 2013.

	Six months to 31.10.16	Year to 30.04.16	Year to 30.04.15
Change in NAV per share	Swiss ¢	Swiss ¢	Swiss ¢
Opening NAV	1,128.91	1,219.06	1,038.38
Return before operating charges and after direct portfolio transaction costs	45.81	(80.45)	190.54
Operating charges	(4.93)	(9.70)	(9.86)
Return after operating charges	40.88	(90.15)	180.68
Distributions	(14.61)	(41.45)	(38.28)
Retained distributions	14.61	41.45	38.28
Closing NAV	1,169.79	1,128.91	1,219.06
Direct portfolio transaction costs ^[a]	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.29	4.90	4.03
Dilution adjustments ^[b]	(0.05)	(0.24)	(2.45)
Total direct portfolio transaction costs	0.24	4.66	1.58
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.41	0.15
Operating charges	0.85	0.86	0.87
Return after operating charges	+3.62	-7.40	+17.40
Historic yield ^[c]	2.64	3.76	3.17
Effect on yield of charges offset against capital	0.02	0.86	0.00
Other information			
Closing NAV (€'000)	11	10	12
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 (Swiss ¢)	1,179.96	1,218.73	1,258.85
Lowest share price (Swiss ¢)	1,084.93	1,012.97	1,045.37

M&G Income Allocation Fund

Financial highlights

Specific share class performance

US dollar Class 'A-H' Income share performance

The share class was launched on 9 October 2015.

	Six months to 31.10.16	Year to 30.04.16	Year to 30.04.15
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	978,13	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	48,68	11,51	n/a
Operating charges	(8,43)	(10,70)	n/a
Return after operating charges	40,25	0,81	n/a
Distributions	(15,45)	(22,68)	n/a
Closing NAV	1.002,93	978,13	n/a

Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	0,27	2,77	n/a
Dilution adjustments ^[b]	(0,04)	(0,14)	n/a
Total direct portfolio transaction costs	0,23	2,63	n/a

Performance and charges	%	%	%
Direct portfolio transaction costs	0,04	0,41	n/a
Operating charges	1,70	1,69	n/a
Return after operating charges	+4,11	+0,08	n/a
Historic yield ^[c]	3,45	3,99	n/a
Effect on yield of charges offset against capital	1,67	1,69	n/a

Other information

Closing NAV (€000)	27	26	n/a
Closing NAV percentage of total fund NAV (%)	0,00	0,00	n/a
Number of shares	3.000	3.000	n/a
Highest share price (US ¢)	1.015,25	1.019,12	n/a
Lowest share price (US ¢)	937,13	884,64	n/a

US dollar Class 'A-H' Accumulation share performance

The share class was launched on 9 October 2015.

	Six months to 31.10.16	Year to 30.04.16	Year to 30.04.15
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1.000,82	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	50,54	11,61	n/a
Operating charges	(8,70)	(10,79)	n/a
Return after operating charges	41,84	0,82	n/a
Distributions	(10,88)	(22,89)	n/a
Retained distributions	10,88	22,89	n/a
Closing NAV	1.042,66	1.000,82	n/a

Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	0,27	2,81	n/a
Dilution adjustments ^[b]	(0,04)	(0,14)	n/a
Total direct portfolio transaction costs	0,23	2,67	n/a

Performance and charges	%	%	%
Direct portfolio transaction costs	0,04	0,41	n/a
Operating charges	1,70	1,69	n/a
Return after operating charges	+4,18	+0,08	n/a
Historic yield ^[c]	1,90	3,99	n/a
Effect on yield of charges offset against capital	0,02	1,69	n/a

Other information

Closing NAV (€000)	75	26	n/a
Closing NAV percentage of total fund NAV (%)	0,01	0,00	n/a
Number of shares	7.850	3.001	n/a
Highest share price (US ¢)	1.049,59	1.024,51	n/a
Lowest share price (US ¢)	961,70	894,60	n/a

US dollar Class 'C-H' Income share performance

The share class was launched on 9 October 2015.

	Six months to 31.10.16	Year to 30.04.16	Year to 30.04.15
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	982,74	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	48,23	9,90	n/a
Operating charges	(4,22)	(5,38)	n/a
Return after operating charges	44,01	4,52	n/a
Distributions	(15,01)	(21,78)	n/a
Closing NAV	1.011,74	982,74	n/a

Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	0,27	2,78	n/a
Dilution adjustments ^[b]	(0,04)	(0,14)	n/a
Total direct portfolio transaction costs	0,23	2,64	n/a

Performance and charges	%	%	%
Direct portfolio transaction costs	0,04	0,41	n/a
Operating charges	0,84	0,85	n/a
Return after operating charges	+4,48	+0,45	n/a
Historic yield ^[c]	3,29	3,69	n/a
Effect on yield of charges offset against capital	0,82	0,85	n/a

Other information

Closing NAV (€000)	28	26	n/a
Closing NAV percentage of total fund NAV (%)	0,00	0,00	n/a
Number of shares	3.002	3.002	n/a
Highest share price (US ¢)	1.023,09	1.019,96	n/a
Lowest share price (US ¢)	942,61	886,97	n/a

US dollar Class 'C-H' Accumulation share performance

The share class was launched on 9 October 2015.

	Six months to 31.10.16	Year to 30.04.16	Year to 30.04.15
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1.004,52	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	49,93	9,94	n/a
Operating charges	(4,33)	(5,42)	n/a
Return after operating charges	45,60	4,52	n/a
Distributions	(13,04)	(21,98)	n/a
Retained distributions	13,04	21,98	n/a
Closing NAV	1.050,12	1.004,52	n/a

Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	0,27	2,81	n/a
Dilution adjustments ^[b]	(0,04)	(0,14)	n/a
Total direct portfolio transaction costs	0,23	2,67	n/a

Performance and charges	%	%	%
Direct portfolio transaction costs	0,04	0,41	n/a
Operating charges	0,84	0,85	n/a
Return after operating charges	+4,54	+0,45	n/a
Historic yield ^[c]	2,52	3,69	n/a
Effect on yield of charges offset against capital	0,01	0,85	n/a

Other information

Closing NAV (€000)	29	27	n/a
Closing NAV percentage of total fund NAV (%)	0,01	0,00	n/a
Number of shares	3.003	3.003	n/a
Highest share price (US ¢)	1.056,09	1.025,48	n/a
Lowest share price (US ¢)	966,33	896,63	n/a

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

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

^[c] Following the change in charging structure outlined on page 1, you will see greater variances between the comparative and current year figures.

M&G Income Allocation Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 October	2016		2015	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		22.067		(103.644)
Revenue	15.543		26.013	
Expenses	(7.165)		(9.998) ^[a]	
Net revenue / (expense) before taxation	8.378		16.015	
Taxation	(1.294)		(2.271)	
Net revenue / (expense) after taxation		7.084		13.744
Total return before distributions		29.151		(89.900)
Distributions		(11.759)		(21.408)
Change in net assets attributable to shareholders from investment activities		17.392		(111.308)

Statement of change in net assets attributable to shareholders

for the six months to 31 October	2016		2015	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		907.041		1.472.862
Amounts received on issue of shares	11.498		96.779	
Amounts paid on cancellation of shares	(96.553)		(361.445)	
		(85.055)		(264.666)
Dilution adjustments		138		794
Change in net assets attributable to shareholders from investment activities (see above)		17.392		(111.308)
Retained distributions on Accumulation shares		4.262		11.566
Closing net assets attributable to shareholders		843.778		1.109.248

The opening net assets attributable to shareholders for 2016 differs to the closing position in 2015 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	31 October 2016	30 April 2016
	€'000	€'000
Assets		
Fixed assets		
Investments	793.576	827.054
Current assets		
Debtors	7.902	11.645
Cash and bank balances	50.725	78.043
Total assets	852.203	916.742
Liabilities		
Investment liabilities	(5.029)	(3.229)
Creditors		
Distribution payable	(1.321)	(3.408)
Other creditors	(2.075)	(3.064)
Total liabilities	(8.425)	(9.701)
Net assets attributable to shareholders	843.778	907.041

^[a] Restated, please see notes to the financial statements.

Notes to the financial statements

Accounting policies

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

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.

Interest payable of €97.000 (2015: €63.000) has been reclassified from 'Distributions' into 'Expenses'.

M&G Income Allocation Fund

Financial statements and notes

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M&G Prudent Allocation Fund

Authorised Corporate Director's Report

Investment objective

The Fund aims to deliver a positive total return in any three year period from a flexibly managed portfolio of global assets. There is no guarantee that the Fund will achieve a positive return over this, or any other, period and investors may not recoup the original amount they invested.

Investment policy

The Fund may invest in a range of fixed income assets, equities, collective investment schemes, other transferable securities, cash and near cash, deposits, warrants and money market instruments. Derivatives may also be used, for both hedging and investment purposes.

Asset allocation is central to the fund's investment philosophy and is based on the fund manager's macroeconomic outlook, asset class valuations and active risk management in portfolio construction. The Fund seeks to manage risk by investing globally in multiple asset classes. As such the portfolio may be diversified across asset classes, sectors, currencies and countries although, at the fund manager's discretion, there may be some periods where the portfolio will have a higher than usual concentration of asset or market exposure. The Fund will not have the majority of its assets in equities.

The Fund seeks to participate in a variety of rising asset values; however, capital preservation will be central to the Fund's strategy. The fund manager may use derivatives strategies to create value through additional asset exposure and / or where these may help to manage portfolio risk.

Investment approach

The fund managers believe that the fund's highly flexible investment approach has the potential to deliver returns of 3-6% per annum on average over the medium term (that is, time periods of three to five years), with an annualised volatility in returns of between 3% and 7%. (Volatility measures 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.)

The fund will typically invest 0-35% of its assets in company shares, 20-100% in fixed income securities and up to 20% in other assets, which can include indirect exposure to property and convertibles (fixed income investments that have the right to be converted into a predetermined number of company shares). The fund managers will actively manage the fund's foreign currency exposure to seek to enhance returns. At least 60% of the fund will be held in euro assets. The fund's investment strategy may involve the use of financial instruments to take short positions, that is, positions that profit from a fall in the price of an asset.

Risk profile

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

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

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

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



The above number:

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

Investment review

As at 1 November 2016, for the six months ended 31 October 2016

Performance against objective

Between 3 May 2016 (the start of the review period) and 1 November 2016, the M&G Prudent Allocation Fund delivered a positive total return (the combination of income and growth of capital) across all share classes.

The fund has also achieved a positive total return for the period since its launch in April 2015.^[a]

Investment performance

Overall, both the fund's allocation to equities (company shares) and bonds delivered positive returns for the period as a whole. (Bonds are loans in the form of securities, usually issued by a government (government bonds) or company (corporate bonds), which normally pay a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.)

However, throughout the six months, we did experience some phases of market uncertainty. Most notably, there was significant market turbulence in the days and weeks preceding and following the UK's referendum on European Union membership in late June. Market participants were quick to shrug off initial fears over 'Brexit', as it became clear that it will be some time yet before the real long-term economic effects are known. In the following months, financial markets bounced back despite numerous events that would be expected to unnerve investors, including terrorist atrocities, an attempted coup in Turkey and the increasing

M&G Prudent Allocation Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

possibility of Donald Trump's election as US president. Improving economic data in several regions and better-than-expected company earnings all served to boost investor sentiment.

Against this fairly benign backdrop, the fund delivered a positive return over the six months to the end of October 2016, with particularly strong performance in the second half of the period. The largest gains came from the fund's exposure to equities, especially a basket of bank stocks. Exposure to banks had been increased in response to the sharp drop in share prices seen in the wake of the UK's vote to leave the European Union as investors sold their holdings. This decision was rewarded as these stocks bounced back strongly over the following months. Further contributions came from exposure to UK, Asian, Japanese and European equities, as well as the basket of technology stocks. Holdings in corporate bonds (particularly those issued by mining companies) added notable value, while several government bonds, such as those from Australia, Germany, Colombia and Argentina were also positive.

On the negative side, the fund was positioned to benefit from the fall in the value of government bonds issued by developed countries such as Japan and the US and these positions hurt performance as most global bond markets rose over the six months.

Investment activities

We made a number of changes over the six-month review period in response to movements in the prices of various assets.

Although overall equity exposure was unchanged, we were tactical within the equity allocation during the period. Stockmarkets saw sharp declines following the UK's vote to leave the European Union. However, we felt this was likely to be a short-term overreaction, particularly in regions not directly affected. Therefore, we increased equity exposure to selected areas away from Europe, including stocks in South Korea, Turkey and US banks. We have liked bank stocks for some time, believing them to have become unjustifiably cheap as a result of the 2008 Global Financial Crisis. We think banks are run and regulated quite differently today and investors were being overly fearful when valuing these stocks. As such, we already owned a basket of bank stocks and when we saw them become even cheaper, we took the opportunity to add more.

This proved to be a good decision as stockmarkets recovered quickly from the initial drop in prices over the summer months. Whenever positions work strongly in our favour like this, we must maintain discipline and remember that we only want to be holding assets in the fund that are offering good value and therefore are priced to deliver future attractive returns. After these tactical equity positions had worked well in a short period of time, we thought it prudent to trim some of them.

Within bonds, we bought new holdings in Polish and South African government bonds, which we believed were offering good value and attractive prospective returns. Meanwhile, we reduced the fund's overall corporate bond positions by half. This included making significant reductions to the basket of mining issuers and by selling some of the lower quality US bonds. We did this to lock in some gains and free up some capital, remaining mindful of further uncertainty in markets surrounding the US presidential election.

Outlook

For now, equities in quite a few regions still seem to be far more attractively valued than bonds. So-called 'safe-haven' bonds, such as those issued by developed market governments, tend to be popular when investors feel nervous. We believe investors remain overly pessimistic and sensitive to short-term events and market turbulence as a result of the financial crash in 2008. In our view, the world is a very different place today and although we are still in a fairly mediocre global growth environment, we do not believe another global recession is a likely scenario at present.

Looking at the evidence available in terms of trends in economic data for much of the world, we believe backing the attractive prices we are being offered to hold equities today versus the expensive levels we are being asked to pay for developed market government bonds, seems the most sensible approach. Furthermore, we have begun to sense a shift in stance from global central banks and politicians, who seem to be accepting that they have reached the limit of what can be achieved through the massive bond-buying programmes (quantitative easing) they have engaged in since 2008 in an attempt to support their economies. Therefore, expecting bonds to continue delivering strong returns they have in recent years, from current overpriced levels, seems rather risky.

Juan Nevado & Craig Moran

Co-fund managers

Employees 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.

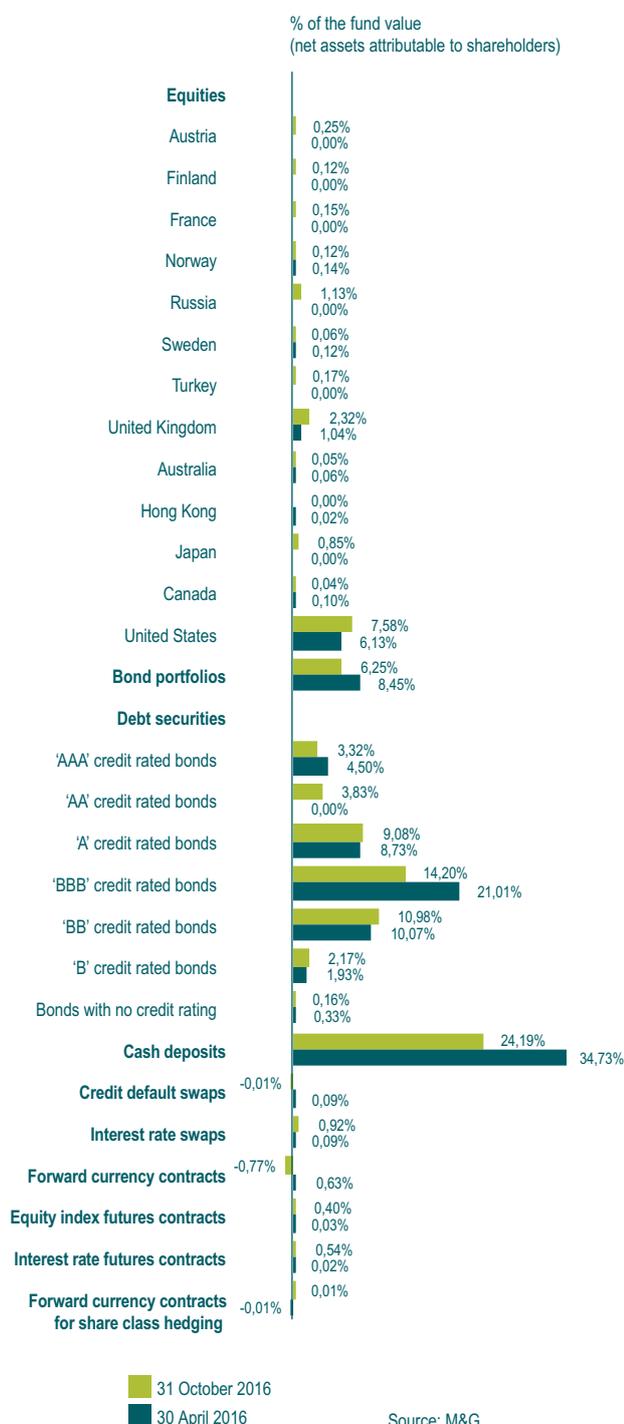
Please note that the views expressed in this Report should not be taken as a recommendation or advice on how the fund or any holding mentioned in the Report is likely to perform. If you wish to obtain financial advice as to whether an investment is suitable for your needs, you should consult a Financial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

M&G Prudent Allocation Fund

Authorised Corporate Director's Report

Investment review

Classification of investments



Investments

Portfolio statement

Holding	31.10.16 €'000	31.10.16 %	30.04.16 %
Equities	57.340	12,84	7,61
Austria	1.118	0,25	0,00
43.179 ams AG	1.118	0,25	
Finland	544	0,12	0,00
132.213 Nokia	544	0,12	
France	659	0,15	0,00
19.600 Criteo ADR	659	0,15	
Norway	547	0,12	0,14
36.862 Aker BP	547	0,12	
Russia	5.059	1,13	0,00
37.510 Lukoil ADR	1.679	0,37	
10.660 Magnit GDR	385	0,09	
188.802 Sberbank of Russia ADR	1.642	0,37	
107.212 Severstal GDR	1.353	0,30	
Sweden	257	0,06	0,12
15.499 Lundin Petroleum	257	0,06	
Turkey	742	0,17	0,00
269.183 Sabanci Holdings	742	0,17	
United Kingdom	10.344	2,32	1,04
2.777.982 3i Infrastructure	5.969	1,34	
35.955 Genel Energy	32	0,01	
6.385.015 Lloyds Banking Group	4.068	0,91	
120.730 Ophir Energy	95	0,02	
59.282 Tullow Oil	180	0,04	
Australia	206	0,05	0,06
128.797 Karoon Gas Australia	206	0,05	
Hong Kong	0	0,00	0,02
Japan	3.804	0,85	0,00
201.900 Mitsubishi UFJ Financial Group	955	0,21	
609.400 Mizuho Financial Group	937	0,21	
31.200 Sumitomo Mitsui Financial Group	990	0,22	
29.900 Sumitomo Mitsui Trust Holdings	922	0,21	
Canada	195	0,04	0,10
141.300 Africa Oil	195	0,04	
United States	33.865	7,58	6,13
800 Alphabet A	599	0,13	
800 Amazon	567	0,13	
67.888 American Express	4.119	0,92	
262.536 Bank of America	3.994	0,89	
103.400 Bank of New York Mellon	4.107	0,92	
86.874 Citigroup	3.931	0,88	
25.500 Cobalt International Energy	23	0,01	
5.100 Facebook	611	0,14	
7.300 IPG Photonics	646	0,15	
60.685 J.P.Morgan Chase	3.829	0,86	
30.500 Kosmos Energy	152	0,03	
12.600 Luxoft	605	0,14	
40.455 Mastercard	3.942	0,88	
9.900 Microsoft	541	0,12	
7.100 NXP Semiconductors	647	0,14	
25.100 Sabre	589	0,13	
183.800 Vimpelcom ADR	539	0,12	
91.312 Wells Fargo	3.854	0,86	
31.100 Yandex N.V.	570	0,13	

M&G Prudent Allocation Fund

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Investments

Portfolio statement (continued)

as at Holding	31.10.16 €'000	31.10.16 %	30.04.16 %
Bond portfolios ^[a]	27.889	6,25	8,45
5.980.817 M&G Global Convertibles Fund Sterling Class 'A'	13.999	3,13	
374.253 M&G Global Floating Rate High Yield Fund Euro Class 'C-H'	3.907	0,88	
4.716.878 M&G Global High Yield Bond Fund Sterling Class 'X'	6.457	1,45	
19.020 M&G Total Return Credit Fund Euro Class 'A'	2.114	0,47	
47.400 SPDR® Barclays 10+ Year US Corporate Bond Fund UCITS ETF	1.412	0,32	
Debt securities	195.353	43,74	46,57
'AAA' credit rated bonds	14.847	3,32	4,50
AUD15.168.000 Australia (Govt. of) 4,5% 2033	12.998	2,91	
\$2.060.000 Microsoft 4% 2055	1.849	0,41	
'AA' credit rated bonds	17.122	3,83	0,00
\$17.181.000 US Treasury 1% 2046	17.122	3,83	
'A' credit rated bonds	40.532	9,08	8,73
\$2.175.000 Amgen 4,663% 2051	2.039	0,46	
\$1.787.000 Anheuser-Busch InBev Finance 4,9% 2046	1.862	0,42	
\$1.892.000 Intel 4,9% 2045	1.987	0,44	
MXN392.608.200 Mexico (United Mexican States) 7,75% 2042	21.263	4,76	
MXN76.178.700 Mexico (United Mexican States) 8% 2023	4.086	0,92	
PLN36.491.000 Poland (Republic of) 2,5% 2026	8.031	1,80	
\$1.308.000 Rio Tinto Finance 3,75% 2025	1.264	0,28	
'BBB' credit rated bonds	63.414	14,20	21,01
\$2.036.000 AT&T 4,5% 2048	1.755	0,39	
\$1.557.000 AT&T 6,375% 2041	1.674	0,37	
\$2.326.000 Bank of America 4,25% 2026	2.222	0,50	
\$1.266.000 Basell Finance 8,1% 2027	1.541	0,35	
\$1.248.000 BHP Billiton Finance 6,75% 2075	1.289	0,29	
COP28.769.000.000 Colombia (Republic of) 7,5% 2026	8.870	1,99	
\$1.657.000 Enel Finance International 6,8% 2037	1.932	0,43	
\$2.348.000 Energy Transfers Partners 4,05% 2025	2.101	0,47	
\$1.591.000 Exelon Generation 5,6% 2042	1.480	0,33	
\$1.369.000 Ford Motor Company 6,625% 2028	1.552	0,35	
\$1.360.000 Glencore Finance Europe 4,625% 2024	1.259	0,28	
\$1.619.000 Goldman Sachs Group 6,75% 2037	1.854	0,42	
\$2.066.000 J.P.Morgan Chase 4,125% 2026	1.987	0,45	
\$369.000 Kohl's 5,55% 2045	326	0,07	
\$515.000 Koninlijke KPN 8,375% 2030	643	0,14	
\$1.519.000 Kraft Foods Group 6,875% 2039	1.869	0,42	
\$2.194.000 Morgan Stanley 5% 2025	2.209	0,49	
\$2.117.000 Mylan 5,25% 2046	1.971	0,44	
\$788.000 Mylan 5,4% 2043	760	0,17	
\$1.703.000 Perrigo Finance 4,9% 2044	1.516	0,34	
\$1.807.000 Qwest 6,75% 2021	1.828	0,41	
\$8.853.000 South Africa (Republic of) 4,3% 2028	7.838	1,76	
€6.796.000 Spain (Kingdom of) 4,4% 2023	8.538	1,91	
\$1.741.000 Time Warner Cable 7,3% 2038	2.009	0,45	
\$1.080.000 Tyco International Finance 5,125% 2045	1.122	0,25	
\$2.200.000 Verizon Communications 4,862% 2046	2.120	0,47	
\$951.000 Weyerhaeuser 7,375% 2032	1.149	0,26	

Portfolio statement (continued)

as at Holding	31.10.16 €'000	31.10.16 %	30.04.16 %
'BB' credit rated bonds	49.016	10,98	10,07
\$1.352.000 Anglo American Capital 4,875% 2025	1.258	0,28	
BRL30.377.000 Brazil (Republic of) 10% 2027	8.031	1,80	
\$1.732.000 Freeport McMoRan Copper & Gold 5,45% 2043	1.305	0,29	
IDR50.527.000.000 Indonesia (Republic of) 8,375% 2024	3.767	0,85	
\$11.533.000 Portugal (Republic of) 4,75% 2019	12.681	2,84	
\$19.738.000 Portugal (Republic of) 4,8% 2020	21.974	4,92	
'B' credit rated bonds	9.687	2,17	1,93
\$6.300.000 Argentina (Republic of) 6,875% 2021	6.203	1,39	
\$3.035.000 Argentina (Republic of) 7,5% 2026 (Regd.)	3.022	0,68	
\$493.000 Yum! Brands 6,875% 2037	462	0,10	
Bonds with no credit rating	735	0,16	0,33
\$775.000 American Tower Trust 3,07% 2048	735	0,16	
Cash deposits	108.024	24,19	34,73
\$48.002.366 BNP (0,46%) 2016	48.002	10,75	
\$23.011.274 HSBC (0,6%) 2016	23.011	5,15	
\$37.011.170 Lloyds Banking Group (0,55%) 2016	37.011	8,29	
Credit default swaps	(50)	(0,01)	0,09
\$(13.085.000) Markit CDX North American High Yield Series 26 5 Year Jun 2021	(50)	(0,01)	
Interest rate swaps	4.105	0,92	0,09
JPY446.000.000 Pay 0,46% Receive VAR Sep 2046	75	0,02	
JPY446.500.000 Pay 0,4925% Receive VAR Sep 2046	47	0,01	
\$6.000.000 Pay 1,09% Receive VAR Jul 2046	496	0,11	
\$9.500.000 Pay 1,287% Receive VAR Oct 2046	272	0,06	
\$25.000.000 Pay 1,655% Receive VAR Aug 2046	2.129	0,48	
\$7.000.000 Pay 1,785% Receive VAR Jul 2046	330	0,07	
\$6.000.000 Pay 1,795% Receive VAR Jul 2046	268	0,06	
\$8.000.000 Pay 1,83% Receive VAR Jul 2046	280	0,06	
\$7.000.000 Pay 1,8375% Receive VAR Sep 2046	321	0,07	
\$4.000.000 Pay 1,859% Receive VAR Sep 2046	131	0,03	
\$4.000.000 Pay 2,09% Receive VAR May 2046	(65)	(0,01)	
\$10.500.000 Pay 2,1275% Receive VAR Apr 2046	(179)	(0,04)	
Forward currency contracts	(3.446)	(0,77)	0,63
AUD(31.605.849) Sold for €21.458.386 (expires 23.11.16)	(460)	(0,10)	
INR287.788.361 Bought for \$4.252.626 (expires 23.11.16)	39	0,01	
¥(2.441.628.360) Sold for €21.635.041 (expires 22.11.16)	413	0,09	
MXN(275.300.393) Sold for €12.523.283 (expires 23.11.16)	(753)	(0,17)	
RUB279.821.759 Bought for \$4.312.427 (expires 23.11.16)	87	0,02	
SGD(18.290.132) Sold for €12.042.330 (expires 23.11.16)	54	0,01	
£8.642.084 Bought for €9.781.323 (expires 23.11.16)	(180)	(0,04)	
£(1.373.400) Sold for €1.611.074 (expires 23.11.16)	85	0,02	
CHF(634.617) Sold for €586.186 (expires 23.11.16)	0	0,00	
TRY11.971.240 Bought for €3.552.297 (expires 23.11.16)	(44)	(0,01)	
\$9.687.594 Bought for CNY64.811.895 (expires 21.04.17)	148	0,03	
\$6.986.855 Bought for CNY47.008.258 (expires 12.05.17)	74	0,02	
\$2.329.579 Bought for CNY15.729.318 (expires 26.05.17)	18	0,00	
\$5.719.618 Bought for CNY38.979.194 (expires 25.08.17)	2	0,00	

M&G Prudent Allocation Fund

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Investments

Portfolio statement (continued)

as at Holding	31.10.16 €'000	31.10.16 %	30.04.16 %
Forward currency contracts (continued)			
\$2.286.003 Bought for CNY15.606.540 (expires 29.09.17)	(2)	0,00	
\$22.593.215 Bought for €20.557.786 (expires 23.11.16)	56	0,01	
\$4.269.716 Bought for PHP205.416.029 (expires 23.11.16)	25	0,01	
\$19.814.639 Bought for TWD619.385.795 (expires 23.11.16)	164	0,04	
\$1.665.522 Bought for KRW1.861.138.000 (expires 23.11.16)	36	0,01	
\$(182.980.195) Sold for €163.741.463 (expires 23.11.16)	(3.208)	(0,72)	
Equity index futures contracts	1.785	0,40	0,03
1.709 BIST 30 Dec 2016	(67)	(0,02)	
50 CAC 40 Euro Nov 2016	4	0,00	
20 DAX Index Dec 2016	1	0,00	
87 FTSE 100 Index Dec 2016	242	0,06	
109 FTSE MIB Index Dec 2016	279	0,06	
98 IBEX 35 Index Nov 2016	366	0,08	
124 KOSPI 200 Index Dec 2016	(180)	(0,04)	
202 MSCI Taiwan Index Nov 2016	(69)	(0,02)	
(354) S&P 500 E-Mini Index Dec 2016	610	0,14	
129 TOPIX Index Dec 2016	599	0,14	
Interest rate futures contracts	2.395	0,54	0,02
(460) 10 Year US Treasury Note Dec 2016	770	0,17	
(96) Euro BTP Dec 2016	401	0,09	
(55) Euro Bund Dec 2016	116	0,03	
(119) Euro Buxl Dec 2016	572	0,13	
(120) UK Long Gilt Bond Dec 2016	724	0,16	
81 US Ultra Long Treasury Bond Dec 2016	(188)	(0,04)	
Portfolio of investments	393.395	88,10	98,22
Forward currency contracts for share class hedging			
CHF60.612 Bought for €55.635 (expires 16.11.16)	0	0,00	
\$3.708.991 Bought for €3.362.502 (expires 16.11.16)	23	0,01	
Total portfolio	393.418	88,11	98,21
Net other assets / (liabilities)	53.095	11,89	1,79
Net assets attributable to shareholders	446.513	100,00	100,00

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

[a] All holdings are in Accumulation shares unless otherwise stated.

Portfolio transactions

for the six months to 31 October	2016	2015
Portfolio transactions	€'000	€'000
Total purchases	215.631	91.579
Total sales	72.494	6.819

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

M&G Prudent Allocation Fund

Financial highlights

Fund performance

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

The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (14), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

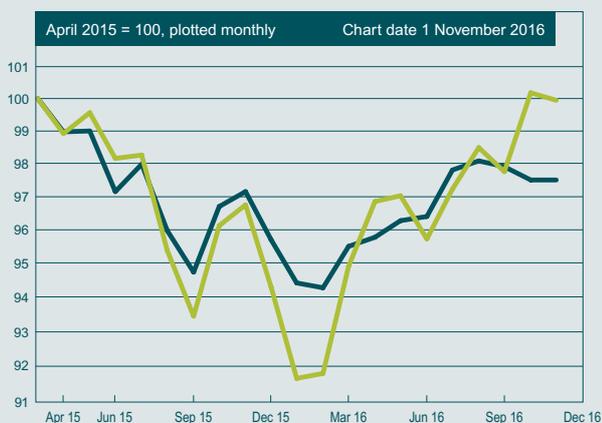
Fund level performance

Fund net asset value

as at	31.10.16 €'000	30.04.16 €'000
Fund net asset value (NAV)	446,513	207,071

Performance since launch

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



Legend:
■ Euro Class 'A' (Accumulation) shares*
■ Morningstar EUR Cautious Allocation - Global sector average*

* Income reinvested

Source: Morningstar, Inc. and M&G

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

Long-term performance by share class

	Six months 03.05.16 % [a]	Three years 01.11.13 % p.a.	Five years 01.11.11 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	+3,8	n/a	n/a	-0,0 [c]
Class 'B'	+3,6	n/a	n/a	+4,7 [d]
Class 'C'	+4,1	n/a	n/a	+0,6 [c]
Swiss franc [b]				
Class 'A-H'	n/a	n/a	n/a	+1,7 [e]
Class 'C-H'	n/a	n/a	n/a	+1,8 [e]
US dollar [b]				
Class 'A-H'	+4,4	n/a	n/a	+0,6 [c]
Class 'C-H'	+4,7	n/a	n/a	+1,3 [c]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 23 April 2015, the launch date of the fund.

[d] 11 September 2015, the launch date of the share class.

[e] 12 August 2016, the launch date of the share class. Absolute basis.

M&G Prudent Allocation Fund

Financial highlights

Fund performance

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.
- **Share class hedging:** Charge paid to M&G for currency hedging services to minimise exchange rate risk for the share class.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated.

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, unless disclosed under the specific share class performance table.

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

	Six months to 31.10.16 %	Period to 30.04.16 %	Average ^[a] %
Direct portfolio transaction costs ^[b]			
Broker commission	0,04	0,02	0,03
Taxes	0,01	0,01	0,01
Costs before dilution adjustments	0,05	0,03	0,04
Dilution adjustments ^[c]	(0,02)	(0,01)	(0,02)
Total direct portfolio transaction costs	0,03	0,02	0,02
as at	31.10.16	30.04.16	Average ^[a]
Indirect portfolio transaction costs	%	%	%
Average portfolio dealing spread	0,29	0,53	0,41

^[a] Average of first two columns.

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

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

M&G Prudent Allocation Fund

Financial highlights

Specific share class performance

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

Euro Class 'A' Income share performance

The share class was launched on 23 April 2015.

	Six months to 31.10.16 Euro ¢	Period to 30.04.16 Euro ¢
Change in NAV per share		
Opening NAV	958,85	1.000,00
Return before operating charges and after direct portfolio transaction costs	40,92	(20,11)
Operating charges	(7,70)	(15,31)
Return after operating charges	33,22	(35,42)
Distributions	(6,56)	(5,73)
Closing NAV	985,51	958,85
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢
Costs before dilution adjustments	0,22	0,31
Dilution adjustments ^[b]	(0,09)	(0,11)
Total direct portfolio transaction costs	0,13	0,20
Performance and charges	%	%
Direct portfolio transaction costs	0,03	0,02
Operating charges	1,58	1,62
Return after operating charges	+3,46	-3,54
Historic yield ^[c]	2,03	0,61
Effect on yield of charges offset against capital	1,55	n/a
Other information		
Closing NAV (€'000)	12.685	8.922
Closing NAV percentage of total fund NAV (%)	2,84	4,31
Number of shares	1.287.147	930.504
Highest share price (Euro ¢)	994,90	1.002,02
Lowest share price (Euro ¢)	936,22	879,61

Euro Class 'A' Accumulation share performance

The share class was launched on 23 April 2015.

	Six months to 31.10.16 Euro ¢	Period to 30.04.16 Euro ¢
Change in NAV per share		
Opening NAV	964,76	1.000,00
Return before operating charges and after direct portfolio transaction costs	41,19	(19,94)
Operating charges	(7,75)	(15,30)
Return after operating charges	33,44	(35,24)
Distributions	(1,60)	(5,75)
Retained distributions	1,60	5,75
Closing NAV	998,20	964,76
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢
Costs before dilution adjustments	0,22	0,31
Dilution adjustments ^[b]	(0,09)	(0,11)
Total direct portfolio transaction costs	0,13	0,20
Performance and charges	%	%
Direct portfolio transaction costs	0,03	0,02
Operating charges	1,58	1,62
Return after operating charges	+3,47	-3,52
Historic yield ^[c]	0,53	0,61
Effect on yield of charges offset against capital	n/a	n/a
Other information		
Closing NAV (€'000)	103.762	71.695
Closing NAV percentage of total fund NAV (%)	23,24	34,62
Number of shares	10.394.826	7.431.309
Highest share price (Euro ¢)	1.002,70	1.002,02
Lowest share price (Euro ¢)	942,08	883,34

Euro Class 'B' Income share performance

The share class was launched on 11 September 2015.

	Six months to 31.10.16 Euro ¢	Period to 30.04.16 Euro ¢
Change in NAV per share		
Opening NAV	1.015,11	1.000,00
Return before operating charges and after direct portfolio transaction costs	43,59	31,71
Operating charges	(10,73)	(12,91)
Return after operating charges	32,86	18,80
Distributions	(6,07)	(3,69)
Closing NAV	1.041,90	1.015,11
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢
Costs before dilution adjustments	0,23	0,20
Dilution adjustments ^[b]	(0,09)	(0,07)
Total direct portfolio transaction costs	0,14	0,13
Performance and charges	%	%
Direct portfolio transaction costs	0,03	0,02
Operating charges	2,08	2,08
Return after operating charges	+3,24	+1,88
Historic yield ^[c]	2,10	0,12
Effect on yield of charges offset against capital	2,05	n/a
Other information		
Closing NAV (€'000)	2.691	1.011
Closing NAV percentage of total fund NAV (%)	0,60	0,49
Number of shares	258.218	99.598
Highest share price (Euro ¢)	1.052,05	1.026,67
Lowest share price (Euro ¢)	990,53	931,11

M&G Prudent Allocation Fund

Financial highlights

Specific share class performance

Euro Class 'B' Accumulation share performance

The share class was launched on 11 September 2015.

	Six months to 31.10.16 Euro ¢	Period to 30.04.16 Euro ¢
Change in NAV per share		
Opening NAV	1,019,10	1,000,00
Return before operating charges and after direct portfolio transaction costs	43,56	32,02
Operating charges	(10,72)	(12,92)
Return after operating charges	32,84	19,10
Distributions	nil	(3,78)
Retained distributions	nil	3,78
Closing NAV	1,051,94	1,019,10
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢
Costs before dilution adjustments	0,23	0,20
Dilution adjustments ^[b]	(0,09)	(0,07)
Total direct portfolio transaction costs	0,14	0,13
Performance and charges	%	%
Direct portfolio transaction costs	0,03	0,02
Operating charges	2,08	2,07
Return after operating charges	+3,22	+1,91
Historic yield ^[c]	0,20	0,12
Effect on yield of charges offset against capital	n/a	n/a
Other information		
Closing NAV (€'000)	12,311	3,407
Closing NAV percentage of total fund NAV (%)	2,76	1,65
Number of shares	1,170,338	334,290
Highest share price (Euro ¢)	1,057,00	1,028,45
Lowest share price (Euro ¢)	994,38	933,73

Euro Class 'C' Income share performance

The share class was launched on 23 April 2015.

	Six months to 31.10.16 Euro ¢	Period to 30.04.16 Euro ¢
Change in NAV per share		
Opening NAV	959,02	1,000,00
Return before operating charges and after direct portfolio transaction costs	40,17	(21,51)
Operating charges	(3,79)	(7,68)
Return after operating charges	36,38	(29,19)
Distributions	(7,11)	(11,79)
Closing NAV	988,29	959,02
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢
Costs before dilution adjustments	0,22	0,31
Dilution adjustments ^[b]	(0,09)	(0,11)
Total direct portfolio transaction costs	0,13	0,20
Performance and charges	%	%
Direct portfolio transaction costs	0,03	0,02
Operating charges	0,78	0,81
Return after operating charges	+3,79	-2,92
Historic yield ^[c]	1,87	1,25
Effect on yield of charges offset against capital	0,75	n/a
Other information		
Closing NAV (€'000)	52,795	42,377
Closing NAV percentage of total fund NAV (%)	11,82	20,47
Number of shares	5,342,054	4,418,800
Highest share price (Euro ¢)	997,34	1,002,08
Lowest share price (Euro ¢)	937,39	879,99

Euro Class 'C' Accumulation share performance

The share class was launched on 23 April 2015.

	Six months to 31.10.16 Euro ¢	Period to 30.04.16 Euro ¢
Change in NAV per share		
Opening NAV	971,04	1,000,00
Return before operating charges and after direct portfolio transaction costs	40,80	(20,89)
Operating charges	(3,82)	(8,07)
Return after operating charges	36,98	(28,96)
Distributions	(4,80)	(11,80)
Retained distributions	4,80	11,80
Closing NAV	1,008,02	971,04
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢
Costs before dilution adjustments	0,22	0,31
Dilution adjustments ^[b]	(0,09)	(0,11)
Total direct portfolio transaction costs	0,13	0,20
Performance and charges	%	%
Direct portfolio transaction costs	0,03	0,02
Operating charges	0,77	0,84
Return after operating charges	+3,81	-2,90
Historic yield ^[c]	1,14	1,23
Effect on yield of charges offset against capital	n/a	n/a
Other information		
Closing NAV (€'000)	258,841	76,506
Closing NAV percentage of total fund NAV (%)	57,97	36,95
Number of shares	25,678,186	7,878,721
Highest share price (Euro ¢)	1,012,49	1,002,08
Lowest share price (Euro ¢)	949,21	887,87

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 12 August 2016.

	Six months to 31.10.16 Swiss ¢	Period to 30.04.16 Swiss ¢
Change in NAV per share		
Opening NAV	1,000,00	n/a
Return before operating charges and after direct portfolio transaction costs	18,26	n/a
Operating charges	(3,17)	n/a
Return after operating charges	15,09	n/a
Distributions	(0,57)	n/a
Retained distributions	0,57	n/a
Closing NAV	1,015,09	n/a
Direct portfolio transaction costs ^[a]	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0,09	n/a
Dilution adjustments ^[b]	(0,03)	n/a
Total direct portfolio transaction costs	0,06	n/a
Performance and charges	%	%
Direct portfolio transaction costs	0,03	n/a
Operating charges	1,62*	n/a
Return after operating charges	+1,51	n/a
Historic yield ^[c]	0,51	n/a
Effect on yield of charges offset against capital	n/a	n/a
Other information		
Closing NAV (€'000)	28	n/a
Closing NAV percentage of total fund NAV (%)	0,01	n/a
Number of shares	3,000	n/a
Highest share price (Swiss ¢)	1,019,63	n/a
Lowest share price (Swiss ¢)	994,39	n/a

* As the share class was not in existence for the full period to 31.10.16, 1,59% is a more reliable estimate of the ongoing charges for the period.

M&G Prudent Allocation Fund

Financial highlights

Specific share class performance

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 12 August 2016.

	Six months to 31.10.16 Swiss ¢	Period to 30.04.16 Swiss ¢
Change in NAV per share		
Opening NAV	1.000,00	n/a
Return before operating charges and after direct portfolio transaction costs	18,06	n/a
Operating charges	(1,53)	n/a
Return after operating charges	16,53	n/a
Distributions	(1,97)	n/a
Retained distributions	1,97	n/a
Closing NAV	1.016,53	n/a
Direct portfolio transaction costs ^[a]	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0,09	n/a
Dilution adjustments ^[b]	(0,03)	n/a
Total direct portfolio transaction costs	0,06	n/a
Performance and charges	%	%
Direct portfolio transaction costs	0,03	n/a
Operating charges	0,78	n/a
Return after operating charges	+1,65	n/a
Historic yield ^[c]	1,09	n/a
Effect on yield of charges offset against capital	n/a	n/a
Other information		
Closing NAV (€'000)	28	n/a
Closing NAV percentage of total fund NAV (%)	0,01	n/a
Number of shares	3.001	n/a
Highest share price (Swiss ¢)	1.021,02	n/a
Lowest share price (Swiss ¢)	995,19	n/a

US dollar Class 'A-H' Income share performance

The share class was launched on 23 April 2015.

	Six months to 31.10.16 US ¢	Period to 30.04.16 US ¢
Change in NAV per share		
Opening NAV	961,87	1.000,00
Return before operating charges and after direct portfolio transaction costs	46,85	(16,97)
Operating charges	(7,82)	(15,54)
Return after operating charges	39,03	(32,51)
Distributions	(6,49)	(5,62)
Closing NAV	994,41	961,87
Direct portfolio transaction costs ^[a]	US ¢	US ¢
Costs before dilution adjustments	0,22	0,31
Dilution adjustments ^[b]	(0,09)	(0,11)
Total direct portfolio transaction costs	0,13	0,20
Performance and charges	%	%
Direct portfolio transaction costs	0,03	0,02
Operating charges	1,60	1,64
Return after operating charges	+4,06	-3,25
Historic yield ^[c]	1,97	0,59
Effect on yield of charges offset against capital	1,56	n/a
Other information		
Closing NAV (€'000)	402	359
Closing NAV percentage of total fund NAV (%)	0,09	0,17
Number of shares	44.213	42.584
Highest share price (US ¢)	1.004,31	1.002,07
Lowest share price (US ¢)	940,62	879,54

US dollar Class 'A-H' Accumulation share performance

The share class was launched on 23 April 2015.

	Six months to 31.10.16 US ¢	Period to 30.04.16 US ¢
Change in NAV per share		
Opening NAV	967,37	1.000,00
Return before operating charges and after direct portfolio transaction costs	47,58	(17,13)
Operating charges	(7,89)	(15,50)
Return after operating charges	39,69	(32,63)
Distributions	(1,49)	(5,63)
Retained distributions	1,49	5,63
Closing NAV	1.007,06	967,37
Direct portfolio transaction costs ^[a]	US ¢	US ¢
Costs before dilution adjustments	0,22	0,31
Dilution adjustments ^[b]	(0,09)	(0,11)
Total direct portfolio transaction costs	0,13	0,20
Performance and charges	%	%
Direct portfolio transaction costs	0,03	0,02
Operating charges	1,60	1,64
Return after operating charges	+4,10	-3,26
Historic yield ^[c]	0,52	0,59
Effect on yield of charges offset against capital	n/a	n/a
Other information		
Closing NAV (€'000)	2.866	2.777
Closing NAV percentage of total fund NAV (%)	0,64	1,34
Number of shares	311.688	327.219
Highest share price (US ¢)	1.011,60	1.002,07
Lowest share price (US ¢)	946,17	882,94

M&G Prudent Allocation Fund

Financial highlights

Specific share class performance

US dollar Class 'C-H' Income share performance

The share class was launched on 23 April 2015.

	Six months to 31.10.16 US ¢	Period to 30.04.16 US ¢
Change in NAV per share		
Opening NAV	962,25	1.000,00
Return before operating charges and after direct portfolio transaction costs	46,53	(17,26)
Operating charges	(3,89)	(8,58)
Return after operating charges	42,64	(25,84)
Distributions	(7,11)	(11,91)
Closing NAV	997,78	962,25
Direct portfolio transaction costs ^[a]	US ¢	US ¢
Costs before dilution adjustments	0,22	0,32
Dilution adjustments ^[b]	(0,09)	(0,11)
Total direct portfolio transaction costs	0,13	0,21
Performance and charges	%	%
Direct portfolio transaction costs	0,03	0,02
Operating charges	0,79	0,89
Return after operating charges	+4,43	-2,58
Historic yield ^[c]	1,85	1,25
Effect on yield of charges offset against capital	0,77	n/a
Other information		
Closing NAV (€'000)	95	8
Closing NAV percentage of total fund NAV (%)	0,02	0,00
Number of shares	10.410	1.000
Highest share price (US ¢)	1.007,19	1.002,14
Lowest share price (US ¢)	942,26	880,06

US dollar Class 'C-H' Accumulation share performance

The share class was launched on 23 April 2015.

	Six months to 31.10.16 US ¢	Period to 30.04.16 US ¢
Change in NAV per share		
Opening NAV	974,56	1.000,00
Return before operating charges and after direct portfolio transaction costs	47,32	(16,83)
Operating charges	(3,90)	(8,61)
Return after operating charges	43,42	(25,44)
Distributions	(4,63)	(11,57)
Retained distributions	4,63	11,57
Closing NAV	1.017,98	974,56
Direct portfolio transaction costs ^[a]	US ¢	US ¢
Costs before dilution adjustments	0,24	0,32
Dilution adjustments ^[b]	(0,10)	(0,11)
Total direct portfolio transaction costs	0,14	0,21
Performance and charges	%	%
Direct portfolio transaction costs	0,03	0,02
Operating charges	0,78	0,89
Return after operating charges	+4,46	-2,54
Historic yield ^[c]	1,08	1,19
Effect on yield of charges offset against capital	n/a	n/a
Other information		
Closing NAV (€'000)	9	9
Closing NAV percentage of total fund NAV (%)	0,00	0,00
Number of shares	1.000	1.000
Highest share price (US ¢)	1.022,48	1.002,14
Lowest share price (US ¢)	954,46	888,24

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

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

^[c] Following the change in charging structure outlined on page 1, you will see variances between the comparative and current year figures.

M&G Prudent Allocation Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 October	2016		2015	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		12,648		(3,829)
Revenue	3,566		1,018	
Expenses	(1,776)		(537)	
Interest payable	(169)		(37)	
Net revenue / (expense) before taxation	1,621		444	
Taxation	(329)		(90)	
Net revenue / (expense) after taxation		1,292		354
Total return before distributions		13,940		(3,475)
Distributions		(1,461)		(354)
Change in net assets attributable to shareholders from investment activities		12,479		(3,829)

Statement of change in net assets attributable to shareholders

for the six months to 31 October	2016		2015	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		207,071		0
Amounts received on issue of shares	241,122		135,838	
Amounts paid on cancellation of shares	(15,826)		(8,547)	
		225,296		127,291
Dilution adjustments		423		187
Change in net assets attributable to shareholders from investment activities (see above)		12,479		(3,829)
Retained distributions on Accumulation shares		1,244		257
Closing net assets attributable to shareholders		446,513		123,906

The opening net assets attributable to shareholders for 2016 differs to the closing position in 2015 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	31 October 2016	30 April 2016
	€'000	€'000
Assets		
Fixed assets		
Investments	398,863	205,004
Current assets		
Debtors	10,808	16,361
Cash and bank balances	50,599	60,630
Total assets	460,270	281,995
Liabilities		
Investment liabilities	(5,445)	(1,634)
Creditors		
Distribution payable	(327)	(167)
Other creditors	(7,985)	(73,123)
Total liabilities	(13,757)	(74,924)
Net assets attributable to shareholders	446,513	207,071

Notes to the financial statements

Accounting policies

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

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 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.

M&G Investment Funds (14)

Other regulatory disclosures

Interest bearing assets

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

	%
	of NAV
M&G Income Allocation Fund	49,22
M&G Prudent Allocation Fund	85,83

The EU Savings Directive was abolished following the implementation of the Common Reporting Standard under Directive 2014/107/EU. Accordingly, this percentage will no longer be published for accounting periods ended on or after 1 January 2017.

Swiss investor information

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

For these funds the TERs are the same as the Operating Charges disclosed in each 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.

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

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

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

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

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

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

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

Bunds: Fixed income securities issued by the German government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Distribution: Distributions represent a share in the 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.

Glossary

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

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

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

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

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

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

Equities: Shares of ownership in a company.

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

Ex-dividend 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 forward currency contracts.

Fundamentals (company): A basic principle, rule, law, or the like, that serves as the groundwork of a system. A company's fundamentals pertain specifically to that company, and are factors such as its business model, earnings, balance sheet and debt.

Fundamentals (economic): A basic principle, rule, law, or the like, that serves as the groundwork of a system. Economic fundamentals are factors such as inflation, employment, economic growth.

Futures: A futures contract is a contract between two parties to buy or sell a particular commodity or financial instrument at a 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 shares: A type of share where distributions are paid out as cash on the payment date.

Income units: A type of unit where distributions are paid out as cash on the payment date.

Index tracking: A fund management strategy that aims to match the returns from a particular index.

Index-linked bonds: Fixed income securities where both the value of the loan and the interest payments are adjusted in line with inflation over the life of the security. Also referred to as inflation-linked bonds.

Inflation: The rate of increase in the cost of living. Inflation is usually quoted as an annual percentage, comparing the average price this month with the same month a year earlier.

Inflation risk: The risk that inflation will reduce the return of an investment in real terms.

Initial public offering (IPO): The first sale of shares by a private company to the public.

Interest rate risk: The risk that a fixed income investment will lose value if interest rates rise.

Interest rate swap: An agreement between two parties to swap a fixed interest payment with a variable interest payment over a specified period of time.

Glossary

Investment Association (IA): The UK trade body that represents fund managers. It works with investment managers, liaising with government on matters of taxation and regulation, and also aims to help investors understand the industry and the investment options available to them.

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

Investment grade bonds: Fixed income securities issued by a company with a medium or high credit rating from a recognised credit rating agency. They are considered to be at lower risk from default than those issued by companies with lower credit ratings. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

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

Leverage: When referring to a company, leverage is the level of a company's debt in relation to its assets. A company with significantly more debt than capital is considered to be leveraged. It can also refer to a fund that borrows money or uses derivatives to magnify an investment position.

Liquidity: A company is considered highly liquid if it has plenty of cash at its disposal. A company's shares are considered highly liquid if they can be easily bought or sold since large amounts are regularly traded.

Long position: Refers to ownership of a security held in the expectation that the security will rise in value.

Macroeconomic: Refers to the performance and behaviour of an economy at the regional or national level. Macroeconomic factors such as economic output, unemployment, inflation and investment are key indicators of economic performance. Sometimes abbreviated to 'macro'.

Maturity: The length of time until the initial investment amount of a fixed income security is due to be repaid to the holder of the security.

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

Monetary easing: When central banks lower interest rates or buy securities on the open market to increase the money in circulation.

Monetary policy: A central bank's regulation of money in circulation and interest rates.

Monetary tightening: When central banks raise interest rates or sell securities on the open market to decrease the money in circulation.

Morningstar™: A provider of independent investment research, including performance statistics and independent fund ratings.

Near cash: Deposits or investments with similar characteristics to cash.

Net asset value (NAV): A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.

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.

Glossary

Share class: Each M&G fund has different share classes, such as A, R and I. Each has a different level of charges and minimum investment. Details on charges and minimum investments can be found in the Key Investor Information Documents.

Share class hedging: Activities undertaken in respect of hedged shares to mitigate the impact on performance of exchange rate movements between the fund's currency exposure and the investor's chosen currency.

Short position: A way for a fund manager to express his or her view that the market might fall in value.

Short selling: This often refers to the practice whereby an investor sells an asset they do not own. The investor borrows the asset from someone who does own it and pays a fee. The investor must eventually return the borrowed asset by buying it in the open market. If the asset has fallen in price, the investor buys it for less than they sold it for, thus making a profit. The contrary may also occur.

Short-dated corporate bonds: Fixed income securities issued by companies and repaid over relatively short periods.

Short-dated government bonds: Fixed income securities issued by governments and repaid over relatively short periods.

Sovereign debt: Debt of a government. Also referred to as government bonds.

Sub-investment grade bonds: Fixed income securities issued by a company with a low rating from a recognised credit rating agency. They are considered to be at higher risk from default than those issued by companies with higher credit ratings. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

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

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

Treasuries: Fixed income securities issued by the US government.

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

UCITS: Stands for Undertakings for Collective Investment in Transferable Securities. This is the European regulatory framework for an investment vehicle that can be marketed across the European Union and is designed to enhance the single market in financial assets while maintaining high levels of investor protection.

Unconstrained: The term used to describe the mandate of a fund whereby the manager has the freedom to invest according to his or her own strategy, not being obliged to allocate capital according to the weightings of any index, for example.

Underlying value: The fundamental value of a company, reflecting both tangible and intangible assets, rather than the current market value.

Underlying yield: Refers to the income received by a managed fund, and is usually expressed annually as a percentage based on the fund's current value.

Underweight: If a portfolio is 'underweight' a stock, it holds a smaller proportion of that stock than the comparable index or sector.

Unit trust: A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Unit/share type: Type of units/shares held by investors in a trust or fund (unit/share types differ by features such as whether income is to be paid out as cash or reinvested on the payment date).

Valuation: The worth of an asset or company based on its current price.

Volatile: When the value of a particular share, market or sector swings up and down fairly frequently and/or significantly, it is considered volatile.

Volatility: The degree to which a given security, fund, or index rapidly changes. It is calculated as the degree of deviation from the norm for that type of investment over a given time period. The higher the volatility, the riskier the security tends to be.

Warrant: A security issued by a company that gives the holder the right to buy shares in that company at a specified price and within a certain timeframe.

Yield: This refers to either the interest received from a fixed income security or to the dividends received from a share. It is usually expressed as a percentage based on the investment's costs, its current market value or its face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

Yield (equity): Refers to the dividends received by a holder of company shares and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

Yield (bonds): This refers to the interest received from a fixed income security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

Yield (income): Refers to the income received from an investment and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value.

