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M&G Investment Funds (1)

Annual Long Report and audited Financial Statements
for the year ended 31 August 2018

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M&G Investment Funds (1)

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (1) presents its Annual Long Report and audited Financial Statements for the year ended 31 August 2018.

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

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

Company information

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

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

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

As at 31 August 2018, 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 Asian Fund

Matthew Vaight

As from 1 September 2018 Alastair Bruce became the fund manager.

M&G European Index Tracker Fund

Nigel Booth

M&G European Select Fund

Phil Cliff

M&G Global Select Fund

John William Olsen

M&G Global Themes Fund

Jamie Horvat

At the start of the review period Jamie Horvat and Randeep Somel were co-fund managers.

M&G Japan Fund

Johan du Preez

M&G Japan Smaller Companies Fund

Johan du Preez

M&G North American Dividend Fund

John Weavers

M&G North American Value Fund

Daniel White

M&G Pan European Select Fund

John William Olsen

M&G Pan European Select Smaller Companies Fund

Michael Oliveros

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

Margaret Ammon*, G N Cotton, N M Donnelly, P R Jelfs,
G W MacDowall, L J Mumford

* Appointed 26 July 2018.

W J Nott resigned with effect from 31 December 2017.

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

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

Depositary

NatWest Trustee & Depositary Services Limited, Drummond House,
1 Redheughs Avenue, Edinburgh EH12 9RH, UK
(Authorised and regulated by the Financial Conduct Authority)

Independent auditor

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

M&G Investment Funds (1)

Authorised Corporate Director's Report

Important information

On 17 November 2017, the M&G Global Basics Fund amended its investment objective and policy. It also changed its name to M&G Global Themes Fund.

On 20 April 2018, the merger of M&G Global Leaders Fund into M&G Global Themes Fund was approved by shareholders. The effective date of the merger was 25 May 2018.

On 25 May 2018 the M&G European Smaller Companies Fund amended its investment objective and policy. It also changed its name to M&G Pan European Select Smaller Companies Fund.

As a result of the Extraordinary General Meetings of Shareholders held on 4 October 2018, the non-sterling share classes of the M&G Asian Fund, M&G Global Select Fund, M&G Japan Fund, M&G Japan Smaller Companies Fund, M&G North American Dividend Fund, M&G North American Value Fund and M&G Pan European Select Fund, will be merged into corresponding share classes of M&G (Lux) Investment Funds 1 sub-funds.

For further details on the Mergers and the date at which these will occur, please refer to:
<https://www.mandg.com/BrexitMergerDocumentation>

On 28 September 2018 the Depositary changed from National Westminster Bank Plc to NatWest Trustee & Depositary Services Limited.

Investor information

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

Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

Customer services and administration for non-UK clients:

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

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

Telephone: +352 2605 9944

Email: csmang@rbc.com

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

Austrian paying and information agent:

Société Générale, Vienna Branch,
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 København 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 S.A., Dublin Branch,
3rd Floor IFSC House – The IFSC, Dublin 1, Ireland

M&G Investment Funds (1)

Authorised Corporate Director's Report

Investor information

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,
Piazza Lina Bo Bardi 3, 20124 Milano, Italy

CACEIS Bank Luxembourg,
Milan Branch, Piazza Cavour 2, 20121 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 S.A.,
Centre operationnel, 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, 8021 Zurich, Switzerland

Authorised Corporate Director's Responsibilities

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

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

Directors' statement

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

G W MACDOWALL }
L J MUMFORD } Directors

15 October 2018

M&G Investment Funds (1)

Depositary's Responsibilities and Report

Statement of the Depositary's Responsibilities and Report of the Depositary to the Shareholders of M&G Investment Funds (1) ('the Company') for the period ended 31 August 2018

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

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

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

The Depositary must ensure that:

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

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

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

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

Edinburgh
15 October 2018

National Westminster Bank Plc
Trustee and Depositary Services

M&G Investment Funds (1)

Independent Auditor's Report

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

Opinion

We have audited the financial statements of M&G Investment Funds (1) ICVC ("the Company") for the year ended 31 August 2018 which comprise the Statement of Total Return and Statement of Change in Net Assets Attributable to Shareholders together with the Balance Sheet for each of the Company's funds, the accounting policies of the Company, the related notes for each fund and the Distribution Tables, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company comprising each of its funds as at 31 August 2018 and of the net revenue and the net capital gains / (losses) on the scheme property of the Company comprising each of its funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

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

In our opinion:

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Authorised Corporate Director (ACD)

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

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

M&G Investment Funds (1)

Independent Auditor's Report

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Edinburgh
15 October 2018

Ernst & Young LLP
Statutory Auditor

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

M&G Investment Funds (1)

Financial statements and notes

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

1 Statement of compliance

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

2 Summary of significant accounting policies

a) Basis of preparation

The financial statements of M&G Investment Funds (1) are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

b) Functional and presentational currency

The functional and presentational currency of M&G Investment Funds (1) is UK sterling. Where the functional and presentational currency of a fund is not UK sterling this is disclosed in the 'Financial statements and notes' of that fund.

c) Exchange rates

Transactions in currencies other than each fund's functional currency are translated at the rate of exchange ruling on the date of the transaction and where applicable assets and liabilities are translated into the fund's functional currency at the rate of exchange ruling as at 12 noon on 31 August 2018 being the last business day of the accounting period.

d) Investments - recognition and valuation

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

At the end of the reporting period all investments have been measured at their fair value using the prices and the portfolio holdings determined at 12 noon on 31 August 2018, being the last valuation point of the accounting period, as this is not materially different from a valuation carried out at close of business on the balance sheet date.

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

- Equities and debt securities which are traded on an active market are included at the quoted price, which is normally the bid price, excluding any accrued interest in respect of bonds.
- Equities traded on the Alternative Investment Market (AIM), whose liquidity cannot be guaranteed, are included at their quoted bid price as this represents the most objective and appropriate method of valuation.
- Collective investment schemes operated by the ACD are included at either their cancellation price for dual priced funds or their single price for single priced funds.

- Collective investment schemes operated by another manager are included at either their bid price for dual priced funds or their single price for single priced funds.

- Other equities and debt securities which are unquoted or not actively traded on a quoted market are included at a value estimated by the ACD using an appropriate valuation technique, excluding any accrued interest in respect of bonds.

- Exchange traded futures and options are included at the cost of closing out the contract at the balance sheet date.

- Over the counter equity options, credit default swaps, interest rate swaps, asset swaps and inflation swaps are included at a value provided by Markit Valuations Limited, an independent credit derivative price provider. Their fair value excludes any accrued interest in respect of derivatives where the income is revenue in nature.

- Forward currency contracts, for share class hedging and investment, are included at a value determined by reference to current forward exchange rates for contracts with similar maturity profiles.

e) Recognition of income and expenses

- Dividends, including ordinary stock dividends, from equity investments are recognised when the security is quoted ex-dividend.

- Distributions from collective investment schemes are recognised when the scheme is priced ex-distribution.

- Interest income, including coupons from debt securities and bank interest is recognised on an accruals basis.

- Underwriting commission is recognised when the issue takes place.

- Revenue from derivatives is recognised on an accruals basis.

- Fee rebates from investing in other collective investment schemes are recognised on an accruals basis.

- Expenses are recognised on an accruals basis.

f) Treatment of income and expenses

- Any increases or decreases in the fair value of investments and gains and losses realised on sales of investments are treated as capital and recognised in net capital gains / (losses).

- The value of any enhancement to a stock dividend is treated as capital.

- Ordinary equity dividends, including ordinary stock dividends are treated as revenue.

- Special dividends, share buy backs or additional share issues may be treated as revenue or capital depending on the facts of each particular case.

- Distributions from collective investment schemes are treated as revenue in nature, except for any element of equalisation, which represents the average amount of income included in the price paid for the collective investment scheme, which is treated as capital.

M&G Investment Funds (1)

Financial statements and notes

Notes to the financial statements

2 Summary of significant accounting policies (continued)

f) Treatment of income and expenses (continued)

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

g) Tax

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

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

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

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

h) Allocation of returns to share classes

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

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

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

3 Risk management policies

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

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

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

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

Market risk

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

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

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

Commitment approach

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

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

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

M&G Investment Funds (1)

Financial statements and notes

Notes to the financial statements

3 Risk management policies (continued)

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

Value at Risk approach

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

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

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

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

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

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

Fund	Global exposure approach
M&G Asian Fund	Commitment
M&G European Index Tracker Fund	Commitment
M&G European Select Fund	Commitment
M&G Global Select Fund	Commitment
M&G Global Themes Fund	Commitment
M&G Japan Fund	Commitment
M&G Japan Smaller Companies Fund	Commitment
M&G North American Dividend Fund	Commitment
M&G North American Value Fund	Commitment
M&G Pan European Select Fund	Commitment
M&G Pan European Select Smaller Companies Fund	Commitment

Liquidity risk

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

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

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

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

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

Credit risk

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

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

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

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

M&G Investment Funds (1)

Financial statements and notes

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M&G Asian Fund

Authorised Corporate Director's Report

Investment objective and policy

The fund's sole objective is long term capital growth. It invests wholly or mainly in a range of Asian (including Australasian) securities. When not wholly invested as above, the fund may also invest in global securities with the exception of Japanese securities.

Investment approach

The M&G Asian Fund employs a bottom-up stockpicking approach to identify companies whose ability to improve their profitability or sustain high levels of profitability over time is, in the fund manager's opinion, being undervalued.

It is the core belief of the fund manager that company-specific factors, not economic growth levels, drive share prices over the long run. Consequently, investment decisions are determined by fundamental analysis of individual companies with a specific focus on their use of capital and profitability.

The fund manager applies a strict valuation discipline and looks for companies whose future profitability is, in his opinion, being under-appreciated by the market. He also assesses their corporate governance practices to find companies that are run for the benefit of their shareholders. The fund's country and sector exposure is not influenced by top-down views.

The fund invests in two specific types of company. The first comprises firms with the potential to improve their profitability, either through external change or internal change. The fund also invests in businesses with high levels of profitability where the market does not believe these levels of returns are sustainable over time; we define these as asset growth and quality companies. Investing in these different types of company is designed to create a balanced portfolio that has the potential to perform in a variety of market conditions.

The fund manager aims to hold between 50 and 70 stocks, with a typical holding period of three to five years. Taking a long-term view enables the manager to align his interest with the strategic value-creating decisions of company management. It also enables him to take advantage of valuation anomalies created by the short-term nature of emerging market investors.

Risk profile

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

Asia (ex Japan) is a region that is regarded as having emerging economies. Hence, the fund's focus on Asia may result in greater volatility compared to a fund that invests mainly in the securities of companies in developed countries. The reasons for this greater volatility include: the financial infrastructure in emerging markets is typically less mature, the regulatory systems and disclosure standards are less developed, and adverse market and political circumstances are more likely to occur in these markets. Diversification across

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

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



The above number:

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

Investment review

As at 3 September 2018, for the year ended 31 August 2018

Performance against objective

Between 1 September 2017 (the start of the review period) and 3 September 2018, the M&G Asian Fund produced a negative total return (the combination of income and growth of capital) in all of its share classes, apart from the Euro Class 'C' shares. The fund's returns in all share classes were behind the comparative index, the MSCI Asia Pacific ex Japan Index. Over the 12 months, returns for the index were 4.6%, 3.1% and 2.4% in euros, sterling and US dollars, respectively*.

The fund's sole objective is long-term capital growth. Over five years and since launch, the fund met its investment objective; it delivered a positive return in all share classes. We believe this positive performance reflects successful stock selection during several periods of turbulence in Asian stockmarkets.

* 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.

Investment performance

Asian stockmarkets rose over the 12 months under review, although there was a loss of momentum towards the end of the period.

Initially, share prices of Asian companies continued to climb as investor confidence was lifted by a broad-based upturn in economic activity across both advanced and emerging economies, as well as robust corporate performance.

At the beginning of 2018, however, the impressive year-long run of gains came to an end and sentiment towards Asian company shares (equities) turned negative. Stockmarkets around the world fell sharply as investors were unsettled by the prospect that the US Federal Reserve (the Fed) would raise interest rates faster than expected.

M&G Asian Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

The risk-averse mood deepened when President Trump announced a raft of trade tariffs that triggered fears of a global trade war. Billions of dollars' worth of import taxes were proposed on Chinese products, which sparked retaliatory measures from the Chinese government.

By the end of the period, the trade dispute between the world's two largest economies had escalated to such a level that investors feared it would have a damaging impact on global growth and trade.

Higher interest rates in the US also dampened sentiment towards Asian assets. The Fed raised interest rates three times during the period as it continued to unwind the stimulus measures introduced after the financial crisis. As the US dollar appreciated, investors worried that the US would become an increasingly attractive destination for capital, putting pressure on Asian economies that rely on overseas borrowing.

Although Asian equities ended the period in positive territory, they lagged the returns from developed market stocks, notably the US stockmarket which reached record highs at the end of the period.

China's stockmarket was one of the weakest over the period as investors worried about the potential impact of the trade war. Amid concerns about slowing economic activity, the government introduced policies to support economic growth, including potential infrastructure investment.

Indonesia and the Philippines also lagged the broader Asian market, driven in part by foreign investors selling their holdings.

In contrast, India was one of the best performers, despite the weakening of the rupee versus the dollar. Local investors have started to look more favourably on equities lately, driving the country's stockmarket to record highs. Thailand's stockmarket also performed well. With robust finances, the country is considered to be fairly resilient to a stronger US dollar. As one of the region's few oil producers, Thailand also benefited from higher oil prices.

At the sector level, energy stocks were among the standout performers as oil prices climbed to the highest level since 2014, helped by output cuts from leading producers and robust demand. Consumer staples and healthcare also outperformed.

On the other hand, consumer discretionary was one of the weakest areas, with shares in automobile companies dragged down by concerns about potential US tariffs on vehicle imports. Financials and industrials declined as well.

In terms of style, investors favoured so-called 'growth' stocks, which tend to deliver high revenue growth. Cheap, out-of-favour 'value' stocks underperformed by a significant margin, which created a headwind for the fund's value-oriented approach.

Over the 12 months under review, the fund's returns were behind the comparative index, with our allocation to technology detracting from relative performance.

Our holdings in Taiwanese tech firms Casetek Holdings and Delta Electronics were notable detractors. Delta makes power supply components and has recently invested in new areas, including industrial automation. The company has yet to see significant returns on these investments, which has hurt performance. Meanwhile, phone-casing maker Casetek has suffered from falling prices and concerns around its contract to produce Apple iPhone cases.

In financials, our holdings in Korean bank Shinhan Financial Group and Standard Chartered, a UK-based Asia-focused bank, also weighed on performance. Both companies have been hit by concerns about escalating trade tensions.

As worries about the trade war weighed on China's stockmarket, our holdings in Ctrip.com International, an online travel agent, and plastic pipe firm China Lesso also detracted. We believe Ctrip is well placed to gain from growth in the Chinese travel industry both domestically and overseas, while Lesso has a strong brand and should benefit from infrastructure development.

Overall, however, stock selection in China was positive, with several Chinese holdings among the leading contributors. In energy, CNOOC and China Petroleum & Chemical, known as Sinopec, added value as they both reported impressive results, boosted by higher oil prices.

Our holding in sportswear retailer Li-Ning was another notable contributor. The company's shares climbed as investors are becoming increasingly positive about Li-Ning's turnaround efforts: the founder has returned to lead the firm after a period of unsuccessful expansion, stores have been closed and cost savings made.

PC maker Lenovo is also engaged in a transformation strategy and the shares rose on better-than-expected results. Lenovo's performance was driven by a rebound in the PC market and signs of recovery in its smartphone business.

Elsewhere, the holding in DBS Group Holdings, a Singaporean bank, added value. DBS has embraced technology and innovation recently, shifting its focus to more profitable digital banking activities and driving cost efficiencies. As well as the digital drive, the bank is also benefiting from a healthier economic environment and lower levels of bad debts.

Investment activities

As value-focused investors we are attracted to the cheaper markets, and during the review period, we identified several attractive opportunities in China. For the first time ever, we invested in a Chinese bank – China Construction Bank. In our view, the government's efforts to stabilise the financial system are having a positive effect and the state-owned lender should benefit from pricing power and more profitable lending.

We also started positions in China Petroleum & Chemical, a Chinese oil & gas company, known as Sinopec, China Railway Signal & Communication (CRSC), a supplier of signalling and safety equipment to the railway network, and Xinyi Solar Holdings, a manufacturer of solar glass panels. CRSC has faced a slowdown in new rail projects in the past couple of years, but activity is expected to pick up with new lines and replacement programmes. In our view, Xinyi is well placed to take advantage of the increased demand for solar energy.

Another newcomer was South Korean shipbuilder Samsung Heavy Industries (SHI). After a severe downturn, there are signs that the shipbuilding market is improving and orders are picking up. We believe SHI is attractively valued and, after a period of restructuring and cost-cutting, is well placed for any recovery in demand.

Besides these new holdings, we increased our existing positions in First Pacific, a Hong Kong-listed conglomerate with interests in telecoms and consumer foods, Indonesian financial group Bank Mandiri and Chinese travel company Ctrip.com International, following share price weakness.

M&G Asian Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

These purchases were funded by selling stocks that had performed well, most notably in the technology sector. We sold our entire holding in SK hynix, a South Korean manufacturer of memory chips; the stock has rallied since 2016, driven by robust demand for smartphones. We also reduced our positions in Taiwan Semiconductor Manufacturing, a memory chip firm from Taiwan, and Baidu, a Chinese internet search company, after a period of good performance.

In financials, we sold all our shares in global bank HSBC Holdings and reduced our holding in DBS Group Holdings, a lender from Singapore. Both stocks have made significant gains in the past couple of years.

We disposed of a few small holdings, including Compal Electronics, a Taiwanese manufacturer of personal computers, South Korean car maker Kia Motors, and Chinese telecoms firm China Unicom. The proceeds were reinvested in other stocks in the portfolio which we believe have better prospects.

Outlook

Investor sentiment towards Asian markets has deteriorated in recent months amid concerns about a potential global trade war and rising interest rates in the US. Despite the current turbulence and uncertainty, we believe that the long-term prospects for Asian companies are attractive.

From a macroeconomic perspective, we remain upbeat about the global economy, despite the potential drag from trade tariffs. However, we recognise that an escalation of the current trade dispute represents the most significant risk to financial markets and company performance at present.

Having said that, we are encouraged by developments at the company level. We are now observing improving levels of profitability at Asian firms, which we believe reflect better cost management and use of capital by company management teams. At present, we think this improvement in operational performance is not fully recognised in valuations.

While there is likely to be an increased level of stockmarket turbulence ahead compared with the relative calm of recent years, we believe this trend could be favourable for our selective stockpicking approach.

Sudden sentiment-driven market movements could provide us with opportunities to find mispriced stocks. In an environment of uncertainty and risk aversion, we will continue to apply our disciplined, contrarian approach, focusing on finding unloved companies whose long-term prospects are being underappreciated by the market.

Matthew Vaight
Fund manager

An employee of M&G Limited which is an associate of M&G Securities Limited. As from 1 September 2018 Alastair Bruce became the fund manager.

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

Investments

Portfolio statement

as at 31 August	2018	2018	2017
Holding	\$'000	%	%
EQUITIES	405,941	99.08	97.66
United Kingdom	2,251	0.55	0.61
4,210,569 Ophir Energy	2,251	0.55	
Australia	25,666	6.27	10.31
2,011,141 Asaleo Care	1,157	0.28	
790,755 Downer EDI	4,410	1.08	
492,049 Iluka Resources	3,299	0.81	
2,550,516 Mesoblast	3,026	0.74	
563,304 Nufarm	2,791	0.68	
1,380,343 QBE Insurance Group	10,983	2.68	
China	123,497	30.14	22.18
9,700,000 AMVIG Holdings	2,509	0.61	
53,919 Baidu ADR	12,089	2.95	
13,714,000 China Construction Bank	12,126	2.96	
15,603,000 China Lesso	9,005	2.20	
8,084,000 China Petroleum & Chemical	8,116	1.98	
5,266,000 China Railway Signal & Communication	3,703	0.90	
1,900,032 China Resources Power Holdings	3,423	0.84	
9,981,000 CNOOC	17,624	4.30	
207,512 Ctrip.com International ADR	8,124	1.98	
9,811,000 Far East Horizon	9,262	2.26	
14,193,000 Greatview Aseptic Packaging	7,558	1.84	
379,342 HollySys Automation Technologies	8,198	2.00	
9,184,000 Lenovo	5,979	1.46	
5,886,860 PICC Property & Casualty	6,630	1.62	
435,200 Vtech	4,815	1.18	
14,608,000 Xinyi Solar Holdings	4,336	1.06	
Hong Kong	54,474	13.30	14.14
1,432,400 AIA Group	12,345	3.02	
1,316,350 CK Hutchison Holdings	15,161	3.70	
14,356,000 Fufeng Group	6,731	1.64	
5,579,000 Li-Ning	5,864	1.43	
14,537,006 PCCW	7,723	1.89	
814,369 Standard Chartered	6,650	1.62	
India	11,815	2.88	3.83
543,765 Axis Bank	4,978	1.22	
880,921 McLeod Russel India	1,900	0.46	
2,042,223 NTPC	4,937	1.20	
Indonesia	6,081	1.48	1.46
13,075,600 Bank Mandiri	6,081	1.48	
Philippines	19,343	4.72	3.75
10,110,423 Energy Development	1,329	0.32	
24,472,000 First Pacific	11,130	2.72	
420,393 GT Capital	6,884	1.68	
Singapore	30,029	7.33	6.72
6,666,000 CSE Global	2,141	0.52	
696,609 DBS Group Holdings	12,682	3.09	
17,210,990 Ezion Holdings	930	0.23	
16,113,594 Ezion Holdings wts. 2018 ^[a]	0	0.00	
5,220,528 Ezion Holdings wts. 2020	4	0.00	
8,002,700 Japfa	3,914	0.96	
71,382 Jardine Matheson	4,505	1.10	
2,937,000 Sembcorp Industries	5,853	1.43	

M&G Asian Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 31 August	2018	2018	2017
Holding	\$'000	%	%
South Korea			
213,617 Hana Financial Group	8,194	2.00	
62,368 Hyundai Motor	7,004	1.71	
699,121 Samsung Electronic	30,398	7.42	
25,214 Samsung Fire & Marine Insurance	5,991	1.46	
449,653 Samsung Heavy Industries	2,856	0.70	
292,629 Shinhan Financial Group	11,435	2.79	
248,443 Wonik Tera Semicon	4,129	1.01	
Taiwan			
2,676,610 Casetek Holdings	5,202	1.27	
602,000 Catcher Technology	7,369	1.80	
4,162,000 Cathay Financial Holdings	7,114	1.74	
3,562,075 Chicony Electronics	7,492	1.83	
2,441,220 Delta Electronics	9,736	2.37	
300,000 eMemory Technology	3,082	0.75	
1,821,178 Taiwan Semiconductor Manufacturing	15,149	3.70	
5,748,000 TECO Electric & Machinery	4,183	1.02	
2,272,000 Yungtay Engineering	3,451	0.84	
Portfolio of investments	405,941	99.08	97.66
CASH EQUIVALENTS			
Eire 'AAA' rated money market funds ^[b]			
6,885,550 Northern Trust Global Fund - US dollar	6,886	1.68	2.05
Total portfolio (notes 2c & 2d on page 7)	412,827	100.76	99.71
Net other assets / (liabilities)	(3,102)	(0.76)	0.29
Net assets attributable to shareholders	409,725	100.00	100.00

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

[a] Suspended.

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

Top ten portfolio transactions

for the year to 31 August 2018

	\$'000
Largest purchases	
China Construction Bank	17,529
China Petroleum & Chemical	10,410
Xinyi Solar Holdings	7,728
GT Capital	7,191
First Pacific	5,321
China Railway Signal & Communication	4,115
Delta Electronics	3,947
Ctrip.com International ADR	3,940
Wonik Tera Semicon	3,486
Samsung Heavy Industries	3,432
Other purchases	42,870
Total purchases	109,969
Largest sales	
Taiwan Semiconductor Manufacturing	23,190
SK hynix	20,608
DBS Group Holdings	16,580
Samsung Electronic	16,519
Baidu ADR	15,592
AIA Group	14,966
Energy Development	12,771
HSBC Holdings	12,671
Axis Bank	10,667
China Unicom	10,416
Other sales	225,324
Total sales	379,304

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

M&G Asian Fund

Financial highlights

Fund performance

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

The following chart and tables show the performance for two of the fund's share classes – Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

We show performance for these two share classes because:

- The performance of the Sterling Class 'A' (Accumulation) share is what most individuals investing directly with M&G have received. It has the highest ongoing charge of all the sterling share classes. Performance is shown after deduction of this charge. All UK investors in the fund therefore received this performance or better.
- The performance of the Sterling Class 'I' (Accumulation) share is the most appropriate to compare with the average performance of the fund's comparative sector. It is the share class used by the Investment Association in the calculation of the comparative sector's average performance. This share class is available for direct investment with M&G subject to minimum investment criteria, or via third parties who may charge additional fees. The performance shown takes the deduction of the ongoing charge for this share class into account but it does not take account of charges applied by any other party through which you may have 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 (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at 31 August	2018 \$'000	2017 \$'000	2016 \$'000
Fund net asset value (NAV)	409,725	699,384	733,375

Performance since launch

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



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

The fund's Sterling Class 'I' (Accumulation) shares were launched on 3 August 2012. Performance data shown prior to this date is that of the fund's Sterling Class 'A' (Accumulation) shares.

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

	Long-term performance by share class			
	One year 01.09.17 % [a]	Three years 03.09.15 % p.a.	Five years 03.09.13 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	-0.1	+7.5	+7.2	+8.5 [c]
Class 'C'	+0.6	+8.3	+8.0	+9.2 [c]
Sterling [d]				
Class 'A'	-2.3	+15.1	+8.5	+9.0 [e]
Class 'I'	-1.5	+16.0	+9.3	+9.9 [f]
Class 'R'	-1.8	+15.7	+9.1	+9.6 [f]
Class 'X'	-2.3	+15.1	+8.5	+15.0 [g]
US dollar [b]				
Class 'A'	-2.6	+8.7	+4.5	+10.4 [h]
Class 'C'	-1.9	+9.6	+5.3	+11.3 [h]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 28 November 2001, the launch date of the share class.

[d] Price to price with income reinvested.

[e] 14 September 1973, the end of the initial offer period of the predecessor unit trust.

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

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

[h] 19 December 2008, the launch date of the share class.

M&G Asian 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, comprising operating charges and portfolio transaction costs.

Operating charges

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

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

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

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

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

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

Portfolio transaction costs				
for the year to 31 August	2018	2017	2016	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.04	0.05	0.06	0.05
Taxes	0.11	0.07	0.05	0.07
Costs before dilution adjustments	0.15	0.12	0.11	0.12
Dilution adjustments ^[c]	(0.11)	(0.10)	(0.07)	(0.09)
Total direct portfolio transaction costs	0.04	0.02	0.04	0.03
as at 31 August	2018	2017	2016	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.26	0.22	0.28	0.25

^[a] Average of first three columns.

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

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

M&G Asian Fund

Financial highlights

Specific share class performance

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

Historic yields for the current year are calculated as at 14 September 2018.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	3,907.05	3,449.85	3,217.85
Return before operating charges and after direct portfolio transaction costs	60.75	523.14	288.24
Operating charges	(69.02)	(65.94)	(56.24)
Return after operating charges	(8.27)	457.20	232.00
Distributions	(48.68)	(29.75)	(26.05)
Retained distributions	48.68	29.75	26.05
Closing NAV	3,898.78	3,907.05	3,449.85
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	6.18	4.71	3.48
Dilution adjustments ^[a]	(4.61)	(3.87)	(2.11)
Total direct portfolio transaction costs	1.57	0.84	1.37
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.02	0.04
Operating charges	1.72	1.73	1.74
Return after operating charges	-0.21	+13.25	+7.21
Historic yield	1.25	0.76	0.73
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	61,291	144,382	142,932
Closing NAV percentage of total fund NAV (%)	14.96	20.64	19.49
Number of shares	1,347,259	3,116,526	3,718,496
Highest share price (Euro ¢)	4,191.48	4,097.96	3,604.36
Lowest share price (Euro ¢)	3,787.29	3,394.56	2,780.32

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	4,345.72	3,808.43	3,525.90
Return before operating charges and after direct portfolio transaction costs	66.68	579.39	317.81
Operating charges	(43.26)	(42.10)	(35.28)
Return after operating charges	23.42	537.29	282.53
Distributions	(88.66)	(62.52)	(55.29)
Retained distributions	88.66	62.52	55.29
Closing NAV	4,369.14	4,345.72	3,808.43
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	6.87	5.31	3.83
Dilution adjustments ^[a]	(5.12)	(4.36)	(2.32)
Total direct portfolio transaction costs	1.75	0.95	1.51
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.02	0.04
Operating charges	0.97	0.98	0.99
Return after operating charges	+0.54	+14.11	+8.01
Historic yield	2.04	1.44	1.41
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	68,091	207,138	125,003
Closing NAV percentage of total fund NAV (%)	16.62	29.62	17.04
Number of shares	1,335,613	4,019,799	2,945,870
Highest share price (Euro ¢)	4,668.58	4,547.60	3,954.75
Lowest share price (Euro ¢)	4,239.33	3,748.66	3,056.82

Sterling Class 'A' Income share performance

The share class was launched on 14 September 1973.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	1,467.64	1,221.09	991.98
Return before operating charges and after direct portfolio transaction costs	(15.90)	304.39	256.71
Operating charges	(24.80)	(23.94)	(18.31)
Return after operating charges	(40.70)	280.45	238.40
Distributions	(42.44)	(33.90)	(9.29)
Closing NAV	1,384.50	1,467.64	1,221.09
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.22	1.71	1.13
Dilution adjustments ^[a]	(1.66)	(1.40)	(0.69)
Total direct portfolio transaction costs	0.56	0.31	0.44
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.02	0.04
Operating charges	1.72	1.73	1.74
Return after operating charges	-2.77	+22.97	+24.03
Historic yield ^[c]	3.06	2.32	0.75
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (\$'000)	147,696	184,111	187,766
Closing NAV percentage of total fund NAV (%)	36.05	26.33	25.60
Number of shares	8,202,557	9,742,682	11,705,434
Highest share price (UK p)	1,511.84	1,519.22	1,266.13
Lowest share price (UK p)	1,365.59	1,202.92	907.00

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Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 14 September 1973.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	2,353.57	1,913.98	1,542.92
Return before operating charges and after direct portfolio transaction costs	(25.64)	476.78	399.57
Operating charges	(39.78)	(37.19)	(28.51)
Return after operating charges	(65.42)	439.59	371.06
Distributions	(28.57)	(17.92)	(14.45)
Retained distributions	28.57	17.92	14.45
Closing NAV	2,288.15	2,353.57	1,913.98
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.56	2.66	1.76
Dilution adjustments ^[a]	(2.66)	(2.19)	(1.07)
Total direct portfolio transaction costs	0.90	0.47	0.69
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.02	0.04
Operating charges	1.72	1.73	1.74
Return after operating charges	-2.78	+22.97	+24.05
Historic yield	1.25	0.77	0.74
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	57,067	67,603	166,448
Closing NAV percentage of total fund NAV (%)	13.93	9.67	22.70
Number of shares	1,917,667	2,230,785	6,620,048
Highest share price (UK p)	2,424.29	2,381.27	1,969.59
Lowest share price (UK p)	2,189.76	1,885.52	1,410.94

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	1,669.18	1,378.34	1,119.48
Return before operating charges and after direct portfolio transaction costs	(18.09)	344.72	291.00
Operating charges	(15.97)	(15.43)	(11.81)
Return after operating charges	(34.06)	329.29	279.19
Distributions	(48.52)	(38.45)	(20.33)
Closing NAV	1,586.60	1,669.18	1,378.34
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.54	1.94	1.28
Dilution adjustments ^[a]	(1.89)	(1.60)	(0.78)
Total direct portfolio transaction costs	0.65	0.34	0.50
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.02	0.04
Operating charges	0.97	0.98	0.99
Return after operating charges	-2.04	+23.89	+24.94
Historic yield ^[c]	3.05	2.31	1.45
Effect on yield of charges offset against capital	0.90	0.90	0.00
Other information			
Closing NAV (\$'000)	14,401	15,177	11,991
Closing NAV percentage of total fund NAV (%)	3.50	2.17	1.63
Number of shares	697,908	706,150	662,245
Highest share price (UK p)	1,721.72	1,727.52	1,438.83
Lowest share price (UK p)	1,562.97	1,358.16	1,026.83

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	1,801.20	1,453.84	1,163.21
Return before operating charges and after direct portfolio transaction costs	(19.69)	363.68	302.90
Operating charges	(17.20)	(16.32)	(12.27)
Return after operating charges	(36.89)	347.36	290.63
Distributions	(35.80)	(25.91)	(21.10)
Retained distributions	35.80	25.91	21.10
Closing NAV	1,764.31	1,801.20	1,453.84
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.73	2.06	1.33
Dilution adjustments ^[a]	(2.04)	(1.69)	(0.81)
Total direct portfolio transaction costs	0.69	0.37	0.52
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.02	0.04
Operating charges	0.97	0.98	0.99
Return after operating charges	-2.05	+23.89	+24.99
Historic yield	2.03	1.44	1.42
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	29,073	32,674	25,198
Closing NAV percentage of total fund NAV (%)	7.10	4.67	3.44
Number of shares	1,267,044	1,408,817	1,319,384
Highest share price (UK p)	1,857.75	1,822.17	1,495.59
Lowest share price (UK p)	1,686.47	1,432.58	1,067.33

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	166.30	137.68	111.82
Return before operating charges and after direct portfolio transaction costs	(1.79)	34.38	29.04
Operating charges	(2.00)	(1.93)	(1.48)
Return after operating charges	(3.79)	32.45	27.56
Distributions	(4.83)	(3.83)	(1.70)
Closing NAV	157.68	166.30	137.68
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.25	0.19	0.13
Dilution adjustments ^[a]	(0.19)	(0.16)	(0.08)
Total direct portfolio transaction costs	0.06	0.03	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.02	0.04
Operating charges	1.22	1.23	1.24
Return after operating charges	-2.28	+23.57	+24.65
Historic yield ^[c]	3.06	2.31	1.21
Effect on yield of charges offset against capital	1.15	1.15	0.00
Other information			
Closing NAV (\$'000)	848	312	266
Closing NAV percentage of total fund NAV (%)	0.21	0.04	0.04
Number of shares	413,646	145,633	147,292
Highest share price (UK p)	171.47	172.13	143.39
Lowest share price (UK p)	155.40	135.65	102.46

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Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	177.91	143.96	115.47
Return before operating charges and after direct portfolio transaction costs	(1.94)	35.95	30.02
Operating charges	(2.14)	(2.00)	(1.53)
Return after operating charges	(4.08)	33.95	28.49
Distributions	(3.08)	(2.16)	(1.76)
Retained distributions	3.08	2.16	1.76
Closing NAV	173.83	177.91	143.96
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.27	0.20	0.13
Dilution adjustments ^[a]	(0.20)	(0.17)	(0.08)
Total direct portfolio transaction costs	0.07	0.03	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.02	0.04
Operating charges	1.22	1.23	1.25
Return after operating charges	-2.29	+23.58	+24.67
Historic yield	1.77	1.22	1.20
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	7,888	261	288
Closing NAV percentage of total fund NAV (%)	1.92	0.04	0.04
Number of shares	3,489,146	113,830	152,232
Highest share price (UK p)	183.42	179.99	148.11
Lowest share price (UK p)	166.23	141.84	105.83

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	1,465.67	1,219.45	990.66
Return before operating charges and after direct portfolio transaction costs	(15.89)	303.93	256.35
Operating charges	(24.76)	(23.86)	(18.29)
Return after operating charges	(40.65)	280.07	238.06
Distributions	(42.39)	(33.85)	(9.27)
Closing NAV	1,382.63	1,465.67	1,219.45
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.22	1.71	1.13
Dilution adjustments ^[a]	(1.65)	(1.40)	(0.69)
Total direct portfolio transaction costs	0.57	0.31	0.44
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.02	0.04
Operating charges	1.72	1.73	1.74
Return after operating charges	-2.77	+22.97	+24.03
Historic yield ^[c]	3.06	2.32	0.75
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (\$'000)	8,185	12,753	13,792
Closing NAV percentage of total fund NAV (%)	2.00	1.82	1.88
Number of shares	455,159	675,786	860,984
Highest share price (UK p)	1,509.80	1,517.17	1,264.42
Lowest share price (UK p)	1,363.74	1,201.30	905.79

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	2,331.55	1,896.08	1,528.50
Return before operating charges and after direct portfolio transaction costs	(25.41)	472.61	395.80
Operating charges	(39.42)	(37.14)	(28.22)
Return after operating charges	(64.83)	435.47	367.58
Distributions	(28.30)	(17.76)	(14.36)
Retained distributions	28.30	17.76	14.36
Closing NAV	2,266.72	2,331.55	1,896.08
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.53	2.65	1.74
Dilution adjustments ^[a]	(2.63)	(2.18)	(1.06)
Total direct portfolio transaction costs	0.90	0.47	0.68
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.02	0.04
Operating charges	1.72	1.73	1.74
Return after operating charges	-2.78	+22.97	+24.05
Historic yield	1.25	0.77	0.74
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	3,326	4,413	4,461
Closing NAV percentage of total fund NAV (%)	0.81	0.63	0.61
Number of shares	112,822	146,994	179,103
Highest share price (UK p)	2,401.60	2,358.99	1,951.15
Lowest share price (UK p)	2,169.26	1,867.87	1,397.74

US dollar Class 'A' Accumulation share performance

The share class was launched on 19 December 2008.

for the year to 31 August Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	2,679.39	2,223.02	2,099.27
Return before operating charges and after direct portfolio transaction costs	(0.98)	497.65	160.28
Operating charges	(47.31)	(41.28)	(36.53)
Return after operating charges	(48.29)	456.37	123.75
Distributions	(32.85)	(20.41)	(16.70)
Retained distributions	32.85	20.41	16.70
Closing NAV	2,631.10	2,679.39	2,223.02
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	4.23	2.95	2.25
Dilution adjustments ^[a]	(3.16)	(2.42)	(1.36)
Total direct portfolio transaction costs	1.07	0.53	0.89
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.02	0.04
Operating charges	1.72	1.73	1.75
Return after operating charges	-1.80	+20.53	+5.89
Historic yield	1.27	0.76	0.73
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	10,024	12,576	24,046
Closing NAV percentage of total fund NAV (%)	2.45	1.80	3.28
Number of shares	380,985	469,365	1,081,682
Highest share price (US ¢)	2,968.03	2,741.03	2,276.87
Lowest share price (US ¢)	2,534.84	2,154.76	1,813.63

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Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 19 December 2008.

for the year to 31 August	2018	2017	2016
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	2,858.71	2,354.12	2,206.34
Return before operating charges and after direct portfolio transaction costs	(1.73)	529.54	169.54
Operating charges	(28.68)	(24.95)	(21.76)
Return after operating charges	(30.41)	504.59	147.78
Distributions	(57.39)	(41.13)	(34.14)
Retained distributions	57.39	41.13	34.14
Closing NAV	2,828.30	2,858.71	2,354.12
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	4.53	3.15	2.36
Dilution adjustments ^[a]	(3.38)	(2.59)	(1.43)
Total direct portfolio transaction costs	1.15	0.56	0.93
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.02	0.04
Operating charges	0.97	0.98	0.99
Return after operating charges	-1.06	+21.43	+6.70
Historic yield	2.06	1.44	1.41
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	1,835	17,984	31,184
Closing NAV percentage of total fund NAV (%)	0.45	2.57	4.25
Number of shares	64,874	629,106	1,324,635
Highest share price (US ¢)	3,176.49	2,922.74	2,396.19
Lowest share price (US ¢)	2,724.00	2,285.66	1,912.64

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

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

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

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Financial statements

Statement of total return

for the year to 31 August	Note	2018		2017	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	3		(8,791)		130,604
Revenue	5	17,186		20,652	
Expenses	6	(8,501)		(10,928)	
Net revenue / (expense) before taxation		8,685		9,724	
Taxation	7	(1,244)		(961)	
Net revenue / (expense) after taxation			7,441		8,763
Total return before distributions			(1,350)		139,367
Distributions	8		(10,540)		(11,008)
Change in net assets attributable to shareholders from investment activities			(11,890)		128,359

Statement of change in net assets attributable to shareholders

for the year to 31 August		2018		2017	
		\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders			699,384		733,375
Amounts received on issue of shares		76,927		162,993	
Amounts paid on cancellation of shares		(359,639)		(332,151)	
			(282,712)		(169,158)
Dilution adjustments			1,150		1,352
Change in net assets attributable to shareholders from investment activities (see above)			(11,890)		128,359
Retained distributions on Accumulation shares			3,793		5,456
Closing net assets attributable to shareholders			409,725		699,384

Balance sheet

as at 31 August	Note	2018	2017
		\$'000	\$'000
Assets			
Fixed assets			
Investments		405,941	683,038
Current assets			
Debtors	9	4,807	5,882
Cash and bank balances	10	2,404	5,228
Cash equivalents		6,886	14,350
Total assets		420,038	708,498
Liabilities			
Creditors			
Bank overdrafts		(2,262)	(89)
Distribution payable		(5,245)	(4,904)
Other creditors	11	(2,806)	(4,121)
Total liabilities		(10,313)	(9,114)
Net assets attributable to shareholders		409,725	699,384

Notes to the financial statements

1 Accounting policies

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

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

2 Distribution policy

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

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

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

3 Net capital gains / (losses)

for the year to 31 August	2018	2017
	\$'000	\$'000
Non-derivative securities	(7,762)	131,106
Currency gains / (losses)	(996)	(455)
Transaction charges	(33)	(47)
Net capital gains / (losses)	(8,791)	130,604

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Notes to the financial statements

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 16.

for the year to 31 August	2018 \$'000	% of transaction	2017 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	109,819		150,702	
Commissions	75	0.07	106	0.07
Taxes	75	0.07	105	0.07
Total purchases after transaction costs	109,969		150,913	
b) Sales				
Equities				
Equities before transaction costs	367,842		326,441	
Commissions	(196)	0.05	(251)	0.08
Taxes	(557)	0.15	(450)	0.14
Equities after transaction costs	367,089		325,740	
Other transaction types				
Corporate actions	12,215		0	
Total sales after transaction costs	379,304		325,740	
c) Direct portfolio transaction costs				
Commissions paid				
Equities	271	0.04	357	0.05
Taxes paid				
Equities	632	0.11	555	0.07
Total direct portfolio transaction costs [a]	903	0.15	912	0.12
d) Indirect portfolio transaction costs				
Portfolio dealing spread [b]		0.26		0.22

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

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

5 Revenue

for the year to 31 August	2018 \$'000	2017 \$'000
Bank interest	1	0
Dividends from equity investments: non-taxable	17,075	19,403
Dividends from equity investments: taxable	(134)	140
Interest distributions	173	87
Stock dividends	71	1,022
Total revenue	17,186	20,652

6 Expenses

for the year to 31 August	2018 \$'000	2017 \$'000
Payable to the ACD or associate		
Annual management charge	7,229	9,267
Administration charge	880	1,106
	8,109	10,373
Payable to the Depositary or associate		
Depositary's charge (including VAT)	41	50
Other expenses		
Audit fee (including VAT)	12	11
Interest payable	16	4
Legal fees	0	1
Safe custody charge	321	493
Tax fees (including VAT)	2	0
	351	509
VAT recoverable		
Current year	0	0
Prior year	0	(4)
	0	(4)
Total expenses	8,501	10,928

7 Taxation

for the year to 31 August	2018 \$'000	2017 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	1,223	958
Capital gains tax (India)	21	3
Deferred tax (note 7c)	0	0
Total taxation	1,244	961
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	8,685	9,724
Corporation tax at 20%	1,737	1,945
Effects of:		
Dividends from equity investments: non-taxable	(3,415)	(3,881)
Stock dividends not taxable	(15)	(204)
Current year expenses not utilised	1,693	2,140
Withholding tax	1,223	958
Capital gains tax (India)	21	3
Total tax charge (note 7a)	1,244	961
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of \$20,176,000 (2017: \$18,483,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

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8 Distributions

for the year to 31 August	2018		2017	
	Inc ^[a] \$'000	Acc ^[b] \$'000	Inc ^[a] \$'000	Acc ^[b] \$'000
Dividend distributions				
Final	5,245	3,793	4,904	5,456
Total net distributions		9,038		10,360
Income deducted on cancellation of shares		1,652		877
Income received on issue of shares		(150)		(229)
Distributions		10,540		11,008
Net revenue / (expense) per statement of total return		7,441		8,763
Expenses offset against capital		3,149		3,264
Stock dividends not distributed		(71)		(1,022)
Capital gains tax offset against capital		21		3
Distributions		10,540		11,008

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2018 \$'000	2017 \$'000
Amounts receivable on issues of shares	38	77
Currency deals outstanding	862	2,390
Distributions receivable	14	15
Dividends receivable	1,048	1,821
Sales awaiting settlement	2,845	1,579
Total debtors	4,807	5,882

10 Cash and bank balances

as at 31 August	2018 \$'000	2017 \$'000
Cash held as bank balances	2,404	5,228
Total cash and bank balances	2,404	5,228

11 Other creditors

as at 31 August	2018 \$'000	2017 \$'000
ACD's annual management charge payable	263	395
Administration charge payable	31	49
Amounts payable on cancellation of shares	213	56
Currency deals outstanding	862	2,375
Expenses payable	63	104
Purchases awaiting settlement	1,374	1,142
Total other creditors	2,806	4,121

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2017: same).

13 Shares in issue

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

Share class	Opening 01.09.17	Movements		Closing 31.08.18
		Issued	Cancelled	
Euro				
Class 'A' Accumulation	3,116,526	197,572	(1,966,839)	1,347,259
Class 'C' Accumulation	4,019,799	814,775	(3,498,961)	1,335,613
Sterling				
Class 'A' Income	9,742,682	34,643	(1,574,768)	8,202,557
Class 'A' Accumulation	2,230,785	144,163	(457,281)	1,917,667
Class 'I' Income	706,150	84,977	(93,219)	697,908
Class 'I' Accumulation	1,408,817	255,895	(397,668)	1,267,044
Class 'R' Income	145,633	359,308	(91,295)	413,646
Class 'R' Accumulation	113,830	3,540,407	(165,091)	3,489,146
Class 'X' Income	675,786	12,504	(233,131)	455,159
Class 'X' Accumulation	146,994	6,540	(40,712)	112,822
US dollar				
Class 'A' Accumulation	469,365	18,661	(107,041)	380,985
Class 'C' Accumulation	629,106	17,228	(581,460)	64,874

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %
Euro			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75
Sterling			
Class 'A'	nil	n/a	1.50
Class 'I'	nil	n/a	0.75
Class 'R'	nil	n/a	1.00
Class 'X'	nil	n/a	1.50
US dollar			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75

M&G Asian Fund

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15 Related parties

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

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

During the year, there were transactions in Prudential plc, a related party of M&G Securities Limited with a total value of nil (2017: \$9,173,000).

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 41.32% (2017: 39.57%) of the fund's shares.

16 Events after the balance sheet date

As a result of the Extraordinary General Meetings of Shareholders held on 4 October 2018, the non-sterling share classes of the M&G Asian Fund will be merged into corresponding share classes of M&G (Lux) Asian Fund.

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 August Basis of valuation	Assets	Liabilities	Assets	Liabilities
	2018 \$'000	2018 \$'000	2017 \$'000	2017 \$'000
Level 1	405,941	0	683,038	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	405,941	0	683,038	0

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by \$20,297,000 (2017: \$34,152,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by \$20,486,000 (2017: \$34,969,000). A five per cent decrease would have an equal and opposite effect.

as at 31 August	2018 \$'000	2017 \$'000
Currency exposure in respect of the fund		
Australian dollar	26,006	72,045
Euro	0	22
Hong Kong dollar	161,020	217,433
Indian rupee	12,806	29,194
Indonesian rupiah	6,081	10,180
Philippine peso	7,613	13,518
Singapore dollar	26,014	39,823
Sterling	(3,197)	(712)
South Korean won	70,007	124,280
Taiwan dollar	66,581	120,624
US dollar	36,794	72,977
Total	409,725	699,384

21 Interest rate risk sensitivity and exposure

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

22 Credit risk

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

M&G Asian Fund

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23 Dividend distribution tables

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

Annual distribution period				
	Start	End	Xd	Payment
Final	01.09.17	31.08.18	03.09.18	31.10.18

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

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

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

Euro Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	€ 48.6821	€ 0.0000	€ 48.6821	€ 29.7527

Euro Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	€ 77.7067	€ 10.9562	€ 88.6629	€ 62.5222

Sterling Class 'A' Income shares				
Ordinary distributions for the year to 31 August	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	p 34.6933	p 7.7512	p 42.4445	p 33.8987

Sterling Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	p 28.5709	p 0.0000	p 28.5709	p 17.9241

Sterling Class 'I' Income shares				
Ordinary distributions for the year to 31 August	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	p 36.1811	p 12.3343	p 48.5154	p 38.4523

Sterling Class 'I' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	p 30.7155	p 5.0874	p 35.8029	p 25.9139

Sterling Class 'R' Income shares				
Ordinary distributions for the year to 31 August	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	p 3.4018	p 1.4239	p 4.8257	p 3.8346

Sterling Class 'R' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	p 2.5561	p 0.5203	p 3.0764	p 2.1591

Sterling Class 'X' Income shares				
Ordinary distributions for the year to 31 August	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	p 38.6507	p 3.7365	p 42.3872	p 33.8530

Sterling Class 'X' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	p 27.7918	p 0.5117	p 28.3035	p 17.7556

US dollar Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	¢ 31.0222	¢ 1.8310	¢ 32.8532	¢ 20.4050

US dollar Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	¢ 45.8480	¢ 11.5466	¢ 57.3946	¢ 41.1281

M&G Asian Fund

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M&G European Index Tracker Fund

Authorised Corporate Director's Report

Investment objective and policy

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

Investment approach

The M&G European Index Tracker Fund is a European ex UK fund that tracks the performance of the FTSE World Europe ex UK Index* using a technique called stratified sampling.

The fund will normally hold the largest 100 stocks in the index as well as a selection of the remaining smaller stocks to ensure that the fund's capitalisation and industry weights are in line with the index weightings.

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

Risk profile

The fund is designed to track the performance of the FTSE World Europe ex UK Index, which represents a broad spread of European company shares. Its performance, therefore, reflects the price volatility of the European stockmarket and the performance of individual companies.

The fund will typically hold around 350 stocks, including the largest 100 stocks in the index, as well as a selection of the remaining smaller stocks to ensure that the fund's market capitalisation and industry weights are in line with the index. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 3 September 2018, for the year ended 31 August 2018

Performance against objective

The M&G European Index Tracker Fund is designed to track the FTSE World Europe ex UK Index. Between 1 September 2017 (the start of the review period) and 3 September 2018, the fund's Sterling Class 'A' shares returned 0.9%, while the Euro Class 'A' shares returned 3.1%. The difference in returns between the share classes* reflects currency movements over the period. Meanwhile, the FTSE World Europe ex UK Index returned 2.6% and 4.1% in sterling and euro terms, respectively.

The fund's underperformance against the index is mainly due to timing and charges. Timing differences reflect the fact that the fund is priced at midday while the index is priced at close of business day.

* 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.

Investment performance

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

European stockmarkets delivered mixed performance over the 12 months under review. Investors were initially broadly encouraged by continued positive economic data, both in the eurozone and further afield. However, a range of factors subsequently served to undermine investor confidence, leading to bouts of weakness. In particular, global stockmarkets declined in early 2018 due to concerns that the US Federal Reserve would need to raise interest rates faster than previously anticipated in order to tackle inflation. In addition, uncertainty relating to elections in several European countries also weighed on sentiment, as populist parties gained ground in some countries, most notably in Italy. International trade tensions were further triggers for anxiety.

Politically, the German federal election produced a poor result for the incumbent CDU/CSU bloc. After lengthy negotiations, mainstream parties formed a coalition government despite tensions between the long-term allies. In Austria, an inconclusive result in the legislative election led to the formation of a coalition government between the conservative People's Party and the far-right Freedom Party. Meanwhile, Italian populist parties formed a coalition government after nearly three months of deadlock and political tension that weighed on European stockmarkets, and uncertainties remain. Shortly after the

M&G European Index Tracker Fund

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Investment review

Investment performance (continued)

end of the review period, the Swedish general election produced no overall victor from the two main political blocs, while an anti-immigration party made gains. The inconclusive result paves the way for talks to form a coalition or possibly a fresh election.

Fears about a possible international trade war, and subsequent harm to the global economy, have been prominent since early January 2018 when the US announced plans to impose tariffs on Chinese goods. The US also levied taxes on certain goods from the European Union (EU) and other markets. A range of retaliatory measures have since been threatened or implemented and talks aimed at easing tensions have so far failed to break the deadlock.

Turning to the eurozone economy, data have been encouraging, although recent signs indicate the region's recovery may be weakening. Quarter-on-quarter growth in the eurozone was 0.7% each in the third and fourth quarter of 2017 and slowed to 0.4% in each of the first two quarters of 2018. Over the previous year, the region grew by 2.2%. Germany's growth stood at 0.5% in the most recent quarter and the Spanish economy expanded by 0.6%. Meanwhile, France and Italy both recorded economic growth of 0.2%.

Inflation in the region was 2.0% in August 2018, in line with the European Central Bank's (ECB) target level. Prices had previously remained subdued, but inflation unexpectedly rose sharply from 1.3% in April 2018 to 1.9% the following month as a large increase in the oil price drove the rate higher.

At the same time, unemployment levels in the eurozone continued to fall; unemployment stood at 8.2% in July 2018 – the lowest rate in the region since late 2008. This was stable compared with the previous month and down from 9.1% in July 2017. The lowest rates were recorded in the Czech Republic, Germany and Poland, with levels of 2.3%, 3.4% and 3.5%, respectively. Meanwhile, Greece and Spain had the highest rates, at 19.5% (in May) and 15.1%, respectively. The rate of youth unemployment is also declining in the eurozone, reaching 16.6%, compared with 18.7% in July 2017.

In January 2018, the ECB began scaling back its asset-purchase programme, which was implemented to support the eurozone economy. Despite softer economic data, in June the ECB announced plans to halve the size of its monthly asset purchases after September 2018 and halt the programme at the end of the year. However, companies in the eurozone are still benefiting from extremely low interest rates and borrowing costs are expected to remain low for the time being.

At a sector level, performance was mixed; the strongest industries included support services and technology, while oil-related stocks benefited from higher oil prices over the past year.

Certain 'defensive' stocks, which tend not to respond much to swings in economic cycles, also performed well, with tobacco stocks among the strongest sectors, while personal goods stocks also outperformed the broader market. In contrast, miners, banks and financials trailed the wider market, as did other defensives, such as utilities.

Investment activities

Certain companies were added to the index and we subsequently initiated holdings in the portfolio. For example, new entrants included Rubis, a French specialist in energy storage and distribution, Swiss company Logitech International, a provider of personal computer and mobile accessories, and Austrian sensor developer ams.

Meanwhile, Italian tyre maker Pirelli floated on the Italian stock exchange and subsequently joined the FTSE World Europe ex UK Index and therefore the portfolio. Pirelli was previously held in the portfolio before being taken over by ChemChina in 2015.

Changes to the index weighting of some holdings resulted in certain transactions in the portfolio. For example, we added to positions in Dutch insurance group ASR Nederland and Germany's Covestro, which supplies high-tech polymer materials, following increases to their index weightings.

As always, a large number of transactions related to significant cashflows into and out of the fund during the period under review. Such transactions involved German chemical firm Bayer, German engineering company Siemens, French oil and gas concern Total and Swiss food and beverage company Nestlé.

Outlook

Market observers will be paying close attention to developments in international trade relations, with the outcome and possible implications for global trade and economic activity likely to become clearer in the coming months. Meanwhile, there has been a lack of significant progress in the negotiations regarding the UK's departure from the EU, which is due to take place in March 2019, and considerable uncertainty remains.

Despite challenges in the near term, which are likely to dampen sentiment at times, we believe the prospects for the European stockmarket are broadly favourable. Economic growth in the eurozone remains positive, albeit somewhat softer of late. The region's economy is expanding, unemployment levels continue to improve, while businesses are supported by low interest rates.

Nigel Booth

Fund manager

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

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

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Portfolio statement

as at 31 August Holding	2018 €'000	2018 %	2017 %
EQUITIES	100,257	97.98	98.35
Austria	523	0.51	0.57
1,450 Andritz	74	0.07	
4,672 Erste Group	161	0.16	
2,214 OMV	102	0.10	
1,956 Raiffeisen International Bank	47	0.05	
4,152 Telekom Austria Group	31	0.03	
1,114 Vienna Insurance Group	26	0.02	
2,113 Voestalpine	82	0.08	
Belgium	2,266	2.22	2.51
514 Ackermans & van Haaren	79	0.08	
3,507 Ageas	156	0.15	
13,253 Anheuser-Busch InBev	1,064	1.04	
989 bpost	13	0.01	
1,365 Groupe Bruxelles Lambert	123	0.12	
4,730 KBC Group	289	0.28	
2,246 Proximus	45	0.05	
1,008 Solvay	116	0.11	
757 Telenet Group	36	0.04	
2,290 UCB	180	0.18	
3,436 Umicore	165	0.16	
Czech Republic	111	0.11	0.11
1,745 CEZ	38	0.04	
2,008 Komerční banka	73	0.07	
Denmark	3,693	3.61	3.79
185 AP Moller-Maersk	249	0.24	
1,474 Carlsberg	155	0.15	
1,642 Chr. Hansen Holding	144	0.14	
2,558 Coloplast	234	0.23	
11,543 Danske Bank	295	0.29	
3,176 DSV	255	0.25	
1,065 Genmab	158	0.16	
3,873 ISS	116	0.11	
1,339 JYSKE Bank	59	0.06	
30,364 Novo-Nordisk	1,288	1.26	
4,042 Novozymes	191	0.19	
2,975 Orsted (formerly Dong Energy)	162	0.16	
1,874 Pandora	96	0.09	
3,500 Tryg	74	0.07	
3,626 Vestas Wind Systems	217	0.21	
Finland	2,437	2.38	2.27
2,585 Elisa	96	0.09	
6,514 Fortum	142	0.14	
1,013 Huhtamaki	31	0.03	
1,846 Kesko	93	0.09	
6,736 Kone	315	0.31	
1,797 Metso	55	0.05	
2,512 Neste	187	0.18	
91,113 Nokia	440	0.43	
1,479 Nokian Renkaat	53	0.05	
2,254 Orion Corporation	71	0.07	
8,237 Sampo	363	0.36	
8,332 Stora Enso	133	0.13	
9,318 UPM-Kymmene	309	0.30	
8,213 Wartsila	149	0.15	

Portfolio statement (continued)

as at 31 August Holding	2018 €'000	2018 %	2017 %
France	23,074	22.55	20.98
3,508 Accor	152	0.15	
443 Aéroports de Paris	83	0.08	
1,294 Air Liquide	141	0.14	
5,279 Air Liquide (prime de fidélité 2012)	575	0.56	
1,100 Air Liquide (prime de fidélité 2019)	120	0.12	
9,368 Airbus	1,000	0.98	
3,014 Alstom	114	0.11	
1,006 Arkema	108	0.11	
1,605 AtoS	165	0.16	
32,487 AXA	708	0.69	
1,012 BioMérieux	77	0.08	
18,440 BNP Paribas	936	0.91	
14,068 Bolloré	58	0.05	
3,551 Bouygues	136	0.13	
4,518 Bureau Veritas	100	0.10	
2,675 Cap Gemini	297	0.29	
8,735 Carrefour	135	0.13	
1,028 Casino Guichard Perrachon	31	0.03	
2,656 CNP Assurances	53	0.05	
8,482 Compagnie de Saint Gobain	315	0.31	
777 Covivio REIT (formerly Foncière Des Régions REIT)	69	0.07	
20,302 Crédit Agricole	240	0.23	
10,228 Danone	695	0.68	
52 Dassault Aviation	83	0.08	
2,376 Dassault Systemes	330	0.32	
4,157 Edenred	136	0.13	
6,782 EDF	95	0.09	
3,522 EDF (prime de fidélité 2017)	49	0.05	
1,245 Eiffage	121	0.12	
3,000 Elis	59	0.06	
8,712 ENGIE (prime de fidélité 2017)	110	0.11	
5,000 ENGIE (prime de fidélité 2019)	63	0.06	
17,798 ENGIE (prime de fidélité regd)	226	0.22	
3,573 Essilor International	444	0.43	
998 Eurazeo	65	0.06	
220 Eurofins Scientific	107	0.10	
3,283 Eutelsat Communications	67	0.06	
1,404 Faurecia	74	0.07	
940 Gecina REIT	138	0.13	
1,570 Gemalto	78	0.08	
7,126 Getlink (formerly Groupe Eurotunnel)	77	0.08	
541 Hermes International	304	0.30	
352 Iliad	40	0.04	
835 Imerys	52	0.05	
944 Ingenico	57	0.06	
587 Ipsen	90	0.09	
1,294 Kering	611	0.60	
4,178 Klepierre REIT	128	0.13	
2,991 LafargeHolcim (Regd.)	125	0.12	
2,137 Lagardère	54	0.05	
4,778 Legrand	310	0.30	
886 L'Oréal	183	0.18	
3,416 L'Oréal (prime de fidélité 2012)	705	0.69	
4,292 LVMH	1,300	1.27	
2,958 Michelin	303	0.30	
16,292 Natixis	94	0.09	
32,937 Orange	461	0.45	

M&G European Index Tracker Fund

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Portfolio statement (continued)			
as at 31 August	2018	2018	2017
Holding	€'000	%	%
France (continued)			
873 Orpea	101	0.10	
3,829 Pernod Ricard	517	0.51	
6,692 Peugeot	159	0.16	
1,180 Plastic Omnium	40	0.04	
3,910 Publicis Groupe	217	0.21	
3,100 Renault	230	0.22	
5,263 Rexel	71	0.07	
1,549 Rubis	79	0.08	
4,823 Safran	538	0.53	
18,964 Sanofi	1,404	1.37	
9,029 Schneider Electric	634	0.62	
1,961 SCOR	68	0.07	
461 SEB SA	74	0.07	
5,836 SES FDR	101	0.10	
577 Société BIC (formerly BIC)	46	0.04	
12,604 Société Générale	445	0.43	
538 Sodexo	49	0.05	
1,500 Sodexo (prime de fidélité regd)	135	0.13	
10,900 STMicroelectronics	194	0.19	
3,139 Suez	39	0.04	
7,766 TechnipFMC	205	0.20	
1,158 Teleperformance	191	0.19	
1,794 Thales	216	0.21	
41,844 Total	2,264	2.21	
1,554 Ubisoft	142	0.14	
4,184 Valeo	163	0.16	
7,794 Veolia Environnement	141	0.14	
8,250 Vinci	682	0.67	
17,982 Vivendi	403	0.39	
621 Wendel	79	0.08	
Germany	20,527	20.06	19.70
3,476 adidas	748	0.73	
7,508 Allianz	1,387	1.36	
849 Axel Springer	53	0.05	
16,195 BASF	1,299	1.27	
15,623 Bayer	1,271	1.24	
6,488 Bayerische Motoren Werke	543	0.53	
159 Bayerische Motoren Werke Pref.	11	0.01	
1,209 Beiersdorf	121	0.12	
2,685 Brenntag	141	0.14	
3,410 Ceconomy	22	0.02	
19,093 Commerzbank	157	0.15	
1,963 Continental	311	0.30	
2,727 Covestro	200	0.20	
15,444 Daimler	866	0.85	
1,200 Delivery Hero	58	0.06	
31,807 Deutsche Bank	310	0.30	
3,282 Deutsche Börse	391	0.38	
4,178 Deutsche Lufthansa	94	0.09	
16,755 Deutsche Post	527	0.51	
56,554 Deutsche Telekom	792	0.77	
6,154 Deutsche Wohnen	268	0.26	
35,887 E.ON	330	0.32	
2,417 Evonik Industries	77	0.08	
665 Fraport	52	0.05	
7,171 Fresenius	472	0.46	
3,755 Fresenius Medical Care	330	0.32	
374 Fuchs Petrolub	17	0.02	
1,397 Fuchs Petrolub Pref.	70	0.07	

Portfolio statement (continued)

as at 31 August	2018	2018	2017
Holding	€'000	%	%
Germany (continued)			
3,459 GEA Group	113	0.11	
1,205 Hannover Re	142	0.14	
2,747 HeidelbergCement	190	0.18	
4,633 Henkel Pref.	512	0.50	
228 Hochtief	32	0.03	
1,284 HUGO BOSS	88	0.09	
19,582 Infineon Technologies	430	0.42	
2,577 Innogy	94	0.09	
3,971 K&S	78	0.08	
1,491 Kion Group	88	0.09	
1,244 LANXESS	85	0.08	
1,316 LEG Immobilien (formerly LEG)	138	0.13	
3,204 Linde	627	0.61	
683 MAN	64	0.06	
2,240 Merck Group	204	0.20	
4,029 Metro AG	54	0.05	
894 MTU Aero Engines	169	0.17	
2,343 Muenchener Rueckversicherungs-Gesellschaft	438	0.43	
1,709 OSRAM	66	0.06	
2,896 Porsche Pref.	159	0.16	
3,925 ProSiebenSat.1 Media	89	0.09	
107 Puma	51	0.05	
3,915 QIAGEN	130	0.13	
500 Rheinmetall	47	0.05	
920 RTL	59	0.06	
9,065 RWE	198	0.19	
16,001 SAP	1,655	1.62	
13,236 Siemens	1,484	1.45	
1,800 Siemens Healthineers	70	0.07	
3,529 Südzucker	42	0.04	
2,258 Symrise	182	0.18	
18,122 Telefónica Deutschland	66	0.06	
8,079 ThyssenKrupp	161	0.16	
4,372 Uniper	114	0.11	
2,146 United Internet	98	0.10	
1,250 Volkswagen	174	0.17	
2,398 Volkswagen Pref. (non-voting)	338	0.33	
8,408 Vonovia	370	0.36	
2,155 Wirecard	412	0.40	
2,167 Zalando	98	0.10	
Greece	251	0.24	0.32
26,395 Alpha Bank	42	0.04	
3,141 FF Group	15	0.01	
2,568 Hellenic Petroleum	19	0.02	
4,617 Hellenic Telecommunications	52	0.05	
1,807 Jumbo	24	0.02	
121,718 National Bank of Greece	29	0.03	
5,838 OPAP	54	0.05	
6,750 Piraeus Bank	16	0.02	
Hungary	241	0.24	0.28
3,103 Gedeon Richter	52	0.05	
5,015 MOL Hungarian Oil & Gas	44	0.05	
4,621 OTP Bank	145	0.14	
Ireland	613	0.60	0.55
12,064 AIB Group (formerly Allied Irish Bank)	58	0.06	
16,629 Bank of Ireland	118	0.12	
4,976 Glanbia	71	0.07	
16,490 Irish Bank Resolution Corporation ^[a]	0	0.00	
2,587 Kerry Group	250	0.24	
2,761 Kingspan Group	116	0.11	

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Portfolio statement (continued)			
as at 31 August Holding	2018 €'000	2018 %	2017 %
Italy	5,248	5.13	5.46
22,545 Assicurazioni Generali	326	0.32	
9,618 Atlantia	175	0.17	
7,715 Banca Mediolanum	45	0.04	
26,896 Banco BPM	54	0.05	
1,563 Buzzi Unicem	27	0.03	
15,445 CNH Industrial	160	0.16	
10,963 Davide Campari Milano	84	0.08	
136,239 Enel	583	0.57	
42,908 Eni	688	0.67	
1,958 EXOR	111	0.11	
2,196 Ferrari	250	0.25	
18,154 Fiat Chrysler Automobiles	266	0.26	
8,076 FinecoBank	83	0.08	
1,245 GEDI Gruppo Editoriale	0	0.00	
250,340 Intesa Sanpaolo	538	0.53	
6,526 Italgas	30	0.03	
8,596 Leonardo	83	0.08	
2,698 Luxottica Group	154	0.15	
8,891 Mediaset	23	0.02	
10,875 Mediobanca	88	0.09	
2,934 Moncler	114	0.11	
6,839 Parmalat	19	0.02	
7,706 Pirelli	54	0.05	
5,182 Prysmian	115	0.11	
2,219 Recordati	67	0.07	
12,040 Saipem	55	0.05	
27,101 Snam	96	0.09	
195,178 Telecom Italia	108	0.11	
119,508 Telecom Italia (Savings shares)	58	0.06	
8,165 Tenaris	117	0.11	
29,551 Terna	134	0.13	
21,985 UBI Banca	72	0.07	
37,568 UniCredit	471	0.46	
Netherlands	7,735	7.56	7.14
1,400 Aalberts Industries	51	0.05	
7,521 ABN Amro GDR	175	0.17	
31,419 Aegon	163	0.16	
4,529 Akzo Nobel	365	0.36	
11,900 Altice	32	0.03	
10,261 ArcelorMittal	268	0.26	
7,182 ASML Holding	1,261	1.23	
2,516 ASR Nederland	103	0.10	
1,973 Boskalis Westminster	49	0.05	
3,127 DSM	284	0.28	
4,835 Heineken	410	0.40	
1,281 Heineken Holding	104	0.10	
65,868 ING Groep	770	0.75	
20,922 Koninklijke Ahold Delhaize	438	0.43	
50,352 KPN	111	0.11	
6,315 NN Group	233	0.23	
16,004 Philips	616	0.60	
2,068 Randstad Holding	112	0.11	
15,309 RELX	292	0.29	
2,010 Unibail-Rodamco-REIT	364	0.36	
24,619 Unilever	1,221	1.19	
1,161 Vopak	52	0.05	
4,766 Wolters Kluwer	261	0.25	

Portfolio statement (continued)

as at 31 August Holding	2018 €'000	2018 %	2017 %
Norway	1,539	1.50	1.33
19,063 DnB	336	0.33	
17,813 Equinor (formerly Statoil)	395	0.38	
3,895 Gjensidige Forsikring	56	0.05	
7,469 Marine Harvest	139	0.14	
16,352 Norsk Hydro	78	0.08	
14,141 Orkla	101	0.10	
1,651 Schibsted 'A'	51	0.05	
2,013 Schibsted 'B'	57	0.05	
12,092 Telenor	198	0.19	
3,213 Yara International	128	0.13	
Poland	978	0.96	1.00
2,057 Alior Bank	33	0.03	
1,208 Bank Handlowy w Warszawie	20	0.02	
2,920 Bank Pekao	80	0.08	
480 Bank Zachodni WBK	42	0.04	
231 Budimex	6	0.01	
1,496 CD Projekt	72	0.07	
1,624 Ciech	20	0.02	
10,864 ENEA	21	0.02	
2,792 Grupa Azoty	25	0.02	
3,335 KGHM Polska Miedz	70	0.07	
34 LPP	74	0.07	
369 mBank	36	0.04	
24,109 Orange Polska	27	0.03	
12,048 PGE Polska Grupa Energetyczna	25	0.02	
35,447 PGNiG	48	0.05	
5,944 PKN Orlen	136	0.13	
12,046 PKO Bank Polski	120	0.12	
10,531 PZU	108	0.11	
32,830 TAURON Polska Energia	15	0.01	
Portugal	393	0.38	0.32
41,873 EDP - Energias de Portugal	141	0.14	
10,401 Galp Energia	181	0.17	
5,453 Jerónimo Martins	71	0.07	
Spain	6,514	6.36	7.39
763 Acciona	58	0.06	
4,058 Acerinox	47	0.05	
4,009 ACS Actividades	144	0.14	
1,096 Aena	166	0.16	
7,286 Amadeus IT Group (formerly Amadeus IT Holdings)	584	0.57	
93,808 Banco de Sabadell	125	0.12	
272,168 Banco Santander	1,168	1.14	
21,278 Bankia	70	0.07	
13,520 Bankinter	104	0.10	
111,609 BBVA	603	0.59	
61,776 Caixabank	239	0.23	
3,775 Cellnex Telecom	83	0.08	
16,068 Distribuidora Internacional de Alimentación (DIA)	34	0.03	
4,071 Enagas	97	0.09	
5,921 Endesa	114	0.11	
8,608 Ferrovial	160	0.16	
7,874 Grifols	201	0.20	
394 Grifols Pref.	7	0.01	
101,074 Iberdrola	648	0.63	
17,753 Inditex	460	0.45	
26,856 Mapfre	68	0.07	
1,534 Mediaset España Comunicación	10	0.01	
6,335 Merlin Properties REIT	76	0.08	
4,656 Naturgy Energy (formerly Gas Natural)	107	0.10	

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Portfolio statement (continued)			
as at 31 August Holding	2018 €'000	2018 %	2017 %
Spain (continued)			
7,697 Red Electrica	139	0.14	
20,575 Repsol	341	0.33	
4,367 Siemens Gamesa	56	0.05	
80,020 Telefónica	560	0.55	
5,557 Zardoya Otis	45	0.04	
Sweden			
	5,869	5.74	6.20
5,929 Alfa Laval	137	0.13	
7,555 Arjo	21	0.02	
15,799 Assa Abloy	277	0.27	
16,050 Atlas Copco	393	0.38	
5,222 Boliden	119	0.12	
4,032 Electrolux	77	0.08	
16,850 Epiroc	149	0.14	
51,171 Ericsson	372	0.36	
10,496 Essity	235	0.23	
2,754 Fastighets AB Balder	67	0.07	
929 Getinge	10	0.01	
17,387 Hennes & Mauritz	202	0.20	
4,123 Hexagon	211	0.21	
6,957 Husqvarna	48	0.05	
2,136 ICA Gruppen	56	0.05	
5,807 Industrivarden	109	0.11	
3,572 Investment AB Latour	36	0.04	
8,128 Investor	315	0.31	
4,206 Kinnevik	120	0.12	
3,465 Lundin Petroleum	104	0.10	
200 Modern Times 'B'	6	0.01	
53,140 Nordea Bank	495	0.48	
18,961 Sandvik	286	0.28	
4,722 Securitas	72	0.07	
23,345 Skandinaviska Enskilda Banken	216	0.21	
6,480 Skanska	105	0.10	
7,728 SKF	129	0.13	
8,611 Svenska Cellulosa	87	0.08	
23,599 Svenska Handelsbanken	248	0.24	
17,235 Swedbank	347	0.34	
2,849 Swedish Match	131	0.13	
4,969 Tele2	53	0.05	
48,806 Telia	188	0.18	
4,929 Trelleborg	83	0.08	
24,534 Volvo	365	0.36	
Switzerland			
	17,765	17.37	17.45
32,815 ABB (Regd.)	664	0.65	
2,890 Adecco (Regd.)	153	0.15	
908 ams	61	0.06	
1,517 ARYZTA	13	0.01	
876 Baloise Holdings (Regd.)	116	0.11	
63 Banque Cantonale Vaudoise	41	0.04	
2,660 Clariant (Regd.)	57	0.06	
8,937 Compagnie Financière Richemont (Regd.)	677	0.66	

Portfolio statement (continued)

as at 31 August Holding	2018 €'000	2018 %	2017 %
Switzerland (continued)			
43,635 Credit Suisse Group (Regd.)	564	0.55	
646 Dufry	68	0.07	
101 EMS-Chemie Holding	55	0.05	
426 Flughafen Zurich	76	0.07	
631 Geberit	246	0.24	
60 Georg Fischer	67	0.07	
158 Givaudan	332	0.33	
126 Helvetia Holding	65	0.06	
3,923 Julius Baer Gruppe (Regd.)	179	0.17	
851 Kuehne & Nagel	118	0.12	
5,223 LafargeHolcim (Regd.)	219	0.21	
3 Lindt & Sprüngli	225	0.22	
2,628 Logitech	111	0.11	
1,245 Lonza Group (Regd.)	345	0.34	
52,679 Nestlé (Regd.)	3,789	3.70	
37,196 Novartis (Regd.)	2,664	2.60	
865 Pargesa Holdings (Bearer)	60	0.06	
287 Partners Group (Regd.)	194	0.19	
738 PSP Swiss Property	63	0.06	
12,372 Roche Holding 'Genussscheine'	2,648	2.59	
1,056 Schindler Holding	209	0.20	
93 SGS SA (Regd.)	211	0.21	
2,220 Sika	284	0.28	
1,049 Sonova Holding	169	0.17	
179 Straumann Holding	124	0.12	
384 Sulzer (Regd.)	41	0.04	
634 Swatch Group (Bearer)	230	0.23	
584 Swiss Life Holding (Regd.)	182	0.18	
1,207 Swiss Prime Site	95	0.09	
5,326 Swiss Re	413	0.40	
401 Swisscom (Regd.)	155	0.15	
1,094 Temenos Group	170	0.17	
59,971 UBS Group (Regd.)	807	0.79	
898 Vifor Pharma	142	0.14	
2,525 Zurich Insurance Group	663	0.65	
Turkey			
	404	0.39	0.98
40,546 Akbank	30	0.03	
7,086 Anadolu Efes	19	0.02	
4,055 BIM Birlesik Magazalar	38	0.04	
13,970 Emlak Konut Gayrimenkul Yatirim REIT	3	0.00	
11,298 ENKA	8	0.01	
25,696 Eregli Demir Celik Fabrikalari	39	0.04	
2,369 Ford Otosan	19	0.02	
24,329 Hacı Ömer Sabancı	23	0.02	
18,764 Koç Holding	36	0.03	
6,105 Tofaş Türk Otomobil Fabrikası	18	0.02	
2,754 Tüpraş	43	0.04	
1,134 Türk Traktör	7	0.01	
19,783 Turkcell Iletisim	28	0.03	
2,099 Turkish Airlines	5	0.00	
34,312 Türkiye Garanti Bankası	27	0.03	
19,423 Türkiye Halk Bankası (formerly Halkbank)	16	0.01	
31,496 Türkiye İş Bankası	16	0.01	
26,528 Türkiye Şişe ve Cam Fabrikaları	21	0.02	
18,551 Türkiye Vakıflar Bankası	8	0.01	

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 31 August	2018	2018	2017
Holding	€'000	%	%
United States	76	0.07	0.00
4,953 Alice USA	76	0.07	
EQUITY DERIVATIVES	(46)	(0.04)	(0.07)
Equity futures contracts	(46)	(0.04)	(0.07)
77 Euro Stoxx 50 Index Sep 2018	(46)	(0.04)	
Portfolio of investments	100,211	97.94	98.28
CASH EQUIVALENTS	2,207	2.16	0.26
'AAA' rated money market funds ^[b]	2,207	2.16	0.26
1,980,000 Northern Trust Global Fund - Sterling	2,207	2.16	
Total portfolio (notes 2c and 2d on page 7)	102,418	100.10	98.54
Net other assets / (liabilities)	(104)	(0.10)	1.46
Net assets attributable to shareholders	102,314	100.00	100.00

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

^[a] Delisted.

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

Top ten portfolio transactions

for the year to 31 August 2018

	€'000
Largest purchases	
Total	504
Nestlé (Regd.)	493
ASML Holding	448
Air Liquide	383
SAP	330
Bayer	320
Siemens	308
Roche Holding 'Genussscheine'	288
Banco Santander	274
BASF	237
Other purchases	11,844
Total purchases	15,429
Largest sales	
Total	3,071
Nestlé (Regd.)	2,408
Novartis (Regd.)	2,030
Roche Holding 'Genussscheine'	1,655
Banco Santander	1,383
Siemens	1,311
SAP	1,285
Allianz	1,274
Bayer	1,233
Unilever	1,212
Other sales	68,356
Total sales	85,218

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

M&G European Index Tracker Fund

Financial highlights

Fund performance

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

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

Index tracking

The tracking difference between the fund's investment return and that of the FTSE World Europe ex UK Index for the 12 month period ending 31 August 2018 was -0.22% (31 August 2017: -0.14%). The investment returns are calculated gross of fees using end of day pricing in order to be comparable with the index.

The historic tracking error of the investment return of the fund relative to the FTSE World Europe ex UK Index for the period ending 31 August 2018 was +0.17% (31 August 2017: +0.17%), which falls within the predicted tracking error range of 0.00% to 0.50%. Historic tracking error is a measure of the monthly volatility of the investment returns relative to the index over a 36 month period.

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

Fund level performance

Fund net asset value			
as at 31 August	2018 €'000	2017 €'000	2016 €'000
Fund net asset value (NAV)	102,314	171,552	102,173

Performance since launch

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



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

Long-term performance by share class

	One year 01.09.17 % ^[a]	Three years 03.09.15 % p.a.	Five years 03.09.13 % p.a.	Since launch % p.a.
Euro^[b]				
Class 'A'	+3.1	+5.5	+8.4	+4.4 ^[c]
Sterling^[d]				
Class 'A'	+0.9	+13.0	+9.8	+5.1 ^[e]

^[a] Absolute basis.

^[b] Price to price with net income reinvested.

^[c] 28 November 2001, the launch date of the share class.

^[d] Price to price with income reinvested.

^[e] 31 January 2000, the end of the initial offer period of the predecessor unit trust.

M&G European Index Tracker 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, comprising operating charges and portfolio transaction costs.

Operating charges

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

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

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

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

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

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

Portfolio transaction costs

for the year to 31 August	2018	2017	2016	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.01	0.02	0.01	0.01
Taxes	0.01	0.04	0.01	0.02
Costs before dilution adjustments	0.02	0.06	0.02	0.03
Dilution adjustments ^[c]	(0.02)	(0.06)	(0.02)	(0.03)
Total direct portfolio transaction costs	0.00	0.00	0.00	0.00
as at 31 August	2018	2017	2016	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.05	0.05	0.05	0.05

^[a] Average of first three columns.

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

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

M&G European Index Tracker Fund

Financial highlights

Specific share class performance

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

Historic yields for the current period are calculated as at 14 September 2018.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,988.51	1,735.75	1,750.80
Return before operating charges and after direct portfolio transaction costs	74.51	266.79	(2.98)
Operating charges	(14.38)	(14.03)	(12.07)
Return after operating charges	60.13	252.76	(15.05)
Distributions	(45.40)	(40.03)	(39.96)
Retained distributions	45.40	40.03	39.96
Closing NAV	2,048.64	1,988.51	1,735.75
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.47	1.13	0.34
Dilution adjustments ^[a]	(0.47)	(1.13)	(0.33)
Total direct portfolio transaction costs	0.00	0.00	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.70	0.72	0.71
Return after operating charges	+3.02	+14.56	-0.86
Historic yield	2.22	2.00	2.26
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	15,220	85,930	25,400
Closing NAV percentage of total fund NAV (%)	14.88	50.09	24.86
Number of shares	742,930	4,321,333	1,463,365
Highest share price (Euro ¢)	2,147.55	2,083.57	1,894.95
Lowest share price (Euro ¢)	1,946.58	1,679.68	1,499.74

Sterling Class 'A' Income share performance

The share class was launched on 31 January 2000.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	86.23	71.20	63.53
Return before operating charges and after direct portfolio transaction costs	1.30	17.94	9.81
Operating charges	(0.61)	(0.57)	(0.46)
Return after operating charges	0.69	17.37	9.35
Distributions	(2.48)	(2.34)	(1.68)
Closing NAV	84.44	86.23	71.20
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.05	0.01
Dilution adjustments ^[a]	(0.02)	(0.05)	(0.01)
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.71	0.71	0.70
Return after operating charges	+0.80	+24.40	+14.72
Historic yield ^[c]	2.95	2.70	2.33
Effect on yield of charges offset against capital	0.65	0.65	0.00
Other information			
Closing NAV (€'000)	36,196	42,265	37,258
Closing NAV percentage of total fund NAV (%)	35.38	24.64	36.47
Number of shares	38,461,709	45,135,726	44,387,941
Highest share price (UK p)	89.43	89.63	75.31
Lowest share price (UK p)	80.23	69.44	58.38

Sterling Class 'A' Accumulation share performance

The share class was launched on 31 January 2000.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	123.90	99.60	86.83
Return before operating charges and after direct portfolio transaction costs	2.01	25.09	13.40
Operating charges	(0.88)	(0.79)	(0.63)
Return after operating charges	1.13	24.30	12.77
Distributions	(2.76)	(2.50)	(2.29)
Retained distributions	2.76	2.50	2.29
Closing NAV	125.03	123.90	99.60
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.07	0.02
Dilution adjustments ^[a]	(0.03)	(0.07)	(0.02)
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.71	0.71	0.70
Return after operating charges	+0.91	+24.40	+14.71
Historic yield	2.21	2.01	2.28
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	50,898	43,357	39,515
Closing NAV percentage of total fund NAV (%)	49.74	25.27	38.67
Number of shares	36,521,977	32,226,481	33,648,641
Highest share price (UK p)	128.46	125.38	102.93
Lowest share price (UK p)	115.24	97.13	79.80

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

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

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

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Statement of total return

for the year to 31 August	Note	2018		2017	
		€'000	€'000	€'000	€'000
Income					
Net capital gains / (losses)	3		1,209		9,938
Revenue	5	3,956		3,565	
Expenses	6	(1,007)		(824)	
Net revenue / (expense) before taxation		2,949		2,741	
Taxation	7	(281)		(290)	
Net revenue / (expense) after taxation			2,668		2,451
Total return before distributions			3,877		12,389
Distributions	8		(2,928)		(2,717)
Change in net assets attributable to shareholders from investment activities			949		9,672

Statement of change in net assets attributable to shareholders

for the year to 31 August		2018		2017	
		€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders			171,552		102,173
Amounts received on issue of shares		34,381		75,486	
Amounts paid on cancellation of shares		(106,139)		(18,504)	
			(71,758)		56,982
Dilution adjustments			112		120
Change in net assets attributable to shareholders from investment activities (see above)			949		9,672
Retained distributions on Accumulation shares			1,459		2,605
Closing net assets attributable to shareholders			102,314		171,552

Balance sheet

as at 31 August	Note	2018 €'000	2017 €'000
Assets			
Fixed assets			
Investments		100,257	168,712
Current assets			
Debtors	9	836	3,227
Cash and bank balances	10	568	3,467
Cash equivalents		2,207	453
Total assets		103,868	175,859
Liabilities			
Investment liabilities		(46)	(115)
Creditors			
Bank overdrafts		(16)	0
Distribution payable		(1,065)	(1,145)
Other creditors	11	(427)	(3,047)
Total liabilities		(1,554)	(4,307)
Net assets attributable to shareholders		102,314	171,552

Notes to the financial statements

1 Accounting policies

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

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

2 Distribution policy

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

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

3 Net capital gains / (losses)

for the year to 31 August	2018 €'000	2017 €'000
Non-derivative securities	1,361	9,894
Derivative contracts	(84)	97
Currency gains / (losses)	(34)	(19)
Transaction charges	(34)	(34)
Net capital gains / (losses)	1,209	9,938

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4 Portfolio transactions and associated costs

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

for the year to 31 August	2018 €'000	% of transaction	2017 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	15,291		69,947	
Commissions	4	0.03	15	0.02
Taxes	11	0.07	50	0.07
Equities after transaction costs	15,306		70,012	
Other transaction types				
Corporate actions	123		1,319	
Total purchases after transaction costs	15,429		71,331	
b) Sales				
Equities				
Equities before transaction costs	84,794		11,871	
Commissions	(18)	0.02	(3)	0.03
Equities after transaction costs	84,776		11,868	
Other transaction types				
Corporate actions	442		2,057	
Total sales after transaction costs	85,218		13,925	
c) Direct portfolio transaction costs				
	2018 €'000	% of average NAV	2017 €'000	% of average NAV
Commissions paid				
Equities	22	0.01	18	0.02
Derivatives	1	0.00	0	0.00
Total commissions paid	23	0.01	18	0.02
Taxes paid				
Equities	11	0.01	50	0.04
Total direct portfolio transaction costs [a]	34	0.02	68	0.06
d) Indirect portfolio transaction costs				
Portfolio dealing spread [b]		0.05		0.05

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

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

5 Revenue

for the year to 31 August	2018 €'000	2017 €'000
Bank interest	0	15
Derivative revenue	(1)	(1)
Dividends from equity investments: non-taxable	3,808	3,202
Dividends from equity investments: taxable	(34)	67
Interest distributions	2	0
Stock dividends	181	282
Total revenue	3,956	3,565

6 Expenses

for the year to 31 August	2018 €'000	2017 €'000
for the year to 31 August		
Payable to the ACD or associate		
Annual management charge	727	595
Administration charge	218	178
	945	773
Payable to the Depositary or associate		
Depositary's charge (including VAT)	13	11
Other expenses		
Audit fee (including VAT)	11	9
Interest payable	12	10
Safe custody charge	26	21
	49	40
Total expenses	1,007	824

7 Taxation

for the year to 31 August	2018 €'000	2017 €'000
for the year to 31 August		
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	281	290
Deferred tax (note 7c)	0	0
Total taxation	281	290
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	2,949	2,741
Corporation tax at 20%	590	548
Effects of:		
Dividends from equity investments: non-taxable	(762)	(640)
Stock dividends not taxable	(36)	(56)
Current year expenses not utilised	209	149
Withholding tax	281	290
Overseas tax expensed	(1)	(1)
Total tax charge (note 7a)	281	290
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of €1,070,000 (2017: €861,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

for the year to 31 August	2018		2017	
	Inc [a] €'000	Acc [b] €'000	Inc [a] €'000	Acc [b] €'000
Dividend distributions				
Final	1,065	1,459	1,145	2,605
Total net distributions		2,524		3,750
Income deducted on cancellation of shares		549		58
Income received on issue of shares		(145)		(1,091)
Distributions		2,928		2,717
Net revenue / (expense) per statement of total return		2,668		2,451
Expenses offset against capital		260		266
Distributions		2,928		2,717

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9 Debtors

as at 31 August	2018 €'000	2017 €'000
Amounts receivable on issues of shares	0	1,968
Currency deals outstanding	0	542
Distributions receivable	1	0
Dividends receivable	26	41
Withholding tax recoverable	809	676
Total debtors	836	3,227

10 Cash and bank balances

as at 31 August	2018 €'000	2017 €'000
Amounts held at futures clearing houses and collateral manager	210	450
Cash held as bank balances	358	3,017
Total cash and bank balances	568	3,467

11 Other creditors

as at 31 August	2018 €'000	2017 €'000
ACD's annual management charge payable	25	40
Administration charge payable	8	12
Corporation tax payable	372	470
Currency deals outstanding	0	542
Expenses payable	22	28
Purchases awaiting settlement	0	1,955
Total other creditors	427	3,047

12 Contingent assets, liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2017: same).

The fund has recognised a contingent asset of €716,000 as a result of the European Court of Justice rulings in November 2012 and Supreme Court judgements in July 2018 in relation to Prudential Assurance Co Ltd v Commissioners for HMRC. The fund may recover further amounts of UK corporation tax suffered and accounted for on overseas dividends receivable before July 2009 (overseas dividends received post 2009 are not taxable). Full recovery of this asset is not certain as there is currently no HMRC guidance on how a fund may seek to recover taxes. An estimated accrual is included within the daily price of the fund's shares.

13 Shares in issue

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

Share class	Opening 01.09.17	Movements		Closing 31.08.18
		Issued	Cancelled	
Euro				
Class 'A' Accumulation	4,321,333	1,188,417	(4,766,820)	742,930
Sterling				
Class 'A' Income	45,135,726	1,696,748	(8,370,765)	38,461,709
Class 'A' Accumulation	32,226,481	5,964,674	(1,669,178)	36,521,977

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual
			management charge %
Euro			
Class 'A'	nil	n/a	0.50
Sterling			
Class 'A'	nil	n/a	0.50

15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 0.94% (2017: 0.75%) of the fund's shares.

16 Events after the balance sheet date

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

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17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 August Basis of valuation	Assets	Liabilities	Assets	Liabilities
	2018 €'000	2018 €'000	2017 €'000	2017 €'000
Level 1	100,242	(46)	168,712	(115)
Level 2	0	0	0	0
Level 3	15	0	0	0
	100,257	(46)	168,712	(115)

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by €5,011,000 (2017: €8,430,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by €5,116,000 (2017: €8,578,000). A five per cent decrease would have an equal and opposite effect.

as at 31 August	2018 €'000	2017 €'000
Currency exposure in respect of the fund		
Czech koruna	111	183
Danish krone	3,747	6,538
Euro	69,675	118,450
Hungarian forint	242	487
Norwegian krone	1,552	2,285
Polish zloty	983	1,722
Sterling	1,458	(550)
Swedish krona	5,870	10,625
Swiss franc	18,195	30,221
Turkish lira	404	1,586
US dollar	77	5
Total	102,314	171,552

21 Interest rate risk sensitivity and exposure

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

22 Credit risk

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

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

as at 31 August 2018	Futures €'000
Bank of America Merrill Lynch	(46)
Total	(46)

as at 31 August 2017	Futures €'000
Bank of America Merrill Lynch	(115)
Total	(115)

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23 Dividend distribution tables

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

Annual distribution period				
	Start	End	Xd	Payment
Final	01.09.17	31.08.18	03.09.18	31.10.18

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

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

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

Euro Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
Final	€ 36.6215	€ 8.7773	€ 45.3988	€ 40.0335

Sterling Class 'A' Income shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
Final	p 1.8106	p 0.6732	p 2.4838	p 2.3364

Sterling Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
Final	p 2.1295	p 0.6264	p 2.7559	p 2.4999

M&G European Index Tracker Fund

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M&G European Select Fund

Authorised Corporate Director's Report

Investment objective and policy

The fund's prime objective is long term capital growth. It invests wholly or predominantly in a diversified portfolio of securities of European (excluding United Kingdom) issuers. When not wholly invested as above, it may also invest in companies which are listed or registered outside Europe but trade within it. Income is of secondary importance when investments are selected. The fund may at any time be concentrated in a limited number of securities.

Investment approach

The M&G European Select Fund invests in the shares of European (ex UK) companies with sustainable competitive advantages, which have the opportunity to reinvest their capital at high rates of return. Central to the fund manager's approach is the capital allocation strategy of the businesses in which he invests. In light of this, the manager focuses on companies that recognise the importance of growing dividends, which in turn instils capital discipline and ensures that the highest returning growth projects are prioritised.

The fund manager believes that, as a result of his focus on capital discipline and dividends, the dividend growth of the fund's holdings is likely to be higher than that of a broad index of European (ex UK) equities over the long term. He expects this premium dividend growth to drive the fund's long-term capital growth, as well as growth in the fund's income distributions. The fund will usually hold between 25 and 35 stocks, with a long-term investment view of three years or more.

Risk profile

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

The fund's focus is on European (ex UK) companies with sustainable competitive advantages, which have the opportunity to reinvest their capital at high rates of return, and some of these stocks could potentially experience a degree of illiquidity in times of market distress. The fund is a concentrated portfolio of between 25-35 holdings, but is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. The fund also invests in the shares of smaller companies, which can be more unpredictable and difficult to buy and sell. Diversification across countries, industries and market capitalisation is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 3 September 2018, for the year ended 31 August 2018

Performance against objective

Between 1 September 2017 (the start of the review period) and 3 September 2018, the M&G European Select Fund delivered positive returns across all of its share classes.* All share classes finished ahead of a comparable index, the FTSE World Europe ex UK Index. Over the one-year period, returns from the index were 2.6% and 4.1% in sterling and euros, respectively.

Over five years and since launch, the fund has delivered positive capital growth, thus meeting its investment objective.

* 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.

Investment performance

The period under review was a particularly riveting year, with some wild swings across markets, after an unusually stable year in 2017. Investors continued to cheer the return to synchronised global growth under the strong leadership of US markets. US indices themselves were driven by solid US economic data, as well as company results consistently exceeding the market's expectations. The mood was further buoyed by the continued positive impact of President Trump's administration's tax cuts and its generally pro-business agenda. Concerns began to emerge when President Trump's statements on trade tariffs were followed by restrictions on US trade, with China in particular, potentially threatening a rather harmonious, synchronised growth scenario across developed countries and emerging markets alike. As we progressed through the year in review, investors also grew wearier of the increasing polarisation of the US market, as the FANG's domination (Facebook, Apple, Netflix, Google) resulted in a reduction in the market's breadth. Rumblyings about Argentina's and Turkey's economies, as well as the Italian constitutional crisis, also led to a reduction in risk appetite, as did the prospects of rising interest rates in the US.

M&G European Select Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

European markets, although supported by solid GDP growth across the continent and strong company results, failed to emulate the early US leadership. This was hampered by concerns over the continued lack of visibility on 'Brexit' and the potential implications of an Italian constitutional crisis. Both issues created strong headwinds against the more positive performance we could have expected from European markets. Also, the US has been raising interest rates, while European rates have remained flat, helping to weaken the Euro against the dollar, and further flattening returns for European companies.

Against this background, given strengthening of the oil price, the oil and gas sector delivered the best returns for the period under review, closely followed by technology. Basic materials and industrials also outpaced the wider index, while the telecommunication, financial and utilities sectors all declined. For the fund, stock selection within the industrial and healthcare sectors was particularly beneficial to relative performance, as was the fund's above index positions in consumer goods and industrials, and below index position in telecommunications. In absolute terms, many of the fund's laggards for the period were in the financial sector, adversely affected by problems in both Italy and Turkey.

Looking at individual stock performances, the fund's largest contributor was French fashion brand SMCP, which was supported by US and Asia Pacific sales as well as growth in new categories and the expansion of digital sales. We view SMCP as quite a unique retail player, for its blend of luxury and 'fast fashion', and its tight control over its distribution, giving the company a unique combination of growth drivers. Asia – where we think the company has enormous room to grow versus its luxury peer group – is currently the strongest driver of performance for the company.

UCB, a Belgian biotechnology company focused on neurology and immunology, also delivered strong returns for the period under review. The company acquired UK biotech Celltech in 2004 and recently acquired the biotech spin-off of Duke University in the US to strengthen its position in genomics and epigenomics research as well as its overall pipeline for acute diseases. Two of its key drugs could be on the market as soon as 2019 and 2021, which we think will be very supportive of earnings.

Elsewhere, Danish transport and logistics company DSV delivered its best ever financial performance with record high margins, as productivity surged across all its divisions (Air, Sea, Road and Solutions) further compounded by a powerful combination of market share gains, pricing power as well as the successful integration of a recent acquisition. So far the impact from trade tariffs has remained limited. The strong results led the company to lift its full year guidance, pleasing investors.

On the downside, financials were the single biggest detractor to absolute performance, although our financial holdings held up better than the wider index. Negative sentiment within the sector went across European regions, almost irrespective of each holdings' economic backdrop or business models. Italy's Banca Ifis, Belgian bank KBC, and Irish bank AIB were all tarred by the Italian market's woes, as well

as concerns over the impact of trade issues on European growth and interest rates – and, to some extent, the situation in Turkey. We continue to believe in the banks we have invested in, and think they are nearing the end of a cycle of re-capitalisation following the financial crisis, meaning they should start to return more cash to investors.

Elsewhere, one of the stock-specific material detractors over the period was Danish jewellery business Pandora. The company continued to disappoint as it did not manage to stem slowing growth in the US and Asia, prompting us to reconsider our investment case (we decided to close the position, as detailed below in the 'Investment Activities' section).

Investment activities

Portfolio activity over the review period was slightly higher than we would expect going forward, as we continue to increase the selectiveness of the portfolio, aiming for 25-30 names overall. The portfolio was broadly realigned in 2017 as we took over management of the fund, in order to better fit our investment philosophy.

We continue to look for companies with sustainable competitive advantages, which have the opportunity to reinvest their capital at high rates of return. Central to our approach is the capital allocation strategy of the businesses in which we invest. In light of this, we focus on companies that recognise the importance of growing dividends, which in turn instils capital discipline and ensures that the highest returning growth projects are prioritised.

We expect that, as a result of our focus on growing dividends, the dividend growth of the fund's holdings is likely to be higher than that of a broad index of European (ex UK) equities over the long term. We expect this premium dividend growth to drive the fund's long-term capital growth and growth in the fund's income distributions. We take a long-term investment view of three years or more.

Over the course of the year in review, we sold 12 holdings and added 7 new holdings to the portfolio.

We started the position in pharmaceuticals company UCB (mentioned above) in May, when we thought the stock was looking cheap with significant upside. We were rewarded by a fairly swift upturn in the stock's performance.

We started a position in Glanbia following a fundamental review and after meeting management on a number of occasions, both in the UK and Ireland. The company is a key player in nutritional foods (protein) and milk-based products, offering a more premium high-grade product than most other large-scale competitors. We found an attractive entry point to start building our position after the stock price fell on concerns about milk price falls. We did not see this as a relevant cause of concern as the company specialises in added-value premium milk products.

We bought Lanxess as part of our long-term view that the company will continue to upgrade its portfolio and increase returns. The result of a 2004 spinoff from German chemicals company Bayer, Lanxess is a highly innovative company specialised in chemicals and additives. We like the management and have faith in their strong execution capabilities, as well as in their financial discipline. The stock trades in line with its peer group, but we think offers greater growth potential than what market estimates currently reflect.

M&G European Select Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

We exited the aforementioned Pandora, in spite of recognising its cash generative qualities and strong brand name, after the company's recent results revealed a slowdown of growth in the US and China, compromising our investment case. We prefer to reallocate our funds to companies with stronger execution and a clearer path to growth, which helped us steer away from the stock ahead of its recent profit warning.

We also sold our stake in Essity, the hygiene and health business spun off by SCA, the Swedish integrated paper company, after very strong performance as a standalone business. The split from its parent company has, however, made Essity more susceptible to price changes in raw materials. We anticipate that pulp markets could be very strong for the next few years, given the recent change in Chinese environmental policy, and therefore are concerned that the business might struggle to pass on the inevitable price increases. We therefore decided to allocate funds towards names with better visibility.

We also took profits on capital goods company Alfa Laval, after strong performance, having bought the stock when it was very undervalued versus its peer group.

Outlook

Although European stocks were very much in focus in 2017, thanks to improving macro-economic conditions in the region and a return to growth for many companies – as evidenced by good earnings across most sectors – this was overshadowed towards the latter part of the review period by the Italian crisis, Turkish woes and the continuation of the Brexit impasse, leaving Europe in a state of relative uncertainty. Irrespective of this, we continue to believe that the European market harbours true global champions that are not solely dependent on European end markets. Their performance is driven over the long-term by their operating and financial performances while short-term market disruptions often offer attractive entry points. The importance of being selective cannot be emphasised enough. Europe continues to offer excellent opportunities for long-term stock pickers, particularly outside the largest companies which are struggling to grow. We think that medium-sized companies remain a source of attractive opportunities given their potential to deliver long-term growth for the benefit of shareholders.

As active investors, we remain focused on the analysis of company fundamentals and valuation in the strong belief that these factors drive stockmarket returns over the long term. We remain committed to our conviction-based approach, and we are ready to take advantage of new opportunities, dedicated to our task of generating long-term returns for our clients.

We believe that the cash generative nature of the companies we are invested in, combined with their attractive valuation in the stockmarket, stands us in good stead for the future and we appreciate your continued support.

Phil Cliff

Fund manager

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

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

M&G European Select Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at 31 August Holding	2018 €'000	2018 %	2017 ^[a] %
EQUITIES	145,063	100.40	98.08
Oil & gas producers	7,042	4.87	2.01
731,940 Borr Drilling	2,620	1.81	
254,234 Galp Energia	4,422	3.06	
Chemicals	4,586	3.17	5.49
67,300 LANXESS	4,586	3.17	
Construction & materials	8,632	5.98	4.92
167,654 CRH	4,838	3.35	
90,240 Kingspan Group	3,794	2.63	
General industrials	6,794	4.70	3.90
60,596 Siemens	6,794	4.70	
Electronic & electrical equipment	6,061	4.19	3.02
93,366 Legrand	6,061	4.19	
Industrial engineering	2,269	1.57	5.65
181,131 Oerlikon	2,269	1.57	
Industrial transportation	5,707	3.95	3.22
70,965 DSV	5,707	3.95	
Support services	4,887	3.38	5.39
221,822 Bureau Veritas	4,887	3.38	
Automobiles & parts	4,373	3.03	2.92
122,352 Nokian Renkaat	4,373	3.03	
Food producers	5,803	4.02	3.74
240,456 Glanbia	3,443	2.38	
32,809 Nestlé (Regd.)	2,360	1.64	
Household goods & home construction	0	0.00	1.09
Leisure goods	2,977	2.06	1.59
146,975 Thule Group	2,977	2.06	
Personal goods	13,156	9.11	12.07
261,192 SMCP	6,274	4.34	
138,800 Unilever	6,882	4.77	
Healthcare equipment & services	5,330	3.69	2.69
60,653 Fresenius Medical Care	5,330	3.69	
Pharmaceuticals & biotechnology	21,705	15.02	8.68
75,958 Novartis (Regd.)	5,439	3.76	
45,837 Roche Holding 'Genussscheine'	9,810	6.79	
81,863 UCB	6,456	4.47	
Food & drug retailers	0	0.00	1.41
General retailers	0	0.00	1.33
Media	11,404	7.89	6.09
135,763 CTS EVENTIM	5,170	3.58	
326,330 RELX	6,234	4.31	
Banks	11,899	8.24	9.90
611,253 AIB Group	2,955	2.05	
105,284 Erste Group	3,629	2.51	
87,053 KBC Group	5,315	3.68	
Non-life insurance	8,735	6.05	5.25
30,627 Hannover Re	3,620	2.51	
116,063 Sampo	5,115	3.54	
Financial services	2,144	1.48	2.65
107,184 Banca IFIS	2,144	1.48	

Portfolio statement (continued)

as at 31 August Holding	2018 €'000	2018 %	2017 ^[a] %
Technology hardware & equipment	11,559	8.00	5.07
87,378 ams	5,896	4.08	
32,250 ASML Holding	5,663	3.92	
Portfolio of investments (notes 2c & 2d on page 7)	145,063	100.40	98.08
Net other assets / (liabilities)	(580)	(0.40)	1.92
Net assets attributable to shareholders	144,483	100.00	100.00

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

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

Top ten portfolio transactions

for the year to 31 August 2018

	€'000
Largest purchases	€'000
SMCP	6,782
KBC Group	6,403
ASML Holding	5,722
UCB	5,515
LANXESS	4,668
Glanbia	3,678
ams	2,397
Cairn Homes	2,363
Roche Holding 'Genussscheine'	2,342
Linde	2,033
Other purchases	22,335
Total purchases	64,238
Largest sales	€'000
Linde	6,903
Alfa Laval	6,262
ING Groep	6,237
Infiniteon Technologies	5,586
Bayer	5,116
Essity	4,933
HUGO BOSS	4,103
Cairn Homes	4,041
Amadeus IT Group (formerly Amadeus IT Holdings)	4,040
Pandora	3,728
Other sales	30,598
Total sales	81,547

M&G European Select Fund

Financial highlights

Fund performance

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

The following charts and tables show the performance for two of the fund's share classes – Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

We show performance for these two share classes because:

- The performance of the Sterling Class 'A' (Accumulation) share is what most individuals investing directly with M&G have received. It has the highest ongoing charge of all the sterling share classes. Performance is shown after deduction of this charge. All UK investors in the fund therefore received this performance or better.
- The performance of the Sterling Class 'I' (Accumulation) share is the most appropriate to compare with the average performance of the fund's comparative sector. It is the share class used by the Investment Association in the calculation of the comparative sector's average performance. This share class is available for direct investment with M&G subject to minimum investment criteria, or via third parties who may charge additional fees. The performance shown takes the deduction of the ongoing charge for this share class into account but it does not take account of charges applied by any other party through which you may have 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 (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at 31 August	2018	2017	2016
	€'000	€'000	€'000
Fund net asset value (NAV)	144,483	155,193	212,077

Performance since launch

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



Ten-year performance

Please note that comparative data is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.



The fund's Sterling Class 'I' (Accumulation) shares were launched on 3 August 2012. Performance data shown prior to this date is that of the fund's Sterling Class 'A' (Accumulation) shares.

M&G European Select Fund

Financial highlights

Fund performance

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

Long-term performance by share class				
	One year 01.09.17 % ^[a]	Three years 03.09.15 % p.a.	Five years 03.09.13 % p.a.	Since launch % p.a.
Euro^[b]				
Class 'A'	+6.6	+6.3	+8.2	+3.4 ^[c]
Class 'C'	+7.4	+7.1	+9.1	+4.2 ^[c]
Sterling^[d]				
Class 'A'	+4.3	+13.7	+9.6	+9.5 ^[e]
Class 'I'	+5.1	+14.6	+10.5	+13.3 ^[f]
Class 'R'	+4.9	+14.3	+10.2	+13.1 ^[f]
Class 'X'	+4.3	+13.7	+9.6	+11.4 ^[g]

^[a] Absolute basis.

^[b] Price to price with net income reinvested.

^[c] 26 November 2001, the launch date of the share class.

^[d] Price to price with income reinvested.

^[e] 24 July 1972, the end of the initial offer period of the predecessor unit trust.

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

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

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

Operating charges are the same as the ongoing charges shown in the Key Investor Information Document, other than where an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

For this fund there is no difference between operating charges and ongoing charges figures, 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 and method of execution. They are made up of direct and indirect portfolio transaction costs:

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

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

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

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

Portfolio transaction costs				
for the year to 31 August	2018	2017	2016	Average ^[a]
Direct portfolio transaction costs^[b]	%	%	%	%
Broker commission	0.04	0.11	0.08	0.07
Taxes	0.07	0.07	0.03	0.06
Costs before dilution adjustments	0.11	0.18	0.11	0.13
Dilution adjustments ^[c]	(0.02)	(0.06)	(0.01)	(0.03)
Total direct portfolio transaction costs	0.09	0.12	0.10	0.10
as at 31 August	2018	2017	2016	Average^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.07	0.07	0.07	0.07

^[a] Average of first three columns.

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

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

M&G European Select Fund

Financial highlights

Specific share class performance

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

Historic yields for the current period are calculated as at 14 September 2018.

Euro Class 'A' Accumulation share performance

The share class was launched on 26 November 2001.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,624.92	1,451.20	1,455.60
Return before operating charges and after direct portfolio transaction costs	146.55	199.50	19.74
Operating charges	(28.74)	(25.78)	(24.14)
Return after operating charges	117.81	173.72	(4.40)
Distributions	(9.26)	(6.24)	(12.33)
Retained distributions	9.26	6.24	12.33
Closing NAV	1,742.73	1,624.92	1,451.20
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.82	2.73	1.65
Dilution adjustments ^[a]	(0.28)	(0.89)	(0.08)
Total direct portfolio transaction costs	1.54	1.84	1.57
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.12	0.10
Operating charges	1.68	1.68	1.68
Return after operating charges	+7.25	+11.97	-0.30
Historic yield	0.54	0.38	0.78
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	1,190	1,943	1,890
Closing NAV percentage of total fund NAV (%)	0.82	1.25	0.89
Number of shares	68,262	119,597	130,264
Highest share price (Euro ¢)	1,763.12	1,681.04	1,569.06
Lowest share price (Euro ¢)	1,619.86	1,368.75	1,250.33

Euro Class 'C' Accumulation share performance

The share class was launched on 26 November 2001.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,834.43	1,626.03	1,618.75
Return before operating charges and after direct portfolio transaction costs	165.61	225.83	22.10
Operating charges	(17.87)	(17.43)	(14.82)
Return after operating charges	147.74	208.40	7.28
Distributions	(25.03)	(20.05)	(25.73)
Retained distributions	25.03	20.05	25.73
Closing NAV	1,982.17	1,834.43	1,626.03
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.04	3.34	1.83
Dilution adjustments ^[a]	(0.31)	(1.09)	(0.09)
Total direct portfolio transaction costs	1.73	2.25	1.74
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.12	0.10
Operating charges	0.93	0.93	0.93
Return after operating charges	+8.05	+12.82	+0.45
Historic yield	1.28	1.09	1.51
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	188	8,802	27
Closing NAV percentage of total fund NAV (%)	0.13	5.67	0.01
Number of shares	9,468	479,795	1,650
Highest share price (Euro ¢)	1,997.86	1,894.28	1,748.34
Lowest share price (Euro ¢)	1,836.17	1,535.65	1,395.20

Sterling Class 'A' Income share performance

The share class was launched on 27 June 1977.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	2,020.73	1,695.12	1,482.07
Return before operating charges and after direct portfolio transaction costs	125.25	395.81	253.28
Operating charges	(34.26)	(30.09)	(25.68)
Return after operating charges	90.99	365.72	227.60
Distributions	(45.36)	(40.11)	(14.55)
Closing NAV	2,066.36	2,020.73	1,695.12
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.17	3.19	1.76
Dilution adjustments ^[a]	(0.33)	(1.04)	(0.09)
Total direct portfolio transaction costs	1.84	2.15	1.67
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.12	0.10
Operating charges	1.68	1.68	1.68
Return after operating charges	+4.50	+21.57	+15.36
Historic yield ^[c]	2.22	1.97	0.79
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (€'000)	52,434	56,331	125,464
Closing NAV percentage of total fund NAV (%)	36.29	36.30	59.16
Number of shares	2,276,657	2,567,161	6,277,734
Highest share price (UK p)	2,140.81	2,070.96	1,756.96
Lowest share price (UK p)	1,914.24	1,616.13	1,364.92

M&G European Select Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 24 July 1972.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	3,092.21	2,543.44	2,204.69
Return before operating charges and after direct portfolio transaction costs	191.16	595.07	376.98
Operating charges	(52.42)	(46.30)	(38.23)
Return after operating charges	138.74	548.77	338.75
Distributions	(17.16)	(11.89)	(21.63)
Retained distributions	17.16	11.89	21.63
Closing NAV	3,230.95	3,092.21	2,543.44
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.32	4.90	2.61
Dilution adjustments ^[a]	(0.51)	(1.60)	(0.13)
Total direct portfolio transaction costs	2.81	3.30	2.48
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.12	0.10
Operating charges	1.68	1.68	1.68
Return after operating charges	+4.49	+21.58	+15.36
Historic yield	0.54	0.38	0.79
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	66,456	71,380	69,394
Closing NAV percentage of total fund NAV (%)	46.00	45.99	32.72
Number of shares	1,845,398	2,125,792	2,314,096
Highest share price (UK p)	3,275.47	3,107.40	2,613.79
Lowest share price (UK p)	2,928.82	2,424.93	2,030.57

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	1,845.74	1,536.67	1,343.51
Return before operating charges and after direct portfolio transaction costs	115.00	361.18	230.83
Operating charges	(17.39)	(15.58)	(12.90)
Return after operating charges	97.61	345.60	217.93
Distributions	(41.61)	(36.53)	(24.77)
Closing NAV	1,901.74	1,845.74	1,536.67
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.99	2.98	1.60
Dilution adjustments ^[a]	(0.30)	(0.97)	(0.08)
Total direct portfolio transaction costs	1.69	2.01	1.52
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.12	0.10
Operating charges	0.93	0.93	0.93
Return after operating charges	+5.29	+22.49	+16.22
Historic yield ^[c]	2.21	1.97	1.55
Effect on yield of charges offset against capital	0.90	0.90	0.00
Other information			
Closing NAV (€'000)	8,470	7,599	6,655
Closing NAV percentage of total fund NAV (%)	5.86	4.90	3.14
Number of shares	399,585	379,140	367,341
Highest share price (UK p)	1,970.02	1,891.28	1,604.12
Lowest share price (UK p)	1,756.25	1,467.88	1,241.39

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	2,023.40	1,651.90	1,421.10
Return before operating charges and after direct portfolio transaction costs	125.79	388.18	244.43
Operating charges	(19.09)	(16.68)	(13.63)
Return after operating charges	106.70	371.50	230.80
Distributions	(26.90)	(22.09)	(26.22)
Retained distributions	26.90	22.09	26.22
Closing NAV	2,130.10	2,023.40	1,651.90
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.19	3.19	1.69
Dilution adjustments ^[a]	(0.33)	(1.04)	(0.08)
Total direct portfolio transaction costs	1.86	2.15	1.61
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.12	0.10
Operating charges	0.93	0.93	0.93
Return after operating charges	+5.27	+22.49	+16.24
Historic yield	1.28	1.08	1.53
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	8,804	6,024	5,572
Closing NAV percentage of total fund NAV (%)	6.09	3.88	2.63
Number of shares	370,839	274,161	286,115
Highest share price (UK p)	2,159.32	2,033.09	1,697.03
Lowest share price (UK p)	1,925.02	1,577.94	1,313.29

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	184.24	153.77	134.47
Return before operating charges and after direct portfolio transaction costs	11.47	36.09	23.02
Operating charges	(2.21)	(1.97)	(1.63)
Return after operating charges	9.26	34.12	21.39
Distributions	(4.15)	(3.65)	(2.09)
Closing NAV	189.35	184.24	153.77
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.20	0.30	0.16
Dilution adjustments ^[a]	(0.03)	(0.10)	(0.01)
Total direct portfolio transaction costs	0.17	0.20	0.15
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.12	0.10
Operating charges	1.18	1.18	1.18
Return after operating charges	+5.03	+22.19	+15.91
Historic yield ^[c]	2.22	1.97	1.30
Effect on yield of charges offset against capital	1.15	1.15	0.00
Other information			
Closing NAV (€'000)	703	183	181
Closing NAV percentage of total fund NAV (%)	0.49	0.12	0.09
Number of shares	332,919	91,288	99,710
Highest share price (UK p)	196.16	188.80	160.14
Lowest share price (UK p)	175.05	146.80	124.09

M&G European Select Fund

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Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	199.87	163.58	141.08
Return before operating charges and after direct portfolio transaction costs	12.41	38.39	24.22
Operating charges	(2.41)	(2.10)	(1.72)
Return after operating charges	10.00	36.29	22.50
Distributions	(2.14)	(1.71)	(2.19)
Retained distributions	2.14	1.71	2.19
Closing NAV	209.87	199.87	163.58
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.22	0.32	0.17
Dilution adjustments ^[a]	(0.03)	(0.10)	(0.01)
Total direct portfolio transaction costs	0.19	0.22	0.16
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.12	0.10
Operating charges	1.18	1.18	1.18
Return after operating charges	+5.00	+22.18	+15.95
Historic yield	1.03	0.85	1.28
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	3,873	65	41
Closing NAV percentage of total fund NAV (%)	2.68	0.04	0.02
Number of shares	1,655,817	29,944	21,000
Highest share price (UK p)	212.76	200.83	168.07
Lowest share price (UK p)	189.86	156.15	130.23

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	2,000.83	1,678.43	1,467.49
Return before operating charges and after direct portfolio transaction costs	124.00	392.67	250.76
Operating charges	(33.89)	(30.55)	(25.43)
Return after operating charges	90.11	362.12	225.33
Distributions	(44.91)	(39.72)	(14.39)
Closing NAV	2,046.03	2,000.83	1,678.43
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.15	3.24	1.74
Dilution adjustments ^[a]	(0.33)	(1.06)	(0.08)
Total direct portfolio transaction costs	1.82	2.18	1.66
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.12	0.10
Operating charges	1.68	1.68	1.68
Return after operating charges	+4.50	+21.57	+15.35
Historic yield ^[c]	2.22	1.97	0.79
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (€'000)	1,457	1,981	1,981
Closing NAV percentage of total fund NAV (%)	1.01	1.28	0.93
Number of shares	63,905	91,178	100,109
Highest share price (UK p)	2,119.74	2,050.58	1,739.64
Lowest share price (UK p)	1,895.40	1,600.21	1,351.48

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	3,059.63	2,516.67	2,181.50
Return before operating charges and after direct portfolio transaction costs	189.16	588.73	373.01
Operating charges	(51.87)	(45.77)	(37.84)
Return after operating charges	137.29	542.96	335.17
Distributions	(16.98)	(11.77)	(21.39)
Retained distributions	16.98	11.77	21.39
Closing NAV	3,196.92	3,059.63	2,516.67
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.29	4.85	2.59
Dilution adjustments ^[a]	(0.50)	(1.58)	(0.13)
Total direct portfolio transaction costs	2.79	3.27	2.46
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.12	0.10
Operating charges	1.68	1.68	1.68
Return after operating charges	+4.49	+21.57	+15.36
Historic yield	0.54	0.38	0.79
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	908	885	872
Closing NAV percentage of total fund NAV (%)	0.63	0.57	0.41
Number of shares	25,479	26,649	29,388
Highest share price (UK p)	3,240.98	3,074.66	2,586.27
Lowest share price (UK p)	2,897.97	2,399.39	2,009.19

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

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

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

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Statement of total return

for the year to 31 August	Note	2018		2017	
		€'000	€'000	€'000	€'000
Income					
Net capital gains / (losses)	3		10,129		19,901
Revenue	5	4,027		3,889	
Expenses	6	(2,495)		(2,982)	
Net revenue / (expense) before taxation		1,532		907	
Taxation	7	(320)		(333)	
Net revenue / (expense) after taxation			1,212		574
Total return before distributions			11,341		20,475
Distributions	8		(2,127)		(1,758)
Change in net assets attributable to shareholders from investment activities			9,214		18,717

Statement of change in net assets attributable to shareholders

for the year to 31 August		2018		2017	
		€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders			155,193		212,077
Amounts received on issue of shares		16,089		47,898	
Amounts paid on cancellation of shares		(36,569)		(124,106)	
			(20,480)		(76,208)
Dilution adjustments			38		158
Change in net assets attributable to shareholders from investment activities (see above)			9,214		18,717
Retained distributions on Accumulation shares			517		448
Unclaimed distributions			1		1
Closing net assets attributable to shareholders			144,483		155,193

Balance sheet

as at 31 August	Note	2018		2017	
		€'000	€'000	€'000	€'000
Assets					
Fixed assets					
Investments			145,063		152,210
Current assets					
Debtors	9	2,366		1,487	
Cash and bank balances	10	2		3,288	
Total assets			147,431		156,985
Liabilities					
Creditors					
Bank overdrafts			(1,037)		0
Distribution payable			(1,384)		(1,311)
Other creditors	11		(527)		(481)
Total liabilities			(2,948)		(1,792)
Net assets attributable to shareholders			144,483		155,193

Notes to the financial statements

1 Accounting policies

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

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

2 Distribution policy

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

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

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

3 Net capital gains / (losses)

for the year to 31 August	2018	2017
	€'000	€'000
Non-derivative securities	10,147	19,749
Currency gains / (losses)	(16)	155
Transaction charges	(2)	(3)
Net capital gains / (losses)	10,129	19,901

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Notes to the financial statements

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 48.

for the year to 31 August	2018 €'000	% of transaction	2017 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	64,100		133,468	
Commissions	26	0.04	94	0.07
Taxes	112	0.17	121	0.09
Equities after transaction costs	64,238		133,683	
Other transaction types				
Corporate actions	0		4,357	
Total purchases after transaction costs	64,238		138,040	
b) Sales				
Equities				
Equities before transaction costs	81,579		211,831	
Commissions	(32)	0.04	(109)	0.05
Equities after transaction costs	81,547		211,722	
Other transaction types				
Corporate actions	0		2,385	
Total sales after transaction costs	81,547		214,107	
c) Direct portfolio transaction costs				
	2018 €'000	% of average NAV	2017 €'000	% of average NAV
Commissions paid				
Equities	58	0.04	203	0.11
Taxes paid				
Equities	112	0.07	121	0.07
Total direct portfolio transaction costs [a]	170	0.11	324	0.18
d) Indirect portfolio transaction costs				
		%		%
Portfolio dealing spread [b]		0.07		0.07

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

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

5 Revenue

for the year to 31 August	2018 €'000	2017 €'000
Bank interest	0	13
Dividends from equity investments: non-taxable	3,848	3,341
Dividends from equity investments: taxable	63	77
Stock dividends	116	458
Total revenue	4,027	3,889

6 Expenses

for the year to 31 August	2018 €'000	2017 €'000
for the year to 31 August		
Payable to the ACD or associate		
Annual management charge	2,182	2,636
Administration charge	240	274
	2,422	2,910
Payable to the Depositary or associate		
Depositary's charge (including VAT)	14	16
Other expenses		
Audit fee (including VAT)	11	9
Interest payable	28	22
Safe custody charge	20	25
	59	56
Total expenses	2,495	2,982

7 Taxation

for the year to 31 August	2018 €'000	2017 €'000
for the year to 31 August		
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	320	333
Deferred tax (note 7c)	0	0
Total taxation	320	333
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	1,532	907
Corporation tax at 20%	306	182
Effects of:		
Dividends from equity investments: non-taxable	(770)	(668)
Stock dividends not taxable	(23)	(92)
Overseas tax expensed	(3)	0
Current year expenses not utilised	490	578
Withholding tax	320	333
Total tax charge (note 7a)	320	333
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of €5,857,000 (2017: €5,367,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

for the year to 31 August	2018		2017	
	Inc [a] €'000	Acc [b] €'000	Inc [a] €'000	Acc [b] €'000
Dividend distributions				
Final	1,384	517	1,311	448
Total net distributions		1,901		1,759
Income deducted on cancellation of shares		230		107
Income received on issue of shares		(4)		(108)
Distributions		2,127		1,758
Net revenue / (expense) per statement of total return				
		1,212		574
Expenses offset against capital		1,031		1,642
Stock dividends not distributed		(116)		(458)
Distributions		2,127		1,758

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

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9 Debtors

as at 31 August	2018 €'000	2017 €'000
Amounts receivable on issues of shares	38	38
Dividends receivable	72	51
Sales awaiting settlement	797	0
Withholding tax recoverable	1,459	1,398
Total debtors	2,366	1,487

10 Cash and bank balances

as at 31 August	2018 €'000	2017 €'000
Cash held as bank balances	2	3,288
Total cash and bank balances	2	3,288

11 Other creditors

as at 31 August	2018 €'000	2017 €'000
ACD's annual management charge payable	100	102
Administration charge payable	11	11
Amounts payable on cancellation of shares	243	153
Corporation tax payable	159	200
Expenses payable	14	15
Total other creditors	527	481

12 Contingent assets, liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2017: same).

The fund has recognised a contingent asset of €159,000 as a result of the European Court of Justice rulings in November 2012 and Supreme Court judgements in July 2018 in relation to Prudential Assurance Co Ltd v Commissioners for HMRC. The fund may recover further amounts of UK corporation tax suffered and accounted for on overseas dividends receivable before July 2009 (overseas dividends received post 2009 are not taxable). Full recovery of this asset is not certain as there is currently no HMRC guidance on how a fund may seek to recover taxes. An estimated accrual is included within the daily price of the fund's shares.

13 Shares in issue

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

Share class	Opening 01.09.17	Movements		Closing 31.08.18
		Issued	Cancelled	
Euro				
Class 'A' Accumulation	119,597	61,714	(113,049)	68,262
Class 'C' Accumulation	479,795	307,775	(778,102)	9,468
Sterling				
Class 'A' Income	2,567,161	36,027	(326,531)	2,276,657
Class 'A' Accumulation	2,125,792	25,537	(305,931)	1,845,398
Class 'I' Income	379,140	30,723	(10,278)	399,585
Class 'I' Accumulation	274,161	105,631	(8,953)	370,839
Class 'R' Income	91,288	296,469	(54,838)	332,919
Class 'R' Accumulation	29,944	1,646,956	(21,083)	1,655,817
Class 'X' Income	91,178	1,131	(28,404)	63,905
Class 'X' Accumulation	26,649	0	(1,170)	25,479

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %
Euro			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75
Sterling			
Class 'A'	nil	n/a	1.50
Class 'I'	nil	n/a	0.75
Class 'R'	nil	n/a	1.00
Class 'X'	nil	n/a	1.50

15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 29.40% (2017: 37.68%) of the fund's shares.

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Notes to the financial statements

16 Events after the balance sheet date

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

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 August	Assets	Liabilities	Assets	Liabilities
Basis of valuation	2018	2018	2017	2017
	€'000	€'000	€'000	€'000
Level 1	145,063	0	152,210	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	145,063	0	152,210	0

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by €7,253,000 (2017: €7,611,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by €7,224,000 (2017: €7,760,000). A five per cent decrease would have an equal and opposite effect.

as at 31 August	2018	2017
	€'000	€'000
Currency exposure in respect of the fund		
Danish krone	5,812	8,998
Euro	108,075	104,373
Norwegian krone	2,648	0
Sterling	(1,601)	(1,316)
Swedish krona	2,977	14,706
Swiss franc	26,572	28,431
US dollar	0	1
Total	144,483	155,193

21 Interest rate risk sensitivity and exposure

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

22 Credit risk

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

23 Dividend distribution tables

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

Annual distribution period				
	Start	End	Xd	Payment
Final	01.09.17	31.08.18	03.09.18	31.10.18

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

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

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

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23 Dividend distribution tables (continued)

Euro Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	€	€	€	€
Final	9.2589	0.0000	9.2589	6.2351

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	€	€	€	€
Final	25.0305	0.0000	25.0305	20.0465

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	37.6097	7.7455	45.3552	40.1096

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	17.1574	0.0000	17.1574	11.8886

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	33.6593	7.9556	41.6149	36.5326

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	23.7339	3.1662	26.9001	22.0934

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	2.5156	1.6319	4.1475	3.6501

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	1.4577	0.6822	2.1399	1.7143

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	44.4794	0.4292	44.9086	39.7160

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	16.9773	0.0000	16.9773	11.7739

M&G Global Select Fund

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Investment objective

The fund aims to provide a total return (the combination of capital growth and income).

Investment policy

At least 80% of the fund is invested in companies globally across a wide range of geographies, sectors and market capitalisations. The fund has a concentrated portfolio and usually holds fewer than 40 stocks.

The fund is based on an investment process that uses fundamental analysis to identify competitively advantaged companies with sustainable business models.

Sustainability considerations play an important role in determining the investment universe and assessing business models. Companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment and anti-corruption are excluded from the investment universe. Industries such as tobacco and controversial weapons are also excluded.

The fund may also invest in other transferable securities, directly or via collective investment schemes, and may hold cash for liquidity purposes. Collective investment schemes may include funds managed by M&G. Derivatives may be used for efficient portfolio management.

Investment approach

The fund is a focused core global equity fund, making long-term investments in companies with sustainable business models and competitively advantageous characteristics to protect their profitability. Importantly, the fund manager invests in these businesses where short-term issues have provided a clear valuation opportunity.

Sustainability considerations are fully integrated into the investment process.

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

Risk profile

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

The fund's focus is on quality businesses where an element of change is helping to drive their value, and these stocks could potentially experience a degree of illiquidity in times of market distress. The fund is a concentrated portfolio of between 30 and 40 holdings, but is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. Diversification across countries, industries and market capitalisation is key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 3 September 2018, for the year ended 31 August 2018

Performance against objective

Between 1 September 2017 (the start of the review period) and 3 September 2018, the M&G Global Select Fund delivered positive total returns (the combination of income and growth of capital) across all its share classes.* All share classes finished broadly in line with a comparable index, the MSCI World Index. Over the 12 months, returns from the index were 14.0%, 15.7% and 13.3% in sterling, euros and US dollars, respectively.

Over five years and since launch, the fund has delivered positive total returns, and has remained invested in a diversified portfolio of company shares from anywhere in the world, thus meeting its investment objective.

* 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.

Investment performance

Stockmarkets in developed countries delivered positive returns for the period under review, but the journey was far from smooth. Markets were shaky as we began the review period, as investors grappled with a number of issues, including a series of destructive hurricanes, ongoing tensions with North Korea and the outlook for interest rates on both sides of the Atlantic. As some of these concerns dissipated and the mood improved, various markets went on to reach record highs. Investor sentiment was supported by solid earnings and robust economic growth, with the overall global macroeconomic environment continuing to improve. Markets were further boosted near the end of 2017 by hopes for US tax reforms, and a somewhat euphoric mood took us into the New Year.

As we moved into February, however, markets moved violently at a level not experienced since the Chinese stockmarket rout in 2015, before a degree of calm eventually returned. Wild market swings were apparently triggered by a pick-up in wage inflation in the US, which led to rising interest rate expectations. The subsequent market reaction was extreme, giving back those euphoric gains from January.

M&G Global Select Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

Markets further declined as investor sentiment became dominated by fears that import tariffs announced by the US would precipitate an all-out trade war with China. This became a recurring theme, with various regions and sectors falling under President Trump's tariff spotlight, causing wide fluctuations in sentiment depending on the perception of how positively, or not, trade talks were progressing.

We also saw geopolitical tensions in the Middle East, as well as difficulties in Spain, Italy, Germany and Turkey, the latter of which experienced a melt-down in its currency that drove a wave of risk aversion, hitting banks particularly hard. In the UK, meanwhile, 'Brexit' uncertainties continued to weigh on investors' minds. Despite this varied newsflow hitting short-term sentiment, markets generally rose through the second half of the period under review.

Among the larger index constituents, performance was driven by the US, where an encouraging macroeconomic environment, as well as good corporate earnings and the general dominance of large, in-favour technology companies, helped markets reach new heights. Meanwhile Japan, the UK and most of Europe underperformed the wider index, with Spain and Italy the worst performers for the period against a backdrop of political difficulties in those countries.

In this environment, the information technology and energy sectors delivered the strongest returns, and while stockpicking within both was supportive, our below index positions in these sectors weighed on relative performance. Stockpicking within the consumer discretionary sector, namely retailers, as well as industrials also dragged on returns. Conversely, our lack of holdings within telecoms and utilities – both of which declined for the review period – proved helpful, as did stock selection within healthcare and materials.

At an individual stock level, the largest contributor for the period under review was US tech giant Microsoft. Against a backdrop of generally positive sentiment in the technology sector, Microsoft has delivered ongoing operational success helping to further bolster its share price. This has included strengthening its cloud and service offerings, meaning it is now much less reliant on the sale of PCs, and hence windows, to drive revenues.

Within US healthcare, both diversified managed healthcare company UnitedHealth Group and medical equipment manufacturer Becton Dickinson continued to deliver good performance for the fund. United saw ongoing enrolment growth in its Medicare and Medicaid plans, as well as strong performance within its very profitable Optum business units (Optum provides pharmacy benefits management and technology services to insurers and medical providers, and also operates its own clinics under the OptumCare brand). Becton, meanwhile, reported solid results, including good numbers from medical device company C.R. Bard, acquired by Becton at the end of 2017. Becton has a history of successfully integrating acquisitions, including medical technology firm CareFusion acquired in 2015.

Other supportive holdings included supply chain systems IT specialist Manhattan Associates and luxury jeweller Tiffany & Co, both US companies. Following a bumpy start to the year, sentiment in Manhattan Associates picked up strongly after the company unveiled

its upgraded warehouse management system (WMS) – this was well received by investors. It then went on to publish solid results while boosting its guidance for the full year, partly aided by continued take-up of its cloud services, with sentiment further encouraged by signs of increasing consumer confidence in the US and growing interest in omnichannel retailing. We maintain our belief that the company offers the market-leading IT solution for traditional retailers wishing to adapt to modern distribution and are confident in its long-term prospects.

Tiffany saw its shares rise sharply following the publication of robust results that beat expectations, reporting solid sales growth across most geographic regions and all product categories and a better-than-expected full-year outlook. Tiffany has been modernising its operations, including enhancing the customer experience, increasing the rate of new product introductions, optimising the store network, and improving business operations and processes.

On the downside, the fund's largest detractor was Dutch financial institution ING Groep. Along with other European banks, sentiment in the company was hit by the political situation in Italy, along with weaker economic data out of Europe. This was despite ING publishing good quarterly results, with a sizable increase in core lending, a substantial rise in its customer base and increased profitability. The bank's shares were further hit by the general sell-off in reaction to Turkey's deepening currency crisis spreading to other emerging markets.

UK-listed addiction cessation drug maker Indivior dragged on returns as well. The company's shares fell sharply after it warned that it would miss its full-year profit target, as its best-selling opioid addiction drug Suboxone Film was facing new competitors in the US, as well as slower early uptake of its new injectable treatment Sublocade. Indivior's shares had been under pressure before this, particularly hard hit on news that Indian drug maker Dr Reddy's was set to launch its own generic version of Suboxone Film.

Other detractors included US insurer AIG and retail operator L Brands. AIG was hit by a US\$3.0 billion impact from unprecedented catastrophic events, including hurricanes Harvey, Irma and Maria. We closed our position in the company near the end of the period under review (please see below). L Brands (owner of Victoria's Secret, PINK and Bath and Body works) saw its shares fall following lower than expected like-for-like store sales and margin pressure. We believe that this reflected the much-needed repositioning of Victoria's Secret away from swimwear, as well as the impact of promotion at PINK to attract customers into the stores. We think that the company is adjusting appropriately to e-commerce developments and that Victoria's Secret remains a strong brand.

Investment activities

We run a concentrated portfolio of between 30 and 40 holdings, maintaining a watchlist of around 300 quality, sustainable companies that we would like to own when the timing and price are right. We monitor our watchlist closely, waiting patiently for short-term behavioural episodes to create buying opportunities.

During the review period, two such opportunities presented themselves. The first was Bank of Georgia Group, Georgia's second largest lender. We think the company has a strong branch network and clear funding advantages, delivering strong returns in a duopolistic market (where two banks control 70% of the market). We believe the bank is run by a solid, shareholder friendly management team,

M&G Global Select Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

punctuated by a good governance framework and long-term incentives. The bank's investment arm is also widely diversified, buying businesses across healthcare, power, water and elsewhere, helping to drive improvement in Georgian infrastructure. Shortly after we bought shares in the bank, it split out its investment arm, forming a new company, Georgia Capital, of which we also own shares.

Our second new holding is Denmark-listed facility services business ISS. Founded in 1901, the company is one of only two global players that can provide complete service across the full range of facility management – this includes cleaning, catering, security, energy management and so on. As customers are increasingly moving towards more integrated services, this provides the company with distinct competitive advantages. ISS also has the ability to service customers globally, enabling it to target global corporate clients across their facilities. In terms of sustainability, ISS has set out measurable targets for environmental impacts, and has strong social policies in place; of obvious importance for a company with over 500,000 employees.

To facilitate the purchase of ISS, we closed the position in German food processing technology and component maker GEA Group. While the company's valuation had been attractive and there was good growth potential in its end markets, we believed there were better opportunities available for a global, concentrated portfolio.

We additionally closed four other positions during the review period. We sold our shares in multinational media company Time Warner. In 2016 US telecom conglomerate AT&T agreed to acquire the company, and as the closure of that deal approached, the potential upside did not compensate for the risk of possible interference from the regulator. This was particularly relevant as it was never our intention to hold the stock post transaction.

We closed the position in German chemical and pharmaceutical company Bayer. We did not believe that its proposed acquisition of US agribusiness Monsanto was a good allocation of capital and would rather deploy investors' money elsewhere – we took advantage of a share price rise to sell.

We also sold our shares in tech giant International Business Machines (IBM) and insurer American International Group (AIG), both US companies. For IBM, we lost faith in management's ability to carry out the company's transformation towards the 'cloud'. AIG was also a matter of our investment thesis not developing as expected. We originally invested in the company as we believed it was going through a period of positive change, but we do not think the restructuring benefits have come through, and we do not anticipate them doing so in the foreseeable future.

Outlook

We look for companies that can generate persistent cashflows, and given the climate for much of last year, this may be considered boring compared to rapidly growing tech companies or deep value stocks. ISS, mentioned above, is probably as boring as you can get, but has the ability to deliver long-term compounding returns and create wealth, sustainably, for our investors.

We believe that it is not worth being too aggressive on risk when everyone else is. It can sometimes feel like you are missing out, when you see investors making massive returns speculating on Bitcoin, or when already expensive tech stocks keep going up. However, that is when you need to be the most disciplined. We continue to carry out fundamental research on the companies within our watchlist – those stocks we would like to own when the timing and price is right – and have stayed vigilant of behavioural episodes affecting their share prices that could result in attractive buying opportunities.

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

John William Olsen

Fund manager

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

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

Investments

Portfolio statement			
as at 31 August	2018	2018	2017 ^[a]
Holding	\$'000	%	%
EQUITIES	968,907	99.75	96.46
Energy equipment & services	23,777	2.45	1.50
504,067 National Oilwell Varco	23,777	2.45	
Chemicals	36,076	3.71	2.72
158,103 Linde	36,076	3.71	
Containers & packaging	43,650	4.49	3.58
1,043,504 Ball	43,650	4.49	
Building products	25,806	2.66	2.61
685,420 Johnson Controls International	25,806	2.66	
Electrical equipment	28,603	2.94	2.73
348,985 Schneider Electric	28,603	2.94	
Machinery	23,497	2.42	3.40
499,932 Graco	23,497	2.42	
Commercial services & supplies	42,744	4.40	1.77
841,630 ISS	29,557	3.04	
213,689 Stericycle	13,187	1.36	
Media	0	0.00	2.60
Specialty retail	97,651	10.05	8.53
451,370 L Brands	11,970	1.23	
239,284 Tiffany & Co	29,458	3.03	
2,082,395 WHSmith	56,223	5.79	

M&G Global Select Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 31 August Holding	2018 \$'000	2018 %	2017 ^[a] %
Food products	30,480	3.14	4.48
363,145 Nestlé (Regd.)	30,480	3.14	
Household products	21,845	2.25	1.80
255,115 Reckitt Benckiser	21,845	2.25	
Personal products	28,756	2.96	3.35
497,065 Unilever	28,756	2.96	
Health care equipment & supplies	66,514	6.85	5.36
255,520 Becton Dickinson	66,514	6.85	
Health care providers & services	67,476	6.95	5.32
251,392 UnitedHealth Group	67,476	6.95	
Pharmaceuticals	75,740	7.80	12.35
3,228,932 Indivior	11,351	1.17	
1,005,244 Novo-Nordisk	49,762	5.12	
632,660 Teva Pharmaceutical Industries ADR	14,627	1.51	
Banks	49,276	5.07	4.59
401,827 Bank of Georgia Group	8,764	0.90	
1,556,241 ING Groep	21,221	2.18	
109,397 M&T Bank	19,291	1.99	
Consumer finance	62,110	6.39	5.31
269,833 American Express	28,662	2.95	
429,701 Discover Financial Services	33,448	3.44	
Capital markets	36,879	3.80	3.91
535,385 Bank of New York Mellon	27,963	2.88	
669,472 Georgia Capital	8,916	0.92	
Insurance	36,954	3.80	6.58
781,900 Tokio Marine Holding	36,954	3.80	
Internet software & services	48,173	4.96	3.53
38,409 Alphabet	48,173	4.96	
IT services	0	0.00	1.88
Software	122,900	12.66	8.56
144,419 Ansys	26,771	2.76	
587,652 Manhattan Associates	34,160	3.52	
553,540 Microsoft	61,969	6.38	
Portfolio of investments	968,907	99.75	96.46
CASH EQUIVALENTS	4,828	0.50	4.02
'AAA' rated money market funds ^[b]	4,828	0.50	4.02
4,828,000 Northern Trust Global Fund - US dollar	4,828	0.50	
Total portfolio (notes 2c & 2d on page 7)	973,735	100.25	100.48
Net other assets / (liabilities)	(2,470)	(0.25)	(0.48)
Net assets attributable to shareholders	971,265	100.00	100.00

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

^[a] The portfolio has been reclassified to more appropriately reflect how the fund is managed. 2017 comparatives have been restated to reflect this.

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

Top ten portfolio transactions

for the year to 31 August 2018

	\$'000
Largest purchases	
ISS	32,423
Bank of Georgia Group	19,065
L Brands	7,793
Reckitt Benckiser	5,627
Novo-Nordisk	5,147
Manhattan Associates	4,921
Ball	4,730
Georgia Capital	3,897
Linde	2,670
Unilever	206
Other purchases	161
Total purchases	86,640
Largest sales	
American International Group	30,460
Time Warner	26,595
Novo-Nordisk	20,706
Indivior	20,370
Bayer	20,290
International Business Machines	19,169
GEA Group	17,607
Nestlé (Regd.)	14,407
Bank of New York Mellon	12,339
Ansys	8,033
Other sales	44,589
Total sales	234,565

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

M&G Global Select Fund

Financial highlights

Fund performance

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

The following charts and tables show the performance for two of the fund's share classes – Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

We show performance for these two share classes because:

- The performance of the Sterling Class 'A' (Accumulation) share is what most individuals investing directly with M&G have received. It has the highest ongoing charge of all the sterling share classes. Performance is shown after deduction of this charge. All UK investors in the fund therefore received this performance or better.
- The performance of the Sterling Class 'I' (Accumulation) share is the most appropriate to compare with the average performance of the fund's comparative sector. It is the share class used by the Investment Association in the calculation of the comparative sector's average performance. This share class is available for direct investment with M&G subject to minimum investment criteria, or via third parties who may charge additional fees. The performance shown takes the deduction of the ongoing charge for this share class into account but it does not take account of charges applied by any other party through which you may have 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 (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at 31 August	2018 \$'000	2017 \$'000	2016 \$'000
Fund net asset value (NAV)	971,265	1,025,973	820,854

Performance since launch

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



Ten-year performance

Please note that comparative data is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.



The fund's Sterling Class 'I' (Accumulation) shares were launched on 3 August 2012. Performance data shown prior to this date is that of the fund's Sterling Class 'A' (Accumulation) shares.

M&G Global Select Fund

Financial highlights

Fund performance

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

Long-term performance by share class				
	One year 01.09.17 % ^[a]	Three years 03.09.15 % p.a.	Five years 03.09.13 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	+16.1	+8.3	+9.7	+6.4 ^[c]
Class 'B'	+15.5	n/a	n/a	+10.4 ^[d]
Class 'C'	+17.3	+9.4	+10.8	+7.3 ^[c]
Sterling ^[e]				
Class 'A'	+13.9	+16.3	+11.4	+10.7 ^[f]
Class 'I'	+14.7	+17.1	+12.2	+14.0 ^[g]
Class 'R'	+14.5	+16.8	+11.9	+13.7 ^[g]
Class 'X'	+13.9	+16.3	+11.4	+16.6 ^[h]
US dollar ^[b]				
Class 'A'	+13.2	+9.6	+6.9	+9.6 ^[i]
Class 'C'	+14.3	+10.7	+8.0	+10.7 ^[i]

^[a] Absolute basis.

^[b] Price to price with net income reinvested.

^[c] 28 November 2001, the launch date of the share class.

^[d] 18 March 2016, the launch date of the share class.

^[e] Price to price with income reinvested.

^[f] 19 December 1967, the end of the initial offer period of the predecessor unit trust.

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

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

^[i] 19 December 2008, the launch date of the share class.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

M&G Global Select Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
for the year to 31 August	2018	2017	2016	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.01	0.03	0.06	0.03
Taxes	0.02	0.02	0.01	0.02
Costs before dilution adjustments	0.03	0.05	0.07	0.05
Dilution adjustments ^[c]	(0.01)	(0.02)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.02	0.03	0.05	0.03
as at 31 August	2018	2017	2016	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.03	0.03	0.03	0.03

^[a] Average of first three columns.

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

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

Specific share class performance

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

Historic yields for the current year are calculated as at 14 September 2018.

Euro Class 'A' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August	2018	2017	2016
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	2,390.67	2,317.94	2,216.87
Return before operating charges and after direct portfolio transaction costs	402.99	162.54	150.00
Operating charges	(49.15)	(47.38)	(42.97)
Return after operating charges	353.84	115.16	107.03
Distributions	(41.50)	(42.43)	(5.96)
Closing NAV	2,703.01	2,390.67	2,317.94
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.68	1.29	1.55
Dilution adjustments ^[a]	(0.37)	(0.60)	(0.43)
Total direct portfolio transaction costs	0.31	0.69	1.12
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.05
Operating charges	1.91	1.91	1.92
Return after operating charges	+14.80	+4.97	+4.83
Historic yield ^[c]	1.57	1.79	0.26
Effect on yield of charges offset against capital	1.90	1.90	0.00
Other information			
Closing NAV (\$'000)	227	278	311
Closing NAV percentage of total fund NAV (%)	0.02	0.03	0.04
Number of shares	7,200	9,821	12,049
Highest share price (Euro ¢)	2,753.45	2,619.88	2,411.05
Lowest share price (Euro ¢)	2,346.73	2,210.40	1,922.28

M&G Global Select Fund

Financial highlights

Specific share class performance

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	2,448.35	2,332.46	2,225.04
Return before operating charges and after direct portfolio transaction costs	413.08	163.44	150.10
Operating charges	(50.37)	(47.55)	(42.68)
Return after operating charges	362.71	115.89	107.42
Distributions	0.00	0.00	(5.93)
Retained distributions	0.00	0.00	5.93
Closing NAV	2,811.06	2,448.35	2,332.46

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.70	1.30	1.54
Dilution adjustments ^[a]	(0.38)	(0.60)	(0.43)
Total direct portfolio transaction costs	0.32	0.70	1.11

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.05
Operating charges	1.91	1.91	1.92
Return after operating charges	+14.81	+4.97	+4.83
Historic yield	0.00	0.00	0.25
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	59,499	72,904	69,391
Closing NAV percentage of total fund NAV (%)	6.13	7.11	8.45
Number of shares	1,813,957	2,511,233	2,670,087
Highest share price (Euro ¢)	2,820.13	2,636.30	2,419.91
Lowest share price (Euro ¢)	2,403.56	2,224.25	1,929.35

Euro Class 'B' Accumulation share performance

The share class was launched on 18 March 2016.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,115.93	1,068.43	1,000.00
Return before operating charges and after direct portfolio transaction costs	187.86	75.58	79.72
Operating charges	(28.96)	(28.08)	(11.29)
Return after operating charges	158.90	47.50	68.43
Distributions	0.00	0.00	(2.39)
Retained distributions	0.00	0.00	2.39
Closing NAV	1,274.83	1,115.93	1,068.43

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.32	0.61	0.33
Dilution adjustments ^[a]	(0.17)	(0.28)	(0.09)
Total direct portfolio transaction costs	0.15	0.33	0.24

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.05
Operating charges	2.41	2.41	2.41
Return after operating charges	+14.24	+4.45	+6.84
Historic yield	0.00	0.00	0.22
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	279	153	36
Closing NAV percentage of total fund NAV (%)	0.04	0.02	0.00
Number of shares	18,728	11,556	3,000
Highest share price (Euro ¢)	1,279.15	1,203.96	1,071.41
Lowest share price (Euro ¢)	1,095.40	1,017.96	977.52

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	2,663.06	2,556.18	2,444.07
Return before operating charges and after direct portfolio transaction costs	451.19	178.68	166.14
Operating charges	(26.19)	(24.62)	(22.87)
Return after operating charges	425.00	154.06	143.27
Distributions	(46.68)	(47.18)	(31.16)
Closing NAV	3,041.38	2,663.06	2,556.18

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.77	1.42	1.73
Dilution adjustments ^[a]	(0.41)	(0.66)	(0.48)
Total direct portfolio transaction costs	0.36	0.76	1.25

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.05
Operating charges	0.91	0.91	0.92
Return after operating charges	+15.96	+6.03	+5.86
Historic yield ^[c]	1.56	1.78	1.22
Effect on yield of charges offset against capital	0.90	0.90	0.00

Other information

Closing NAV (\$'000)	47	24	30
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	1,318	745	1,045
Highest share price (Euro ¢)	3,098.05	2,912.52	2,664.43
Lowest share price (Euro ¢)	2,614.69	2,441.92	2,128.38

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	2,806.91	2,647.46	2,500.39
Return before operating charges and after direct portfolio transaction costs	475.79	185.65	170.21
Operating charges	(27.71)	(26.20)	(23.14)
Return after operating charges	448.08	159.45	147.07
Distributions	(21.12)	(25.07)	(31.85)
Retained distributions	21.12	25.07	31.85
Closing NAV	3,254.99	2,806.91	2,647.46

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.80	1.50	1.74
Dilution adjustments ^[a]	(0.43)	(0.70)	(0.48)
Total direct portfolio transaction costs	0.37	0.80	1.26

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.05
Operating charges	0.91	0.91	0.92
Return after operating charges	+15.96	+6.02	+5.88
Historic yield	0.68	0.90	1.20
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	53,645	50,594	31,717
Closing NAV percentage of total fund NAV (%)	5.52	4.93	3.86
Number of shares	1,412,428	1,520,123	1,075,212
Highest share price (Euro ¢)	3,265.52	3,016.43	2,726.38
Lowest share price (Euro ¢)	2,756.17	2,529.14	2,177.87

M&G Global Select Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Income share performance

The share class was launched on 19 December 1967.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	378.07	336.76	278.33
Return before operating charges and after direct portfolio transaction costs	52.34	54.13	65.00
Operating charges	(6.50)	(6.12)	(4.91)
Return after operating charges	45.84	48.01	60.09
Distributions	(6.40)	(6.70)	(1.66)
Closing NAV	417.51	378.07	336.76

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.19	0.20
Dilution adjustments ^[a]	(0.06)	(0.09)	(0.06)
Total direct portfolio transaction costs	0.04	0.10	0.14

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.05
Operating charges	1.66	1.66	1.67
Return after operating charges	+12.12	+14.26	+21.59
Historic yield ^[c]	1.56	1.79	0.50
Effect on yield of charges offset against capital	1.65	1.65	0.00

Other information

Closing NAV (\$'000)	446,672	486,113	462,473
Closing NAV percentage of total fund NAV (%)	45.99	47.38	56.34
Number of shares	82,262,177	99,859,434	104,538,931
Highest share price (UK p)	428.55	395.79	343.72
Lowest share price (UK p)	358.74	326.49	259.21

Sterling Class 'A' Accumulation share performance

The share class was launched on 19 December 1967.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	748.20	654.86	538.55
Return before operating charges and after direct portfolio transaction costs	103.61	105.22	125.80
Operating charges	(12.81)	(11.88)	(9.49)
Return after operating charges	90.80	93.34	116.31
Distributions	0.00	(1.43)	(3.20)
Retained distributions	0.00	1.43	3.20
Closing NAV	839.00	748.20	654.86

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.20	0.37	0.39
Dilution adjustments ^[a]	(0.11)	(0.17)	(0.11)
Total direct portfolio transaction costs	0.09	0.20	0.28

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.05
Operating charges	1.66	1.66	1.67
Return after operating charges	+12.14	+14.25	+21.60
Historic yield	0.00	0.19	0.49
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	115,527	159,000	132,082
Closing NAV percentage of total fund NAV (%)	11.89	15.50	16.09
Number of shares	10,587,533	16,504,330	15,353,780
Highest share price (UK p)	848.18	769.64	665.09
Lowest share price (UK p)	710.03	634.88	501.57

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	1,819.69	1,608.70	1,329.29
Return before operating charges and after direct portfolio transaction costs	253.26	259.24	312.00
Operating charges	(17.29)	(16.10)	(12.98)
Return after operating charges	235.97	243.14	299.02
Distributions	(30.95)	(32.15)	(19.61)
Closing NAV	2,024.71	1,819.69	1,608.70

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.50	0.92	0.98
Dilution adjustments ^[a]	(0.27)	(0.43)	(0.27)
Total direct portfolio transaction costs	0.23	0.49	0.71

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.05
Operating charges	0.91	0.91	0.92
Return after operating charges	+12.97	+15.11	+22.49
Historic yield ^[c]	1.55	1.78	1.23
Effect on yield of charges offset against capital	0.90	0.90	0.00

Other information

Closing NAV (\$'000)	27,970	24,463	23,534
Closing NAV percentage of total fund NAV (%)	2.88	2.39	2.87
Number of shares	1,062,204	1,044,084	1,113,639
Highest share price (UK p)	2,078.07	1,902.09	1,653.19
Lowest share price (UK p)	1,734.35	1,560.00	1,242.00

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	1,949.35	1,693.41	1,382.15
Return before operating charges and after direct portfolio transaction costs	271.50	272.91	324.74
Operating charges	(18.50)	(16.97)	(13.48)
Return after operating charges	253.00	255.94	311.26
Distributions	(14.29)	(17.41)	(20.40)
Retained distributions	14.29	17.41	20.40
Closing NAV	2,202.35	1,949.35	1,693.41

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.54	0.97	1.01
Dilution adjustments ^[a]	(0.29)	(0.45)	(0.28)
Total direct portfolio transaction costs	0.25	0.52	0.73

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.05
Operating charges	0.91	0.91	0.92
Return after operating charges	+12.98	+15.11	+22.52
Historic yield	0.68	0.90	1.21
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	101,913	92,385	79,279
Closing NAV percentage of total fund NAV (%)	10.49	9.00	9.66
Number of shares	3,558,078	3,680,718	3,563,837
Highest share price (UK p)	2,226.36	2,002.25	1,719.29
Lowest share price (UK p)	1,858.10	1,642.16	1,291.65

M&G Global Select Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	181.51	160.86	132.93
Return before operating charges and after direct portfolio transaction costs	25.24	25.91	31.15
Operating charges	(2.22)	(2.05)	(1.65)
Return after operating charges	23.02	23.86	29.50
Distributions	(3.08)	(3.21)	(1.57)
Closing NAV	201.45	181.51	160.86
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.09	0.10
Dilution adjustments ^[a]	(0.03)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.02	0.05	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.05
Operating charges	1.16	1.16	1.17
Return after operating charges	+12.68	+14.83	+22.19
Historic yield ^[c]	1.55	1.78	0.98
Effect on yield of charges offset against capital	1.15	1.15	0.00
Other information			
Closing NAV (\$'000)	2,236	425	342
Closing NAV percentage of total fund NAV (%)	0.23	0.04	0.04
Number of shares	853,347	181,866	161,836
Highest share price (UK p)	206.77	189.83	164.94
Lowest share price (UK p)	172.74	155.99	124.07

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	192.44	167.59	137.13
Return before operating charges and after direct portfolio transaction costs	26.80	26.98	32.16
Operating charges	(2.36)	(2.13)	(1.70)
Return after operating charges	24.44	24.85	30.46
Distributions	(0.89)	(1.27)	(1.62)
Retained distributions	0.89	1.27	1.62
Closing NAV	216.88	192.44	167.59
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.10	0.10
Dilution adjustments ^[a]	(0.03)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.02	0.06	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.05
Operating charges	1.16	1.16	1.17
Return after operating charges	+12.70	+14.83	+22.21
Historic yield	0.44	0.67	0.97
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	10,932	200	289
Closing NAV percentage of total fund NAV (%)	1.13	0.02	0.04
Number of shares	3,875,753	80,949	131,175
Highest share price (UK p)	219.24	197.76	170.17
Lowest share price (UK p)	183.16	162.51	128.01

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	378.04	336.74	278.31
Return before operating charges and after direct portfolio transaction costs	52.33	54.11	65.00
Operating charges	(6.49)	(6.11)	(4.91)
Return after operating charges	45.84	48.00	60.09
Distributions	(6.40)	(6.70)	(1.66)
Closing NAV	417.48	378.04	336.74
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.19	0.20
Dilution adjustments ^[a]	(0.06)	(0.09)	(0.06)
Total direct portfolio transaction costs	0.04	0.10	0.14
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.05
Operating charges	1.66	1.66	1.67
Return after operating charges	+12.13	+14.25	+21.59
Historic yield ^[c]	1.56	1.79	0.50
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (\$'000)	8,555	11,020	11,681
Closing NAV percentage of total fund NAV (%)	0.88	1.07	1.42
Number of shares	1,575,647	2,263,895	2,640,665
Highest share price (UK p)	428.52	395.77	343.69
Lowest share price (UK p)	358.72	326.47	259.19

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	741.92	649.36	534.02
Return before operating charges and after direct portfolio transaction costs	102.79	104.35	124.75
Operating charges	(12.75)	(11.79)	(9.41)
Return after operating charges	90.04	92.56	115.34
Distributions	0.00	(1.41)	(3.18)
Retained distributions	0.00	1.41	3.18
Closing NAV	831.96	741.92	649.36
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.20	0.37	0.39
Dilution adjustments ^[a]	(0.11)	(0.17)	(0.11)
Total direct portfolio transaction costs	0.09	0.20	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.05
Operating charges	1.66	1.66	1.67
Return after operating charges	+12.14	+14.25	+21.60
Historic yield	0.00	0.19	0.49
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	6,284	7,156	7,240
Closing NAV percentage of total fund NAV (%)	0.65	0.70	0.88
Number of shares	580,758	749,083	848,727
Highest share price (UK p)	841.06	763.18	659.50
Lowest share price (UK p)	704.06	629.55	497.35

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Specific share class performance

US dollar Class 'A' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	2,106.48	1,919.15	1,858.21
Return before operating charges and after direct portfolio transaction costs	316.81	263.32	101.02
Operating charges	(43.58)	(38.60)	(35.19)
Return after operating charges	273.23	224.72	65.83
Distributions	(35.99)	(37.39)	(4.89)
Closing NAV	2,343.72	2,106.48	1,919.15
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.60	1.05	1.27
Dilution adjustments ^[a]	(0.33)	(0.49)	(0.35)
Total direct portfolio transaction costs	0.27	0.56	0.92
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.05
Operating charges	1.91	1.91	1.92
Return after operating charges	+12.97	+11.71	+3.54
Historic yield ^[c]	1.58	1.78	0.25
Effect on yield of charges offset against capital	1.90	1.90	0.00
Other information			
Closing NAV (\$'000)	389	350	318
Closing NAV percentage of total fund NAV (%)	0.04	0.03	0.04
Number of shares	16,595	16,595	16,595
Highest share price (US ¢)	2,468.09	2,192.35	1,944.85
Lowest share price (US ¢)	2,092.72	1,823.71	1,619.58

US dollar Class 'A' Accumulation share performance

The share class was launched on 19 December 2008.

for the year to 31 August Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	2,162.22	1,935.59	1,869.25
Return before operating charges and after direct portfolio transaction costs	325.40	265.59	101.73
Operating charges	(44.74)	(38.96)	(35.39)
Return after operating charges	280.66	226.63	66.34
Distributions	0.00	0.00	(4.89)
Retained distributions	0.00	0.00	4.89
Closing NAV	2,442.88	2,162.22	1,935.59
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.62	1.06	1.27
Dilution adjustments ^[a]	(0.33)	(0.49)	(0.35)
Total direct portfolio transaction costs	0.29	0.57	0.92
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.05
Operating charges	1.91	1.91	1.92
Return after operating charges	+12.98	+11.71	+3.55
Historic yield	0.00	0.00	0.25
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	2,228	1,969	1,713
Closing NAV percentage of total fund NAV (%)	0.23	0.19	0.21
Number of shares	91,185	91,041	88,496
Highest share price (US ¢)	2,533.62	2,211.12	1,956.52
Lowest share price (US ¢)	2,148.29	1,839.33	1,629.31

US dollar Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	2,237.41	2,017.65	1,953.07
Return before operating charges and after direct portfolio transaction costs	337.86	278.21	106.87
Operating charges	(22.34)	(18.73)	(17.42)
Return after operating charges	315.52	259.48	89.45
Distributions	(38.66)	(39.72)	(24.87)
Closing NAV	2,514.27	2,237.41	2,017.65
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.65	0.98	1.31
Dilution adjustments ^[a]	(0.35)	(0.46)	(0.36)
Total direct portfolio transaction costs	0.30	0.52	0.95
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.05
Operating charges	0.91	0.88	0.90
Return after operating charges	+14.10	+12.86	+4.58
Historic yield ^[c]	1.58	1.78	1.23
Effect on yield of charges offset against capital	0.90	0.90	0.00
Other information			
Closing NAV (\$'000)	32	6	5
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	1,259	259	259
Highest share price (US ¢)	2,632.47	2,325.87	2,064.21
Lowest share price (US ¢)	2,223.17	1,920.72	1,709.73

US dollar Class 'C' Accumulation share performance

The share class was launched on 19 December 2008.

for the year to 31 August Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	2,350.45	2,083.13	1,991.74
Return before operating charges and after direct portfolio transaction costs	355.11	288.49	109.55
Operating charges	(23.34)	(21.17)	(18.16)
Return after operating charges	331.77	267.32	91.39
Distributions	(17.40)	(20.99)	(25.03)
Retained distributions	17.40	20.99	25.03
Closing NAV	2,682.22	2,350.45	2,083.13
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.68	1.21	1.36
Dilution adjustments ^[a]	(0.37)	(0.56)	(0.38)
Total direct portfolio transaction costs	0.31	0.65	0.98
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.03	0.05
Operating charges	0.91	0.91	0.92
Return after operating charges	+14.12	+12.83	+4.59
Historic yield	0.69	0.90	1.20
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	134,830	118,933	413
Closing NAV percentage of total fund NAV (%)	13.88	11.59	0.06
Number of shares	5,026,806	5,060,031	19,806
Highest share price (US ¢)	2,765.58	2,400.91	2,105.26
Lowest share price (US ¢)	2,335.69	1,983.09	1,743.87

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

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

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

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Statement of total return

for the year to 31 August	Note	2018		2017	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	3		126,759		89,424
Revenue	5	20,310		17,977	
Expenses	6	(14,882)		(13,128)	
Net revenue / (expense) before taxation		5,428		4,849	
Taxation	7	(3,868)		(1,760)	
Net revenue / (expense) after taxation			1,560		3,089
Total return before distributions			128,319		92,513
Distributions	8		(10,144)		(10,963)
Change in net assets attributable to shareholders from investment activities			118,175		81,550

Statement of change in net assets attributable to shareholders

for the year to 31 August	2018		2017	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		1,025,973		820,854
Amounts received on issue of shares	73,762		219,258	
Amounts paid on cancellation of shares	(248,781)		(98,602)	
		(175,019)		120,656
Dilution adjustments		193		254
Change in net assets attributable to shareholders from investment activities (see above)		118,175		81,550
Retained distributions on Accumulation shares		1,929		2,657
Unclaimed distributions		14		2
Closing net assets attributable to shareholders		971,265		1,025,973

Balance sheet

as at 31 August	Note	2018 \$'000	2017 \$'000
Assets			
Fixed assets			
Investments		968,907	989,667
Current assets			
Debtors	9	22,530	4,302
Cash and bank balances	10	965	1,709
Cash equivalents		4,828	41,266
Total assets		997,230	1,036,944
Liabilities			
Creditors			
Bank overdrafts		(2,116)	0
Distribution payable		(7,454)	(9,265)
Other creditors	11	(16,395)	(1,706)
Total liabilities		(25,965)	(10,971)
Net assets attributable to shareholders		971,265	1,025,973

Notes to the financial statements

1 Accounting policies

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

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

2 Distribution policy

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

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

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

3 Net capital gains / (losses)

for the year to 31 August	2018 \$'000	2017 \$'000
Non-derivative securities	127,182	89,871
Currency gains / (losses)	(418)	(442)
Transaction charges	(5)	(5)
Net capital gains / (losses)	126,759	89,424

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 62 and 63.

for the year to 31 August	2018 \$'000	% of transaction	2017 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	86,460		251,088	
Commissions	37	0.04	127	0.05
Taxes	143	0.17	160	0.06
Total purchases after transaction costs	86,640		251,375	
b) Sales				
Equities				
Equities before transaction costs	234,657		171,259	
Commissions	(90)	0.04	(157)	0.09
Taxes	(2)	0.00	(2)	0.00
Total sales after transaction costs	234,565		171,100	
c) Direct portfolio transaction costs				
Commissions paid				
Equities	127	0.01	284	0.03
Taxes paid				
Equities	145	0.02	162	0.02
Total direct portfolio transaction costs [a]	272	0.03	446	0.05
d) Indirect portfolio transaction costs				
Portfolio dealing spread [b]		0.03		0.03

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

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

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Financial statements and notes

Notes to the financial statements

5 Revenue

for the year to 31 August	2018 \$'000	2017 \$'000
Bank interest	2	53
Dividends from equity investments: non-taxable	19,797	16,303
Dividends from equity investments: taxable	96	1,127
Interest distributions	209	185
Stock dividends	206	309
Total revenue	20,310	17,977

6 Expenses

for the year to 31 August	2018 \$'000	2017 \$'000
Payable to the ACD or associate		
Annual management charge	13,205	11,741
Administration charge	1,540	1,281
	14,745	13,022
Payable to the Depository or associate		
Depository's charge (including VAT)	63	56
Other expenses		
Audit fee (including VAT)	12	10
Interest payable	4	2
Legal fees	0	1
Safe custody charge	49	40
Tax fees (including VAT)	9	1
	74	54
VAT recoverable		
Current year	0	0
Prior year	0	(4)
	0	(4)
Total expenses	14,882	13,128

7 Taxation

for the year to 31 August	2018 \$'000	2017 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	3,868	1,760
Deferred tax (note 7c)	0	0
Total taxation	3,868	1,760
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	5,428	4,849
Corporation tax at 20%	1,086	970
Effects of:		
Dividends from equity investments: non-taxable	(3,960)	(3,261)
Stock dividends not taxable	(41)	(62)
Current year expenses not utilised	2,918	2,375
Withholding tax	3,868	1,760
Withholding tax expensed	(3)	(22)
Total tax charge (note 7a)	3,868	1,760
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of \$29,962,000 (2017: \$27,044,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

for the year to 31 August Dividend distributions	2018		2017	
	Inc ^[a] \$'000	Acc ^[b] \$'000	Inc ^[a] \$'000	Acc ^[b] \$'000
Final	7,454	1,929	9,265	2,657
Total net distributions		9,383		11,922
Income deducted on cancellation of shares		842		231
Income received on issue of shares		(81)		(1,190)
Distributions		10,144		10,963
Net revenue / (expense) per statement of total return		1,560		3,089
Expenses offset against capital		8,513		8,149
Stock dividends not distributed		(206)		(309)
Income deficit transferred to capital		277		34
Distributions		10,144		10,963

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2018 \$'000	2017 \$'000
Amounts receivable on issues of shares	205	31
Currency deals outstanding	0	104
Distributions receivable	5	39
Dividends receivable	909	1,240
Sales awaiting settlement	18,590	0
Withholding tax recoverable	2,821	2,888
Total debtors	22,530	4,302

10 Cash and bank balances

as at 31 August	2018 \$'000	2017 \$'000
Cash held as bank balances	965	1,709
Total cash and bank balances	965	1,709

11 Other creditors

as at 31 August	2018 \$'000	2017 \$'000
ACD's annual management charge payable	615	632
Administration charge payable	73	72
Amounts payable on cancellation of shares	15,233	341
Corporation tax payable	451	534
Currency deals outstanding	0	104
Expenses payable	23	23
Total other creditors	16,395	1,706

12 Contingent assets, liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2017: same).

The fund has recognised a contingent asset of \$451,000 as a result of the European Court of Justice rulings in November 2012 and Supreme Court judgements in July 2018 in relation to Prudential Assurance Co Ltd v Commissioners for HMRC. The fund may recover further amounts of UK corporation tax suffered and accounted for on overseas dividends receivable before July 2009 (overseas dividends received post 2009 are not taxable). Full recovery of this asset is not certain as there is currently no HMRC guidance on how a fund may seek to recover taxes. An estimated accrual is included within the daily price of the fund's shares.

M&G Global Select Fund

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13 Shares in issue

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

Share class	Opening 01.09.17	Movements		Closing 31.08.18
		Issued	Cancelled	
Euro				
Class 'A' Income	9,821	4,796	(7,417)	7,200
Class 'A' Accumulation	2,511,233	159,729	(857,005)	1,813,957
Class 'B' Accumulation	11,556	7,172	0	18,728
Class 'C' Income	745	573	0	1,318
Class 'C' Accumulation	1,520,123	378,070	(485,765)	1,412,428
Sterling				
Class 'A' Income	99,859,434	1,474,114	(19,071,371)	82,262,177
Class 'A' Accumulation	16,504,330	100,144	(6,016,941)	10,587,533
Class 'I' Income	1,044,084	154,433	(136,313)	1,062,204
Class 'I' Accumulation	3,680,718	264,698	(387,338)	3,558,078
Class 'R' Income	181,866	787,053	(115,572)	853,347
Class 'R' Accumulation	80,949	4,040,434	(245,630)	3,875,753
Class 'X' Income	2,263,895	6,066	(694,314)	1,575,647
Class 'X' Accumulation	749,083	14,963	(183,288)	580,758
US dollar				
Class 'A' Income	16,595	0	0	16,595
Class 'A' Accumulation	91,041	7,113	(6,969)	91,185
Class 'C' Income	259	1,000	0	1,259
Class 'C' Accumulation	5,060,031	858,917	(892,142)	5,026,806

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual
			management charge %
Euro			
Class 'A'	5.25	n/a	1.75
Class 'B'	n/a	n/a	2.25
Class 'C'	3.25	n/a	0.75
Sterling			
Class 'A'	nil	n/a	1.50
Class 'I'	nil	n/a	0.75
Class 'R'	nil	n/a	1.00
Class 'X'	nil	n/a	1.50
US dollar			
Class 'A'	5.25	n/a	1.75
Class 'C'	3.25	n/a	0.75

15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 42.59% (2017: 43.26%) of the fund's shares.

16 Events after the balance sheet date

As a result of the Extraordinary General Meetings of Shareholders held on 4 October 2018, the non-sterling share classes of the M&G Global Select Fund will be merged into corresponding share classes of M&G (Lux) Global Select Fund.

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 August Basis of valuation	Assets	Liabilities	Assets	Liabilities
	2018 \$'000	2018 \$'000	2017 \$'000	2017 \$'000
Level 1	968,907	0	989,667	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	968,907	0	989,667	0

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

M&G Global Select Fund

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18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by \$48,445,000 (2017: \$49,483,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by \$48,563,000 (2017: \$51,299,000). A five per cent decrease would have an equal and opposite effect.

as at 31 August	2018 \$'000	2017 \$'000
Currency exposure in respect of the fund		
Danish krone	79,736	62,251
Euro	102,570	155,142
Japanese yen	36,954	32,992
Sterling	99,514	96,355
Swiss franc	31,699	46,978
Taiwan dollar	0	615
US dollar	620,792	631,640
Total	971,265	1,025,973

21 Interest rate risk sensitivity and exposure

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

22 Credit risk

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

23 Dividend distribution tables

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

Annual distribution period				
	Start	End	Xd	Payment
Final	01.09.17	31.08.18	03.09.18	31.10.18

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

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

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

Euro Class 'A' Income shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
Final	€ 18.8912	€ 22.6074	€ 41.4986	€ 42.4277

Euro Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
Final	€ 0.0000	€ 0.0000	€ 0.0000	€ 0.0000

Euro Class 'B' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
Final	€ 0.0000	€ 0.0000	€ 0.0000	€ 0.0000

Euro Class 'C' Income shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
Final	€ 2.0870	€ 44.5910	€ 46.6780	€ 47.1779

Euro Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
Final	€ 17.6713	€ 3.4441	€ 21.1154	€ 25.0667

M&G Global Select Fund

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23 Dividend distribution tables (continued)

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	4.9873	1.4158	6.4031	6.7024

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	0.0000	0.0000	0.0000	1.4250

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	19.1307	11.8208	30.9515	32.1508

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	10.7057	3.5806	14.2863	17.4084

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	1.8487	1.2338	3.0825	3.2107

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	0.5791	0.3121	0.8912	1.2693

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	5.4097	0.9931	6.4028	6.7019

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	0.0000	0.0000	0.0000	1.4133

US dollar Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	¢	¢	¢	¢
Final	1.8207	34.1652	35.9859	37.3880

US dollar Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	¢	¢	¢	¢
Final	0.0000	0.0000	0.0000	0.0000

US dollar Class 'C' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	¢	¢	¢	¢
Final	1.9526	36.7116	38.6642	39.7201

US dollar Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	¢	¢	¢	¢
Final	15.3432	2.0563	17.3995	20.9947

M&G Global Themes Fund

Authorised Corporate Director's Report

Investment objective and policy up to 16 November 2017

The fund is a global equity fund which invests wholly or mainly in companies operating in basic industries ('primary' and 'secondary' industries) and also in companies that service these industries. The fund may also invest in other global equities. The sole aim of the fund is long term capital growth.

Investment objective from 17 November 2017

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

Investment policy from 17 November 2017

The fund will invest at least 80% of its Net Asset Value in the equity securities of companies across any sectors and market capitalisations that are domiciled in any country, including emerging markets.

The fund may also invest in collective investment schemes, other transferable securities and may hold cash for liquidity purposes.

Derivatives may be used for efficient portfolio management.

Investment approach

The investment process of the fund combines top-down and bottom-up analysis. The fund manager aims to identify themes arising from long-term structural shifts, changes or trends. Stocks that can benefit from these themes are then selected on the basis of their quality, growth and valuation.

Themes are identified through the analysis of global macroeconomics, demographics, government policies and spending, and technological innovation, among other considerations.

The bottom-up stock selection process is designed to identify well-run companies which can benefit from those themes and which are trading on attractive valuations with good, sustainable growth prospects.

The fund is invested across the market-cap spectrum and is geographically diversified.

Risk profile

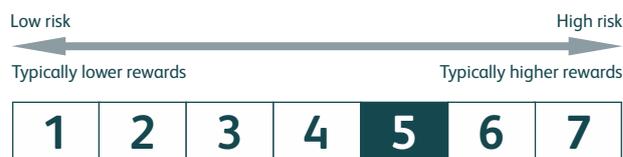
The fund invests globally in the shares of listed companies and is, therefore, subject to the price volatility of the global stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

Given its direct and indirect exposure to emerging markets, the fund may be more volatile compared to a fund that invests mainly in the securities of companies in developed countries. The reasons for this

greater volatility include: the financial infrastructure in emerging markets is typically less mature, the regulatory systems and disclosure standards are less developed and adverse market and political circumstances are more likely to occur in these markets.

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

The following table shows the risk number associated with the fund and is based on Sterling Class '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 3 September 2018, for the year ended 31 August 2018

Performance against objective

Between 1 September 2017 (the start of the review period) and 3 September 2018, the M&G Global Themes Fund produced a positive total return (the combination of income and growth of capital) across all its share classes.* However, the fund's returns in all share classes lagged that of the comparative index. Over the 12 months, returns from the comparative index were 12.5%, 14.1% and 11.7% in sterling, euros and US dollars respectively.

On 17 November 2017, the fund changed its objective and policy, and the performance comparator changed. The comparative index was the FTSE Global Basics Composite Index (comprising all subsectors of the FTSE World Index except media, IT, telecommunications, financials and healthcare) between 1 September 2017 and 16 November 2017. Between 17 November 2017 and 3 September 2018, it was the MSCI ACWI World Index.

The fund's new objective is to outperform the MSCI ACWI World Index over any five-year period. The past performance achieved before the change in November 2017 was therefore attained under circumstances that no longer apply.

* 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.

M&G Global Themes Fund

Authorised Corporate Director's Report

Investment review

Investment performance

The 12 months under review was a positive one for global stockmarkets on the whole, however, the overall performance disguises a sharp divergence in fortunes amongst the different markets.

For the first few months of the review period, share prices made steady gains on the back of good economic data and robust company earnings. Indeed, ahead of a sharp decline towards the end of January 2018, many stockmarkets had risen to all-time highs, whilst others reached their highest levels for many years.

However, signs of a pick-up in wage inflation in the US led to rising interest rate expectations, which triggered a sudden sell-off in stockmarkets. Investors' nerves were further unsettled by fears of a potential global trade war, as President Trump proposed tariffs on various imports into the US, prompting China, his main target, to retaliate.

Politics was also on many investors' minds, with elections in Italy, Russia and Turkey causing bouts of volatility. Meanwhile, in the UK, uncertainty over Brexit continued.

Despite geopolitical noise, global economic growth appears to be intact, albeit moderating somewhat from the high levels seen in 2017 and becoming less synchronised. Furthermore, corporate profitability is holding up well.

To date, the US is the only major economy to have raised interest rates to any significant degree – a reflection of the health of its economy. Elsewhere, central bank monetary policy remains supportive.

Against this backdrop, the fund lagged its comparative index, with financial holdings, including MetLife and Erste Group, amongst the detractors. However, the fund's below-index position in financials overall was advantageous, which offset the losses to an extent.

Shares in life assurance company MetLife fell after the company issued earnings guidance which disappointed investors; the US company is behind schedule on initiatives to cut costs. We have now sold the holding.

Erste Group is an Austria-listed bank with significant exposure to the fast-growing economies of Central and Eastern Europe (CEE). However, fears over the impact that rising interest rates in the US might have on emerging markets, coupled with specific worries about Turkey, have had an adverse effect on Erste Group and the European banking sector in general.

On a positive note, US banks fared relatively better and the fund's holding in First Republic, a US West Coast private bank and wealth manager, aided performance. The company's business mix offers robust growth, low credit risk (meaning the risk a borrower may not repay the loan is low) and strong returns.

Threats by the US administration to impose tariffs on cars imported from the European Union dented sentiment towards car manufacturers; shares in Porsche weakened as a result. We have been reducing the fund's exposure to the company, as we are concerned about the effect trade tariffs could have on sales and the pressure it could put on profits. Furthermore, car sales can slow as interest rates rise, as they have in the US.

Consumer staples lagged the broader market during the review period, and the fund's above-index position in the sector hurt performance, notably the holding in PZ Cussons. UK-based personal care company

PZ Cussons reported tough trading in its core markets of Nigeria and the UK, and reduced guidance for full-year profits.

The fund's below-index position in technology overall also held back returns, as did a holding in NXP; however, the holding in Microsoft was the fund's top contributor.

Shares in semiconductor manufacturer NXP fell after rival Qualcomm decided to scrap its bid. The two companies apparently abandoned the deal because China's regulators delayed approving the merger. We believe the valuation continues to look reasonable and have held on to the shares.

Conversely, US software giant Microsoft's recent quarterly results topped analysts' estimates, with strong momentum in its commercial cloud business driving profitability.

Other holdings that added value included BYD Company and Genus. Shares in Hong Kong-listed, Chinese manufacturer of automobiles (including electric cars) and rechargeable batteries, BYD rallied sharply in the last quarter of 2017 following news that China is working on a timetable to ban production and sales of fossil fuelled cars. We have subsequently reduced this position.

Meanwhile, Genus, a manufacturer of biotechnology products for cattle and pigs, reported first-half results at the end of February 2018, showing strong revenue and profit growth as well as a substantial increase in dividends.

Investment activities

The M&G Global Themes Fund's investment process aims to identify the companies that are set to benefit from long-term structural changes within economies, industries and societies that happen over time. This is achieved through the analysis of global macroeconomic trends, demographics and government policies and spending, among other considerations. In this way, our aim is to avoid investing in companies which operate in industries that are structurally challenged.

At present, we are focusing on four main themes: Health (the challenges and opportunities posed by an ageing population); Security (particularly cyber and food security); Infrastructure (the growing need for transport links such as rail); and Environment (the increasing requirement for energy efficiency and pollution control).

The stock selection process is designed to identify well-run companies that are attractively valued and have sustainable growth prospects.

During the review period, we initiated a position in UK-listed global pharmaceutical company AstraZeneca. This company has a portfolio of products for major disease areas including cancer, cardiovascular, infection, respiratory and inflammation. Management has a strong focus on the productivity of research and development and the company should benefit from strong growth in its emerging markets-based business.

At the same time, we exited Welltower, a US company providing premium long-term assisted care for the elderly in the US, Canada and the UK. In our view, Welltower's strategy of growing through the development of properties will come under pressure as interest rates rise. Furthermore, rising borrowing costs will also impact the ability of potential acquirers to purchase developed and non-core properties from Welltower.

We also began positions in several financial companies, including Erste Group and DBS. We believe Erste Group should benefit from interest rate rises and loan growth in CEE countries and a better economic backdrop in core European countries, as well as reap the gains from recent heavy investment in technology.

M&G Global Themes Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

Singapore's largest bank DBS should be a long-term beneficiary of China's economic growth, in our view. We believe the bank should also benefit from rising net interest margins in the near term and, as recent results show, DBS's cost efficiency is improving.

In the energy sector, we closed the fund's position in BP and initiated a holding in Royal Dutch Shell. In our opinion, Shell is more attractively valued and has generated a better return on capital over the past 12 months.

At the same time, we sold the stake in global miner BHP into what feels to us like an unsustainable rally in diversified miners. In particular, BHP has benefited from a significant increase in the oil price and an activist investor pushing for change.

Elsewhere in the materials sector, we began positions in precious metals companies Franco Nevada, a Canada-based miner which should profit from the spin-off of its oil & gas business, and Polymetal, a quality Russian name which we believe is led by good management.

We initiated a position in South Korea's Samsung Electronics as well. Samsung offers exposure to the rapid global growth in electronic consumer goods and smartphones. The company also has a very strong position in memory chips, where the three key players currently enjoy reasonable pricing power and significant market share. Demand for memory chips is coming from multiple sources: cloud/data storage, artificial intelligence/autonomous vehicles, the 'smart' factory, and online gaming.

In addition, on 25 May 2018 the M&G Global Leaders Fund merged into the M&G Global Themes Fund, which led to several new holdings joining the portfolio.

Outlook

After finishing the first half of 2018 largely flat, stockmarkets have since struggled to make any meaningful progress. While many companies reported healthy earnings growth, markets were overshadowed by US protectionist threats, wider geopolitical risk and a backdrop of rising interest rates in some countries. US company shares continue to post the strongest returns, helped by technology stocks.

We believe that stockmarkets have factored in further interest rate rises from the Federal Reserve, but that the continuing withdrawal of liquidity by central banks (reversing the purchase of assets that took place after the global financial crisis) will provide a headwind in some cases. In particular, we have been reducing our exposure to shares in smaller companies which we think may encounter headwinds in this environment.

We continue to focus on good quality, well-run companies that have sustainable growth prospects and are trading on reasonable valuations.

Jamie Horvat Fund manager

An employee of M&G Limited which is an associate of M&G Securities Limited. At the start of the review period Jamie Horvat and Randeep Somel were co-fund managers.

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

Investments

Portfolio statement

as at 31 August	2018	2018	2017
Holding	\$'000	%	%
EQUITIES	3,040,955	98.81	99.47
United Kingdom	308,916	10.04	16.99
728,478 AstraZeneca	55,159	1.79	
1,819,939 Genus	67,741	2.20	
878,467 MD Medical Group GDR	5,930	0.19	
1,325,289 Polymetal International	11,173	0.37	
13,160,000 PZ Cussons	41,248	1.34	
363,725 Randgold Resources	24,002	0.78	
1,812,354 Unilever	103,663	3.37	
Austria	51,229	1.66	0.00
1,273,684 Erste Group	51,229	1.66	
Belgium	37,096	1.21	0.00
520,667 KBC Groep	37,096	1.21	
France	0	0.00	1.83
Germany	361,164	11.74	10.76
1,088,816 GEA Group	41,672	1.35	
373,994 Henkel Pref.	48,200	1.57	
210,185 Linde	47,960	1.56	
1,047,702 Porsche Pref.	67,067	2.18	
282,595 Scout24	14,667	0.48	
704,558 Siemens	92,175	2.99	
524,078 Symrise	49,423	1.61	
Ireland	97,036	3.15	3.68
860,427 Kerry Group	97,036	3.15	
Netherlands	118,222	3.84	3.19
390,000 NXP Semiconductors	35,938	1.17	
2,504,182 Royal Dutch Shell 'A'	82,284	2.67	
Spain	55,615	1.81	1.14
594,445 Amadeus IT Group (formerly Amadeus IT Holdings)	55,615	1.81	
Switzerland	113,408	3.69	3.56
454,126 Roche Holding 'Genusscheine'	113,408	3.69	
United States	1,254,567	40.76	37.24
768,406 Agnico Eagle Mines	26,779	0.87	
93,887 Alphabet	116,322	3.78	
450,384 Avery Dennison	47,403	1.54	
241,868 Becton Dickinson	62,961	2.05	
423,378 Booz Allen Hamilton	21,635	0.70	
1,134,401 Bunge	73,339	2.38	
456,414 Compass Minerals International	28,845	0.94	
799,880 First Republic Bank San Francisco	80,364	2.61	
568,520 Honeywell International	90,656	2.95	
1,206,618 Hutchison China MedTech ADR	35,414	1.15	
318,728 Johnson & Johnson	43,012	1.40	
1,747,071 Microsoft	195,585	6.35	
306,826 Motorola Solutions	39,133	1.27	
342,711 National Oilwell Varco	16,166	0.53	
1,297,004 Newmont Mining	40,246	1.31	
914,873 Nomad Foods	18,956	0.62	
323,754 Parker Hannifin	56,686	1.84	
427,101 Raytheon	85,061	2.76	
364,788 ResMed	41,006	1.33	
712,085 Schlumberger	45,808	1.49	
318,643 Xperi	5,019	0.16	
982,154 Yum! Brands	84,171	2.73	

M&G Global Themes Fund

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Investments

Portfolio statement (continued)			
as at 31 August	2018	2018	2017
Holding	\$'000	%	%
Canada	143,701	4.67	4.66
20,185,500 Bonterra Resources	4,735	0.16	
650,153 Franco Nevada	42,567	1.38	
5,191,821 Iamgold Corporation	21,285	0.69	
112,582 Osisko Gold Royalties wts. 2019	9	0.00	
6,703,367 Roxgold	4,640	0.15	
1,820,900 SEMAFO	4,370	0.14	
1,396,731 Suncor Energy	58,271	1.89	
13,746,751 Trevali Mining	7,824	0.26	
Mexico	0	0.00	1.06
Japan	122,566	3.98	6.42
2,364,500 Honda Motor	70,232	2.28	
1,615,800 Japan Tobacco	42,625	1.38	
66,800 Nidec	9,709	0.32	
Australia	86,842	2.82	4.59
2,461,744 Ansell	44,678	1.45	
326,423 Erin Barr ^[a]	0	0.00	
45,186,512 Starpharma	42,164	1.37	
Hong Kong	65,812	2.14	1.30
6,558,368 AIA Group	56,525	1.84	
1,564,220 BYD	9,287	0.30	
Singapore	82,014	2.66	0.69
4,504,833 DBS Group Holdings	82,014	2.66	
South Korea	81,618	2.65	0.00
1,877,134 Samsung Electronic	81,618	2.65	
United Arab Emirates	61,149	1.99	2.36
2,857,429 DP World	61,149	1.99	
Portfolio of investments	3,040,955	98.81	99.47
CASH EQUIVALENTS	17	0.00	0.21
'AAA' rated money market funds ^[b]	17	0.00	0.21
13,002 Northern Trust Global Fund - Sterling	17	0.00	
Total portfolio (notes 2c & 2d on page 7)	3,040,972	98.81	99.68
Net other assets / (liabilities)	36,712	1.19	0.32
Net assets attributable to shareholders	3,077,684	100.00	100.00

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

^[a] Unlisted

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

Top ten portfolio transactions

for the year to 31 August 2018

Largest purchases	\$'000
DBS Group Holdings	93,655
Royal Dutch Shell 'A'	81,811
First Republic Bank San Francisco	78,257
Samsung Electronic	77,583
Alphabet	70,068
AIA Group	57,455
Parker Hannifin	57,313
Erste Group	56,440
AstraZeneca	50,398
Avery Dennison	48,389
Other purchases	882,852
Total purchases	1,554,221
Largest sales	\$'000
Kirin Holdings	105,142
Rockwell Automation	95,079
Symrise	54,678
Ansell	52,292
BHP Billiton	50,675
BP	49,929
MetLife	49,274
BYD	46,825
Microsoft	45,865
The Scotts Miracle-Gro	44,631
Other sales	776,933
Total sales	1,371,323

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

M&G Global Themes Fund

Financial highlights

Fund performance

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

The following chart and tables show the performance for two of the fund's share classes – Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

We show performance for these two share classes because:

- The performance of the Sterling Class 'A' (Accumulation) share is what most individuals investing directly with M&G have received. It has the highest ongoing charge of all the sterling share classes. Performance is shown after deduction of this charge. All UK investors in the fund therefore received this performance or better.
- The performance of the Sterling Class 'I' (Accumulation) share is the most appropriate to compare with the average performance of the fund's comparative sector. It is the share class used by the Investment Association in the calculation of the comparative sector's average performance. This share class is available for direct investment with M&G subject to minimum investment criteria, or via third parties who may charge additional fees. The performance shown takes the deduction of the ongoing charge for this share class into account but it does not take account of charges applied by any other party through which you may have 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 (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
	2018	2017	2016
as at 31 August	\$'000	\$'000	\$'000
Fund net asset value (NAV)	3,077,684	2,680,467	2,675,498

Performance since launch

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



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

The fund's Sterling Class 'I' (Accumulation) shares were launched on 3 August 2012. Performance data shown prior to this date is that of the fund's Sterling Class 'A' (Accumulation) shares.

M&G Global Themes Fund

Financial highlights

Fund performance

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

Long-term performance by share class				
	One year 01.09.17 % ^[a]	Three years 03.09.15 % p.a.	Five years 03.09.13 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	+7.8	+9.2	+6.1	+7.3 ^[c]
Class 'C'	+8.9	+10.3	+7.1	+8.3 ^[c]
Sterling ^[d]				
Class 'A'	+5.7	+17.2	+7.7	+7.8 ^[e]
Class 'I'	+6.5	+18.1	+8.5	+9.0 ^[f]
Class 'R'	+6.3	+17.8	+8.2	+8.7 ^[f]
Class 'X'	+5.7	+17.2	+7.7	+14.4 ^[g]
US dollar ^[b]				
Class 'A'	+5.1	+10.4	+3.4	+2.6 ^[h]
Class 'C'	+6.2	+11.6	+4.5	+3.6 ^[h]

^[a] Absolute basis.

^[b] Price to price with net income reinvested.

^[c] 28 November 2001, the launch date of the share class.

^[d] Price to price with income reinvested.

^[e] 28 February 1973, the end of the initial offer period of the predecessor unit trust.

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

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

^[h] 9 March 2007, the launch date of the share class.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

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

Portfolio transaction costs				
for the year to 31 August	2018	2017	2016	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.04	0.02	0.06	0.04
Taxes	0.02	0.01	0.01	0.01
Costs before dilution adjustments	0.06	0.03	0.07	0.05
Dilution adjustments ^[c]	(0.01)	(0.01)	(0.02)	(0.01)
Total direct portfolio transaction costs	0.05	0.02	0.05	0.04
as at 31 August	2018	2017	2016	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.17	0.27	0.22	0.22

^[a] Average of first three columns.

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

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

M&G Global Themes Fund

Financial highlights

Specific share class performance

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

Historic yields for the current period are calculated as at 14 September 2018.

Euro Class 'A' Income share performance

The share class was launched on 12 July 2013.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	2,922.01	2,824.63	2,518.66
Return before operating charges and after direct portfolio transaction costs	314.66	209.47	362.58
Operating charges	(59.73)	(57.25)	(49.99)
Return after operating charges	254.93	152.22	312.59
Distributions	(57.83)	(54.84)	(6.62)
Closing NAV	3,119.11	2,922.01	2,824.63

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.89	0.99	1.73
Dilution adjustments ^[a]	(0.27)	(0.26)	(0.59)
Total direct portfolio transaction costs	1.62	0.73	1.14

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.05
Operating charges	1.92	1.92	1.92
Return after operating charges	+8.72	+5.39	+12.41
Historic yield ^[c]	1.86	1.85	0.23
Effect on yield of charges offset against capital	1.90	1.90	0.00

Other information

Closing NAV (\$'000)	5,968	4,990	3,857
Closing NAV percentage of total fund NAV (%)	0.19	0.19	0.14
Number of shares	163,979	144,009	122,547
Highest share price (Euro ¢)	3,268.60	3,145.52	2,871.59
Lowest share price (Euro ¢)	2,928.48	2,720.14	2,251.56

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	3,003.89	2,850.14	2,535.39
Return before operating charges and after direct portfolio transaction costs	322.62	211.27	364.89
Operating charges	(61.22)	(57.52)	(50.14)
Return after operating charges	261.40	153.75	314.75
Distributions	0.00	(2.55)	(6.63)
Retained distributions	0.00	2.55	6.63
Closing NAV	3,265.29	3,003.89	2,850.14

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.93	0.99	1.73
Dilution adjustments ^[a]	(0.28)	(0.26)	(0.59)
Total direct portfolio transaction costs	1.65	0.73	1.14

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.05
Operating charges	1.92	1.92	1.92
Return after operating charges	+8.70	+5.39	+12.41
Historic yield	0.00	0.09	0.23
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	2,027,137	1,816,848	1,723,401
Closing NAV percentage of total fund NAV (%)	65.88	67.78	64.41
Number of shares	53,204,357	51,008,408	54,269,623
Highest share price (Euro ¢)	3,359.41	3,173.93	2,890.75
Lowest share price (Euro ¢)	3,009.84	2,744.71	2,266.60

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	3,307.75	3,165.27	2,820.48
Return before operating charges and after direct portfolio transaction costs	357.05	235.29	407.44
Operating charges	(32.55)	(30.97)	(26.45)
Return after operating charges	324.50	204.32	380.99
Distributions	(66.09)	(61.84)	(36.20)
Closing NAV	3,566.16	3,307.75	3,165.27

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.15	1.11	1.87
Dilution adjustments ^[a]	(0.31)	(0.29)	(0.63)
Total direct portfolio transaction costs	1.84	0.82	1.24

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.05
Operating charges	0.92	0.92	0.94
Return after operating charges	+9.81	+6.46	+13.51
Historic yield ^[c]	1.86	1.84	1.13
Effect on yield of charges offset against capital	0.90	0.90	0.00

Other information

Closing NAV (\$'000)	1,485	1,290	28
Closing NAV percentage of total fund NAV (%)	0.05	0.05	0.00
Number of shares	35,695	32,892	792
Highest share price (Euro ¢)	3,713.16	3,546.63	3,245.64
Lowest share price (Euro ¢)	3,317.13	3,054.11	2,532.06

M&G Global Themes Fund

Financial highlights

Specific share class performance

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	3,492.19	3,280.53	2,889.31
Return before operating charges and after direct portfolio transaction costs	376.32	243.52	418.62
Operating charges	(34.32)	(31.86)	(27.40)
Return after operating charges	342.00	211.66	391.22
Distributions	(35.11)	(35.10)	(37.16)
Retained distributions	35.11	35.10	37.16
Closing NAV	3,834.19	3,492.19	3,280.53

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.26	1.15	1.97
Dilution adjustments ^[a]	(0.32)	(0.30)	(0.67)
Total direct portfolio transaction costs	1.94	0.85	1.30

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.05
Operating charges	0.92	0.92	0.92
Return after operating charges	+9.79	+6.45	+13.54
Historic yield	0.92	0.99	1.12
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	16,151	14,125	15,885
Closing NAV percentage of total fund NAV (%)	0.52	0.53	0.59
Number of shares	361,002	341,119	434,591
Highest share price (Euro ¢)	3,919.55	3,675.70	3,325.82
Lowest share price (Euro ¢)	3,501.73	3,165.26	2,594.59

Sterling Class 'A' Income share performance

The share class was launched on 28 February 1973.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	873.84	776.01	597.91
Return before operating charges and after direct portfolio transaction costs	68.93	128.12	192.31
Operating charges	(14.79)	(13.91)	(10.77)
Return after operating charges	54.14	114.21	181.54
Distributions	(16.87)	(16.38)	(3.44)
Closing NAV	911.11	873.84	776.01

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.54	0.28	0.43
Dilution adjustments ^[a]	(0.08)	(0.07)	(0.14)
Total direct portfolio transaction costs	0.46	0.21	0.29

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.05
Operating charges	1.67	1.67	1.68
Return after operating charges	+6.20	+14.72	+30.36
Historic yield ^[c]	1.85	1.85	0.44
Effect on yield of charges offset against capital	1.65	1.65	0.00

Other information

Closing NAV (\$'000)	156,489	93,968	112,998
Closing NAV percentage of total fund NAV (%)	5.08	3.51	4.22
Number of shares	13,206,458	8,351,587	11,084,743
Highest share price (UK p)	944.06	894.27	807.24
Lowest share price (UK p)	833.29	755.91	566.54

Sterling Class 'A' Accumulation share performance

The share class was launched on 28 February 1973.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	1,358.67	1,184.36	908.28
Return before operating charges and after direct portfolio transaction costs	106.95	195.57	292.46
Operating charges	(23.11)	(21.26)	(16.38)
Return after operating charges	83.84	174.31	276.08
Distributions	(2.45)	(4.29)	(5.41)
Retained distributions	2.45	4.29	5.41
Closing NAV	1,442.51	1,358.67	1,184.36

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.84	0.42	0.65
Dilution adjustments ^[a]	(0.12)	(0.11)	(0.22)
Total direct portfolio transaction costs	0.72	0.31	0.43

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.05
Operating charges	1.67	1.67	1.67
Return after operating charges	+6.17	+14.72	+30.40
Historic yield	0.17	0.31	0.46
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	322,760	271,142	287,167
Closing NAV percentage of total fund NAV (%)	10.50	10.12	10.73
Number of shares	17,204,174	15,498,977	18,457,412
Highest share price (UK p)	1,467.51	1,364.86	1,226.59
Lowest share price (UK p)	1,295.40	1,153.67	860.56

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	1,462.82	1,289.26	992.84
Return before operating charges and after direct portfolio transaction costs	115.98	213.70	321.31
Operating charges	(13.74)	(12.81)	(9.96)
Return after operating charges	102.24	200.89	311.35
Distributions	(28.36)	(27.33)	(14.93)
Closing NAV	1,536.70	1,462.82	1,289.26

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.91	0.46	0.72
Dilution adjustments ^[a]	(0.13)	(0.12)	(0.24)
Total direct portfolio transaction costs	0.78	0.34	0.48

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.05
Operating charges	0.92	0.92	0.91
Return after operating charges	+6.99	+15.58	+31.36
Historic yield ^[c]	1.84	1.84	1.16
Effect on yield of charges offset against capital	0.90	0.90	0.00

Other information

Closing NAV (\$'000)	68,915	49,792	52,829
Closing NAV percentage of total fund NAV (%)	2.24	1.86	1.98
Number of shares	3,448,246	2,643,572	3,119,247
Highest share price (UK p)	1,591.42	1,496.94	1,350.29
Lowest share price (UK p)	1,401.16	1,256.20	941.22

M&G Global Themes Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	1,570.26	1,358.59	1,034.05
Return before operating charges and after direct portfolio transaction costs	124.19	225.15	334.91
Operating charges	(14.78)	(13.48)	(10.37)
Return after operating charges	109.41	211.67	324.54
Distributions	(15.38)	(15.79)	(15.55)
Retained distributions	15.38	15.79	15.55
Closing NAV	1,679.67	1,570.26	1,358.59
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.97	0.48	0.75
Dilution adjustments ^[a]	(0.14)	(0.13)	(0.26)
Total direct portfolio transaction costs	0.83	0.35	0.49
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.05
Operating charges	0.92	0.92	0.91
Return after operating charges	+6.97	+15.58	+31.39
Historic yield	0.91	0.99	1.14
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	283,442	258,543	269,001
Closing NAV percentage of total fund NAV (%)	9.21	9.64	10.06
Number of shares	12,975,200	12,787,325	15,072,530
Highest share price (UK p)	1,707.96	1,577.42	1,406.61
Lowest share price (UK p)	1,503.81	1,323.72	980.30

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	146.02	129.01	99.37
Return before operating charges and after direct portfolio transaction costs	11.55	21.36	32.11
Operating charges	(1.74)	(1.62)	(1.27)
Return after operating charges	9.81	19.74	30.84
Distributions	(2.83)	(2.73)	(1.20)
Closing NAV	153.00	146.02	129.01
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.05	0.07
Dilution adjustments ^[a]	(0.01)	(0.01)	(0.02)
Total direct portfolio transaction costs	0.08	0.04	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.05
Operating charges	1.17	1.17	1.16
Return after operating charges	+6.72	+15.30	+31.04
Historic yield ^[c]	1.84	1.84	0.93
Effect on yield of charges offset against capital	1.15	1.15	0.00
Other information			
Closing NAV (\$'000)	3,913	654	716
Closing NAV percentage of total fund NAV (%)	0.13	0.02	0.03
Number of shares	1,966,484	348,053	422,422
Highest share price (UK p)	158.48	149.42	134.82
Lowest share price (UK p)	139.65	125.69	94.19

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	155.07	134.50	102.63
Return before operating charges and after direct portfolio transaction costs	12.26	22.27	33.56
Operating charges	(1.86)	(1.70)	(1.69)
Return after operating charges	10.40	20.57	31.87
Distributions	(1.11)	(1.20)	(1.24)
Retained distributions	1.11	1.20	1.24
Closing NAV	165.47	155.07	134.50
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.05	0.10
Dilution adjustments ^[a]	(0.01)	(0.01)	(0.03)
Total direct portfolio transaction costs	0.09	0.04	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.05
Operating charges	1.17	1.17	1.17
Return after operating charges	+6.71	+15.29	+31.05
Historic yield	0.67	0.77	0.92
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	16,709	222	167
Closing NAV percentage of total fund NAV (%)	0.54	0.01	0.01
Number of shares	7,764,839	110,924	94,487
Highest share price (UK p)	168.28	155.78	139.27
Lowest share price (UK p)	148.29	131.04	97.27

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	876.72	778.58	599.87
Return before operating charges and after direct portfolio transaction costs	69.20	128.55	193.16
Operating charges	(14.92)	(13.98)	(10.85)
Return after operating charges	54.28	114.57	182.31
Distributions	(16.93)	(16.43)	(3.60)
Closing NAV	914.07	876.72	778.58
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.54	0.28	0.43
Dilution adjustments ^[a]	(0.08)	(0.07)	(0.15)
Total direct portfolio transaction costs	0.46	0.21	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.05
Operating charges	1.67	1.67	1.67
Return after operating charges	+6.19	+14.72	+30.39
Historic yield ^[c]	1.85	1.85	0.46
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (\$'000)	47,744	49,153	51,020
Closing NAV percentage of total fund NAV (%)	1.55	1.83	1.91
Number of shares	4,016,128	4,354,184	4,988,458
Highest share price (UK p)	947.14	897.24	810.07
Lowest share price (UK p)	836.06	758.41	568.41

M&G Global Themes Fund

Financial highlights

Specific share class performance

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	1,345.33	1,172.74	899.35
Return before operating charges and after direct portfolio transaction costs	105.91	193.63	289.64
Operating charges	(22.89)	(21.04)	(16.25)
Return after operating charges	83.02	172.59	273.39
Distributions	(2.41)	(4.25)	(5.39)
Retained distributions	2.41	4.25	5.39
Closing NAV	1,428.35	1,345.33	1,172.74

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.83	0.42	0.64
Dilution adjustments ^[a]	(0.12)	(0.11)	(0.22)
Total direct portfolio transaction costs	0.71	0.31	0.42

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.05
Operating charges	1.67	1.67	1.67
Return after operating charges	+6.17	+14.72	+30.40
Historic yield	0.17	0.31	0.46
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	102,920	94,910	103,652
Closing NAV percentage of total fund NAV (%)	3.34	3.54	3.87
Number of shares	5,540,367	5,479,002	6,728,108
Highest share price (UK p)	1,453.10	1,351.47	1,214.56
Lowest share price (UK p)	1,282.70	1,142.35	852.09

US dollar Class 'A' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,232.44	1,119.41	1,010.49
Return before operating charges and after direct portfolio transaction costs	111.54	158.81	130.04
Operating charges	(25.43)	(22.64)	(19.18)
Return after operating charges	86.11	136.17	110.86
Distributions	(24.01)	(23.14)	(1.94)
Closing NAV	1,294.54	1,232.44	1,119.41

Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.80	0.39	0.66
Dilution adjustments ^[a]	(0.11)	(0.10)	(0.22)
Total direct portfolio transaction costs	0.69	0.29	0.44

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.05
Operating charges	1.92	1.92	1.93
Return after operating charges	+6.99	+12.16	+10.97
Historic yield ^[c]	1.88	1.84	0.17
Effect on yield of charges offset against capital	1.90	1.90	0.00

Other information

Closing NAV (\$'000)	89	108	36
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	6,874	8,774	3,215
Highest share price (US ¢)	1,426.87	1,265.15	1,147.93
Lowest share price (US ¢)	1,242.08	1,065.61	897.50

US dollar Class 'A' Accumulation share performance

The share class was launched on 9 March 2007.

for the year to 31 August Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,263.06	1,126.12	1,014.12
Return before operating charges and after direct portfolio transaction costs	113.98	158.94	131.74
Operating charges	(25.92)	(22.00)	(19.74)
Return after operating charges	88.06	136.94	112.00
Distributions	0.00	(1.07)	(2.62)
Retained distributions	0.00	1.07	2.62
Closing NAV	1,351.12	1,263.06	1,126.12

Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.82	0.38	0.68
Dilution adjustments ^[a]	(0.12)	(0.10)	(0.23)
Total direct portfolio transaction costs	0.70	0.28	0.45

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.05
Operating charges	1.92	1.92	1.92
Return after operating charges	+6.97	+12.16	+11.04
Historic yield	0.00	0.09	0.23
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	23,215	24,681	49,379
Closing NAV percentage of total fund NAV (%)	0.75	0.92	1.85
Number of shares	1,718,205	1,954,068	4,384,887
Highest share price (US ¢)	1,462.09	1,272.71	1,152.82
Lowest share price (US ¢)	1,272.76	1,071.99	901.35

US dollar Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,324.82	1,191.41	1,074.84
Return before operating charges and after direct portfolio transaction costs	119.70	169.55	140.37
Operating charges	(12.80)	(11.26)	(9.95)
Return after operating charges	106.90	158.29	130.42
Distributions	(26.02)	(24.88)	(13.85)
Closing NAV	1,405.70	1,324.82	1,191.41

Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.87	0.40	0.77
Dilution adjustments ^[a]	(0.12)	(0.10)	(0.26)
Total direct portfolio transaction costs	0.75	0.30	0.51

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.05
Operating charges	0.90	0.91	0.91
Return after operating charges	+8.07	+13.29	+12.13
Historic yield ^[c]	1.87	1.84	1.15
Effect on yield of charges offset against capital	0.90	0.90	0.00

Other information

Closing NAV (\$'000)	6	5	5
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	401	401	401
Highest share price (US ¢)	1,540.18	1,359.12	1,233.31
Lowest share price (US ¢)	1,335.35	1,136.53	958.78

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Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 9 March 2007.

for the year to 31 August	2018	2017	2016
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1,394.18	1,235.00	1,101.07
Return before operating charges and after direct portfolio transaction costs	131.23	170.87	144.20
Operating charges	(13.68)	(11.69)	(10.27)
Return after operating charges	117.55	159.18	133.93
Distributions	(13.85)	(14.04)	(14.12)
Retained distributions	13.85	14.04	14.12
Closing NAV	1,511.73	1,394.18	1,235.00
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.90	0.42	0.74
Dilution adjustments ^[a]	(0.13)	(0.11)	(0.25)
Total direct portfolio transaction costs	0.77	0.31	0.49
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.05
Operating charges	0.92	0.92	0.92
Return after operating charges	+8.43	+12.89	+12.16
Historic yield	0.93	0.99	1.13
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	741	36	5,357
Closing NAV percentage of total fund NAV (%)	0.02	0.00	0.20
Number of shares	48,995	2,544	433,770
Highest share price (US ¢)	1,626.31	1,408.97	1,263.76
Lowest share price (US ¢)	1,410.11	1,178.19	982.44

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

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

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

M&G Global Themes Fund

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Statement of total return

for the year to 31 August	Note	2018		2017	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	3		186,536		298,833
Revenue	5	59,712		59,134	
Expenses	6	(50,002)		(45,734)	
Net revenue / (expense) before taxation		9,710		13,400	
Taxation	7	(7,868)		(6,678)	
Net revenue / (expense) after taxation			1,842		6,722
Total return before distributions			188,378		305,555
Distributions	8		(6,975)		(9,715)
Change in net assets attributable to shareholders from investment activities			181,403		295,840

Statement of change in net assets attributable to shareholders

for the year to 31 August		2018		2017	
		\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders					
			2,680,467		2,675,498
Amounts received on issue of shares		61,531		49,854	
Value of in specie transfers received		496,152		0	
Amounts paid on cancellation of shares		(345,917)		(346,671)	
			211,766		(296,817)
Dilution adjustments			465		482
Change in net assets attributable to shareholders from investment activities (see above)			181,403		295,840
Retained distributions on Accumulation shares			3,583		5,464
Closing net assets attributable to shareholders			3,077,684		2,680,467

Balance sheet

as at 31 August	Note	2018	2017
		\$'000	\$'000
Assets			
Fixed assets			
Investments		3,040,955	2,666,188
Current assets			
Debtors	9	22,436	22,652
Cash and bank balances	10	26,017	369
Cash equivalents		17	5,678
Total assets		3,089,425	2,694,887
Liabilities			
Creditors			
Bank overdrafts		0	(868)
Distribution payable		(5,266)	(3,745)
Other creditors	11	(6,475)	(9,807)
Total liabilities		(11,741)	(14,420)
Net assets attributable to shareholders		3,077,684	2,680,467

Notes to the financial statements

1 Accounting policies

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

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

2 Distribution policy

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

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

3 Net capital gains / (losses)

for the year to 31 August	2018	2017
	\$'000	\$'000
Non-derivative securities	189,809	301,634
Capital gains on US REIT	412	305
Currency gains / (losses)	(3,676)	(3,098)
Transaction charges	(9)	(8)
Net capital gains / (losses)	186,536	298,833

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 78.

for the year to 31 August	2018	% of	2017	% of
	\$'000	transaction	\$'000	transaction
a) Purchases				
Equities				
Equities before transaction costs	1,553,212		536,540	
Commissions	564	0.04	412	0.08
Taxes	445	0.03	41	0.01
Total purchases after transaction costs	1,554,221		536,993	

b) Sales				
Equities				
Equities before transaction costs	1,372,048		694,030	
Commissions	(655)	0.05	(316)	0.05
Taxes	(70)	0.01	(96)	0.01
Total sales after transaction costs	1,371,323		693,618	

c) Direct portfolio transaction costs	2018	% of	2017	% of
	\$'000	average NAV	\$'000	average NAV
Commissions paid				
Equities	1,219	0.04	728	0.02
Taxes paid				
Equities	515	0.02	137	0.01
Total direct portfolio transaction costs [a]	1,734	0.06	865	0.03

d) Indirect portfolio transaction costs		%		%
Portfolio dealing spread [b]		0.17		0.27

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

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

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Notes to the financial statements

5 Revenue

for the year to 31 August	2018 \$'000	2017 \$'000
Bank interest	75	48
Dividends from equity investments: non-taxable	56,955	53,598
Dividends from equity investments: taxable	2,316	4,492
Interest distributions	366	147
Interest on withholding tax previously withheld at source	0	849
Total revenue	59,712	59,134

6 Expenses

for the year to 31 August	2018 \$'000	2017 \$'000
Payable to the ACD or associate		
Annual management charge	45,157	41,300
Administration charge	4,293	3,934
	49,450	45,234
Payable to the Depository or associate		
Depository's charge (including VAT)	118	109
Other expenses		
Audit fee (including VAT)	12	11
Interest payable	12	8
Legal fees	2	0
Safe custody charge	421	372
Tax fees (including VAT)	(13)	0
	434	391
Total expenses	50,002	45,734

7 Taxation

for the year to 31 August	2018 \$'000	2017 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	7,868	6,678
Deferred tax (note 7c)	0	0
Total taxation	7,868	6,678
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	9,710	13,400
Corporation tax at 20%	1,942	2,680
Effects of:		
Dividends from equity investments: non-taxable	(11,391)	(10,720)
Current year expenses not utilised	9,383	8,026
Withholding tax	7,868	6,678
Withholding tax expensed	(16)	(47)
Capital gains tax (US)	82	61
Total tax charge (note 7a)	7,868	6,678
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of \$169,134,000 (2017: \$159,751,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

for the year to 31 August	2018		2017	
	Inc ^[a] \$'000	Acc ^[b] \$'000	Inc ^[a] \$'000	Acc ^[b] \$'000
Dividend distributions				
Final	5,266	3,583	3,745	5,464
Total net distributions		8,849		9,209
Income deducted on cancellation of shares		193		686
Income received on issue of shares		(2,067)		(180)
Distributions		6,975		9,715
Net revenue / (expense) per statement of total return		1,842		6,722
Expenses offset against capital		3,325		2,947
Capital gains tax offset against capital		117		46
Income deficit transferred to capital		1,691		0
Distributions		6,975		9,715

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2018 \$'000	2017 \$'000
Amount receivable from M&G Global Leaders Fund	1,586	0
Amounts receivable on issues of shares	322	936
Currency deals outstanding	607	3,021
Distributions receivable	16	1
Dividends receivable	7,985	8,979
Sales awaiting settlement	8,578	5,755
Withholding tax recoverable	3,342	3,960
Total debtors	22,436	22,652

10 Cash and bank balances

as at 31 August	2018 \$'000	2017 \$'000
Cash held as bank balances	26,017	369
Total cash and bank balances	26,017	369

11 Other creditors

as at 31 August	2018 \$'000	2017 \$'000
ACD's annual management charge payable	2,364	1,973
Administration charge payable	225	187
Amounts payable on cancellation of shares	3,195	4,527
Currency deals outstanding	608	3,030
Expenses payable	83	90
Total other creditors	6,475	9,807

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2017: same).

M&G Global Themes Fund

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Notes to the financial statements

13 Shares in issue

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

Share class	Opening 01.09.17	Movements		Closing 31.08.18
		Issued	Cancelled	
Euro				
Class 'A' Income	144,009	33,297	(13,327)	163,979
Class 'A' Accumulation	51,008,408	7,070,374	(4,874,425)	53,204,357
Class 'C' Income	32,892	3,403	(600)	35,695
Class 'C' Accumulation	341,119	120,220	(100,337)	361,002
Sterling				
Class 'A' Income	8,351,587	6,502,800	(1,647,929)	13,206,458
Class 'A' Accumulation	15,498,977	4,222,558	(2,517,361)	17,204,174
Class 'I' Income	2,643,572	1,211,922	(407,248)	3,448,246
Class 'I' Accumulation	12,787,325	1,880,970	(1,693,095)	12,975,200
Class 'R' Income	348,053	1,824,498	(206,067)	1,966,484
Class 'R' Accumulation	110,924	7,974,150	(320,235)	7,764,839
Class 'X' Income	4,354,184	846,745	(1,184,801)	4,016,128
Class 'X' Accumulation	5,479,002	1,047,611	(986,246)	5,540,367
US dollar				
Class 'A' Income	8,774	2,782	(4,682)	6,874
Class 'A' Accumulation	1,954,068	345,359	(581,222)	1,718,205
Class 'C' Income	401	0	0	401
Class 'C' Accumulation	2,544	49,714	(3,263)	48,995

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %
Euro			
Class 'A'	5.25	n/a	1.75
Class 'C'	3.25	n/a	0.75
Sterling			
Class 'A'	nil	n/a	1.50
Class 'I'	nil	n/a	0.75
Class 'R'	nil	n/a	1.00
Class 'X'	nil	n/a	1.50
US dollar			
Class 'A'	5.25	n/a	1.75
Class 'C'	3.25	n/a	0.75

15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 6.00% (2017: 5.04%) of the fund's shares.

16 Events after the balance sheet date

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

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 August Basis of valuation	Assets	Liabilities	Assets	Liabilities
	2018 \$'000	2018 \$'000	2017 \$'000	2017 \$'000
Level 1	3,040,955	0	2,666,188	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	3,040,955	0	2,666,188	0

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

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18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by \$152,048,000 (2017: \$133,309,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by \$153,884,000 (2017: \$134,023,000). A five per cent decrease would have an equal and opposite effect.

as at 31 August	2018 \$'000	2017 \$'000
Currency exposure in respect of the fund		
Australian dollar	86,842	123,143
Canadian dollar	143,702	75,315
Euro	687,022	471,103
Hong Kong dollar	65,811	34,807
Japanese yen	123,645	179,019
Mexican peso	0	28,433
Singapore dollar	90,363	18,623
Sterling	323,681	445,635
South Korean won	81,618	0
Swiss franc	113,998	95,622
US dollar	1,361,002	1,208,767
Total	3,077,684	2,680,467

21 Interest rate risk sensitivity and exposure

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

22 Credit risk

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

23 Dividend distribution tables

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

Annual distribution period				
	Start	End	Xd	Payment
Final	01.09.17	31.08.18	03.09.18	31.10.18

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

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

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of income and equalisation. Equalisation is the average amount of income included in the

purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the income and equalisation components.

Euro Class 'A' Income shares

Ordinary distributions for the year to to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
Final	39.5143	18.3159	57.8302	54.8376

Euro Class 'A' Accumulation shares

Ordinary distributions for the year to to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
Final	0.0000	0.0000	0.0000	2.5521

Euro Class 'C' Income shares

Ordinary distributions for the year to to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
Final	62.3892	3.6971	66.0863	61.8395

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
Final	18.5160	16.5899	35.1059	35.1035

Sterling Class 'A' Income shares

Ordinary distributions for the year to to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
Final	4.4707	12.4007	16.8714	16.3792

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
Final	0.2928	2.1541	2.4469	4.2914

Sterling Class 'I' Income shares

Ordinary distributions for the year to to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
Final	8.0080	20.3540	28.3620	27.3323

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
Final	5.1267	10.2516	15.3783	15.7890

M&G Global Themes Fund

Financial statements and notes

Notes to the financial statements

23 Dividend distribution tables (continued)

Sterling Class 'R' Income shares

Ordinary distributions for the year to to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	p	p	p	p
Final	0.7556	2.0714	2.8270	2.7310

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	p	p	p	p
Final	0.3051	0.8009	1.1060	1.2042

Sterling Class 'X' Income shares

Ordinary distributions for the year to to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	p	p	p	p
Final	5.1577	11.7698	16.9275	16.4344

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	p	p	p	p
Final	0.1951	2.2193	2.4144	4.2501

US dollar Class 'A' Income shares

Ordinary distributions for the year to to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	¢	¢	¢	¢
Final	20.3859	3.6204	24.0063	23.1363

US dollar Class 'A' Accumulation shares

Ordinary distributions for the year to to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	¢	¢	¢	¢
Final	0.0000	0.0000	0.0000	1.0710

US dollar Class 'C' Income shares

Ordinary distributions for the year to to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	¢	¢	¢	¢
Final	26.0155	0.0000	26.0155	24.8753

US dollar Class 'C' Accumulation shares

Ordinary distributions for the year to to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	¢	¢	¢	¢
Final	2.9786	10.8740	13.8526	14.0401

M&G Japan Fund

Authorised Corporate Director's Report

Investment objective and policy

The fund invests in a wide range of securities of Japanese issuers, covering most aspects of the economy. Its sole objective is long term capital growth. Income is not a consideration when investments are selected.

Investment approach

The M&G Japan Fund screens a wide investment universe to form a concentrated portfolio of Japanese companies that are trading on low valuations relative to their history and the market. The fund aims to achieve sound capital growth over the long term.

The fund manager applies disciplined and rigorous fundamental analysis during the selection process to ensure a high level of conviction around the valuation for each of the companies held in the fund. The portfolio maintains diversification by typically holding between 30 and 50 stocks.

The fund holds shares in companies that have attractive valuations relative to the earnings they are likely to generate over the medium to long term. These companies are quite often out of favour with the market for one reason or another. The fund's investment strategy therefore tends to be contrarian in nature.

The fund manager sees investing as a price-sensitive process that takes advantage of the mis-pricing of a company's shares by the market. Whilst recognising that markets are generally efficient, the fund manager believes that market mis-pricings can and often do occur because human characteristics (such as fear and greed) may prevent investors from always assessing investments rationally.

As a result, market prices do not always reflect fundamental values since they may over-shoot and under-shoot. For example, shares in companies become mis-priced when investors are willing to pay a high price for the 'comfort' of strong near-term earnings momentum and to be associated with success, whilst they will sell 'unfashionable' securities regardless of inherent attractiveness, such as healthy balance sheets and the likely level of longer term earnings.

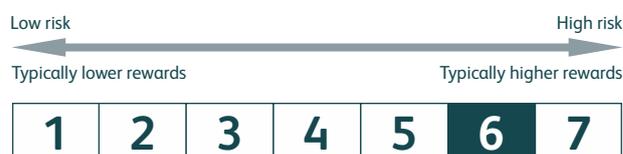
Such behavioural biases are evident in Japan's equity markets today and can be systemically exploited. The fund manager aims to take advantage of these biases by adopting a disciplined, long-term investment approach.

Risk profile

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

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

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



The above number:

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

Investment review

As at 3 September 2018, for the year ended 31 August 2018

Performance against objective

Between 1 September 2017 (the start of the review period) and 3 September 2018, the M&G Japan Fund delivered a total return (the combination of income and growth of capital) across all its share classes.* However, the fund's returns lagged a comparative index, the MSCI Japan Index. Over the year, returns from the index were 9.2%, 10.8% and 8.5% in sterling, euros and US dollars respectively.

Over five years and since launch, the fund has achieved its objective of long-term capital growth.

* 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.

Investment performance

The Japanese stockmarket witnessed some sharp movements during the 12 months under review – share prices initially staged a strong rally, before falling markedly from mid-January 2018 onwards and then remaining volatile throughout the rest of the period on the back of trade concerns.

In October 2017, Prime Minister Shinzo Abe won a sweeping victory in the Japanese general election, giving him the mandate to continue his accommodative economic policy of fiscal and monetary stimulus. These policies have delivered Japan's strongest jobs market since the mid-1970s, while the economy remains in good shape.

The Japanese stockmarket had reached its highest level for 26 years in January, prior to its decline during the first quarter of 2018. The drop coincided with a stronger yen, which usually weighs on the country's stockmarket, as a stronger currency can reduce the value (in yen terms) of the overseas revenues and profits of Japanese companies. Industrial and manufacturing companies also came under pressure due to fears that US President Trump's trade tariffs would damage exports.

The stockmarket saw further volatility as uncertainties over trade tariffs weighed on market sentiment throughout the review period. However, we are seeing signs that investors are now looking at the drivers of company profits more rationally and reconciling some of the excessive

M&G Japan Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

share price movements we have seen, with the fundamentals of the underlying businesses. This coincided with better-than-expected end-June 2018 quarterly results, and served as a reminder that the real driver of stock prices is not short-term sentiment, but the profitability of the underlying businesses.

On a macro level, we are also seeing a continuous flow of data that points to a healthy economy, with sustained growth in gross domestic product (GDP) and rising wages. We are also finally seeing signs of inflation taking hold after decades of falling prices.

There has also been a record amount of capital expenditure by corporate Japan, which should give a further boost to economic growth. In summary, we believe the economic data provides a favourable backdrop for Japanese company shares (equities) as a whole.

The fund's top contributor was Chiyoda, an engineering company that specialises in industrial facilities, particularly oil and LNG (liquid natural gas) refineries. Shares in the company have performed very strongly after new management improved the quality of its order book and restructured the business. We have since exited the holding as we believe Chiyoda's share price now more fairly reflects the underlying value of the business.

Another holding that added value was Yamato Holdings, Japan's largest door-to-door delivery service company, which is benefiting from the explosive growth in business-to-customer deliveries. Originally, we saw an opportunity to invest in this name, because the market had adopted a very pessimistic view of the firm when profitability was threatened by labour problems. Since our initial investment, Yamato has demonstrated that it has been able to boost efficiency and expand profit margins. It has done this through several measures, including improving driver retention, increasing prices, investing in technology and enhancing the efficiency of its delivery routes. As a result, Yamato recently reported strong results and provided positive guidance for the current financial year (ending March 2019). We sold out of Yamato towards the end of the review period, as we believe the sentiment-driven market 'episode' had concluded.

In consumer discretionary, Nikon, which specialises in cameras and imaging products, as well as optical equipment, also contributed to relative returns. The company is acting to streamline its business and improve margins on digital single-lens reflex cameras. Furthermore, Nikon is benefiting from huge demand for high-end liquid crystal displays, an area of the market it dominates, and is launching a new camera, for which there has been a large volume of pre-orders. The company reported solid results and raised its dividend guidance, which we believe demonstrates the health of the underlying business.

Meanwhile, the share price of Seiko Holdings made significant gains after the manufacturer of watches and electronic devices reported better-than-expected results.

On the other hand, investor sentiment towards several holdings, including Mazda Motor and Mitsui O.S.K. Lines, was hurt by a potential trade war between the US and its trading partners. While the prospect of the implementation of trade tariffs has dented sentiment in Mazda, we are still seeing many initiatives by the company that should yield long-term results.

Shares in Mitsui O.S.K. Lines, a company that provides marine transportation, warehousing and cargo handling services, were equally weak as it was affected by the same market uncertainty.

Financial companies were out of favour during the review period. Banks, in particular, can be less profitable in a low interest rate environment as margins are squeezed. Our position in Nomura Real Estate Holdings detracted as the share price drifted lower. Despite this, we believe the company's focus on reducing fixed costs (which is already evident) and capital discipline, through buying its own shares, will continue to be a positive in the medium term.

Other holdings that held back returns included Takeda Pharmaceutical and DeNA. Takeda's shares were weak after the company announced it was making an offer for UK pharmaceutical company Shire. Even though the deal could be beneficial for Takeda in terms of product diversification, we were concerned the acquisition could increase the company's borrowings. We have since closed the position.

DeNA is a provider of mobile portal and e-commerce websites. Recent results from the company have disappointed the market. Notwithstanding the news, we believe investors are not giving management credit for the turnaround taking place at the company, nor the recent investment in the business it has made.

Investment activities

Investment activity during the review period focused on the recycling of cash out of holdings where we believed share prices better reflected fundamentals. We also added to holdings where an 'episode' was still apparent. We define 'episode' as an occasion when investors allow emotions to drive their investment decisions, so that a company's share price moves away from its underlying value over the short term.

Notably, we built up significant positions in several new holdings, such as Mitsubishi Heavy Industries and Bridgestone. In our view, other investors have become overly pessimistic about Mitsubishi Heavy. We believe the drop in revenue that some investors are expecting is too aggressive. Moreover, we think management has the flexibility to offset the impact from lower sales through sensible reductions in fixed costs; this should lead to an improvement in profit margins. Although the journey may not be smooth, we believe it is highly likely that the market is significantly underestimating the medium-term earnings power of the business; in our opinion, Mitsubishi's valuation is well supported under a range of realistic assumptions.

Bridgestone's share price has been weak and has not been helped by the negative sentiment surrounding auto-related stocks. Furthermore, the market fears that the company will not be able to pass on higher raw material costs to its customers. We disagree, as most of Bridgestone's revenues come from the sale of specialty tyres, where the company has significant market share and pricing power. We believe we have been able to buy the shares at an attractive entry point.

M&G Japan Fund

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Investment review

Investment activities (continued)

Some domestic market-focused names such as Miraca Holdings and Lawson have been out of favour with investors since the early part of 2018. During the review period, we used this as an opportunity to gain exposure to this area of the market to better diversify the fund.

Investors have been dissatisfied at the significant costs incurred by Miraca to exit its underperforming US business, which is no longer considered core. We see upside in this holding because of Miraca's dominance in its domestic market, and believe the company has a good business model and is well positioned to take advantage of the growing demand in its domestic market.

Lawson is one of the largest 24-hour convenience store chains. The company is restructuring its back office operations, as well as investing in its stores, in an attempt to improve profitability. The market is unhappy with the slow progress and we saw an opportunity to gain exposure to a solid business which is a household name and one that has a nationwide reach.

Another domestic play is real estate developer Leopalace21. Not only has sentiment towards the real estate sector been weak, but Leopalace's share price has fallen on concerns over the cost of replacing defective partition walls in some of the company's properties. However, we would point out that the estimated liability to redress this issue is well within the free cash the company generates. We believe the market is overreacting to the negative news on the stock and ignoring the strength of its ongoing business.

We also closed the fund's position in semiconductor manufacturer Sanken Electric. When we first invested in Sanken, the company was unloved and dismissed by most investors. This was partly due to the company missing management forecasts for several years in a row. A new chief executive came on board in 2015, and since then working capital management has improved. Sanken's loss-making power module division has returned to profitability and there has been a positive shift towards higher margin products. Sanken's share price has risen sharply since we established the holding and, in our view, the 'episode' that was occurring has now unwound.

Chiyoda is another holding that has performed well for the fund. The company specialises in industrial facilities, particularly oil and LNG refineries. When we first invested, we felt the new management team could improve the quality of the company's order book and restructure its business. This has now happened, and we have exited the holding.

Other holdings that left the portfolio included Sumitomo and Takeda Pharmaceutical.

Outlook

We are optimistic about prospects for the Japanese stockmarket as a whole. After the shock of the global financial crisis, corporate Japan has been quietly spending the past decade restructuring its still very inefficient businesses.

We have seen many policies implemented which address some of the long-term structural problems Japan has been facing. Encouragingly, these are now bearing fruit: improved economic growth, increasing real wages, and consumers are finally abandoning their long held deflationary mindset.

Many of these positive developments have been overlooked by investors because of Japan's long history of economic malaise. We believe this is short-sighted and now Japan's fortunes have reached an inflection point.

Despite the overall positive performance of Japanese shares over the past year, we believe the valuation of the stockmarket remains compelling, as it offers an attractive real earnings yield (the ratio of a company's after-tax profits to company size, adjusted for inflation) and compares favourably with other developed market equities. On a stock level, we are seeing many overlooked investment opportunities that we can exploit.

Furthermore, an environment of improved governance and profitability should lend us additional tools with which to extract value, and supplement our approach to identifying episodes in the market.

While we have witnessed a recent market setback triggered by fears of a global trade war, the real impact of the possible tariffs is yet to be seen. We have used this recent volatility as an opportunity to add to investments whose long-term profitability is shielded from the potential impact of such tariffs.

All these factors combined, we believe, put us in a strong position to generate long-term performance for the fund.

Johan du Preez

Fund manager

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

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

M&G Japan Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at 31 August Holding	2018 ¥'000	2018 %	2017 ^[a] %
EQUITIES	69,595,786	100.53	97.93
Chemicals	5,065,252	7.32	5.49
653,900 DIC	2,576,366	3.72	
1,154,400 JSR	2,488,886	3.60	
Metals & mining	1,345,315	1.94	3.06
553,400 JFE Holdings	1,345,315	1.94	
Building products	2,613,382	3.77	4.26
1,199,900 LIXIL Group	2,613,382	3.77	
Construction & engineering	0	0.00	2.90
Machinery	8,199,262	11.84	4.17
2,746,500 Hitachi Zosen	1,312,827	1.90	
673,600 Mitsubishi Heavy Industries	2,778,600	4.01	
1,365,500 Mitsui E&S Holdings	2,369,143	3.42	
482,300 Sumitomo Heavy Industries	1,738,692	2.51	
Trading companies & distributors	0	0.00	3.05
Marine	2,310,743	3.34	3.00
773,600 Mitsui O.S.K. Lines	2,310,743	3.34	
Auto components	2,206,964	3.19	2.14
539,600 Bridgestone	2,206,964	3.19	
Automobiles	5,952,626	8.60	8.36
1,082,000 Honda Motor	3,559,780	5.14	
1,857,800 Mazda Motor	2,392,846	3.46	
Household durables	4,590,160	6.63	7.28
1,239,100 Nikon	2,631,848	3.80	
1,476,300 Panasonic	1,958,312	2.83	
Textiles, apparel & luxury goods	2,697,313	3.90	3.47
2,049,300 Onward Holdings	1,506,235	2.18	
383,600 Seiko Holdings	1,191,078	1.72	
Media	1,067,499	1.54	2.12
558,900 Fuji Media Holdings	1,067,499	1.54	
Specialty retail	1,153,008	1.67	3.22
282,600 United Arrows	1,153,008	1.67	
Food & staples retailing	2,138,560	3.09	0.00
328,000 Lawson	2,138,560	3.09	
Health care providers & services	2,125,271	3.07	0.00
693,400 Miraca Holdings	2,125,271	3.07	
Pharmaceuticals	0	0.00	3.76
Banks	8,691,254	12.56	11.08
5,934,100 Mitsubishi UFJ Financial	3,980,001	5.75	
692,600 Sumitomo Mitsui Financial	3,033,588	4.38	
376,158 Sumitomo Mitsui Trust Holdings	1,677,665	2.43	
Capital markets	2,592,023	3.74	3.69
5,100,400 Nomura Holdings	2,592,023	3.74	
Insurance	1,730,381	2.50	2.52
1,024,500 T&D Holdings	1,730,381	2.50	
Internet software & services	1,411,616	2.04	2.30
735,600 DeNA	1,411,616	2.04	
Technology hardware, storage & peripherals	6,287,184	9.08	11.85
1,004,800 NEC	3,074,688	4.44	
2,605,000 Ricoh	3,032,220	4.38	
362,000 Wacom	180,276	0.26	

Portfolio statement (continued)

as at 31 August Holding	2018 ¥'000	2018 %	2017 ^[a] %
Electronic equipment, instruments & components	2,763,430	3.99	4.78
3,809,000 Hitachi	2,763,430	3.99	
Semiconductors & semiconductor equipment	0	0.00	1.94
Real estate management & development	4,654,543	6.72	3.49
3,173,100 Leopalace21	1,868,956	2.70	
616,800 Nomura Real Estate Holding	1,484,638	2.14	
1,053,400 NTT Urban Development	1,300,949	1.88	
Portfolio of investments	69,595,786	100.53	97.93
CASH EQUIVALENTS	0	0.00	0.01
'AAA' rated money market funds ^[b]	0	0.00	0.01
Total portfolio (notes 2c & 2d on page 7)	69,595,786	100.53	97.94
Net other assets / (liabilities)	(365,265)	(0.53)	2.06
Net assets attributable to shareholders	69,230,521	100.00	100.00

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

^[a] The portfolio has been reclassified to more appropriately reflect how the fund is managed. 2017 comparatives have been restated to reflect this.

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

Top ten portfolio transactions

for the year to 31 August 2018

Largest purchases	¥'000
Mitsubishi Heavy Industries	3,515,921
Mitsui E&S Holdings	2,596,786
Lawson	2,392,986
Bridgestone	2,345,217
Miraca Holdings	2,090,077
Leopalace21	2,033,416
LIXIL Group	1,868,966
Sumitomo Electric Industries	1,765,718
DIC	1,597,606
Hitachi Zosen	1,502,751
Other purchases	16,843,127
Total purchases	38,552,571
Largest sales	¥'000
Chiyoda	4,325,008
Sumitomo Electric Industries	3,306,195
Wacom	3,134,073
Sumitomo	2,696,602
Takeda Pharmaceutical	2,579,738
Hitachi	2,093,525
Ebara	2,088,510
Yamato Holdings	1,979,601
Sanken Electric	1,927,869
JFE Holdings	1,503,670
Other sales	18,871,394
Total sales	44,506,185

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

M&G Japan Fund

Financial highlights

Fund performance

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

The following charts and tables show the performance for two of the fund's share classes – Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

We show performance for these two share classes because:

- The performance of the Sterling Class 'A' (Accumulation) share is what most individuals investing directly with M&G have received. It has the highest ongoing charge of all the sterling share classes. Performance is shown after deduction of this charge. All UK investors in the fund therefore received this performance or better.
- The performance of the Sterling Class 'I' (Accumulation) share is the most appropriate to compare with the average performance of the fund's comparative sector. It is the share class used by the Investment Association in the calculation of the comparative sector's average performance. This share class is available for direct investment with M&G subject to minimum investment criteria, or via third parties who may charge additional fees. The performance shown takes the deduction of the ongoing charge for this share class into account but it does not take account of charges applied by any other party through which you may have 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 (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at 31 August	2018 ¥'000	2017 ¥'000	2016 ¥'000
Fund net asset value (NAV)	69,230,521	74,245,713	37,289,675

Performance since launch

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



Ten-year performance

Please note that comparative data is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.



The fund's Sterling Class 'I' (Accumulation) shares were launched on 3 August 2012. Performance data shown prior to this date is that of the fund's Sterling Class 'A' (Accumulation) shares.

M&G Japan Fund

Financial highlights

Fund performance

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

Long-term performance by share class				
	One year 01.09.17 % ^[a]	Three years 03.09.15 % p.a.	Five years 03.09.13 % p.a.	Since launch % p.a.
Euro^[b]				
Class 'A'	+4.9	+8.3	+11.1	+3.5 ^[c]
Class 'C'	+5.7	+9.2	+11.9	+4.3 ^[c]
Sterling^[d]				
Class 'A'	+2.6	+16.0	+12.5	+7.3 ^[e]
Class 'I'	+3.4	+16.9	+13.3	+16.6 ^[f]
Class 'R'	+3.2	+16.6	+13.0	+16.3 ^[f]
Class 'X'	+2.7	+16.0	+12.5	+8.4 ^[g]
US dollar^[b]				
Class 'A'	+2.3	n/a	n/a	+7.8 ^[h]
Class 'C'	+3.1	n/a	n/a	+8.6 ^[h]

^[a] Absolute basis.

^[b] Price to price with net income reinvested.

^[c] 28 November 2001, the launch date of the share class.

^[d] Price to price with income reinvested.

^[e] 6 April 1971, the end of the initial offer period of the predecessor unit trust.

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

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

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

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

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

Portfolio transaction costs				
for the year to 31 August	2018	2017	2016	Average ^[a]
Direct portfolio transaction costs^[b]	%	%	%	%
Broker commission	0.05	0.03	0.18	0.08
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.05	0.03	0.18	0.08
Dilution adjustments ^[c]	(0.03)	(0.03)	(0.07)	(0.04)
Total direct portfolio transaction costs	0.02	0.00	0.11	0.04
as at 31 August	2018	2017	2016	Average^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.18	0.17	0.17	0.17

^[a] Average of first three columns.

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

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

M&G Japan Fund

Financial highlights

Specific share class performance

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

Historic yields for the current year are calculated as at 14 September 2018.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,700.97	1,501.74	1,468.57
Return before operating charges and after direct portfolio transaction costs	140.74	228.00	57.05
Operating charges	(30.94)	(28.77)	(23.88)
Return after operating charges	109.80	199.23	33.17
Distributions	(6.76)	(6.34)	(7.36)
Retained distributions	6.76	6.34	7.36
Closing NAV	1,810.77	1,700.97	1,501.74
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.93	0.58	2.57
Dilution adjustments ^[a]	(0.55)	(0.58)	(0.95)
Total direct portfolio transaction costs	0.38	0.00	1.62
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	1.67	1.67	1.68
Return after operating charges	+6.46	+13.27	+2.26
Historic yield	0.37	0.38	0.49
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	6,055,974	5,539,879	4,540,556
Closing NAV percentage of total fund NAV (%)	8.75	7.46	12.18
Number of shares	2,587,636	2,483,667	2,628,474
Highest share price (Euro ¢)	2,024.90	1,886.66	1,602.40
Lowest share price (Euro ¢)	1,686.06	1,441.19	1,187.92

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,901.84	1,666.54	1,617.51
Return before operating charges and after direct portfolio transaction costs	157.21	252.96	63.58
Operating charges	(19.22)	(17.66)	(14.55)
Return after operating charges	137.99	235.30	49.03
Distributions	(23.37)	(20.23)	(21.90)
Retained distributions	23.37	20.23	21.90
Closing NAV	2,039.83	1,901.84	1,666.54
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.05	0.64	2.84
Dilution adjustments ^[a]	(0.62)	(0.64)	(1.04)
Total direct portfolio transaction costs	0.43	0.00	1.80
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	0.92	0.92	0.92
Return after operating charges	+7.26	+14.12	+3.03
Historic yield	1.14	1.09	1.31
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	7,446,312	15,840,973	9,839,641
Closing NAV percentage of total fund NAV (%)	10.76	21.34	26.38
Number of shares	2,824,418	6,351,835	5,132,789
Highest share price (Euro ¢)	2,270.20	2,101.22	1,768.00
Lowest share price (Euro ¢)	1,885.43	1,599.84	1,312.84

Sterling Class 'A' Income share performance

The share class was launched on 9 May 1977.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	58.35	48.37	41.08
Return before operating charges and after direct portfolio transaction costs	3.19	12.07	8.23
Operating charges	(1.02)	(0.96)	(0.70)
Return after operating charges	2.17	11.11	7.53
Distributions	(1.26)	(1.13)	(0.24)
Closing NAV	59.26	58.35	48.37
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.02	0.08
Dilution adjustments ^[a]	(0.02)	(0.02)	(0.03)
Total direct portfolio transaction costs	0.01	0.00	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	1.67	1.67	1.67
Return after operating charges	+3.72	+22.97	+18.33
Historic yield ^[c]	2.12	1.98	0.49
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (¥000)	36,540,625	33,435,964	13,170,313
Closing NAV percentage of total fund NAV (%)	52.78	45.03	35.31
Number of shares	428,024,896	402,398,895	200,774,272
Highest share price (UK p)	66.93	61.23	48.72
Lowest share price (UK p)	56.17	46.49	35.30

M&G Japan Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 6 April 1971.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	65.24	53.05	44.84
Return before operating charges and after direct portfolio transaction costs	3.50	13.23	8.97
Operating charges	(1.09)	(1.04)	(0.76)
Return after operating charges	2.41	12.19	8.21
Distributions	(0.25)	(0.24)	(0.26)
Retained distributions	0.25	0.24	0.26
Closing NAV	67.65	65.24	53.05

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.02	0.08
Dilution adjustments ^[a]	(0.02)	(0.02)	(0.03)
Total direct portfolio transaction costs	0.01	0.00	0.05

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	1.68	1.67	1.68
Return after operating charges	+3.69	+22.98	+18.31
Historic yield	0.37	0.38	0.49
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (¥000)	1,290,198	14,268,486	7,729,013
Closing NAV percentage of total fund NAV (%)	1.86	19.22	20.72
Number of shares	13,238,470	153,581,430	107,420,684
Highest share price (UK p)	74.82	67.16	53.10
Lowest share price (UK p)	62.80	50.99	38.45

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	2,316.61	1,905.66	1,618.13
Return before operating charges and after direct portfolio transaction costs	126.68	476.51	325.69
Operating charges	(22.35)	(20.77)	(15.28)
Return after operating charges	104.33	455.74	310.41
Distributions	(50.27)	(44.79)	(22.88)
Closing NAV	2,370.67	2,316.61	1,905.66

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.22	0.76	2.99
Dilution adjustments ^[a]	(0.72)	(0.76)	(1.10)
Total direct portfolio transaction costs	0.50	0.00	1.89

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	0.92	0.92	0.92
Return after operating charges	+4.50	+23.92	+19.18
Historic yield ^[c]	2.11	1.97	1.21
Effect on yield of charges offset against capital	0.90	0.90	0.00

Other information

Closing NAV (¥000)	441,753	438,115	229,451
Closing NAV percentage of total fund NAV (%)	0.64	0.59	0.62
Number of shares	129,354	132,812	88,780
Highest share price (UK p)	2,664.55	2,422.10	1,932.96
Lowest share price (UK p)	2,230.54	1,832.21	1,394.83

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	2,448.49	1,976.12	1,657.52
Return before operating charges and after direct portfolio transaction costs	133.67	494.13	334.32
Operating charges	(23.59)	(21.76)	(15.72)
Return after operating charges	110.08	472.37	318.60
Distributions	(29.31)	(26.05)	(23.33)
Retained distributions	29.31	26.05	23.33
Closing NAV	2,558.57	2,448.49	1,976.12

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.29	0.79	3.07
Dilution adjustments ^[a]	(0.76)	(0.79)	(1.13)
Total direct portfolio transaction costs	0.53	0.00	1.94

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	0.92	0.92	0.92
Return after operating charges	+4.50	+23.90	+19.22
Historic yield	1.14	1.09	1.19
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (¥000)	5,749,878	4,277,828	1,373,803
Closing NAV percentage of total fund NAV (%)	8.30	5.76	3.68
Number of shares	1,560,025	1,226,954	512,607
Highest share price (UK p)	2,816.03	2,511.43	1,980.65
Lowest share price (UK p)	2,357.39	1,899.79	1,429.25

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	230.70	190.25	161.62
Return before operating charges and after direct portfolio transaction costs	12.59	47.51	32.47
Operating charges	(2.81)	(2.59)	(1.92)
Return after operating charges	9.78	44.92	30.55
Distributions	(5.00)	(4.47)	(1.92)
Closing NAV	235.48	230.70	190.25

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.12	0.07	0.30
Dilution adjustments ^[a]	(0.07)	(0.07)	(0.11)
Total direct portfolio transaction costs	0.05	0.00	0.19

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	1.17	1.17	1.17
Return after operating charges	+4.24	+23.61	+18.90
Historic yield ^[c]	2.11	1.98	1.01
Effect on yield of charges offset against capital	1.15	1.15	0.00

Other information

Closing NAV (¥000)	30,336	6,758	5,659
Closing NAV percentage of total fund NAV (%)	0.04	0.01	0.02
Number of shares	89,428	20,573	21,931
Highest share price (UK p)	265.10	241.49	192.61
Lowest share price (UK p)	222.10	182.90	139.18

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Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	241.88	195.72	164.53
Return before operating charges and after direct portfolio transaction costs	13.22	48.51	32.95
Operating charges	(2.98)	(2.35)	(1.76)
Return after operating charges	10.24	46.16	31.19
Distributions	(2.24)	(2.02)	(1.95)
Retained distributions	2.24	2.02	1.95
Closing NAV	252.12	241.88	195.72
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.13	0.07	0.27
Dilution adjustments ^[a]	(0.08)	(0.07)	(0.10)
Total direct portfolio transaction costs	0.05	0.00	0.17
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	1.17	1.18	1.15
Return after operating charges	+4.23	+23.58	+18.96
Historic yield	0.88	0.85	1.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	207,493	12,153	32,285
Closing NAV percentage of total fund NAV (%)	0.30	0.02	0.09
Number of shares	571,291	35,283	121,631
Highest share price (UK p)	277.94	248.39	196.16
Lowest share price (UK p)	232.86	188.14	141.71

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	57.53	47.68	40.49
Return before operating charges and after direct portfolio transaction costs	3.13	11.90	8.11
Operating charges	(1.00)	(0.93)	(0.69)
Return after operating charges	2.13	10.97	7.42
Distributions	(1.24)	(1.12)	(0.23)
Closing NAV	58.42	57.53	47.68
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.02	0.07
Dilution adjustments ^[a]	(0.02)	(0.02)	(0.03)
Total direct portfolio transaction costs	0.01	0.00	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	1.67	1.67	1.68
Return after operating charges	+3.70	+23.01	+18.33
Historic yield ^[c]	2.12	1.98	0.49
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (¥000)	125,640	196,286	174,085
Closing NAV percentage of total fund NAV (%)	0.18	0.26	0.47
Number of shares	1,492,862	2,396,266	2,691,978
Highest share price (UK p)	65.99	60.37	48.03
Lowest share price (UK p)	55.37	45.83	34.80

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	64.36	52.33	44.23
Return before operating charges and after direct portfolio transaction costs	3.51	13.05	8.87
Operating charges	(1.12)	(1.02)	(0.77)
Return after operating charges	2.39	12.03	8.10
Distributions	(0.25)	(0.24)	(0.25)
Retained distributions	0.25	0.24	0.25
Closing NAV	66.75	64.36	52.33
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.02	0.08
Dilution adjustments ^[a]	(0.02)	(0.02)	(0.03)
Total direct portfolio transaction costs	0.01	0.00	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	1.67	1.67	1.68
Return after operating charges	+3.71	+22.99	+18.31
Historic yield	0.37	0.38	0.49
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	163,612	182,166	188,656
Closing NAV percentage of total fund NAV (%)	0.24	0.25	0.51
Number of shares	1,701,486	1,987,713	2,657,982
Highest share price (UK p)	73.82	66.26	52.46
Lowest share price (UK p)	61.95	50.30	38.01

US dollar Class 'A' Accumulation share performance

The share class was launched on 9 October 2015.

for the year to 31 August Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,205.10	999.74	1,000.00
Return before operating charges and after direct portfolio transaction costs	79.43	225.01	13.58
Operating charges	(22.02)	(19.65)	(13.84)
Return after operating charges	57.41	205.36	(0.26)
Distributions	(4.71)	(4.49)	(4.99)
Retained distributions	4.71	4.49	4.99
Closing NAV	1,262.51	1,205.10	999.74
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.66	0.39	1.51
Dilution adjustments ^[a]	(0.39)	(0.39)	(0.55)
Total direct portfolio transaction costs	0.27	0.00	0.96
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	1.67	1.67	1.67
Return after operating charges	+4.76	+20.54	-0.03
Historic yield	0.38	0.38	0.50
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	53,723	43,643	3,096
Closing NAV percentage of total fund NAV (%)	0.08	0.06	0.01
Number of shares	38,417	32,748	3,000
Highest share price (US ¢)	1,476.27	1,221.64	1,024.92
Lowest share price (US ¢)	1,194.56	968.00	803.51

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Financial highlights

Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 9 October 2015.

for the year to 31 August	2018	2017	2016
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1,222.27	1,006.41	1,000.00
Return before operating charges and after direct portfolio transaction costs	80.26	226.55	14.08
Operating charges	(12.46)	(10.69)	(7.67)
Return after operating charges	67.80	215.86	6.41
Distributions	(14.78)	(13.00)	(12.61)
Retained distributions	14.78	13.00	12.61
Closing NAV	1,290.07	1,222.27	1,006.41
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.68	0.39	1.51
Dilution adjustments ^[a]	(0.40)	(0.39)	(0.56)
Total direct portfolio transaction costs	0.28	0.00	0.95
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	0.92	0.92	0.92
Return after operating charges	+5.55	+21.45	+0.64
Historic yield	1.15	1.08	1.25
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	11,124,977	3,462	3,117
Closing NAV percentage of total fund NAV (%)	16.07	0.00	0.01
Number of shares	7,785,439	2,561	3,000
Highest share price (US ¢)	1,501.96	1,238.37	1,025.16
Lowest share price (US ¢)	1,217.21	974.75	805.55

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

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

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

M&G Japan Fund

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 August	Note	2018		2017	
		¥'000	¥'000	¥'000	¥'000
Income					
Net capital gains / (losses)	3		2,879,661		10,957,360
Revenue	5	1,860,034		1,196,854	
Expenses	6	(1,124,908)		(801,082)	
Net revenue / (expense) before taxation		735,126		395,772	
Taxation	7	(189,414)		(122,622)	
Net revenue / (expense) after taxation			545,712		273,150
Total return before distributions			3,425,373		11,230,510
Distributions	8		(1,214,804)		(664,354)
Change in net assets attributable to shareholders from investment activities			2,210,569		10,566,156

Statement of change in net assets attributable to shareholders

for the year to 31 August		2018		2017	
		¥'000	¥'000	¥'000	¥'000
Opening net assets attributable to shareholders			74,245,713		37,289,675
Amounts received on issue of shares	34,162,997			44,825,581	
Amounts paid on cancellation of shares	(41,756,246)			(18,794,150)	
			(7,593,249)		26,031,431
Dilution adjustments			58,519		69,549
Change in net assets attributable to shareholders from investment activities (see above)			2,210,569		10,566,156
Retained distributions on Accumulation shares			308,724		288,865
Unclaimed distributions			245		37
Closing net assets attributable to shareholders			69,230,521		74,245,713

Balance sheet

as at 31 August	Note	2018		2017	
		¥'000	¥'000	¥'000	¥'000
Assets					
Fixed assets					
Investments			69,595,786		72,703,657
Current assets					
Debtors	9	119,162		290,387	
Cash and bank balances	10	709,187		1,991,339	
Cash equivalents		0		10,110	
Total assets			70,424,135		74,995,493
Liabilities					
Creditors					
Bank overdrafts			0		(10,110)
Distribution payable			(791,013)		(661,909)
Other creditors	11		(402,601)		(77,761)
Total liabilities			(1,193,614)		(749,780)
Net assets attributable to shareholders			69,230,521		74,245,713

Notes to the financial statements

1 Accounting policies

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

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

2 Distribution policy

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

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

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

3 Net capital gains / (losses)

for the year to 31 August	2018	2017
	¥'000	¥'000
Non-derivative securities	2,831,046	10,813,873
Derivative contracts	21,781	71,739
Currency gains / (losses)	28,246	73,585
Transaction charges	(1,412)	(1,837)
Net capital gains / (losses)	2,879,661	10,957,360

4 Portfolio transactions and associated costs

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

for the year to 31 August	2018	% of	2017	% of
	¥'000	transaction	¥'000	transaction
a) Purchases				
Equities				
Equities before transaction costs	38,532,565		42,998,551	
Commissions	20,006	0.05	10,228	0.02
Total purchases after transaction costs	38,552,571		43,008,779	
b) Sales				
Equities				
Equities before transaction costs	44,526,601		18,320,733	
Commissions	(20,416)	0.05	(7,976)	0.04
Total sales after transaction costs	44,506,185		18,312,757	
c) Direct portfolio transaction costs				
	2018	% of	2017	% of
	¥'000	average NAV	¥'000	average NAV
Commissions paid				
Equities	40,422	0.05	18,204	0.03
Derivatives	159	0.00	340	0.00
Total direct portfolio transaction costs [a]	40,581	0.05	18,544	0.03
d) Indirect portfolio transaction costs				
		%		%
Portfolio dealing spread [b]		0.18		0.17

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

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

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Notes to the financial statements

5 Revenue

for the year to 31 August	2018 ¥'000	2017 ¥'000
Bank interest	91	0
Derivative revenue	(123)	(117)
Dividends from equity investments: non-taxable	1,894,138	1,226,224
Dividends from equity investments: taxable	(34,499)	(29,721)
Interest distributions	427	468
Total revenue	1,860,034	1,196,854

6 Expenses

for the year to 31 August	2018 ¥'000	2017 ¥'000
Payable to the ACD or associate		
Annual management charge	983,952	705,100
Administration charge	121,037	82,885
	1,104,989	787,985
Payable to the Depository or associate		
Depository's charge (including VAT)	5,510	3,945
Other expenses		
Audit fee (including VAT)	1,378	1,300
Interest payable	4,998	2,620
Safe custody charge	8,033	5,525
	14,409	9,445
VAT recoverable		
Current year	0	0
Prior year	0	(293)
	0	(293)
Total expenses	1,124,908	801,082

7 Taxation

for the year to 31 August	2018 ¥'000	2017 ¥'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	189,414	122,622
Deferred tax (note 7c)	0	0
Total taxation	189,414	122,622
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	735,126	395,772
Corporation tax at 20%	147,025	79,155
Effects of:		
Dividends from equity investments: non-taxable	(378,827)	(245,245)
Current year expenses not utilised	231,802	166,090
Withholding tax	189,414	122,622
Total tax charge (note 7a)	189,414	122,622
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of ¥962,154,000 (2017: ¥730,352,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

for the year to 31 August	2018		2017	
	Inc ^[a] ¥'000	Acc ^[b] ¥'000	Inc ^[a] ¥'000	Acc ^[b] ¥'000
Dividend distributions				
Final	791,013	308,724	661,909	288,865
Total net distributions		1,099,737		950,774
Income deducted on cancellation of shares		320,298		123,112
Income received on issue of shares		(205,231)		(409,532)
Distributions		1,214,804		664,354
Net revenue / (expense) per statement of total return		545,712		273,150
Expenses offset against capital		669,091		391,248
Undistributed income brought forward		59		15
Undistributed income carried forward		(58)		(59)
Distributions		1,214,804		664,354

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2018 ¥'000	2017 ¥'000
Amounts receivable on issues of shares	38,634	251,136
Currency deals outstanding	5,098	0
Distributions receivable	0	26
Dividends receivable	73,969	39,225
Sales awaiting settlement	1,461	0
Total debtors	119,162	290,387

10 Cash and bank balances

as at 31 August	2018 ¥'000	2017 ¥'000
Amounts held at futures clearing houses and collateral manager	0	84,085
Cash held as bank balances	709,187	1,907,254
Total cash and bank balances	709,187	1,991,339

11 Other creditors

as at 31 August	2018 ¥'000	2017 ¥'000
ACD's annual management charge payable	42,351	44,460
Administration charge payable	5,149	5,155
Amounts payable on cancellation of shares	211,095	25,342
Currency deals outstanding	5,146	0
Expenses payable	3,087	2,804
Purchases awaiting settlement	135,773	0
Total other creditors	402,601	77,761

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2017: same).

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13 Shares in issue

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

Share class	Opening 01.09.17	Movements		Closing 31.08.18
		Issued	Cancelled	
Euro				
Class 'A' Accumulation	2,483,667	947,251	(843,282)	2,587,636
Class 'C' Accumulation	6,351,835	2,088,223	(5,615,640)	2,824,418
Sterling				
Class 'A' Income	402,398,895	107,497,332	(81,871,331)	428,024,896
Class 'A' Accumulation	153,581,430	10,088,185	(150,431,145)	13,238,470
Class 'I' Income	132,812	37,783	(41,241)	129,354
Class 'I' Accumulation	1,226,954	504,365	(171,294)	1,560,025
Class 'R' Income	20,573	136,211	(67,356)	89,428
Class 'R' Accumulation	35,283	687,758	(151,750)	571,291
Class 'X' Income	2,396,266	172,865	(1,076,269)	1,492,862
Class 'X' Accumulation	1,987,713	424,049	(710,276)	1,701,486
US dollar				
Class 'A' Accumulation	32,748	13,593	(7,924)	38,417
Class 'C' Accumulation	2,561	8,737,317	(954,439)	7,785,439

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %
Euro			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75
Sterling			
Class 'A'	nil	n/a	1.50
Class 'I'	nil	n/a	0.75
Class 'R'	nil	n/a	1.00
Class 'X'	nil	n/a	1.50
US dollar			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75

15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 92.99% (2017: 88.02%) of the fund's shares.

16 Events after the balance sheet date

As a result of the Extraordinary General Meetings of Shareholders held on 4 October 2018, the non-sterling share classes of the M&G Japan Fund will be merged into corresponding share classes of M&G (Lux) Japan Fund.

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 August Basis of valuation	Assets 2018	Liabilities 2018	Assets 2017	Liabilities 2017
	¥'000	¥'000	¥'000	¥'000
Level 1	69,595,786	0	72,703,657	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	69,595,786	0	72,703,657	0

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by ¥3,479,789,000 (2017: ¥3,635,183,000). A five per cent decrease would have an equal and opposite effect.

M&G Japan Fund

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20 Currency risk sensitivity and exposure

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

21 Interest rate risk sensitivity and exposure

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

22 Credit risk

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

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

	Futures ¥'000
as at 31 August 2018	
Bank of America Merrill Lynch	0
Total	0
as at 31 August 2017	Futures ¥'000
Bank of America Merrill Lynch	2,453
Total	2,453

23 Dividend distribution tables

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

Annual distribution period				
	Start	End	Xd	Payment
Final	01.09.17	31.08.18	03.09.18	31.10.18

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

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

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

Euro Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
Final	1.8266	4.9287	6.7553	6.3413

Euro Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
Final	14.6227	8.7496	23.3723	20.2318

Sterling Class 'A' Income shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
Final	0.7906	0.4717	1.2623	1.1335

Sterling Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
Final	0.1016	0.1507	0.2523	0.2433

Sterling Class 'I' Income shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
Final	28.9557	21.3115	50.2672	44.7928

Sterling Class 'I' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
Final	8.0621	21.2524	29.3145	26.0471

Sterling Class 'R' Income shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
Final	2.3150	2.6857	5.0007	4.4675

Sterling Class 'R' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
Final	0.8963	1.3453	2.2416	2.0178

Sterling Class 'X' Income shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
Final	0.7850	0.4594	1.2444	1.1175

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23 Dividend distribution tables (continued)

Sterling Class 'X' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
Final	0.0252	0.2238	0.2490	0.2399

US dollar Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	¢	¢	¢	¢
Final	0.8340	3.8753	4.7093	4.4936

US dollar Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	¢	¢	¢	¢
Final	6.7279	8.0533	14.7812	13.0046

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M&G Japan Smaller Companies Fund

Authorised Corporate Director's Report

Investment objective and policy

The fund invests wholly or predominantly in securities of smaller Japanese companies, the universe for which is the bottom third in terms of total market capitalisation of all publicly listed equity in Japan. When not wholly invested as above, the fund may also invest in medium sized and larger companies in order to enhance its liquidity. Its sole objective is long term capital growth.

Investment approach

The M&G Japan Smaller Companies Fund invests in listed smaller Japanese companies to achieve sound capital growth over the long term. The fund manager applies disciplined and rigorous fundamental analysis during the selection process to ensure a high level of conviction around the valuation for each of the companies held in the fund.

The fund holds shares in companies that have attractive valuations relative to the earnings they are likely to generate over the medium to long term. These companies are quite often out of favour with the market for one reason or another. The fund's investment approach therefore tends to be contrarian in nature.

The fund manager sees investing as a price-sensitive process that takes advantage of the mis-pricing of a company's shares by the market. Whilst recognising that markets are generally efficient, the fund manager believes that market mis-pricings can and often do occur because human characteristics (such as fear and greed) may prevent investors from always assessing investments rationally. As a result, market prices do not always reflect fundamental values since they may over-shoot and under-shoot.

For example, shares in companies become mis-priced when investors are willing to pay a high price for the 'comfort' of strong near-term earnings momentum and to be associated with success, whilst they will sell 'unfashionable' securities regardless of inherent attractiveness, such as healthy balance sheets and the likely level of longer term earnings.

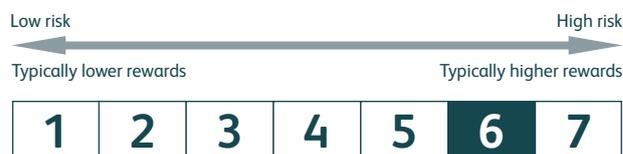
Such behavioural biases are evident in Japan's equity markets today and can be systemically exploited. The fund manager aims to take advantage of these biases by adopting a disciplined, long-term investment approach.

Risk profile

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

The fund's focus is on smaller companies where the share price movement can be more unpredictable and the shares more difficult to buy and sell compared to those of larger companies. Diversification is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 3 September 2018, for the year ended 31 August 2018

Performance against objective

Between 1 September 2017 (the start of the review period) and 3 September 2018, the M&G Japan Smaller Companies Fund produced a positive total return (the combination of income and growth of capital) across all its share classes.* However, the fund's returns lagged a comparative index, the Russell Nomura Mid-Small Index. Over the year, returns from the index were 7.2%, 8.8% and 6.5% in sterling, euros and US dollars, respectively.

Over five years and since launch, the fund has achieved its objective of long-term capital growth.

* 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.

Investment performance

The Japanese stockmarket witnessed some sharp movements during the 12 months under review – share prices initially staged a strong rally, before falling markedly from mid-January 2018 onwards and then remaining volatile throughout the rest of the period on the back of trade concerns.

In October 2017, Prime Minister Shinzo Abe won a sweeping victory in the Japanese general election, giving him the mandate to continue his accommodative economic policy of fiscal and monetary stimulus. These policies have delivered Japan's strongest jobs market since the mid-1970s, while the economy remains in good shape.

The Japanese stockmarket had reached its highest level for 26 years in January, prior to its decline during the first quarter of 2018. The drop coincided with a stronger yen, which usually weighs on the country's stockmarket, as a stronger currency can reduce the value (in yen terms) of the overseas revenues and profits of Japanese companies. Industrial and manufacturing companies also came under pressure due to fears that US President Trump's trade tariffs would damage exports.

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Investment review

Investment performance (continued)

The stockmarket saw further volatility as uncertainties over trade tariffs weighed on market sentiment throughout the review period. However, we are seeing signs that investors are now looking at the drivers of company profits more rationally and reconciling some of the excessive share price movements we have seen, with the fundamentals of the underlying businesses. This coincided with better-than-expected end-June 2018 quarterly results, and served as a reminder that the real driver of stock prices is not short-term sentiment, but the profitability of the underlying businesses.

On a macro level, we are also seeing a continuous flow of data that points to a healthy economy, with sustained growth in gross domestic product (GDP) and rising wages. We are also finally seeing signs of inflation taking hold after decades of falling prices.

There has also been a record amount of capital expenditure by corporate Japan, which should give a further boost to economic growth. In summary, we believe the economic data provides a favourable backdrop for Japanese company shares (equities) as a whole.

The fund's top contributor was Chiyoda, an engineering company that specialises in industrial facilities, particularly oil and LNG (liquid natural gas) refineries. Shares in the company have performed very strongly after new management improved the quality of its order book and restructured the business. We have since exited the holding as we believe Chiyoda's share price now more fairly reflects the underlying value of the business.

In financials, online securities broker Monex Group was another notable contributor. The Japanese stockmarket rally has led to significantly higher trading volumes, which has been to the company's benefit. Furthermore, Monex's share price surged after the company said it was planning to take a majority stake in cryptocurrency exchange Coincheck. This holding has now been sold.

The fund's relative performance was also aided by a holding in logistics firm Hamakyorex, which reported good quarterly results. Hamakyorex continues to integrate past acquisitions of smaller delivery and logistics operators, which is leading to an improvement in earnings quality and fuelling growth.

In consumer discretionary, Nikon, which specialises in cameras and imaging products, as well as optical equipment, also contributed to relative returns. The company is acting to streamline its business and improve margins on digital single-lens reflex cameras. Furthermore, Nikon is benefiting from huge demand for high-end liquid crystal displays, an area of the market it dominates, and is launching a new camera, for which there has been a large volume of pre-orders. The company reported solid results and raised its dividend guidance, which we believe demonstrates the health of the underlying business.

Meanwhile, the share price of Seiko Holdings made significant gains after the manufacturer of watches and electronic devices reported better-than-expected results.

On the other hand, investor sentiment towards several holdings, including Mazda Motor and Mitsui O.S.K. Lines was hurt by a potential trade war between the US and its trading partners. While the prospect of the implementation of trade tariffs has dented sentiment in Mazda, we are still seeing many initiatives by the company that should yield medium-term results.

Shares in Mitsui O.S.K. Lines, a company that provides marine transportation, warehousing and cargo handling services, were equally weak as it was affected by the same market uncertainty.

The fund's largest detractor was Cookpad, Japan's most popular online recipe sharing firm. It has recently undergone a change of management and shift in business strategies – focusing more on the content and moving away from some of their sideline businesses. While the market is questioning the direction of the firm, we still see solid revenue coming from the business, especially now that it is placing more focus on its domestic core product offering.

Other holdings that held back returns included Leopalace21 and Dowa Holdings. Shares in real estate developer Leopalace21 have been weak on the back of poor sentiment towards the real estate sector and concerns over the cost of replacing defective partition walls in some of the company's properties. However, we would point out that the estimated liability to redress this issue is well within the free cash the company generates. We believe the market is overreacting to the negative news on the stock and ignoring the strength of its ongoing business.

Dowa's share price has been hit by both the market's unwillingness to attribute long-term value to the company and the indiscriminate nature of the sell-off in commodity-related names. Concerns over a slowdown in the materials industry has exacerbated the situation. Nonetheless, the company has a solid business model and we believe other investors will eventually recognise its intrinsic value, once the short-term challenges recede.

Investment activities

Investment activity during the review period focused on the recycling of cash out of holdings where we believed share prices better reflected fundamentals. We also added to holdings where an 'episode' was still apparent. We define 'episode' as an occasion when investors allow emotions to drive their investment decisions, so that a company's share price moves away from its underlying value.

Among the newcomers to the fund were Dowa Holdings and Asahi. Dowa is a non-ferrous metals and mining company. One of its main activities is the reprocessing of electronic circuit boards to reclaim zinc, which is a high-precision activity. Shares in the company declined when investors lost confidence in management, who postponed the construction of a zinc processing plant. However, in our view, management was taking a sensible step at the time, as the zinc market was oversupplied. Supply has since fallen, and recently, management gave the go ahead to begin construction of the plant.

Asahi is a bicycle manufacturer with good distribution channels in the domestic market. While it has traditionally focused on the mass market, it is leveraging its current stores to place more focus on the high end of the market. We believe demand for high-end bikes, such as those manufactured from carbon fibre and electric bikes, should be strong, given the changing demographic. The firm also has a solid business model for its cheaper range of bikes, where demand is still solid.

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Investment review

Investment activities (continued)

We also bought shares in Miraca Holdings and Yamatane. Investors have been dissatisfied at the significant costs incurred by the company to exit its underperforming US business, which is no longer considered core. We see upside in this holding because of Miraca's dominance in its domestic market, and believe the company has a good business model and is well positioned to take advantage of the increasing demands in its domestic market.

Yamatane is predominantly a warehouse business with operations in Tokyo Harbour. Because of the space constraints, it has been able to increase its prices. At the same time, it has been restructuring over the past decade to streamline its business and is now in a good shape.

We also closed the fund's position in semiconductor manufacturer Sanken Electric. When we first invested in Sanken, the company was unloved and dismissed by most investors. This was partly due to the company missing management forecasts for several years in a row. A new chief executive came on board in 2015, and since then working capital management has improved. Sanken's loss-making power module division has returned to profitability and there has been a positive shift towards higher margin products. Sanken's share price has risen sharply since we established the holding and, in our view, the 'episode' that was occurring has now unwound.

Chiyoda is another holding that has performed well for the fund. The company specialises in industrial facilities, particularly oil and LNG refineries. When we first invested, we felt the new management team could improve the quality of the company's order book and restructure its business. This has now happened, and we have exited the holding.

Online securities broker Monex Group also left the portfolio. The stock has risen sharply and we used this as an opportunity to take profits and close the position.

Outlook

We are optimistic about prospects for the Japanese stockmarket as a whole. After the shock of the global financial crisis, corporate Japan has been quietly spending the past decade restructuring its still very inefficient businesses.

We have seen many policies implemented which address some of the long-term structural problems Japan has been facing. Encouragingly, these are now bearing fruit with improved economic growth and increasing real wages; as a result consumers are finally abandoning their long-held deflationary mindset.

Many of these positive developments have been overlooked by investors because of Japan's long history of economic malaise. We believe this is short-sighted and now Japan's fortunes have reached an inflection point.

Despite the overall positive performance of Japanese shares over the past year, we believe the valuation of the stockmarket remains compelling, as it offers an attractive real earnings yield (the ratio of a company's after-tax profits to company size, adjusted for inflation) and compares favourably with other developed market equities. On a stock level, we are seeing many overlooked investment opportunities that we can exploit.

Furthermore, an environment of improved governance and profitability should lend us additional tools with which to extract value, and supplement our approach of identifying episodes in the market.

While we have witnessed a recent market setback triggered by fears of a global trade war, the real impact of the possible tariffs is yet to be seen. We have used this recent volatility as an opportunity to add to investments whose long-term profitability are shielded from the potential impact of such tariffs.

All these factors combined, we believe, put us in a strong position to generate long-term performance for the fund.

Johan du Preez

Fund manager

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

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

Investments

Portfolio statement

as at 31 August Holding	2018 ¥'000	2018 %	2017 %
EQUITIES	34,215,257	99.35	98.43
Chemicals	2,655,932	7.71	7.26
349,600 DIC	1,377,424	4.00	
593,000 JSR	1,278,508	3.71	
Industrial metals & mining	2,245,239	6.52	3.43
372,300 Dowa Holdings	1,236,036	3.59	
732,900 Sankyo Tateyama	1,009,203	2.93	
General industrials	1,175,918	3.41	2.81
1,086,800 Sumitomo Riko	1,175,918	3.41	
Electronic & electrical equipment	1,430,619	4.15	7.37
266,200 Denki Kogyo	905,080	2.63	
1,055,300 Wacom	525,539	1.52	
Industrial engineering	3,284,615	9.54	10.27
1,690,400 Hitachi Zosen	808,011	2.35	
156,600 Mars Engineering	361,120	1.05	
770,700 Mitsui E&S Holdings	1,337,165	3.88	
215,900 Sumitomo Heavy Industries	778,319	2.26	
Industrial transportation	1,193,605	3.47	3.43
399,600 Mitsui O.S.K. Lines	1,193,605	3.47	
Support services	1,773,751	5.15	4.06
261,400 Hamakyoex	976,329	2.83	
405,400 Yamatane	797,422	2.32	
Automobiles & parts	2,867,040	8.33	8.11
140,500 KYB	639,275	1.86	
1,197,800 Mazda Motor	1,542,766	4.48	
117,900 Riken	684,999	1.99	
Household goods & home construction	304,064	0.88	0.00
475,100 Janome Sewing Machine	304,064	0.88	
Leisure goods	1,396,955	4.06	3.64
657,700 Nikon	1,396,955	4.06	

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Investments

Portfolio statement (continued)			
as at 31 August	2018	2018	2017
Holding	¥'000	%	%
Personal goods	965,129	2.80	2.51
1,313,100 Onward Holdings	965,129	2.80	
Pharmaceuticals & biotechnology	1,042,713	3.03	0.00
340,200 Miraca Holdings	1,042,713	3.03	
Food & drug retailers	0	0.00	1.67
General retailers	3,391,232	9.85	8.23
674,500 Asahi	969,931	2.82	
1,997,500 Cookpad	942,820	2.74	
359,500 DeNA	689,880	2.00	
38,900 Escrit	30,537	0.09	
185,800 United Arrows	758,064	2.20	
Media	623,084	1.81	2.81
431,200 Relia	623,084	1.81	
Banks	1,076,000	3.12	2.60
430,400 Tokyo Kiraboshi (formerly Tokyo Ty Financial Group)	1,076,000	3.12	
Real estate investment & services	2,654,767	7.71	8.09
505,700 Iida Group	1,037,191	3.01	
1,666,000 Leoplace21	981,274	2.85	
571,700 Sanyo Housing Nagoya	636,302	1.85	
Real estate investment trusts	1,248,338	3.62	3.08
1,010,800 NTT Urban Development	1,248,338	3.62	
Financial services	2,535,548	7.36	9.08
847,400 Credit Saison	1,557,521	4.52	
337,600 IBJ Leasing Company	978,027	2.84	
Technology hardware & equipment	2,350,708	6.83	9.98
106,100 Daikoku Denki	189,070	0.55	
1,043,900 OKI Electric Industry	1,461,460	4.25	
225,500 Seiko Holdings	700,178	2.03	
Portfolio of investments	34,215,257	99.35	98.43
CASH EQUIVALENTS	0	0.00	0.35
'AAA' rated money market funds ^[a]	0	0.00	0.35
Total portfolio (notes 2c & 2d on page 7)	34,215,257	99.35	98.78
Net other assets / (liabilities)	223,169	0.65	1.22
Net assets attributable to shareholders	34,438,426	100.00	100.00

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

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

Top ten portfolio transactions

for the year to 31 August 2018

Largest purchases	¥'000
Dowa Holdings	1,813,030
Mitsui E&S Holdings	1,471,996
Credit Saison	1,268,023
Miraca Holdings	1,238,267
Asahi	1,049,487
Hitachi Zosen	1,039,001
Yamatane	1,001,477
Cookpad	859,644
KYB	823,670
Mazda Motor	693,505
Other purchases	5,225,009
Total purchases	16,483,109
Largest sales	¥'000
Chiyoda	2,184,509
Monex Group	2,080,565
Wacom	1,453,063
Ebara	1,344,043
Sanken Electric	959,728
Seiko Holdings	817,365
Relia	725,498
Cocokara fine	704,479
United Arrows	664,087
Nikon	640,776
Other sales	7,835,005
Total sales	19,409,118

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

M&G Japan Smaller Companies Fund

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Fund performance

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

The following chart and tables show the performance for two of the fund's share classes – Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

We show performance for these two share classes because:

- The performance of the Sterling Class 'A' (Accumulation) share is what most individuals investing directly with M&G have received. It has the highest ongoing charge of all the sterling share classes. Performance is shown after deduction of this charge. All UK investors in the fund therefore received this performance or better.
- The performance of the Sterling Class 'I' (Accumulation) share is the most appropriate to compare with the average performance of the fund's comparative sector. It is the share class used by the Investment Association in the calculation of the comparative sector's average performance. This share class is available for direct investment with M&G subject to minimum investment criteria, or via third parties who may charge additional fees. The performance shown takes the deduction of the ongoing charge for this share class into account but it does not take account of charges applied by any other party through which you may have invested.

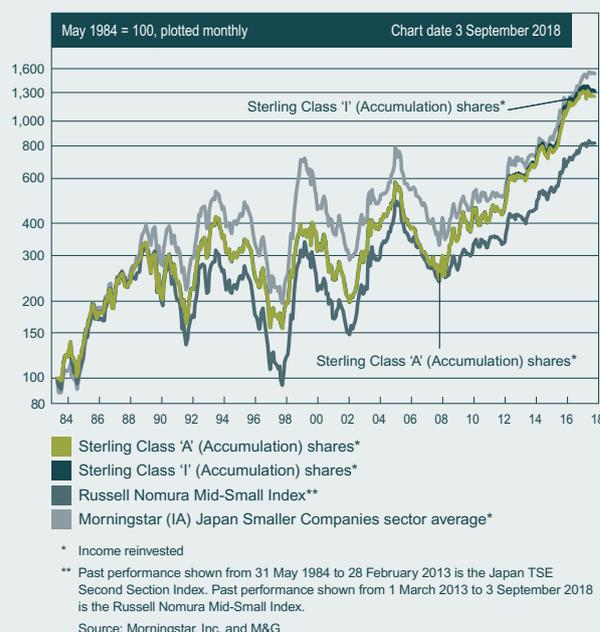
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at 31 August	2018 ¥'000	2017 ¥'000	2016 ¥'000
Fund net asset value (NAV)	34,438,426	36,437,340	15,171,162

Performance since launch

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



The fund's Sterling Class 'I' (Accumulation) shares were launched on 3 August 2012. Performance data shown prior to this date is that of the fund's Sterling Class 'A' (Accumulation) shares.

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

Long-term performance by share class

	One year 01.09.17 % [a]	Three years 03.09.15 % p.a.	Five years 03.09.13 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	+3.8	+12.9	+14.8	+7.0 [c]
Class 'C'	+4.6	+13.7	+15.7	+7.8 [c]
Sterling [d]				
Class 'A'	+1.5	+20.8	+16.3	+7.7 [e]
Class 'I'	+2.3	+21.7	+17.1	+19.3 [f]
Class 'R'	+2.1	+21.4	+16.8	+19.0 [f]
Class 'X'	+1.5	+20.8	+16.3	+11.4 [g]
US dollar [b]				
Class 'A'	+1.2	n/a	n/a	+11.9 [h]
Class 'C'	+1.9	n/a	n/a	+12.8 [h]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 28 November 2001, the launch date of the share class.

[d] Price to price with income reinvested.

[e] 15 May 1984, the end of the initial offer period of the predecessor unit trust.

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

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

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

M&G Japan Smaller Companies 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, comprising operating charges and portfolio transaction costs.

Operating charges

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

- **Investment management:** Charge paid to M&G for investment management of the fund (also known as Annual Management Charge).
- **Administration:** Charge paid to M&G for administration services in addition to investment management – any surplus from this charge will be retained by M&G.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depository, 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 and method of execution. They are made up of direct and indirect portfolio transaction costs:

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

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

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

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

Portfolio transaction costs

for the year to 31 August	2018	2017	2016	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.05	0.06	0.16	0.09
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.05	0.06	0.16	0.09
Dilution adjustments ^[c]	(0.02)	(0.06)	(0.05)	(0.04)
Total direct portfolio transaction costs	0.03	0.00	0.11	0.05
as at 31 August	2018	2017	2016	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.25	0.22	0.24	0.24

^[a] Average of first three columns.

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

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

M&G Japan Smaller Companies Fund

Financial highlights

Specific share class performance

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

Historic yields for the current year are calculated as at 14 September 2018.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	2,976.86	2,490.82	2,242.98
Return before operating charges and after direct portfolio transaction costs	233.54	535.81	287.16
Operating charges	(53.77)	(49.77)	(39.32)
Return after operating charges	179.77	486.04	247.84
Distributions	(5.22)	(4.09)	(10.56)
Retained distributions	5.22	4.09	10.56
Closing NAV	3,156.63	2,976.86	2,490.82
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.50	1.70	3.73
Dilution adjustments ^[a]	(0.79)	(1.70)	(1.06)
Total direct portfolio transaction costs	0.71	0.00	2.67
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	0.11
Operating charges	1.68	1.68	1.69
Return after operating charges	+6.04	+19.51	+11.05
Historic yield	0.17	0.14	0.42
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	8,347,747	8,923,194	5,587,955
Closing NAV percentage of total fund NAV (%)	24.24	24.49	36.83
Number of shares	2,046,062	2,285,881	1,950,294
Highest share price (Euro ¢)	3,428.53	3,150.10	2,519.73
Lowest share price (Euro ¢)	2,935.91	2,462.48	1,999.39

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	3,345.25	2,778.17	2,483.03
Return before operating charges and after direct portfolio transaction costs	262.32	598.69	319.36
Operating charges	(33.60)	(31.61)	(24.22)
Return after operating charges	228.72	567.08	295.14
Distributions	(33.44)	(27.28)	(32.68)
Retained distributions	33.44	27.28	32.68
Closing NAV	3,573.97	3,345.25	2,778.17
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.70	1.96	4.13
Dilution adjustments ^[a]	(0.89)	(1.96)	(1.17)
Total direct portfolio transaction costs	0.81	0.00	2.96
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	0.11
Operating charges	0.93	0.93	0.94
Return after operating charges	+6.84	+20.41	+11.89
Historic yield	0.94	0.83	1.15
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	7,206,781	7,577,102	1,189,790
Closing NAV percentage of total fund NAV (%)	20.93	20.79	7.84
Number of shares	1,560,137	1,727,293	372,306
Highest share price (Euro ¢)	3,863.35	3,526.72	2,794.78
Lowest share price (Euro ¢)	3,299.71	2,747.41	2,220.87

Sterling Class 'A' Income share performance

The share class was launched on 15 May 1984.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	544.14	426.32	333.15
Return before operating charges and after direct portfolio transaction costs	27.54	135.93	100.78
Operating charges	(9.44)	(9.04)	(6.23)
Return after operating charges	18.10	126.89	94.55
Distributions	(10.52)	(9.07)	(1.38)
Closing NAV	551.72	544.14	426.32
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.26	0.31	0.57
Dilution adjustments ^[a]	(0.14)	(0.31)	(0.16)
Total direct portfolio transaction costs	0.12	0.00	0.41
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	0.11
Operating charges	1.68	1.68	1.71
Return after operating charges	+3.33	+29.76	+28.38
Historic yield ^[c]	1.92	1.70	0.32
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (¥000)	3,407,122	3,530,197	395,814
Closing NAV percentage of total fund NAV (%)	9.89	9.69	2.61
Number of shares	4,286,995	4,556,080	684,585
Highest share price (UK p)	603.88	557.63	438.14
Lowest share price (UK p)	519.30	422.09	314.80

M&G Japan Smaller Companies Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 15 May 1984.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	582.86	449.18	349.58
Return before operating charges and after direct portfolio transaction costs	29.43	142.78	106.09
Operating charges	(10.11)	(9.10)	(6.49)
Return after operating charges	19.32	133.68	99.60
Distributions	(0.99)	(0.80)	(1.88)
Retained distributions	0.99	0.80	1.88
Closing NAV	602.18	582.86	449.18

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.28	0.31	0.61
Dilution adjustments ^[a]	(0.15)	(0.31)	(0.17)
Total direct portfolio transaction costs	0.13	0.00	0.44

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	0.11
Operating charges	1.68	1.68	1.69
Return after operating charges	+3.31	+29.76	+28.49
Historic yield	0.17	0.14	0.41
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (¥000)	1,500,595	1,761,313	1,365,071
Closing NAV percentage of total fund NAV (%)	4.36	4.83	9.00
Number of shares	1,729,898	2,122,149	2,240,835
Highest share price (UK p)	646.78	587.52	460.15
Lowest share price (UK p)	556.19	444.71	330.60

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	2,681.63	2,085.10	1,630.16
Return before operating charges and after direct portfolio transaction costs	135.92	664.83	496.56
Operating charges	(25.85)	(23.83)	(16.80)
Return after operating charges	110.07	641.00	479.76
Distributions	(52.00)	(44.47)	(24.82)
Closing NAV	2,739.70	2,681.63	2,085.10

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.31	1.47	2.87
Dilution adjustments ^[a]	(0.69)	(1.47)	(0.81)
Total direct portfolio transaction costs	0.62	0.00	2.06

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	0.11
Operating charges	0.93	0.93	0.94
Return after operating charges	+4.10	+30.74	+29.43
Historic yield ^[c]	1.91	1.69	1.18
Effect on yield of charges offset against capital	0.90	0.90	0.00

Other information

Closing NAV (¥000)	1,801,695	1,916,121	1,091,743
Closing NAV percentage of total fund NAV (%)	5.23	5.26	7.19
Number of shares	456,523	501,797	386,070
Highest share price (UK p)	2,984.21	2,747.82	2,160.76
Lowest share price (UK p)	2,560.94	2,065.12	1,546.55

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	2,833.31	2,167.19	1,673.96
Return before operating charges and after direct portfolio transaction costs	143.28	690.98	510.45
Operating charges	(27.31)	(24.86)	(17.22)
Return after operating charges	115.97	666.12	493.23
Distributions	(27.60)	(23.11)	(25.51)
Retained distributions	27.60	23.11	25.51
Closing NAV	2,949.28	2,833.31	2,167.19

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.38	1.54	2.94
Dilution adjustments ^[a]	(0.73)	(1.54)	(0.83)
Total direct portfolio transaction costs	0.65	0.00	2.11

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	0.11
Operating charges	0.93	0.93	0.94
Return after operating charges	+4.09	+30.74	+29.46
Historic yield	0.94	0.83	1.16
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (¥000)	9,187,415	10,906,843	4,347,014
Closing NAV percentage of total fund NAV (%)	26.68	29.94	28.65
Number of shares	2,162,527	2,703,387	1,478,995
Highest share price (UK p)	3,152.66	2,855.86	2,219.41
Lowest share price (UK p)	2,705.55	2,146.32	1,588.52

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	267.40	208.44	162.94
Return before operating charges and after direct portfolio transaction costs	13.56	66.41	49.57
Operating charges	(3.28)	(3.01)	(2.12)
Return after operating charges	10.28	63.40	47.45
Distributions	(5.18)	(4.44)	(1.95)
Closing NAV	272.50	267.40	208.44

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.13	0.15	0.29
Dilution adjustments ^[a]	(0.07)	(0.15)	(0.08)
Total direct portfolio transaction costs	0.06	0.00	0.21

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	0.11
Operating charges	1.18	1.18	1.19
Return after operating charges	+3.84	+30.42	+29.12
Historic yield ^[c]	1.91	1.70	0.92
Effect on yield of charges offset against capital	1.15	1.15	0.00

Other information

Closing NAV (¥000)	59,898	22,164	11,913
Closing NAV percentage of total fund NAV (%)	0.17	0.06	0.08
Number of shares	152,590	58,209	42,139
Highest share price (UK p)	297.30	274.01	215.48
Lowest share price (UK p)	255.34	206.42	154.42

M&G Japan Smaller Companies Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	279.69	214.47	166.09
Return before operating charges and after direct portfolio transaction costs	14.15	68.11	50.51
Operating charges	(3.43)	(2.89)	(2.13)
Return after operating charges	10.72	65.22	48.38
Distributions	(1.97)	(1.65)	(1.99)
Retained distributions	1.97	1.65	1.99
Closing NAV	290.41	279.69	214.47

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.14	0.14	0.29
Dilution adjustments ^[a]	(0.07)	(0.14)	(0.08)
Total direct portfolio transaction costs	0.07	0.00	0.21

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	0.11
Operating charges	1.18	1.19	1.18
Return after operating charges	+3.83	+30.41	+29.13
Historic yield	0.68	0.60	0.92
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (¥000)	324,130	58,748	60,086
Closing NAV percentage of total fund NAV (%)	0.94	0.16	0.40
Number of shares	774,798	147,508	206,580
Highest share price (UK p)	310.93	281.92	219.65
Lowest share price (UK p)	267.05	212.38	157.42

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	540.79	423.69	331.13
Return before operating charges and after direct portfolio transaction costs	27.37	134.68	100.48
Operating charges	(9.38)	(8.57)	(6.12)
Return after operating charges	17.99	126.11	94.36
Distributions	(10.46)	(9.01)	(1.80)
Closing NAV	548.32	540.79	423.69

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.26	0.29	0.58
Dilution adjustments ^[a]	(0.14)	(0.29)	(0.16)
Total direct portfolio transaction costs	0.12	0.00	0.42

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	0.11
Operating charges	1.68	1.68	1.69
Return after operating charges	+3.33	+29.76	+28.50
Historic yield ^[c]	1.92	1.70	0.42
Effect on yield of charges offset against capital	1.65	1.65	0.00

Other information

Closing NAV (¥000)	241,369	324,739	257,507
Closing NAV percentage of total fund NAV (%)	0.70	0.89	1.70
Number of shares	305,584	421,706	448,137
Highest share price (UK p)	600.16	554.19	435.89
Lowest share price (UK p)	516.10	419.49	313.16

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	578.44	445.77	346.92
Return before operating charges and after direct portfolio transaction costs	29.22	141.69	105.30
Operating charges	(10.04)	(9.02)	(6.45)
Return after operating charges	19.18	132.67	98.85
Distributions	(0.99)	(0.80)	(1.88)
Retained distributions	0.99	0.80	1.88
Closing NAV	597.62	578.44	445.77

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.28	0.31	0.61
Dilution adjustments ^[a]	(0.15)	(0.31)	(0.17)
Total direct portfolio transaction costs	0.13	0.00	0.44

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	0.11
Operating charges	1.68	1.68	1.69
Return after operating charges	+3.32	+29.76	+28.49
Historic yield	0.17	0.14	0.42
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (¥000)	974,723	1,021,227	856,715
Closing NAV percentage of total fund NAV (%)	2.83	2.80	5.65
Number of shares	1,132,246	1,239,840	1,417,076
Highest share price (UK p)	641.88	583.07	456.66
Lowest share price (UK p)	551.98	441.34	328.10

US dollar Class 'A' Accumulation share performance

The share class was launched on 9 October 2015.

for the year to 31 August Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,354.61	1,065.05	1,000.00
Return before operating charges and after direct portfolio transaction costs	83.51	311.35	79.88
Operating charges	(24.59)	(21.79)	(14.83)
Return after operating charges	58.92	289.56	65.05
Distributions	(2.34)	(1.86)	(4.66)
Retained distributions	2.34	1.86	4.66
Closing NAV	1,413.53	1,354.61	1,065.05

Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.69	0.75	1.42
Dilution adjustments ^[a]	(0.36)	(0.75)	(0.40)
Total direct portfolio transaction costs	0.33	0.00	1.02

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	0.11
Operating charges	1.68	1.68	1.69
Return after operating charges	+4.35	+27.19	+6.51
Historic yield	0.17	0.14	0.43
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (¥000)	924,037	96,911	4,233
Closing NAV percentage of total fund NAV (%)	2.68	0.27	0.03
Number of shares	590,169	64,691	3,850
Highest share price (US ¢)	1,615.10	1,373.97	1,074.20
Lowest share price (US ¢)	1,324.96	1,062.33	867.51

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Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 9 October 2015.

for the year to 31 August	2018	2017	2016
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1,373.89	1,072.15	1,000.00
Return before operating charges and after direct portfolio transaction costs	84.53	314.21	80.43
Operating charges	(13.97)	(12.47)	(8.28)
Return after operating charges	70.56	301.74	72.15
Distributions	(13.52)	(11.20)	(12.68)
Retained distributions	13.52	11.20	12.68
Closing NAV	1,444.45	1,373.89	1,072.15
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.71	0.77	1.42
Dilution adjustments ^[a]	(0.37)	(0.77)	(0.40)
Total direct portfolio transaction costs	0.34	0.00	1.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.00	0.11
Operating charges	0.93	0.93	0.94
Return after operating charges	+5.14	+28.14	+7.22
Historic yield	0.95	0.83	1.16
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	462,914	298,781	3,321
Closing NAV percentage of total fund NAV (%)	1.35	0.82	0.02
Number of shares	289,328	196,646	3,000
Highest share price (US ¢)	1,643.18	1,392.86	1,081.09
Lowest share price (US ¢)	1,352.55	1,069.75	869.71

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

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

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

M&G Japan Smaller Companies Fund

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Statement of total return

for the year to 31 August	Note	2018		2017	
		¥'000	¥'000	¥'000	¥'000
Income					
Net capital gains / (losses)	3		1,349,684		7,056,009
Revenue	5	834,723		555,008	
Expenses	6	(504,839)		(383,617)	
Net revenue / (expense) before taxation		329,884		171,391	
Taxation	7	(83,965)		(56,037)	
Net revenue / (expense) after taxation			245,919		115,354
Total return before distributions			1,595,603		7,171,363
Distributions	8		(332,216)		(179,698)
Change in net assets attributable to shareholders from investment activities			1,263,387		6,991,665

Statement of change in net assets attributable to shareholders

for the year to 31 August		2018		2017	
		¥'000	¥'000	¥'000	¥'000
Opening net assets attributable to shareholders					
			36,437,340		15,171,162
Amounts received on issue of shares	11,084,170			30,561,404	
Amounts paid on cancellation of shares	(14,555,411)			(16,522,971)	
			(3,471,241)		14,038,433
Dilution adjustments			29,581		66,314
Change in net assets attributable to shareholders from investment activities (see above)			1,263,387		6,991,665
Retained distributions on Accumulation shares			179,359		169,766
Closing net assets attributable to shareholders			34,438,426		36,437,340

Balance sheet

as at 31 August	Note	2018 ¥'000	2017 ¥'000
Assets			
Fixed assets			
Investments		34,215,257	35,866,184
Current assets			
Debtors	9	97,749	492,739
Cash and bank balances	10	333,927	422,426
Cash equivalents		0	127,444
Total assets		34,646,933	36,908,793
Liabilities			
Creditors			
Distribution payable		(104,902)	(96,371)
Other creditors	11	(103,605)	(375,082)
Total liabilities		(208,507)	(471,453)
Net assets attributable to shareholders		34,438,426	36,437,340

Notes to the financial statements

1 Accounting policies

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

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

2 Distribution policy

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

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

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

3 Net capital gains / (losses)

for the year to 31 August	2018 ¥'000	2017 ¥'000
Non-derivative securities	1,288,135	7,036,717
Derivative contracts	94,032	44,243
Currency gains / (losses)	(30,709)	(21,963)
Transaction charges	(1,774)	(2,988)
Net capital gains / (losses)	1,349,684	7,056,009

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 110.

for the year to 31 August	2018 ¥'000	% of transaction	2017 ¥'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	16,474,117		30,138,107	
Commissions	8,992	0.05	8,101	0.03
Total purchases after transaction costs	16,483,109		30,146,208	
b) Sales				
Equities				
Equities before transaction costs	19,419,189		15,942,891	
Commissions	(10,071)	0.05	(8,021)	0.05
Equities after transaction costs	19,409,118		15,934,870	
Other transaction types				
Corporate actions	0		514,800	
Total sales after transaction costs	19,409,118		16,449,670	
c) Direct portfolio transaction costs				
Commissions paid				
Equities	19,063	0.05	16,122	0.06
Derivatives	44	0.00	461	0.00
Total direct portfolio transaction costs [a]	19,107	0.05	16,583	0.06
d) Indirect portfolio transaction costs				
Portfolio dealing spread [b]		0.25		0.22

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

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

M&G Japan Smaller Companies Fund

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Notes to the financial statements

5 Revenue

for the year to 31 August	2018 ¥'000	2017 ¥'000
Bank interest	67	1
Derivative revenue	(75)	(94)
Dividends from equity investments: non-taxable	839,646	560,368
Dividends from equity investments: taxable	(5,034)	(5,604)
Interest distributions	119	337
Total revenue	834,723	555,008

6 Expenses

for the year to 31 August	2018 ¥'000	2017 ¥'000
Payable to the ACD or associate		
Annual management charge	432,373	332,100
Administration charge	61,271	43,164
	493,644	375,264
Payable to the Depository or associate		
Depository's charge (including VAT)	3,120	2,336
Other expenses		
Audit fee (including VAT)	1,378	1,301
Interest payable	2,610	2,100
Safe custody charge	4,087	2,861
	8,075	6,262
VAT recoverable		
Current year	0	0
Prior year	0	(245)
	0	(245)
Total expenses	504,839	383,617

7 Taxation

for the year to 31 August	2018 ¥'000	2017 ¥'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	83,965	56,037
Deferred tax (note 7c)	0	0
Total taxation	83,965	56,037
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	329,884	171,391
Corporation tax at 20%	65,977	34,278
Effects of:		
Dividends from equity investments: non-taxable	(167,929)	(112,074)
Current year expenses not utilised	101,952	77,796
Withholding tax	83,965	56,037
Total tax charge (note 7a)	83,965	56,037
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of ¥526,290,000 (2017: ¥424,338,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

for the year to 31 August	2018		2017	
	Inc ^[a] ¥'000	Acc ^[b] ¥'000	Inc ^[a] ¥'000	Acc ^[b] ¥'000
Dividend distributions				
Final	104,902	179,359	96,371	169,766
Total net distributions		284,261		266,137
Income deducted on cancellation of shares		88,028		96,426
Income received on issue of shares		(40,073)		(182,865)
Distributions		332,216		179,698
Net revenue / (expense) per statement of total return		245,919		115,354
Expenses offset against capital		86,297		64,344
Undistributed income brought forward		1		1
Undistributed income carried forward		(1)		(1)
Distributions		332,216		179,698

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2018 ¥'000	2017 ¥'000
Amounts receivable on issues of shares	33,189	21,730
Currency deals outstanding	10,201	127,304
Distributions receivable	0	6
Dividends receivable	30,490	25,354
Sales awaiting settlement	23,869	318,345
Total debtors	97,749	492,739

10 Cash and bank balances

as at 31 August	2018 ¥'000	2017 ¥'000
Amounts held at futures clearing houses and collateral manager	0	20,365
Cash held as bank balances	333,927	402,061
Total cash and bank balances	333,927	422,426

11 Other creditors

as at 31 August	2018 ¥'000	2017 ¥'000
ACD's annual management charge payable	18,405	18,070
Administration charge payable	2,547	2,522
Amounts payable on cancellation of shares	69,954	16,461
Currency deals outstanding	10,286	127,427
Expenses payable	2,413	2,277
Purchases awaiting settlement	0	208,325
Total other creditors	103,605	375,082

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2017: same).

M&G Japan Smaller Companies Fund

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13 Shares in issue

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

Share class	Opening 01.09.17	Movements		Closing 31.08.18
		Issued	Cancelled	
Euro				
Class 'A' Accumulation	2,285,881	480,766	(720,585)	2,046,062
Class 'C' Accumulation	1,727,293	796,154	(963,310)	1,560,137
Sterling				
Class 'A' Income	4,556,080	121,192	(390,277)	4,286,995
Class 'A' Accumulation	2,122,149	133,595	(525,846)	1,729,898
Class 'I' Income	501,797	103,170	(148,444)	456,523
Class 'I' Accumulation	2,703,387	472,863	(1,013,723)	2,162,527
Class 'R' Income	58,209	190,565	(96,184)	152,590
Class 'R' Accumulation	147,508	938,034	(310,744)	774,798
Class 'X' Income	421,706	14,790	(130,912)	305,584
Class 'X' Accumulation	1,239,840	115,297	(222,891)	1,132,246
US dollar				
Class 'A' Accumulation	64,691	851,916	(326,438)	590,169
Class 'C' Accumulation	196,646	328,506	(235,824)	289,328

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %
Euro			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75
Sterling			
Class 'A'	nil	n/a	1.50
Class 'I'	nil	n/a	0.75
Class 'R'	nil	n/a	1.00
Class 'X'	nil	n/a	1.50
US dollar			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75

15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 23.87% (2017: 23.09%) of the fund's shares.

16 Events after the balance sheet date

As a result of the Extraordinary General Meetings of Shareholders held on 4 October 2018, the non-sterling share classes of the M&G Japan Smaller Companies Fund will be merged into corresponding share classes of M&G (Lux) Japan Smaller Companies Fund.

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 August Basis of valuation	Assets	Liabilities	Assets	Liabilities
	2018 ¥'000	2018 ¥'000	2017 ¥'000	2017 ¥'000
Level 1	34,215,257	0	35,866,184	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	34,215,257	0	35,866,184	0

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

M&G Japan Smaller Companies Fund

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18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by ¥1,710,763,000 (2017: ¥1,793,309,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

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

21 Interest rate risk sensitivity and exposure

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

22 Credit risk

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

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

	Futures ¥'000
as at 31 August 2018	
Bank of America Merrill Lynch	0
Total	0
as at 31 August 2017	
Bank of America Merrill Lynch	1,265
Total	1,265

23 Dividend distribution tables

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

Annual distribution period				
	Start	End	Xd	Payment
Final	01.09.17	31.08.18	03.09.18	31.10.18

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

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

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

Euro Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	¢	¢	¢	¢
Final	0.0000	5.2175	5.2175	4.0877

Euro Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	¢	¢	¢	¢
Final	17.1401	16.3040	33.4441	27.2815

Sterling Class 'A' Income shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
Final	5.5213	4.9986	10.5199	9.0656

Sterling Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
Final	0.0000	0.9948	0.9948	0.8022

Sterling Class 'I' Income shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
Final	27.4785	24.5211	51.9996	44.4733

M&G Japan Smaller Companies Fund

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23 Dividend distribution tables (continued)

Sterling Class 'I' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	11.9722	15.6254	27.5976	23.1129

Sterling Class 'R' Income shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	2.2030	2.9769	5.1799	4.4415

Sterling Class 'R' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	0.6412	1.3326	1.9738	1.6505

Sterling Class 'X' Income shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	5.2965	5.1586	10.4551	9.0098

Sterling Class 'X' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	0.0000	0.9879	0.9879	0.7961

US dollar Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	¢	¢	¢	¢
Final	2.3366	0.0000	2.3366	1.8648

US dollar Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	¢	¢	¢	¢
Final	6.7691	6.7473	13.5164	11.2046

M&G Japan Smaller Companies Fund

Financial statements and notes

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M&G North American Dividend Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to maximise total return (the combination of capital growth and income) whilst aiming to grow distributions over the long term.

Investment policy

The fund will invest mainly in North American equities and may invest across all sectors and market capitalisations. The fund may also invest in transferable securities issued by companies which are listed, registered or trading within North America and in collective investment schemes. Cash and near cash may be held for ancillary purposes and derivatives, including warrants, may be used for efficient portfolio management and hedging purposes.

Investment approach

The M&G North American Dividend Fund employs a bottom-up stockpicking approach, driven by the fundamental analysis of individual companies. The fund manager seeks to invest in companies with excellent capital discipline and long-term dividend growth potential. The fund manager believes rising dividends create upward pressure on the value of shares. Dividend yield is not the primary consideration for stock selection.

The fund manager aims to create a diversified portfolio with exposure to a broad range of sectors. He selects stocks with different drivers of dividend growth to construct a portfolio that has the potential to cope in a variety of market conditions. The fund will usually hold around 40 to 50 stocks, with a long-term investment view and a typical holding period of three to five years.

Risk profile

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

The fund's focus is on shares of companies that have the potential to grow their dividends over the long term. Income distributions from the fund's holdings, however, are not guaranteed and may vary. Diversification across industries and market capitalisation is key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 3 September 2018, for the year ended 31 August 2018

Distribution summary

Over the 12-month review period, the fund distributed income of 32.1853 pence per Sterling Class 'A' (Income) share, compared to 37.7984 pence in the previous financial year. This represents a decline of 14.9% as the income stream was hampered by a higher tax rate on US dividends. Dividends from US shares were taxed at 30% rather than the 15% in the previous financial year. For the same reason, the distribution paid by the US dollar Class 'A' (Income) share fell by 10.4% to 30.7420 cents from 34.3123 cents. (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.)

In our reports over the past two years, we highlighted the possibility of a change in the fund's tax status. This did not materialise in the previous financial year, but did become a reality during the 12 months under review. Although the higher tax burden has been a setback, we have reason to believe the fund will revert to the lower tax rate of 15% in the financial year ending 31 August 2019.

The pace of dividend growth from our underlying holdings continues to be encouraging, however, with the majority reporting increases in the region of 5% to 15%. Methanex, the fund's largest holding, delivered a 10% dividend increase, which was accompanied by a 10% share buyback programme. We are pleased that the methanol producer is stepping up its efforts to return excess cash to enhance shareholder value. (Share buybacks are the action of companies repurchasing their own shares from the marketplace, usually when they believe them to be undervalued.) UnitedHealth Group, the second-largest holding, raised its dividend by a more impressive 20% as the managed care operator (MCO) continued to deliver strong operating performance.

M&G North American Dividend Fund

Authorised Corporate Director's Report

Investment review

Distribution summary (continued)

The technology sector accounted for some of the fastest dividend growth in the fund. Broadcom, the semiconductor company, led the pack with a 72% increase, while Cognizant Technology Solutions, the IT services provider, followed with a 33% uplift. Banks were another source of strong dividend growth after our holdings passed the Federal Reserve's stress test. JPMorgan Chase and M&T Bank boosted their payments by 43% and 25%, respectively.

Dividend growth was also robust among the so-called defensive stocks we own. (Defensive companies tend to have stable earnings and are less affected by peaks and troughs in the economy.) Constellation Brands, which owns the leading Mexican beer brand Corona, accelerated its dividend growth to 42%. Mondelēz International, the snacks company behind Cadbury and Oreo, reported an 18% increase.

Elsewhere, Union Pacific was one of several holdings which benefited from US tax reform. Its positive influence on corporate profits allowed Union Pacific, the railroads company, to raise the quarterly payment by 10% on three separate occasions, resulting in 32% growth year-on-year. Six Flags Entertainment (theme parks), Anthem (MCO) and Altria Group (tobacco) were also beneficiaries. All three companies raised their dividends twice in 12 months and ended the review period with year-on-year increases of 15% or more.

Not all of our holdings delivered growth, however. Gibson Energy held its dividend flat, although we are confident that the midstream company can return to dividend growth over the long term. L Brands similarly failed to increase the dividend as the trading backdrop for retailers remained challenging. The stock is under review. Although dividends were static in these isolated cases, there were no dividend cuts during the past 12 months.

Performance against objective

Between 1 September 2017 (the start of the review period) and 3 September 2018, the fund delivered a positive total return (the combination of income and growth of capital) across all its share classes.*

The fund's returns compared with the S&P 500 Index, a comparative index, were mixed. The S&P 500 Index returned 19.4% in US dollars, 20.3% in sterling and 22.0% in euros during the period under review. The fund met its aim of maximising total return during the past 12 months and has done so since the objective was introduced in April 2015. Over a longer period of five years, all share classes have generated a positive total return.

However, the fund did not deliver on the objective of growing the distribution because of the higher tax rate on US dividends during the financial year. Growing distributions has been part of the objective since April 2015 and it is therefore not yet possible to assess this aspect of the fund's performance over five years, which we believe is an appropriate timeframe for the objective.

* 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.

Investment performance

The US stockmarket extended its rally during the 12 months under review as corporate earnings continued to beat expectations. Tax cuts played their part but there was more to the narrative. US companies were operating against a favourable environment of a robust economy and positive earnings surprises were rewarded handsomely. Failure to deliver, on the other hand, was punished accordingly. Concerns about rising interest rates and trade wars tested investors' mettle in the earlier part of 2018, but the market soon resumed its upward trajectory, culminating in record highs for the S&P 500 Index and the NASDAQ Composite Index.

The market's progress, however, was characterised by a narrowness of leadership. Technology and consumer discretionary were the standout performers as Apple and Amazon continued their momentum-driven rise. Energy benefited from a higher oil price, but these three were the only sectors to outperform during the review period. Cyclical areas such as financials and industrials did not keep up with the rising market (cyclicals are companies which tend to be more sensitive to the economic cycle), while defensives underperformed in unison. Utilities, telecoms and real estate suffered as bond yields rose, not helped by their status as so-called 'bond proxies' (stocks with safe, predictable returns and high dividend yields). Consumer staples struggled under the weight of deteriorating fundamentals as growth expectations were revised down. A focus on cost over growth, combined with the increasing prominence of online sales, has materially strengthened the hands of retailers and their private label brands. Unlike the rest of the world, private label has remained limited in its presence in the domestic US market until recently. This pressure on many consumer brands is likely to remain for the foreseeable future and highlights the importance of selectivity when investing in the wider consumer staples space.

Against this background, the fund added value through positive stock selection, particularly in materials, healthcare and industrials.

Methanex made the biggest positive contribution to performance against the favourable backdrop of a higher methanol price. The stock returned more than 40% during the period under review (returns are in US dollars unless otherwise stated).

UnitedHealth Group and Anthem were also among the top 10 positive contributors and bucked the trend in an underperforming healthcare sector. Both stocks returned more than 30% as the MCOs continued to deliver better-than-expected earnings. With an ageing populace, rising healthcare costs are likely to remain a key focus of the US healthcare system and we believe the MCOs are integral to solving this problem longer term. This should be to the benefit of both patients and shareholders. The domestic bias of MCOs also worked to their advantage as they were considered significant beneficiaries of tax reform. Union Pacific was seen in a similarly favourable light in industrials.

MasterCard and Microsoft delivered returns of more than 50% in a buoyant technology sector, although their strong performance was offset by not owning Apple and Alphabet (owner of Google) as well as Amazon and Netflix in consumer discretionary. Apple and Alphabet, which account for almost 7% of the S&P 500 Index, returned 41% and 30% respectively, while Amazon and Netflix which account for another 3% of the index, doubled in value. Alphabet, Amazon and Netflix do not pay dividends and are therefore ineligible for our dividend growth

M&G North American Dividend Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

approach. Our holding in Broadcom also held back returns after the semiconductor company's acquisition of CA Technologies was treated with scepticism. Investors questioned the strategic logic of buying a software business and the shares were sold off abruptly. We continue to believe that the stock is materially undervalued.

Other detractors during the review period included PrairieSky Royalty in the energy sector which drifted lower in the absence of good news. Keyera was another notable underperformer, particularly in the first six months of the review period after the midstream company issued new shares to support its capital growth programme. Both stocks are listed in Canada and suffered the additional headwind of a weaker currency.

Defensive stocks were also prominent among the list of detractors as the environment of rising interest rates weighed on sentiment. In consumer staples, Mondelēz International and Constellation Brands underperformed despite their strong growth prospects, while Altria Group could not escape the wider malaise in the tobacco industry. Equinix was penalised for its structure as a real estate investment trust and the associated perception of interest rate sensitivity. Equinix, however, is a data centre business which is a beneficiary of structural trends. We believe these enduring themes will drive the stock price over the long term.

Investment activities

There were eight new purchases and five complete sales during the past 12 months, a level of turnover consistent with our long-term investment horizon of three to five years. The number of holdings rose to 45.

The fund's exposure to technology increased with the addition of three new holdings. We bought shares in Cognizant Technology Solutions in September in the belief that the company's strategic shift from outsourcing to operational consultancy will support long-term profitable growth which is not reflected in the stock's undemanding valuation. We also added Visa in April, to benefit from the structural growth in digital payments, and we bought a stake in Lam Research at the end of the review period after a sell-off in semiconductor stocks provided an attractive entry point. We also added to our holding in Broadcom on weakness given its strong cash generation and compelling valuation. The shares are yielding more than 3% and we expect the dividend to grow quickly.

Comcast in consumer discretionary was the biggest purchase during the year. The media group, which covers cable communications and NBCUniversal, operates a highly cash-generative business model which has delivered strong dividend growth and bought back significant amounts of stock with admirable regularity over the past decade. The entry point opportunity was provided as shareholders reacted with scepticism to the company's bid for Sky's media assets in the UK. Investors were nervous about the company stepping outside of its core domestic market, whilst also wary about the extra debt the deal would bring. As a company with a strong focus on returns as well as a robust history of dividend growth, we believed the chance to invest in the premier cable franchise in the US at a significant discount to the market was an attractive opportunity and built a position accordingly.

We also bought Lowe's, the home improvement retailer, which has the potential to expand margins which its peer Home Depot lacks. We have faith in the new management team at Lowe's, who were part of the successful margin expansion at Home Depot, to deliver on the strategy. Home Depot, which returned more than 90% since its initial purchase in April 2015, provided the source of cash.

Both Comcast and Lowe's were added to the fund in August.

In June, we took advantage of a wide-scale selling of China-exposed stocks, driven by tariff-induced fears, to initiate a position in Yum China Holdings, one of the largest restaurant chains in the country. Expanding quickly with the rollout of KFC and with a long runway of opportunity, Yum China looks well positioned to generate shareholder returns.

Elsewhere, we initiated positions in Marsh & McLennan, an insurance brokerage which is taking share in a fragmented market, and Sensient Technologies, a leading provider of flavours & fragrances and colours for the food & beverage industry. We also added to our existing holdings in Equinix and Mondelēz which came under pressure amid fears over rising interest rates. We believe both companies have significant long-term growth opportunities – Equinix from the secular demand for data and Mondelēz from realising the potential of its strong brands.

Turning to sales, Rockwell Automation (industrials), Nike (consumer discretionary) and Zoetis (healthcare) were sold on valuation grounds. All three stocks were successful investments for the fund. Rockwell returned 80% since its initial purchase in April 2015, more than double the return of the S&P 500 Index. Nike and Zoetis also added value, returning 30% and 65% respectively during their time in the fund. We also took profits in strong performers including MasterCard and M&T Bank which returned 63% and 22% respectively over the past year.

Another source of cash during the review period was Methanex where we have been reducing the holding to manage the position size. We decreased the number of shares we own in the company by 25% during the year, but continue to believe the stock is meaningfully undervalued.

We also sold the holding in LyondellBasell, the chemicals business, in its entirety and reduced Helmerich & Payne in energy services to manage the fund's energy-related exposure.

Outlook

The story in the US has moved on. The initial excitement fuelled by Donald Trump's plans to boost the economy has been quickly overshadowed by concerns about the aftermath – the consequences of economic growth. Rising interest rates and higher bond yields have already made their mark on the stockmarket with bond proxies being sold off indiscriminately. The spectre of a trade war has added a new dimension to the uncertainty with investors being similarly indiscriminate towards companies exposed to China, regardless of whether the underlying businesses are affected by tariffs or not.

We are of the strong belief that periods of uncertainty can present excellent opportunities for the long term. Conscious of the market's propensity to be swayed by sentiment, we have been active in our pursuit of long-term winners whose shares have been punished for no fundamental reason – especially in defensive sectors where the downturn has been most acute.

M&G North American Dividend Fund

Authorised Corporate Director's Report

Investment review

Outlook (continued)

We are particularly interested in consumer staples. We are looking for companies with genuine growth prospects in a sector where growth is slowing for many due to historic underinvestment and competitive pressures. Not all consumer staples companies are the same. We are keen to take advantage of opportunities which may arise because of the market's inability to distinguish between winners and losers. The importance of being selective cannot be emphasised enough.

We are also starting to see some savage share price reactions among China-exposed names, which may offer attractive entry points for companies with exciting long-term potential. Semiconductors and consumer-facing businesses are areas we are monitoring from this perspective.

Tax reform has been a cornerstone of Trump's economic stimulus programme and is already having a tangible effect on US corporate profits, but the positive impact of this one-off event is now priced in. We believe it is important to identify the companies which can keep the benefits for the long term because those that can will sustain premium dividend growth.

We continue to be encouraged by the dividend growth from our holdings, many of which have provided positive surprises in an environment where dividends have not always been reliable. As the dividend cuts from General Electric and PG&E demonstrated late last year, there are pitfalls to be avoided. Dividends are the ultimate sign of management confidence and the dividend increases we are seeing from the companies we are invested in reflect well on their long-term potential and financial health. We believe that the combination of strong dividend growth and attractive valuation stands us in good stead to generate competitive returns over the long term.

John Weavers Fund manager

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

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

Investments

Portfolio statement			
as at 31 August	2018	2018	2017 ^[a]
Holding	\$'000	%	%
EQUITIES	822,907	99.43	96.57
Energy equipment & services	14,977	1.81	2.32
231,364 Halliburton	9,303	1.12	
85,378 Helmerich & Payne	5,674	0.69	
Oil, gas & consumable fuels	63,417	7.66	10.23
660,935 Gibson Energy	9,989	1.20	
485,767 Keyera	13,619	1.65	
703,372 Pembina Pipeline	24,324	2.94	
831,895 PrairieSky Royalty	15,485	1.87	
Chemicals	71,143	8.60	7.85
840,278 Methanex	61,802	7.47	
131,922 Sensient Technologies	9,341	1.13	
Electrical equipment	11,637	1.41	1.84
152,414 Emerson Electric	11,637	1.41	
Road & rail	25,436	3.07	1.64
169,891 Union Pacific	25,436	3.07	
Textiles, apparel & luxury goods	0	0.00	1.19
Hotels, restaurants & leisure	52,103	6.30	6.37
222,335 Las Vegas Sands	14,610	1.77	
188,175 Six Flags Entertainment	12,282	1.48	
264,839 Starbucks	14,063	1.70	
289,791 Yum China Holdings	11,148	1.35	
Media	23,298	2.81	0.00
635,158 Comcast	23,298	2.81	
Specialty retail	10,352	1.25	2.75
55,356 L Brands	1,468	0.18	
82,339 Lowe's	8,884	1.07	
Beverages	21,916	2.65	2.55
104,984 Constellation Brands	21,916	2.65	
Food products	30,474	3.68	3.03
718,213 Mondeléz International	30,474	3.68	
Tobacco	12,319	1.49	1.59
209,938 Altria Group	12,319	1.49	
Health care equipment & supplies	22,197	2.68	4.40
34,383 Becton Dickinson	8,950	1.08	
136,835 Medtronic	13,247	1.60	
Health care providers & services	83,453	10.08	9.50
121,774 Anthem	32,272	3.90	
190,683 UnitedHealth Group	51,181	6.18	
Pharmaceuticals	21,732	2.63	5.36
43,180 Allergan	8,243	1.00	
99,958 Johnson & Johnson	13,489	1.63	
Banks	60,231	7.28	8.07
153,234 First Republic Bank San Francisco	15,395	1.86	
138,796 JPMorgan Chase	15,987	1.93	
22,906 M&T Bank	4,039	0.49	
424,398 Wells Fargo	24,810	3.00	
Consumer finance	20,874	2.52	2.24
196,518 American Express	20,874	2.52	
Capital markets	34,528	4.17	3.41
25,671 Blackrock	12,202	1.47	
294,780 Intercontinental Exchange	22,326	2.70	

M&G North American Dividend Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 31 August	2018	2018	2017 ^[a]
Holding	\$'000	%	%
Insurance	16,872	2.04	0.96
66,774 Arthur J. Gallagher & Co.	4,786	0.58	
143,796 Marsh & McLennan	12,086	1.46	
IT services	87,013	10.51	7.43
253,436 Cognizant Technology Solutions	19,611	2.37	
270,344 FIS	29,113	3.51	
136,558 MasterCard	29,199	3.53	
61,930 Visa	9,090	1.10	
Software	48,888	5.91	4.69
436,696 Microsoft	48,888	5.91	
Semiconductors & semiconductor equipment	51,831	6.26	4.97
118,582 Analog Devices	11,689	1.41	
147,732 Broadcom	31,999	3.87	
47,215 Lam Research	8,143	0.98	
Equity real estate investment trusts (REITs)	38,216	4.62	4.18
153,418 Crown Castle International	17,451	2.11	
48,218 Equinix	20,765	2.51	
Portfolio of investments	822,907	99.43	96.57
CASH EQUIVALENTS	12,480	1.51	3.72
'AAA' rated money market funds ^[b]	12,480	1.51	3.72
12,480,000 Northern Trust Global Fund - US dollar	12,480	1.51	
SHARE CLASS HEDGING	712	0.08	0.04
Forward currency contracts for share class hedging	712	0.08	0.04
CAD148,874 Bought for €98,902 (expires 19.09.18)	(1)	0.00	
€1,818,579 Bought for CAD2,701,212 (expires 19.09.18)	46	0.00	
€21,533,963 Bought for \$24,463,580 (expires 19.09.18)	689	0.08	
€(650,852) Sold for \$738,603 (expires 19.09.18)	(22)	0.00	
Total portfolio (notes 2c & 2d on page 7)	836,099	101.02	100.33
Net other assets / (liabilities)	(8,466)	(1.02)	(0.33)
Net assets attributable to shareholders	827,633	100.00	100.00

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

^[a] The portfolio has been reclassified to more appropriately reflect how the fund is managed. 2017 comparatives have been restated to reflect this.

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

Top ten portfolio transactions

for the year to 31 August 2018

Largest purchases	\$'000
Comcast	22,575
Cognizant Technology Solutions	19,625
Marsh & McLennan	11,842
Yum China Holdings	11,423
Equinix	10,791
Sensient Technologies	10,137
Mondeléz International	9,675
Union Pacific	8,909
Lowe's	8,736
Lam Research	8,218
Other purchases	71,444
Total purchases	193,375
Largest sales	\$'000
Home Depot	20,805
Methanex	18,303
Las Vegas Sands	17,182
M&T Bank	16,054
Medtronic	15,765
UnitedHealth Group	13,339
MasterCard	13,033
Zoetis	12,074
Nike	10,969
Helmerich & Payne	7,764
Other sales	88,918
Total sales	234,206

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

M&G North American Dividend Fund

Financial highlights

Fund performance

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

The following chart and tables show the performance for two of the fund's share classes – Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

We show performance for these two share classes because:

- The performance of the Sterling Class 'A' (Accumulation) share is what most individuals investing directly with M&G have received. It has the highest ongoing charge of all the sterling share classes. Performance is shown after deduction of this charge. All UK investors in the fund therefore received this performance or better.
- The performance of the Sterling Class 'I' (Accumulation) share is the most appropriate to compare with the average performance of the fund's comparative sector. It is the share class used by the Investment Association in the calculation of the comparative sector's average performance. This share class is available for direct investment with M&G subject to minimum investment criteria, or via third parties who may charge additional fees. The performance shown takes the deduction of the ongoing charge for this share class into account but it does not take account of charges applied by any other party through which you may have invested.

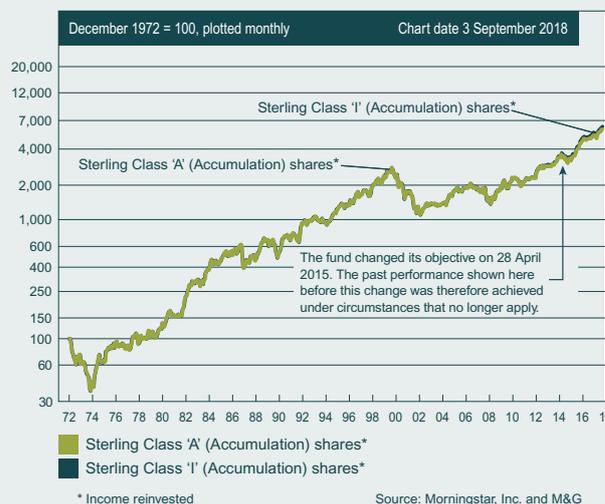
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

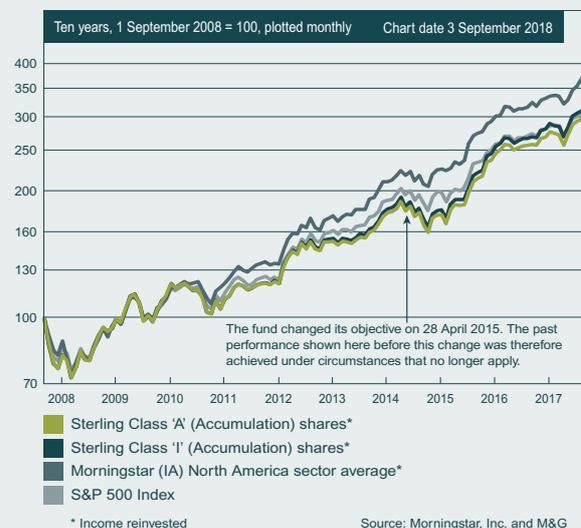
Fund net asset value			
as at 31 August	2018 \$'000	2017 \$'000	2016 \$'000
Fund net asset value (NAV)	827,633	748,191	604,031

Performance since launch

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



Ten-year performance



The fund's Sterling Class 'I' (Accumulation) shares were launched on 3 August 2012. Performance data shown prior to this date is that of the fund's Sterling Class 'A' (Accumulation) shares.

M&G North American Dividend Fund

Financial highlights

Fund performance

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

Long-term performance by share class				
	One year 01.09.17 % ^[a]	Three years 03.09.15 % p.a.	Five years 03.09.13 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	+21.8	+15.0	+15.1	+5.0 ^[c]
Class 'A-H'	+16.1	+14.4	+11.1	+7.6 ^[d]
Class 'C'	+22.7	+15.9	+15.9	+5.7 ^[c]
Class 'C-H'	+17.1	+15.3	+11.9	+10.4 ^[e]
Sterling ^[f]				
Class 'A'	+19.2	+23.1	+16.5	+9.3 ^[g]
Class 'I'	+20.1	+24.0	+17.4	+18.0 ^[h]
Class 'R'	+19.8	+23.7	+17.1	+17.7 ^[h]
Class 'X'	+19.2	+23.1	+16.5	+12.5 ^[i]
US dollar ^[b]				
Class 'A'	+18.7	+16.3	+12.2	+6.5 ^[j]
Class 'C'	+19.6	+17.2	+13.0	+7.3 ^[j]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 28 November 2001, the launch date of the share class.

[d] 12 September 2008, the launch date of the share class.

[e] 1 October 2010, the launch date of the share class.

[f] Price to price with income reinvested.

[g] 18 December 1972, the end of the initial offer period of the predecessor unit trust.

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

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

[j] 9 March 2007, the launch date of the share class.

Operating charges and portfolio transaction costs

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

M&G North American Dividend Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
for the year to 31 August	2018	2017	2016	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.02	0.04	0.05	0.04
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.02	0.04	0.05	0.04
Dilution adjustments ^[c]	(0.02)	(0.03)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.00	0.01	0.03	0.02
as at 31 August	2018	2017	2016	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.03	0.05	0.03	0.04

^[a] Average of first three columns.

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

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

Specific share class performance

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

Historic yields for the current year are calculated as at 14 September 2018.

Euro Class 'A' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August	2018	2017	2016
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1,758.25	1,615.71	1,492.21
Return before operating charges and after direct portfolio transaction costs	411.94	212.05	186.86
Operating charges	(32.17)	(30.39)	(25.58)
Return after operating charges	379.77	181.66	161.28
Distributions	(33.14)	(39.12)	(37.78)
Closing NAV	2,104.88	1,758.25	1,615.71
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.38	0.81	0.80
Dilution adjustments ^[a]	(0.38)	(0.52)	(0.32)
Total direct portfolio transaction costs	0.00	0.29	0.48
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.03
Operating charges	1.66	1.66	1.66
Return after operating charges	+21.60	+11.24	+10.81
Historic yield ^[c]	1.55	2.21	2.32
Effect on yield of charges offset against capital	1.66	1.66	1.66
Other information			
Closing NAV (\$'000)	753	642	320
Closing NAV percentage of total fund NAV (%)	0.09	0.09	0.05
Number of shares	30,655	30,780	17,756
Highest share price (Euro ¢)	2,154.70	1,960.26	1,639.36
Lowest share price (Euro ¢)	1,744.19	1,563.45	1,310.70

M&G North American Dividend Fund

Financial highlights

Specific share class performance

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,853.49	1,666.94	1,502.91
Return before operating charges and after direct portfolio transaction costs	436.27	217.61	189.76
Operating charges	(34.16)	(31.06)	(25.73)
Return after operating charges	402.11	186.55	164.03
Distributions	(0.93)	(10.41)	(38.47)
Retained distributions	0.93	10.41	38.47
Closing NAV	2,255.60	1,853.49	1,666.94
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.40	0.83	0.81
Dilution adjustments ^[a]	(0.40)	(0.53)	(0.32)
Total direct portfolio transaction costs	0.00	0.30	0.49
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.03
Operating charges	1.66	1.66	1.66
Return after operating charges	+21.69	+11.19	+10.91
Historic yield	0.04	0.56	2.29
Effect on yield of charges offset against capital	0.01	0.01	1.66
Other information			
Closing NAV (\$'000)	40,764	44,674	39,906
Closing NAV percentage of total fund NAV (%)	4.93	5.97	6.61
Number of shares	1,548,796	2,032,663	2,148,603
Highest share price (Euro ¢)	2,294.47	2,039.64	1,667.72
Lowest share price (Euro ¢)	1,838.51	1,613.06	1,326.84

Euro Class 'A-H' Accumulation share performance

The share class was launched on 12 September 2008.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,773.26	1,523.34	1,402.73
Return before operating charges and after direct portfolio transaction costs	332.83	277.78	144.53
Operating charges	(32.98)	(27.86)	(23.92)
Return after operating charges	299.85	249.92	120.61
Distributions	(0.38)	(9.35)	(34.72)
Retained distributions	0.38	9.35	34.72
Closing NAV	2,073.11	1,773.26	1,523.34
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.38	0.74	0.74
Dilution adjustments ^[a]	(0.38)	(0.47)	(0.30)
Total direct portfolio transaction costs	0.00	0.27	0.44
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.03
Operating charges	1.68	1.68	1.68
Return after operating charges	+16.91	+16.41	+8.60
Historic yield	0.02	0.52	2.25
Effect on yield of charges offset against capital	0.01	0.01	1.68
Other information			
Closing NAV (\$'000)	10,983	6,566	7,381
Closing NAV percentage of total fund NAV (%)	1.33	0.88	1.22
Number of shares	454,019	312,271	434,897
Highest share price (Euro ¢)	2,080.11	1,809.06	1,533.06
Lowest share price (Euro ¢)	1,777.35	1,487.27	1,249.66

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,926.87	1,757.37	1,610.87
Return before operating charges and after direct portfolio transaction costs	453.29	230.15	202.64
Operating charges	(19.51)	(17.95)	(15.14)
Return after operating charges	433.78	212.20	187.50
Distributions	(36.47)	(42.70)	(41.00)
Closing NAV	2,324.18	1,926.87	1,757.37
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.42	0.87	0.87
Dilution adjustments ^[a]	(0.42)	(0.56)	(0.35)
Total direct portfolio transaction costs	0.00	0.31	0.52
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.03
Operating charges	0.91	0.91	0.91
Return after operating charges	+22.51	+12.07	+11.64
Historic yield ^[c]	1.54	2.20	2.32
Effect on yield of charges offset against capital	0.91	0.91	0.91
Other information			
Closing NAV (\$'000)	634	534	458
Closing NAV percentage of total fund NAV (%)	0.08	0.07	0.08
Number of shares	23,371	23,371	23,371
Highest share price (Euro ¢)	2,378.34	2,140.18	1,773.16
Lowest share price (Euro ¢)	1,911.77	1,701.05	1,419.73

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	2,054.69	1,833.85	1,641.04
Return before operating charges and after direct portfolio transaction costs	485.45	239.93	208.33
Operating charges	(20.90)	(19.09)	(15.52)
Return after operating charges	464.55	220.84	192.81
Distributions	(18.29)	(26.72)	(42.12)
Retained distributions	18.29	26.72	42.12
Closing NAV	2,519.24	2,054.69	1,833.85
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.45	0.93	0.89
Dilution adjustments ^[a]	(0.45)	(0.59)	(0.36)
Total direct portfolio transaction costs	0.00	0.34	0.53
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.03
Operating charges	0.91	0.91	0.91
Return after operating charges	+22.61	+12.04	+11.75
Historic yield	0.71	1.29	2.29
Effect on yield of charges offset against capital	0.01	0.01	0.91
Other information			
Closing NAV (\$'000)	10,338	8,948	5,794
Closing NAV percentage of total fund NAV (%)	1.25	1.20	0.96
Number of shares	351,679	367,262	283,574
Highest share price (Euro ¢)	2,561.82	2,252.60	1,833.46
Lowest share price (Euro ¢)	2,038.41	1,775.18	1,453.69

M&G North American Dividend Fund

Financial highlights

Specific share class performance

Euro Class 'C-H' Accumulation share performance

The share class was launched on 1 October 2010.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,854.52	1,582.97	1,444.69
Return before operating charges and after direct portfolio transaction costs	350.63	287.90	152.00
Operating charges	(19.06)	(16.35)	(13.72)
Return after operating charges	331.57	271.55	138.28
Distributions	(15.85)	(22.78)	(35.90)
Retained distributions	15.85	22.78	35.90
Closing NAV	2,186.09	1,854.52	1,582.97

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.40	0.78	0.77
Dilution adjustments ^[a]	(0.40)	(0.50)	(0.31)
Total direct portfolio transaction costs	0.00	0.28	0.46

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.03
Operating charges	0.93	0.93	0.93
Return after operating charges	+17.88	+17.15	+9.57
Historic yield	0.71	1.21	2.23
Effect on yield of charges offset against capital	0.01	0.01	0.93

Other information

Closing NAV (\$'000)	15,336	24,964	19,404
Closing NAV percentage of total fund NAV (%)	1.85	3.34	3.21
Number of shares	601,204	1,135,240	1,100,176
Highest share price (Euro ¢)	2,193.26	1,890.45	1,592.69
Lowest share price (Euro ¢)	1,858.97	1,545.93	1,292.48

Sterling Class 'A' Income share performance

The share class was launched on 28 March 1977.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	1,769.36	1,497.51	1,195.17
Return before operating charges and after direct portfolio transaction costs	357.60	338.16	356.40
Operating charges	(31.12)	(28.51)	(21.41)
Return after operating charges	326.48	309.65	334.99
Distributions	(32.19)	(37.80)	(32.65)
Closing NAV	2,063.65	1,769.36	1,497.51

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.37	0.76	0.67
Dilution adjustments ^[a]	(0.37)	(0.49)	(0.27)
Total direct portfolio transaction costs	0.00	0.27	0.40

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.03
Operating charges	1.66	1.66	1.66
Return after operating charges	+18.45	+20.68	+28.03
Historic yield ^[c]	1.53	2.13	2.18
Effect on yield of charges offset against capital	1.66	1.66	1.66

Other information

Closing NAV (\$'000)	89,128	110,940	70,190
Closing NAV percentage of total fund NAV (%)	10.77	14.82	11.62
Number of shares	3,320,870	4,869,596	3,567,993
Highest share price (UK p)	2,097.21	1,836.49	1,536.65
Lowest share price (UK p)	1,722.95	1,451.18	1,126.43

Sterling Class 'A' Accumulation share performance

The share class was launched on 18 December 1972.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	2,397.74	1,985.92	1,547.40
Return before operating charges and after direct portfolio transaction costs	487.50	449.53	466.35
Operating charges	(42.43)	(37.71)	(27.83)
Return after operating charges	445.07	411.82	438.52
Distributions	(1.13)	(12.94)	(42.63)
Retained distributions	1.13	12.94	42.63
Closing NAV	2,842.81	2,397.74	1,985.92

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.50	1.01	0.87
Dilution adjustments ^[a]	(0.50)	(0.64)	(0.35)
Total direct portfolio transaction costs	0.00	0.37	0.52

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.03
Operating charges	1.66	1.66	1.66
Return after operating charges	+18.56	+20.74	+28.34
Historic yield	0.04	0.54	2.15
Effect on yield of charges offset against capital	0.01	0.01	1.66

Other information

Closing NAV (\$'000)	109,569	110,756	121,867
Closing NAV percentage of total fund NAV (%)	13.23	14.80	20.18
Number of shares	2,963,566	3,587,428	4,671,379
Highest share price (UK p)	2,870.80	2,456.41	2,019.25
Lowest share price (UK p)	2,334.63	1,924.53	1,462.85

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	2,114.95	1,776.58	1,407.32
Return before operating charges and after direct portfolio transaction costs	429.58	402.00	421.80
Operating charges	(20.60)	(18.63)	(13.96)
Return after operating charges	408.98	383.37	407.84
Distributions	(38.53)	(45.00)	(38.58)
Closing NAV	2,485.40	2,114.95	1,776.58

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.44	0.91	0.80
Dilution adjustments ^[a]	(0.44)	(0.58)	(0.32)
Total direct portfolio transaction costs	0.00	0.33	0.48

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.03
Operating charges	0.91	0.91	0.91
Return after operating charges	+19.34	+21.58	+28.98
Historic yield ^[c]	1.52	2.12	2.18
Effect on yield of charges offset against capital	0.91	0.91	0.91

Other information

Closing NAV (\$'000)	129,164	98,924	74,437
Closing NAV percentage of total fund NAV (%)	15.61	13.22	12.32
Number of shares	3,995,939	3,632,653	3,189,496
Highest share price (UK p)	2,525.61	2,187.48	1,822.42
Lowest share price (UK p)	2,060.11	1,722.15	1,330.79

M&G North American Dividend Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	2,274.15	1,869.47	1,445.74
Return before operating charges and after direct portfolio transaction costs	464.65	424.33	438.21
Operating charges	(22.24)	(19.65)	(14.48)
Return after operating charges	442.41	404.68	423.73
Distributions	(19.49)	(28.34)	(39.95)
Retained distributions	19.49	28.34	39.95
Closing NAV	2,274.15	1,869.47	1,445.74
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.48	0.96	0.83
Dilution adjustments ^[a]	(0.48)	(0.61)	(0.33)
Total direct portfolio transaction costs	0.00	0.35	0.50
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.03
Operating charges	0.91	0.91	0.91
Return after operating charges	+19.45	+21.65	+29.31
Historic yield	0.70	1.24	2.14
Effect on yield of charges offset against capital	0.01	0.01	0.91
Other information			
Closing NAV (\$'000)	206,692	169,127	149,540
Closing NAV percentage of total fund NAV (%)	24.96	22.60	24.76
Number of shares	5,850,298	5,775,827	6,089,177
Highest share price (UK p)	2,743.19	2,321.68	1,900.29
Lowest share price (UK p)	2,214.98	1,812.26	1,367.56

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	210.24	177.06	140.60
Return before operating charges and after direct portfolio transaction costs	42.69	40.01	42.08
Operating charges	(2.65)	(2.35)	(1.77)
Return after operating charges	40.04	37.66	40.31
Distributions	(3.82)	(4.48)	(3.85)
Closing NAV	246.46	210.24	177.06
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.09	0.08
Dilution adjustments ^[a]	(0.04)	(0.06)	(0.03)
Total direct portfolio transaction costs	0.00	0.03	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.03
Operating charges	1.16	1.16	1.16
Return after operating charges	+19.04	+21.27	+28.67
Historic yield ^[c]	1.52	2.12	2.18
Effect on yield of charges offset against capital	1.16	1.16	1.16
Other information			
Closing NAV (\$'000)	1,993	285	264
Closing NAV percentage of total fund NAV (%)	0.24	0.04	0.04
Number of shares	621,722	105,373	113,526
Highest share price (UK p)	250.45	217.71	181.64
Lowest share price (UK p)	204.78	171.61	132.81

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	224.50	185.01	143.44
Return before operating charges and after direct portfolio transaction costs	45.85	41.93	43.40
Operating charges	(2.86)	(2.44)	(1.83)
Return after operating charges	42.99	39.49	41.57
Distributions	(1.31)	(2.27)	(3.96)
Retained distributions	1.31	2.27	3.96
Closing NAV	267.49	224.50	185.01
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.09	0.08
Dilution adjustments ^[a]	(0.05)	(0.06)	(0.03)
Total direct portfolio transaction costs	0.00	0.03	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.03
Operating charges	1.16	1.16	1.16
Return after operating charges	+19.15	+21.34	+28.98
Historic yield	0.48	1.01	2.14
Effect on yield of charges offset against capital	0.01	0.01	1.16
Other information			
Closing NAV (\$'000)	7,499	138	190
Closing NAV percentage of total fund NAV (%)	0.91	0.02	0.03
Number of shares	2,155,539	47,572	78,113
Highest share price (UK p)	270.13	229.45	188.08
Lowest share price (UK p)	218.63	179.33	135.66

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	1,766.79	1,495.33	1,193.41
Return before operating charges and after direct portfolio transaction costs	357.08	337.50	355.95
Operating charges	(31.10)	(28.30)	(21.43)
Return after operating charges	325.98	309.20	334.52
Distributions	(32.09)	(37.74)	(32.60)
Closing NAV	2,060.68	1,766.79	1,495.33
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.37	0.76	0.67
Dilution adjustments ^[a]	(0.37)	(0.48)	(0.27)
Total direct portfolio transaction costs	0.00	0.28	0.40
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.03
Operating charges	1.66	1.66	1.66
Return after operating charges	+18.45	+20.68	+28.03
Historic yield ^[c]	1.52	2.13	2.18
Effect on yield of charges offset against capital	1.66	1.66	1.66
Other information			
Closing NAV (\$'000)	11,771	12,339	12,437
Closing NAV percentage of total fund NAV (%)	1.42	1.65	2.06
Number of shares	439,209	542,391	633,140
Highest share price (UK p)	2,094.15	1,833.82	1,534.42
Lowest share price (UK p)	1,720.44	1,449.07	1,124.79

M&G North American Dividend Fund

Financial highlights

Specific share class performance

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	2,362.82	1,956.98	1,524.84
Return before operating charges and after direct portfolio transaction costs	480.46	443.10	459.69
Operating charges	(41.87)	(37.26)	(27.55)
Return after operating charges	438.59	405.84	432.14
Distributions	(1.10)	(12.77)	(41.98)
Retained distributions	1.10	12.77	41.98
Closing NAV	2,801.41	2,362.82	1,956.98
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.49	1.00	0.87
Dilution adjustments ^[a]	(0.49)	(0.64)	(0.35)
Total direct portfolio transaction costs	0.00	0.36	0.52
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.03
Operating charges	1.66	1.66	1.66
Return after operating charges	+18.56	+20.74	+28.34
Historic yield	0.04	0.54	2.15
Effect on yield of charges offset against capital	0.01	0.01	1.66
Other information			
Closing NAV (\$'000)	47,567	44,083	44,502
Closing NAV percentage of total fund NAV (%)	5.75	5.89	7.37
Number of shares	1,305,579	1,448,962	1,731,070
Highest share price (UK p)	2,828.99	2,420.64	1,989.86
Lowest share price (UK p)	2,300.64	1,896.51	1,441.52

US dollar Class 'A' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,635.72	1,412.31	1,320.31
Return before operating charges and after direct portfolio transaction costs	352.46	281.22	146.96
Operating charges	(30.43)	(23.50)	(22.57)
Return after operating charges	322.03	257.72	124.39
Distributions	(30.74)	(34.31)	(32.39)
Closing NAV	1,927.01	1,635.72	1,412.31
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.36	0.63	0.71
Dilution adjustments ^[a]	(0.36)	(0.40)	(0.28)
Total direct portfolio transaction costs	0.00	0.23	0.43
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.03
Operating charges	1.67	1.66	1.62*
Return after operating charges	+19.69	+18.25	+9.42
Historic yield ^[c]	1.58	2.08	2.28
Effect on yield of charges offset against capital	1.67	1.66	1.62
Other information			
Closing NAV (\$'000)	1,222	1,245	87
Closing NAV percentage of total fund NAV (%)	0.15	0.17	0.01
Number of shares	63,422	76,102	6,171
Highest share price (US ¢)	1,946.73	1,682.50	1,435.97
Lowest share price (US ¢)	1,643.41	1,378.83	1,165.78

* Due to a large creation during the period, 1.66% is a more reliable estimate of the ongoing charges.

US dollar Class 'A' Accumulation share performance

The share class was launched on 9 March 2007.

for the year to 31 August Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,725.29	1,458.09	1,330.80
Return before operating charges and after direct portfolio transaction costs	372.85	294.32	149.79
Operating charges	(32.02)	(27.12)	(22.50)
Return after operating charges	340.83	267.20	127.29
Distributions	(0.80)	(9.20)	(33.14)
Retained distributions	0.80	9.20	33.14
Closing NAV	2,066.12	1,725.29	1,458.09
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.38	0.73	0.71
Dilution adjustments ^[a]	(0.38)	(0.46)	(0.28)
Total direct portfolio transaction costs	0.00	0.27	0.43
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.03
Operating charges	1.66	1.66	1.66
Return after operating charges	+19.75	+18.33	+9.56
Historic yield	0.04	0.53	2.26
Effect on yield of charges offset against capital	0.01	0.01	1.66
Other information			
Closing NAV (\$'000)	94,152	76,684	23,540
Closing NAV percentage of total fund NAV (%)	11.38	10.25	3.90
Number of shares	4,556,977	4,444,680	1,614,461
Highest share price (US ¢)	2,074.13	1,759.25	1,469.10
Lowest share price (US ¢)	1,733.25	1,423.57	1,181.07

US dollar Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,749.74	1,499.33	1,391.14
Return before operating charges and after direct portfolio transaction costs	378.53	302.06	155.38
Operating charges	(18.38)	(14.91)	(12.72)
Return after operating charges	360.15	287.15	142.66
Distributions	(32.90)	(36.74)	(34.47)
Closing NAV	2,076.99	1,749.74	1,499.33
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.39	0.73	0.74
Dilution adjustments ^[a]	(0.39)	(0.46)	(0.29)
Total direct portfolio transaction costs	0.00	0.27	0.45
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.03
Operating charges	0.91	0.90	0.90
Return after operating charges	+20.58	+19.15	+10.25
Historic yield ^[c]	1.57	2.08	2.28
Effect on yield of charges offset against capital	0.91	0.90	0.90
Other information			
Closing NAV (\$'000)	3,156	20	18
Closing NAV percentage of total fund NAV (%)	0.38	0.00	0.00
Number of shares	151,971	1,171	1,171
Highest share price (US ¢)	2,098.12	1,798.37	1,524.30
Lowest share price (US ¢)	1,758.18	1,464.25	1,232.56

M&G North American Dividend Fund

Financial highlights

Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 9 March 2007.

for the year to 31 August	2018	2017	2016
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1,865.24	1,564.34	1,417.17
Return before operating charges and after direct portfolio transaction costs	404.31	316.71	160.47
Operating charges	(19.04)	(15.81)	(13.30)
Return after operating charges	385.27	300.90	147.17
Distributions	(16.54)	(22.93)	(35.36)
Retained distributions	16.54	22.93	35.36
Closing NAV	2,250.51	1,865.24	1,564.34
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.41	0.77	0.76
Dilution adjustments ^[a]	(0.41)	(0.49)	(0.30)
Total direct portfolio transaction costs	0.00	0.28	0.46
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.03
Operating charges	0.91	0.91	0.91
Return after operating charges	+20.66	+19.23	+10.38
Historic yield	0.73	1.22	2.25
Effect on yield of charges offset against capital	0.01	0.01	0.91
Other information			
Closing NAV (\$'000)	46,912	37,322	33,696
Closing NAV percentage of total fund NAV (%)	5.67	4.99	5.58
Number of shares	2,084,503	2,000,941	2,154,034
Highest share price (US ¢)	2,259.19	1,900.55	1,575.93
Lowest share price (US ¢)	1,874.08	1,527.79	1,261.95

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

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

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

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Statement of total return

for the year to 31 August	Note	2018		2017	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	3		141,032		115,449
Revenue	5	17,826		18,022	
Expenses	6	(10,407)		(9,281)	
Net revenue / (expense) before taxation		7,419		8,741	
Taxation	7	(4,428)		(2,407)	
Net revenue / (expense) after taxation			2,991		6,334
Total return before distributions			144,023		121,783
Distributions	8		(6,217)		(9,194)
Change in net assets attributable to shareholders from investment activities			137,806		112,589

Statement of change in net assets attributable to shareholders

for the year to 31 August	2018		2017	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		748,191		604,031
Amounts received on issue of shares	210,059		269,799	
Amounts paid on cancellation of shares	(270,799)		(243,039)	
		(60,740)		26,760
Dilution adjustments		238		310
Change in net assets attributable to shareholders from investment activities (see above)		137,806		112,589
Retained distributions on Accumulation shares		2,137		4,501
Unclaimed distributions		1		0
Closing net assets attributable to shareholders		827,633		748,191

Balance sheet

as at 31 August	Note	2018 \$'000	2017 \$'000
Assets			
Fixed assets			
Investments		823,642	722,831
Current assets			
Debtors	9	1,755	5,577
Cash and bank balances	10	231	11
Cash equivalents		12,480	27,867
Total assets		838,108	756,286
Liabilities			
Investment liabilities		(23)	(1)
Creditors			
Bank overdrafts		(6,933)	0
Distribution payable		(1,505)	(1,975)
Other creditors	11	(2,014)	(6,119)
Total liabilities		(10,475)	(8,095)
Net assets attributable to shareholders		827,633	748,191

Notes to the financial statements

1 Accounting policies

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

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

2 Distribution policy

In determining the amount available for reinvestment to Accumulation shares, all expenses with the exception of the annual management charge, administration charge, share class hedging charge and overdraft interest are offset against capital, increasing the amount available for reinvestment whilst restraining capital performance to an equivalent extent. In determining the amount available for distribution to Income shares, all expenses with the exception of overdraft interest are offset against capital, increasing the amount available for distribution whilst restraining capital performance to an equivalent extent.

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

3 Net capital gains / (losses)

for the year to 31 August	2018 \$'000	2017 \$'000
Non-derivative securities	141,528	114,206
Derivative contracts	(1,076)	1,331
Capital gains on US REIT	103	26
Currency gains / (losses)	487	(104)
Transaction charges	(10)	(10)
Net capital gains / (losses)	141,032	115,449

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4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 127 and 128.

for the year to 31 August	2018 \$'000	% of transaction	2017 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	193,303		348,572	
Commissions	72	0.04	169	0.05
Total purchases after transaction costs	193,375		348,741	
b) Sales				
Equities				
Equities before transaction costs	234,289		333,673	
Commissions	(79)	0.03	(137)	0.04
Taxes	(4)	0.00	(6)	0.00
Total sales after transaction costs	234,206		333,530	
c) Direct portfolio transaction costs				
	2018 \$'000	% of average NAV	2017 \$'000	% of average NAV
Commissions paid				
Equities	151	0.02	306	0.04
Taxes paid				
Equities	4	0.00	6	0.00
Total direct portfolio transaction costs [a]	155	0.02	312	0.04
d) Indirect portfolio transaction costs				
Portfolio dealing spread [b]		0.03		0.05

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

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

5 Revenue

for the year to 31 August	2018 \$'000	2017 \$'000
Bank interest	3	3
Derivative revenue	0	10
Dividends from equity investments: non-taxable	16,637	17,717
Dividends from equity investments: taxable	886	141
Interest distributions	300	151
Total revenue	17,826	18,022

6 Expenses

for the year to 31 August	2018 \$'000	2017 \$'000
Payable to the ACD or associate		
Annual management charge	9,123	8,142
Administration charge	1,190	1,053
Share class hedging charge	4	5
	10,317	9,200
Payable to the Depository or associate		
Depository's charge (including VAT)	54	48
Other expenses		
Audit fee (including VAT)	12	11
Interest payable	1	3
Safe custody charge	23	21
Tax fees (including VAT)	0	1
	36	36
VAT recoverable		
Current year	0	0
Prior year	0	(3)
	0	(3)
Total expenses	10,407	9,281

7 Taxation

for the year to 31 August	2018 \$'000	2017 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	4,428	2,407
Deferred tax (note 7c)	0	0
Total taxation	4,428	2,407
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	7,419	8,741
Corporation tax at 20%	1,484	1,748
Effects of:		
Dividends from equity investments: non-taxable	(3,328)	(3,543)
Current year expenses not utilised	1,850	1,792
Withholding tax	4,428	2,407
Withholding tax expensed	(26)	(2)
Capital gains tax (US REIT)	20	5
Total tax charge (note 7a)	4,428	2,407
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of \$39,117,000 (2017: \$37,267,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

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8 Distributions

for the year to 31 August	2018		2017	
	Inc ^[a]	Acc ^[b]	Inc ^[a]	Acc ^[b]
Dividend distributions	\$'000	\$'000	\$'000	\$'000
First interim	816	366	898	888
Second interim	781	375	881	845
Third interim	908	427	944	893
Final	1,505	969	1,975	1,875
Total net distributions		6,147		9,199
Income deducted on cancellation of shares		516		691
Income received on issue of shares		(446)		(696)
Distributions		6,217		9,194
Net revenue / (expense) per statement of total return		2,991		6,334
Expenses offset against capital		3,198		2,852
Capital gains tax offset against capital		28		8
Distributions		6,217		9,194

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2018	2017
	\$'000	\$'000
Amounts receivable on issues of shares	174	122
Currency deals outstanding	5	1,750
Distributions receivable	24	28
Dividends receivable	986	1,301
Sales awaiting settlement	419	2,229
Withholding tax recoverable	147	147
Total debtors	1,755	5,577

10 Cash and bank balances

as at 31 August	2018	2017
	\$'000	\$'000
Cash held as bank balances	231	11
Total cash and bank balances	231	11

11 Other creditors

as at 31 August	2018	2017
	\$'000	\$'000
ACD's annual management charge payable	454	404
Administration charge payable	61	52
Amounts payable on cancellation of shares	1,474	2,772
Currency deals outstanding	5	1,754
Expenses payable	20	19
Purchases awaiting settlement	0	1,118
Total other creditors	2,014	6,119

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2017: same).

13 Shares in issue

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

Share class	Opening	Movements		Closing
		01.09.17	Issued	
Euro				
Class 'A' Income	30,780	16,561	(16,686)	30,655
Class 'A' Accumulation	2,032,663	258,509	(742,376)	1,548,796
Class 'A-H' Accumulation	312,271	196,076	(54,328)	454,019
Class 'C' Income	23,371	500	(500)	23,371
Class 'C' Accumulation	367,262	51,481	(67,064)	351,679
Class 'C-H' Accumulation	1,135,240	9,500	(543,536)	601,204
Sterling				
Class 'A' Income	4,869,596	834,859	(2,383,585)	3,320,870
Class 'A' Accumulation	3,587,428	674,489	(1,298,351)	2,963,566
Class 'I' Income	3,632,653	1,273,488	(910,202)	3,995,939
Class 'I' Accumulation	5,775,827	1,383,866	(1,309,395)	5,850,298
Class 'R' Income	105,373	656,021	(139,672)	621,722
Class 'R' Accumulation	47,572	2,288,890	(180,923)	2,155,539
Class 'X' Income	542,391	7,966	(111,148)	439,209
Class 'X' Accumulation	1,448,962	12,572	(155,955)	1,305,579
US dollar				
Class 'A' Income	76,102	73,191	(85,871)	63,422
Class 'A' Accumulation	4,444,680	1,083,110	(970,813)	4,556,977
Class 'C' Income	1,171	153,157	(2,357)	151,971
Class 'C' Accumulation	2,000,941	1,560,270	(1,476,708)	2,084,503

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %	Share class hedging charge %
Euro				
Class 'A'	5.25	n/a	1.50	n/a
Class 'A-H'	5.25	n/a	1.50	^[a]
Class 'C'	3.25	n/a	0.75	n/a
Class 'C-H'	3.25	n/a	0.75	^[a]
Sterling				
Class 'A'	nil	n/a	1.50	n/a
Class 'I'	nil	n/a	0.75	n/a
Class 'R'	nil	n/a	1.00	n/a
Class 'X'	nil	n/a	1.50	n/a
US dollar				
Class 'A'	5.25	n/a	1.50	n/a
Class 'C'	3.25	n/a	0.75	n/a

^[a] This charge may vary between 0.01% and 0.055%.

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15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 4.71% (2017: 5.84%) of the fund's shares.

16 Events after the balance sheet date

As a result of the Extraordinary General Meetings of Shareholders held on 4 October 2018, the non-sterling share classes of the M&G North American Dividend Fund will be merged into corresponding share classes of M&G (Lux) North American Dividend Fund.

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 August Basis of valuation	Assets	Liabilities	Assets	Liabilities
	2018 \$'000	2018 \$'000	2017 \$'000	2017 \$'000
Level 1	822,907	0	722,489	0
Level 2	735	(23)	342	(1)
Level 3	0	0	0	0
	823,642	(23)	722,831	(1)

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by \$41,145,000 (2017: \$36,124,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by \$41,382,000 (2017: \$37,410,000). A five per cent decrease would have an equal and opposite effect.

This fund contains hedged share classes. These share classes operate currency hedges designed to reduce the impact of exchange rates in certain circumstances. As a result, profit and loss on the currency hedges may impact the liquidity of the overall fund. On a day to day basis this is monitored using reporting from the outsourced provider of the hedged share class service. On an ongoing basis the size of the hedged share classes is monitored to ensure that unforeseen exchange rate volatility can be adequately managed without significantly impacting all shareholders.

as at 31 August	2018 \$'000	2017 \$'000
Currency exposure in respect of the fund		
Canadian dollar	63,591	76,745
Euro	35	(15)
Sterling	(1,656)	(2,115)
US dollar	764,951	673,235
Currency exposure in respect of share class hedging		
Canadian dollar	(1,964)	(3,184)
Euro	26,401	31,356
US dollar	(23,725)	(27,831)
Total	827,633	748,191

21 Interest rate risk sensitivity and exposure

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

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22 Credit risk

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

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

	Forward currency contracts \$'000
as at 31 August 2018	
State Street Bank	712
Total	712
	Forward currency contracts \$'000
as at 31 August 2017	
State Street Bank	341
Total	341

23 Dividend distribution tables

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

Quarterly distribution periods				
	Start	End	Xd	Payment
First interim	01.09.17	30.11.17	01.12.17	31.01.18
Second interim	01.12.17	28.02.18	01.03.18	30.04.18
Third interim	01.03.18	31.05.18	01.06.18	31.07.18
Final	01.06.18	31.08.18	03.09.18	31.10.18

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

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

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

Euro Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
First interim	1.6320	4.8176	6.4496	7.9957
Second interim	1.2988	4.9088	6.2076	7.8036
Third interim	0.0000	7.2157	7.2157	7.9558
Final	4.0783	9.1854	13.2637	15.3663

Euro Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
First interim	0.0000	0.0000	0.0000	2.1947
Second interim	0.0000	0.0000	0.0000	1.9938
Third interim	0.0000	0.1116	0.1116	2.0600
Final	0.1438	0.6708	0.8146	4.1655

Euro Class 'A-H' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
First interim	0.0000	0.0000	0.0000	1.9334
Second interim	0.0000	0.0000	0.0000	1.8317
Third interim	0.1067	0.1490	0.2557	1.8100
Final	0.0951	0.0315	0.1266	3.7789

Euro Class 'C' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
First interim	7.0735	0.0000	7.0735	8.7028
Second interim	6.8200	0.0000	6.8200	8.5069
Third interim	7.9395	0.0000	7.9395	8.6864
Final	3.2169	11.4213	14.6382	16.8072

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
First interim	0.7676	2.4991	3.2667	5.5038
Second interim	3.3303	0.0000	3.3303	5.2508
Third interim	0.0000	4.0316	4.0316	5.3906
Final	1.8268	5.8374	7.6642	10.5728

Euro Class 'C-H' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
First interim	2.8975	0.0000	2.8975	4.4970
Second interim	0.0000	2.9899	2.9899	4.3973
Third interim	3.4006	0.0000	3.4006	4.5705
Final	1.7529	4.8064	6.5593	9.3163

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23 Dividend distribution tables (continued)

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	p	p	p	p
First interim	2.6490	3.6277	6.2767	7.4622
Second interim	0.6418	5.2644	5.9062	7.2737
Third interim	0.0000	6.8820	6.8820	7.5150
Final	4.1646	8.9558	13.1204	15.5475

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	p	p	p	p
First interim	0.0000	0.0000	0.0000	2.6306
Second interim	0.0000	0.0000	0.0000	2.3889
Third interim	0.0000	0.1353	0.1353	2.5015
Final	0.0000	0.9968	0.9968	5.4165

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	p	p	p	p
First interim	1.6319	5.8764	7.5083	8.8557
Second interim	0.7557	6.3217	7.0774	8.6483
Third interim	0.0000	8.2593	8.2593	8.9493
Final	5.6328	10.0532	15.6860	18.5482

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	p	p	p	p
First interim	1.5109	1.9856	3.4965	5.5937
Second interim	0.0000	3.4867	3.4867	5.3793
Third interim	0.0000	4.2293	4.2293	5.5996
Final	2.4691	5.8118	8.2809	11.7639

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	p	p	p	p
First interim	0.1862	0.5601	0.7463	0.8824
Second interim	0.0000	0.7030	0.7030	0.8612
Third interim	0.0409	0.7790	0.8199	0.8908
Final	0.6149	0.9355	1.5504	1.8450

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	p	p	p	p
First interim	0.0270	0.1928	0.2198	0.4511
Second interim	0.0000	0.2304	0.2304	0.4290
Third interim	0.0000	0.2881	0.2881	0.4468
Final	0.1345	0.4395	0.5740	0.9437

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	p	p	p	p
First interim	2.0592	4.2083	6.2675	7.4500
Second interim	0.2722	5.6255	5.8977	7.2630
Third interim	0.0000	6.8720	6.8720	7.5041
Final	3.3234	9.7294	13.0528	15.5249

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	p	p	p	p
First interim	0.0000	0.0000	0.0000	2.6118
Second interim	0.0000	0.0000	0.0000	2.3555
Third interim	0.0000	0.1337	0.1337	2.4653
Final	0.0000	0.9639	0.9639	5.3377

US dollar Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	¢	¢	¢	¢
First interim	0.2105	5.7895	6.0000	6.5000
Second interim	0.6030	5.3970	6.0000	6.5000
Third interim	0.0000	6.5000	6.5000	7.0000
Final	3.7710	8.4710	12.2420	14.3123

US dollar Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	¢	¢	¢	¢
First interim	0.0000	0.0000	0.0000	1.8424
Second interim	0.0000	0.0000	0.0000	1.6658
Third interim	0.0000	0.1003	0.1003	1.8145
Final	0.1696	0.5303	0.6999	3.8737

M&G North American Dividend Fund

Financial statements and notes

Notes to the financial statements

23 Dividend distribution tables (continued)

US dollar Class 'C' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	¢	¢	¢	¢
First interim	6.4160	0.0000	6.4160	7.0908
Second interim	2.5124	3.9223	6.4347	6.9300
Third interim	0.3432	6.6382	6.9814	7.4611
Final	5.0253	8.0447	13.0700	15.2532

US dollar Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	¢	¢	¢	¢
First interim	1.9871	0.9784	2.9655	4.4428
Second interim	0.1463	2.9949	3.1412	4.2739
Third interim	0.0000	3.5448	3.5448	4.6296
Final	1.4108	5.4753	6.8861	9.5879

M&G North American Value Fund

Authorised Corporate Director's Report

Investment objective and policy

The fund aims to achieve long-term capital growth through investment in North American securities of North American companies using a value based investment philosophy.

Investment approach

The M&G North American Value Fund employs a bottom-up stockpicking approach to identify shares of North American companies that the fund manager believes are undervalued. He seeks to identify companies that are mispriced, while trying to avoid firms that are cheap for a reason and whose share prices are unlikely to improve over time.

The fund's approach combines strict value-focused screening with rigorous qualitative analysis to ensure the fund has a consistent and disciplined value bias, without compromising on the robustness of the companies in the portfolio. Stock selection involves three stages: screening, fundamental analysis and portfolio construction. The screening process is used to find the cheapest 25% of companies in each sector. The manager then undertakes fundamental analysis of these companies to identify and exclude those with structural and financial problems that could prevent the share price recovering. The final stage is portfolio construction where the aim is to create a diversified portfolio of 60-100 companies whose true value the manager believes is being mispriced. The main driver of returns is expected to be the value style rather than any individual sector or stock.

The fund has a long-term investment horizon (stocks are typically held for three to five years) to give time for share prices to reach a valuation that reflects the true value of the business.

Risk profile

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

The fund's focus is on companies that are deemed to be undervalued or out of favour with the market, and whose potential value, in the fund manager's view, is yet to be reflected in the share price. These stocks could potentially experience a degree of illiquidity in times of market distress. However, the fund is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. The fund also invests in the shares of smaller companies, which can be more unpredictable and difficult to buy and sell. Diversification across industries and market capitalisation is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 3 September 2018, for the year ended 31 August 2018

Performance against objective

Between 1 September 2017 (the start of the review period) and 3 September 2018, the M&G North American Value Fund produced a positive total return (the combination of income and growth of capital) across all its share classes.*

The fund's returns in all share classes were behind a comparative index, the S&P 500 Index. Over the 12 months, returns for the index were 22.0%, 20.3% and 19.4% in euros, sterling and US dollars, respectively.

Over five years and since launch, the fund has met its objective of achieving long-term capital growth. We believe the positive performance reflects successful stock selection and the steady advance of US stockmarkets after the global financial crisis in 2008/9.

* 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.

Investment performance

US stockmarkets continued their multi-year run of gains in the 12 months under review. With investor confidence lifted by a robust economic backdrop and healthy corporate profits, the S&P 500 Index climbed to a new all-time high. The impressive stockmarket rally since 2009 has become, by some measures, the longest US 'bull market', or stretch of gains, ever.

There was some turbulence along the way, however. At the beginning of 2018, stockmarkets around the world fell sharply as investors were unsettled by the prospect that the US Federal Reserve (the Fed) would raise interest rates faster than expected.

The risk-averse mood deepened when President Trump announced a raft of trade tariffs that raised fears of a global trade war. Billions of dollars' worth of import taxes were proposed on Chinese products, which sparked retaliatory measures from the Chinese government.

Although the trade dispute continued to weigh on sentiment, US stockmarkets gradually regained their momentum and had recovered all of their earlier losses by the end of the review period.

M&G North American Value Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

Investor sentiment was lifted by solid corporate results, with many companies reporting earnings that were boosted by a significant reduction in corporate tax rates.

Corporate performance arguably benefited from the healthy economic backdrop. In the second quarter of 2018, the US economy expanded at its fastest rate in several years, while the unemployment rate reached the lowest level in many years. Consumer spending – the key driver of the US economy – was particularly resilient, arguably supported by a strong labour market.

In response to the improving economic environment, the Fed continued to unwind the stimulus measures introduced after the financial crisis of 2008/9; interest rates were raised three times during the 12 months while the Fed started to reduce the assets that it had purchased in the aftermath of the crisis.

Given the positive economic picture, consumer discretionary stocks were among the best performers as the buoyant employment market and tax cuts supported consumer confidence. E-commerce firm Amazon and film streaming company Netflix were two notable outperformers in this area as their share prices more than doubled in the 12-month period.

Technology stocks also rallied. Investors have been attracted to large technology companies such as Apple, Alphabet (the parent company of Google) and Microsoft in recent years because of their appealing growth prospects and this trend persisted during the review period.

Energy stocks were also among the standout performers as the oil price continued to rise. To reduce the global supply glut of crude, leading oil producers reached an agreement to cut their output. These production curbs, combined with robust global demand, helped oil prices climb to the highest level since 2014.

In contrast, investors continued to shun 'defensive' stocks. These are stocks perceived to be resilient during times of market uncertainty because they can deliver consistent growth. Consumer staples were notable laggards over the review period.

Rising interest rates also dampened enthusiasm for so-called 'bond proxies' that provide steady income payments. As a result, telecommunication services and utilities were two sectors which underperformed the broader market by a significant margin.

During the period, there was a clear preference for 'growth' companies, primarily in the technology sector, offering the prospect of robust earnings growth. In this environment, so-called 'value' stocks, which are typically the cheaper, out-of-favour stocks in the market, were overlooked. The Russell 1000 Value Index underperformed the S&P 500 Index by around 700 basis points over the 12 months (in US dollar terms).

This trend created a style headwind for our value-oriented approach and contributed in part to the fund's underperformance relative to the S&P 500 Index.

Another major factor affecting the fund's relative performance was not holding shares in some of the so-called FAANG stocks (Facebook, Amazon, Apple, Netflix and Google), which were among the best performers over the period. Apple became the first company to reach a market capitalisation of US\$1.0 trillion after the stock rallied on impressive results, driven by strong demand for its latest iPhone. Amazon also reported record profits during the period, fuelled by the growing success of its cloud computing business, while Netflix attracted impressive numbers of new subscribers.

Besides not owning these stocks, our holding in beer company Molson Coors Brewing was a notable detractor. Molson Coors has been hurt by concerns about weakening sales and the company plans to increase investment to revive growth in light of rising competition.

Elsewhere, positions in investment firm Affiliated Managers and Pitney Bowes, a manufacturer of mailing equipment such as franking machines and mail sorters, detracted. Affiliated faces pressure on fees and rising costs, while Pitney is struggling with falling revenues in the traditional mailing business and costs related to investment in new areas. The company is undergoing a transformation and investors are worried about management's ability to execute the plan.

On a positive note, our relatively large weighting in energy was helpful as the sector outperformed. Higher oil prices supported our holdings in oil & gas exploration and production companies ConocoPhillips and Hess. Investors welcomed better-than-expected results from Hess, which has been reducing costs and debt as part of efforts to improve performance.

Stock selection in healthcare also added value, with our holding in LifePoint Health a notable contributor. Shares in the hospital operator climbed when a private equity fund announced plans to acquire the business.

Mellanox Technologies, a semiconductor manufacturer, made a positive contribution too as investors welcomed the news that an activist investor had bought a stake in the company to try and improve Mellanox's financial performance.

Consumer discretionary holding Target, a retailer, was another contributor as the stock recovered from weakness at the start of 2017, driven by robust sales figures and upbeat consumer confidence. Investors were also encouraged by Target's new strategy to compete with online retailers.

Investment activities

During the review period we identified three interesting opportunities in different sectors of the market. In healthcare, we started a position in LifePoint Health, which owns and operates hospitals, nursing homes and outpatient centres. LifePoint's shares had fallen after the company lowered its revenue and profit forecasts. In our view, the market's reaction was excessive. The stock subsequently jumped following a merger deal.

Similarly, we believe investors are too pessimistic about the prospects of athletic footwear retailer Foot Locker. There are concerns about the company's declining margins and sales but, in our opinion, Foot Locker is taking steps to improve performance, including adopting a greater focus on online activities.

M&G North American Value Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

The final newcomer was Kroger, one of the biggest supermarket chains in the US. After completing a detailed review of the US food retail market, we took the view that the market has overestimated the potential threat that Amazon represents to the sector and think Kroger, in particular, is well placed to cope with this new competition.

In addition to these new holdings, we increased our positions in some existing stocks which had underperformed, notably consumer goods firm Johnson & Johnson, meat producer Tyson Foods and pharmaceutical company Merck & Co.

These purchases were funded largely by selling holdings which had performed well and could no longer be considered 'value' stocks. These included technology company Microsoft, consumer electronics retailer Best Buy and cigarette manufacturer Altria Group. In healthcare, we also sold our stakes in AbbVie and LivaNova on valuation grounds, following share price gains.

As well as these complete sales, we reduced our holdings in several stocks by taking profits after good performance. In the energy sector, we trimmed ConocoPhillips and Occidental Petroleum, while in the tech sector we sold some of our shares in Alphabet, Google's parent company, and Micron Technology.

Outlook

In the decade after the financial crisis, the US stockmarket has made remarkable progress and outpaced all other major regions. While we remain broadly positive on the medium-term outlook for US equities, we also recognise there are currently a number of potential challenges and uncertainties.

The Fed is expected to continue raising interest rates as the economy recovers, while inflation and tariffs are putting pressure on profit margins. There is also the possibility of a full-blown trade war. Although these risks are creating uncertainty, we believe they are also creating opportunities.

One area where we see attractive opportunities in the US market currently is among value stocks. After a sustained period of underperformance by the value style, including during the review period, there is a very wide valuation gap between the cheapest and the most expensive stocks in the market.

In our view, the prospects of many cheap stocks are being underestimated. In contrast, the more expensive 'growth' stocks, which investors expect to deliver high levels of future growth, arguably have significant risks attached.

Recently we have found some interesting ideas among stocks that are deemed to be vulnerable to competition from Amazon. The e-commerce giant is disrupting many industries, most notably retail, and the share prices of companies that are threatened by its activities have generally fallen.

However, we think investors have used a broad brush when assessing companies facing Amazon's challenge. Even though the disruption will require change, we believe it will also provide opportunities for some industry incumbents. We have taken advantage of this situation to selectively invest in 'cheap' oversold companies, which we believe can meet this challenge.

The past few years have shown that value investing is not an easy path to follow, but we believe that over the long term the rewards from this approach can be attractive. We will continue to follow our contrarian, value-focused stockpicking approach, searching for cheap companies whose prospects are being underappreciated.

Daniel White
Fund manager

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

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

Investments

Portfolio statement

as at 31 August	2018	2018	2017 ^[a]
Holding	\$'000	%	%
EQUITIES	757,585	95.79	97.43
Energy equipment & services	4,279	0.54	0.62
64,396 Helmerich & Payne	4,279	0.54	
Oil, gas & consumable fuels	73,983	9.35	8.33
149,770 Chevron	17,944	2.27	
76,038 Cobalt International Energy ^[b]	0	0.00	
171,229 ConocoPhillips	12,596	1.59	
549,581 Euronav	4,809	0.61	
170,255 Hess	11,605	1.47	
969,013 Kosmos Energy	8,837	1.11	
104,877 Occidental Petroleum	8,404	1.06	
234,622 Suncor Energy	9,788	1.24	
Construction materials	7,397	0.94	0.71
80,075 Eagle Materials	7,397	0.94	
Containers & packaging	8,562	1.08	1.09
154,185 WestRock	8,562	1.08	
Metals & mining	16,120	2.04	2.28
260,560 Newmont Mining	8,085	1.02	
176,092 Steel Dynamics	8,035	1.02	
Paper & forest products	4,328	0.55	0.61
84,123 Domtar	4,328	0.55	
Aerospace & defence	7,805	0.99	2.05
91,327 Spirit AeroSystems	7,805	0.99	
Machinery	16,590	2.10	1.90
136,360 Oshkosh	9,549	1.21	
145,293 SPX FLOW	7,041	0.89	
Commercial services & supplies	3,663	0.46	0.75
497,642 Pitney Bowes	3,663	0.46	
Professional services	9,057	1.15	1.18
96,785 ManpowerGroup	9,057	1.15	

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Investments

Portfolio statement (continued)			
as at 31 August Holding	2018 \$'000	2018 %	2017 ^[a] %
Air freight & logistics	13,132	1.66	1.29
53,220 FedEx	13,132	1.66	
Auto components	9,496	1.20	1.10
170,360 Magna International	9,496	1.20	
Automobiles	7,421	0.94	0.80
204,109 General Motors	7,421	0.94	
Textiles, apparel & luxury goods	15,165	1.92	2.02
66,294 Columbia Sportswear	5,947	0.75	
182,141 Tapestry	9,218	1.17	
Hotels, restaurants & leisure	17,172	2.17	2.27
152,145 Carnival	9,367	1.18	
381,098 Extended Stay America	7,805	0.99	
Media	25,858	3.27	3.43
493,316 Comcast	18,095	2.29	
428,515 Gannett	4,512	0.57	
245,881 News Corporation	3,251	0.41	
Multiline retail	10,631	1.34	1.54
121,774 Target	10,631	1.34	
Specialty retail	8,242	1.04	0.35
168,928 Foot Locker	8,242	1.04	
Food & staples retailing	20,231	2.56	0.61
535,300 Kroger	16,621	2.10	
77,848 Weis Markets	3,610	0.46	
Beverages	22,843	2.89	3.29
264,373 Coca-Cola European Partners	11,138	1.41	
174,942 Molson Coors Brewing	11,705	1.48	
Food products	14,409	1.82	1.91
55,190 Lamb Weston Holdings	3,705	0.47	
171,081 Tyson Foods	10,704	1.35	
Tobacco	0	0.00	0.44
Household products	10,030	1.27	1.53
92,020 Energizer	5,867	0.74	
36,397 Kimberly-Clark	4,163	0.53	
Health care equipment & supplies	0	0.00	2.92
Health care providers & services	26,481	3.35	2.15
61,175 Anthem	16,212	2.05	
159,578 LifePoint Health	10,269	1.30	
Biotechnology	0	0.00	1.58
Pharmaceuticals	91,680	11.59	9.01
135,142 Eli Lilly	14,255	1.80	
235,245 Johnson & Johnson	31,746	4.01	
313,102 Merck & Co.	21,460	2.72	
583,445 Pfizer	24,219	3.06	
Banks	65,563	8.29	7.64
226,213 Citigroup	16,165	2.04	
200,358 JPMorgan Chase	23,077	2.92	
81,062 PNC Financial Services	11,654	1.47	
250,884 Wells Fargo	14,667	1.86	
Thriffs & mortgage finance	3,988	0.50	0.99
303,275 Capitol Federal Financial	3,988	0.50	
Diversified financial services	5,353	0.68	1.13
106,514 Voya Financial	5,353	0.68	
Capital markets	21,074	2.66	3.22
67,876 Affiliated Managers	9,907	1.25	
46,652 Goldman Sachs Group	11,167	1.41	

Portfolio statement (continued)

as at 31 August Holding	2018 \$'000	2018 %	2017 ^[a] %
Insurance	35,214	4.45	4.16
213,616 American International Group	11,461	1.45	
97,069 BrightHouse Financial	4,020	0.51	
135,097 Loews	6,782	0.86	
182,816 MetLife	8,435	1.06	
89,451 The Hartford Financial Services Group	4,516	0.57	
Internet software & services	16,667	2.11	3.64
13,289 Alphabet	16,667	2.11	
IT services	22,657	2.86	2.30
364,020 Conduent	8,318	1.05	
117,685 DXC Technology	10,668	1.35	
159,965 Perspecta	3,671	0.46	
Software	0	0.00	1.99
Communications equipment	13,179	1.67	1.34
279,566 Cisco Systems	13,179	1.67	
Technology hardware, storage & peripherals	28,575	3.61	3.91
721,224 Hewlett-Packard Enterprise	12,102	1.53	
110,906 Western Digital	7,018	0.89	
341,455 Xerox	9,455	1.19	
Electronic equipment, instruments & components	26,930	3.40	2.62
396,432 AVX	8,158	1.03	
485,229 Celestica	5,938	0.75	
203,980 Corning	6,827	0.86	
252,381 Vishay Intertechnology	6,007	0.76	
Semiconductors & semiconductor equipment	33,204	4.20	3.60
237,957 Intel	11,479	1.45	
91,834 Mellanox Technologies	7,494	0.95	
114,937 Micron Technology	6,064	0.77	
102,877 Qorvo	8,167	1.03	
Diversified telecommunication services	19,360	2.45	2.69
377,595 AT&T	12,068	1.53	
336,501 CenturyLink	7,292	0.92	
Wireless telecommunication services	6,091	0.77	0.72
105,642 Telephone and Data Systems	3,206	0.41	
66,681 U.S. Cellular	2,885	0.36	
Electric utilities	15,155	1.92	1.72
344,904 Exelon	15,155	1.92	
Portfolio of investments	757,585	95.79	97.43
CASH EQUIVALENTS	35,664	4.51	3.67
'AAA' rated money market funds ^[c]	35,664	4.51	3.67
35,663,998 Northern Trust Global Fund - US dollar	35,664	4.51	
Total portfolio (notes 2c & 2d on page 7)	793,249	100.30	101.10
Net other assets / (liabilities)	(2,349)	(0.30)	(1.10)
Net assets attributable to shareholders	790,900	100.00	100.00

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

^[a] The portfolio has been reclassified to more appropriately reflect how the fund is managed. 2017 comparatives have been restated to reflect this.

^[b] Delisted.

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

M&G North American Value Fund

Authorised Corporate Director's Report

Investments

Top ten portfolio transactions

for the year to 31 August 2018

Largest purchases	\$'000
Kroger	15,761
Foot Locker	8,087
LifePoint Health	7,906
Intel	7,434
Johnson & Johnson	6,655
Oshkosh	5,845
ManpowerGroup	5,778
Merck & Co.	5,744
Suncor Energy	5,627
Wells Fargo	5,103
Other purchases	96,967
Total purchases	170,907
Largest sales	\$'000
Microsoft	20,498
Alphabet	19,792
AbbVie	18,400
Abbott Laboratories	15,902
LivaNova	15,012
Harris	9,955
Target	8,950
Lamb Weston Holdings	7,836
Micron Technology	7,234
Tapestry	6,928
Other sales	180,878
Total sales	311,385

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

M&G North American Value Fund

Financial highlights

Fund performance

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

The following chart and tables show the performance for two of the fund's share classes – Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

We show performance for these two share classes because:

- The performance of the Sterling Class 'A' (Accumulation) share is what most individuals investing directly with M&G have received. It has the highest ongoing charge of all the sterling share classes. Performance is shown after deduction of this charge. All UK investors in the fund therefore received this performance or better.
- The performance of the Sterling Class 'I' (Accumulation) share is the most appropriate to compare with the average performance of the fund's comparative sector. It is the share class used by the Investment Association in the calculation of the comparative sector's average performance. This share class is available for direct investment with M&G subject to minimum investment criteria, or via third parties who may charge additional fees. The performance shown takes the deduction of the ongoing charge for this share class into account but it does not take account of charges applied by any other party through which you may have 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 (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
	2018	2017	2016
as at 31 August	\$'000	\$'000	\$'000
Fund net asset value (NAV)	790,900	841,330	531,205

Performance since launch

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



The fund's Sterling Class 'I' (Accumulation) shares were launched on 3 August 2012. Performance data shown prior to this date is that of the fund's Sterling Class 'A' (Accumulation) shares.

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

Long-term performance by share class

	One year 01.09.17 % [a]	Three years 03.09.15 % p.a.	Five years 03.09.13 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	+19.2	+12.9	+15.3	+6.4 [c]
Class 'C'	+20.1	+13.7	+16.1	+7.2 [c]
Sterling [d]				
Class 'A'	+16.6	+20.8	+16.7	+8.7 [c]
Class 'I'	+17.5	+21.7	+17.6	+19.1 [e]
Class 'R'	+17.2	+21.4	+17.3	+18.8 [e]
Class 'X'	+16.7	+20.9	+16.8	+8.8 [c]
US dollar [b]				
Class 'A'	+16.2	+14.2	+12.4	+5.1 [f]
Class 'C'	+17.1	+15.0	+13.2	+5.8 [f]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 1 July 2005, the launch date of the fund.

[d] Price to price with income reinvested.

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

[f] 9 March 2007, the launch date of the share class.

M&G North American Value 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, comprising operating charges and portfolio transaction costs.

Operating charges

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

- **Investment management:** Charge paid to M&G for investment management of the fund (also known as Annual Management Charge).
- **Administration:** Charge paid to M&G for administration services in addition to investment management – any surplus from this charge will be retained by M&G.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depository, 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 and method of execution. They are made up of direct and indirect portfolio transaction costs:

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

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

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

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

Portfolio transaction costs

for the year to 31 August	2018	2017	2016	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.02	0.02	0.03	0.02
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.02	0.02	0.03	0.02
Dilution adjustments ^[c]	(0.02)	(0.02)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.00	0.00	0.01	0.00
as at 31 August	2018	2017	2016	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.03	0.03	0.03	0.03

^[a] Average of first three columns.

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

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

M&G North American Value Fund

Financial highlights

Specific share class performance

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

Historic yields for the current period are calculated as at 14 September 2018.

Euro Class 'A' Accumulation share performance

The share class was launched on 1 July 2005.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,900.98	1,766.85	1,581.08
Return before operating charges and after direct portfolio transaction costs	396.15	167.11	213.13
Operating charges	(34.78)	(32.98)	(27.36)
Return after operating charges	361.37	134.13	185.77
Distributions	0.00	(4.76)	(5.32)
Retained distributions	0.00	4.76	5.32
Closing NAV	2,262.35	1,900.98	1,766.85
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.44	0.46	0.50
Dilution adjustments ^[a]	(0.44)	(0.46)	(0.33)
Total direct portfolio transaction costs	0.00	0.00	0.17
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.01
Operating charges	1.66	1.66	1.66
Return after operating charges	+19.01	+7.59	+11.75
Historic yield	0.00	0.25	0.30
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	196,039	190,378	33,375
Closing NAV percentage of total fund NAV (%)	24.78	22.63	6.28
Number of shares	7,426,227	8,445,903	1,695,330
Highest share price (Euro ¢)	2,300.93	2,112.48	1,782.00
Lowest share price (Euro ¢)	1,872.57	1,705.61	1,410.00

Euro Class 'C' Accumulation share performance

The share class was launched on 1 July 2005.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	2,084.06	1,922.55	1,707.45
Return before operating charges and after direct portfolio transaction costs	435.88	181.20	231.33
Operating charges	(21.04)	(19.69)	(16.23)
Return after operating charges	414.84	161.51	215.10
Distributions	(16.30)	(19.99)	(19.13)
Retained distributions	16.30	19.99	19.13
Closing NAV	2,498.90	2,084.06	1,922.55
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.48	0.50	0.55
Dilution adjustments ^[a]	(0.48)	(0.50)	(0.36)
Total direct portfolio transaction costs	0.00	0.00	0.19
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.01
Operating charges	0.91	0.91	0.91
Return after operating charges	+19.91	+8.40	+12.60
Historic yield	0.65	0.96	0.99
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	82,066	108,331	41,167
Closing NAV percentage of total fund NAV (%)	10.38	12.88	7.75
Number of shares	2,814,461	4,383,771	1,921,782
Highest share price (Euro ¢)	2,540.67	2,307.29	1,929.00
Lowest share price (Euro ¢)	2,053.25	1,856.49	1,527.00

Sterling Class 'A' Income share performance

The share class was launched on 1 July 2005.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	123.21	107.43	83.33
Return before operating charges and after direct portfolio transaction costs	21.82	20.07	25.94
Operating charges	(2.16)	(2.01)	(1.52)
Return after operating charges	19.66	18.06	24.42
Distributions	(2.15)	(2.28)	(0.32)
Closing NAV	140.72	123.21	107.43
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.03	0.03
Dilution adjustments ^[a]	(0.03)	(0.03)	(0.02)
Total direct portfolio transaction costs	0.00	0.00	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.01
Operating charges	1.66	1.66	1.66
Return after operating charges	+15.96	+16.81	+29.31
Historic yield ^[c]	1.52	1.86	0.30
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (\$'000)	165,099	216,092	244,575
Closing NAV percentage of total fund NAV (%)	20.87	25.68	46.04
Number of shares	90,207,146	136,207,062	173,305,625
Highest share price (UK p)	144.59	129.77	109.10
Lowest share price (UK p)	119.17	103.86	79.71

M&G North American Value Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 1 July 2005.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	129.02	110.44	85.41
Return before operating charges and after direct portfolio transaction costs	22.83	20.65	26.58
Operating charges	(2.27)	(2.07)	(1.55)
Return after operating charges	20.56	18.58	25.03
Distributions	0.00	(0.32)	(0.33)
Retained distributions	0.00	0.32	0.33
Closing NAV	149.58	129.02	110.44

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.03	0.03
Dilution adjustments ^[a]	(0.03)	(0.03)	(0.02)
Total direct portfolio transaction costs	0.00	0.00	0.01

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.01
Operating charges	1.66	1.66	1.66
Return after operating charges	+15.94	+16.82	+29.31
Historic yield	0.00	0.25	0.30
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	2,659	2,664	2,907
Closing NAV percentage of total fund NAV (%)	0.34	0.32	0.55
Number of shares	1,366,825	1,603,509	2,003,966
Highest share price (UK p)	151.38	133.42	111.83
Lowest share price (UK p)	124.76	106.77	81.69

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	2,321.06	2,008.50	1,557.26
Return before operating charges and after direct portfolio transaction costs	413.33	376.25	487.04
Operating charges	(22.67)	(20.87)	(15.63)
Return after operating charges	390.66	355.38	471.41
Distributions	(40.70)	(42.82)	(20.17)
Closing NAV	2,671.02	2,321.06	2,008.50

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.52	0.53	0.53
Dilution adjustments ^[a]	(0.52)	(0.53)	(0.35)
Total direct portfolio transaction costs	0.00	0.00	0.18

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.01
Operating charges	0.91	0.91	0.91
Return after operating charges	+16.83	+17.69	+30.27
Historic yield ^[c]	1.52	1.85	1.01
Effect on yield of charges offset against capital	0.90	0.90	0.00

Other information

Closing NAV (\$'000)	46,677	27,612	23,155
Closing NAV percentage of total fund NAV (%)	5.90	3.28	4.36
Number of shares	1,343,686	923,916	877,584
Highest share price (UK p)	2,744.03	2,435.98	2,053.47
Lowest share price (UK p)	2,245.58	1,942.26	1,494.46

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	2,465.25	2,094.58	1,607.66
Return before operating charges and after direct portfolio transaction costs	438.60	392.68	503.04
Operating charges	(23.99)	(22.01)	(16.12)
Return after operating charges	414.61	370.67	486.92
Distributions	(18.79)	(23.65)	(20.81)
Retained distributions	18.79	23.65	20.81
Closing NAV	2,879.86	2,465.25	2,094.58

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.55	0.55	0.54
Dilution adjustments ^[a]	(0.55)	(0.55)	(0.36)
Total direct portfolio transaction costs	0.00	0.00	0.18

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.01
Operating charges	0.91	0.91	0.91
Return after operating charges	+16.82	+17.70	+30.29
Historic yield	0.65	0.96	1.00
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	64,104	51,616	19,351
Closing NAV percentage of total fund NAV (%)	8.11	6.13	3.64
Number of shares	1,711,549	1,626,085	703,278
Highest share price (UK p)	2,914.16	2,540.45	2,120.18
Lowest share price (UK p)	2,384.81	2,025.56	1,543.02

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	231.44	200.78	155.69
Return before operating charges and after direct portfolio transaction costs	41.14	37.58	48.63
Operating charges	(2.87)	(2.64)	(1.99)
Return after operating charges	38.27	34.94	46.64
Distributions	(4.05)	(4.28)	(1.55)
Closing NAV	265.66	231.44	200.78

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.05	0.05
Dilution adjustments ^[a]	(0.05)	(0.05)	(0.03)
Total direct portfolio transaction costs	0.00	0.00	0.02

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.01
Operating charges	1.16	1.16	1.16
Return after operating charges	+16.54	+17.40	+29.96
Historic yield ^[c]	1.52	1.85	0.77
Effect on yield of charges offset against capital	1.15	1.15	0.00

Other information

Closing NAV (\$'000)	445	241	225
Closing NAV percentage of total fund NAV (%)	0.06	0.03	0.04
Number of shares	128,829	80,772	85,398
Highest share price (UK p)	272.93	243.18	204.81
Lowest share price (UK p)	223.88	194.14	149.25

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Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	243.26	207.20	159.43
Return before operating charges and after direct portfolio transaction costs	43.26	38.79	49.80
Operating charges	(3.06)	(2.73)	(2.03)
Return after operating charges	40.20	36.06	47.77
Distributions	(1.18)	(1.76)	(1.58)
Retained distributions	1.18	1.76	1.58
Closing NAV	283.46	243.26	207.20
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.05	0.05
Dilution adjustments ^[a]	(0.06)	(0.05)	(0.04)
Total direct portfolio transaction costs	0.00	0.00	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.01
Operating charges	1.16	1.16	1.16
Return after operating charges	+16.53	+17.40	+29.96
Historic yield	0.42	0.73	0.77
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	3,005	321	308
Closing NAV percentage of total fund NAV (%)	0.38	0.04	0.06
Number of shares	815,033	102,542	113,120
Highest share price (UK p)	286.85	250.97	209.75
Lowest share price (UK p)	235.30	200.36	152.85

Sterling Class 'X' Income share performance

The share class was launched on 1 July 2005.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	123.25	107.46	83.35
Return before operating charges and after direct portfolio transaction costs	21.82	20.09	25.95
Operating charges	(2.16)	(2.02)	(1.52)
Return after operating charges	19.66	18.07	24.43
Distributions	(2.15)	(2.28)	(0.32)
Closing NAV	140.76	123.25	107.46
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.03	0.03
Dilution adjustments ^[a]	(0.03)	(0.03)	(0.02)
Total direct portfolio transaction costs	0.00	0.00	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.01
Operating charges	1.66	1.66	1.66
Return after operating charges	+15.95	+16.82	+29.31
Historic yield ^[c]	1.52	1.86	0.30
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (\$'000)	1,922	2,740	2,494
Closing NAV percentage of total fund NAV (%)	0.24	0.33	0.47
Number of shares	1,049,940	1,726,740	1,766,613
Highest share price (UK p)	144.63	129.82	109.14
Lowest share price (UK p)	119.20	103.89	79.73

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 July 2005.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	129.27	110.66	85.58
Return before operating charges and after direct portfolio transaction costs	22.78	20.69	26.64
Operating charges	(2.05)	(2.08)	(1.56)
Return after operating charges	20.73	18.61	25.08
Distributions	0.00	(0.32)	(0.33)
Retained distributions	0.00	0.32	0.33
Closing NAV	150.00	129.27	110.66
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.03	0.03
Dilution adjustments ^[a]	(0.03)	(0.03)	(0.02)
Total direct portfolio transaction costs	0.00	0.00	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.01
Operating charges	1.57*	1.66	1.66
Return after operating charges	+16.04	+16.82	+29.31
Historic yield	0.00	0.25	0.30
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	2,527	180,838	130,588
Closing NAV percentage of total fund NAV (%)	0.32	21.49	24.58
Number of shares	1,295,556	108,644,159	89,831,538
Highest share price (UK p)	151.79	133.68	112.05
Lowest share price (UK p)	125.01	106.98	81.86

* Due to investor outflows, the share class NAV decreased significantly towards the end of the year, therefore 1.66% is a more reliable estimate of the year to 31.08.18 ongoing charges.

US dollar Class 'A' Accumulation share performance

The share class was launched on 9 March 2007.

for the year to 31 August Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,506.24	1,315.48	1,191.70
Return before operating charges and after direct portfolio transaction costs	285.55	214.52	144.10
Operating charges	(27.79)	(23.76)	(20.32)
Return after operating charges	257.76	190.76	123.78
Distributions	0.00	(3.77)	(3.91)
Retained distributions	0.00	3.77	3.91
Closing NAV	1,764.00	1,506.24	1,315.48
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.35	0.33	0.37
Dilution adjustments ^[a]	(0.35)	(0.33)	(0.25)
Total direct portfolio transaction costs	0.00	0.00	0.12
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.01
Operating charges	1.66	1.66	1.66
Return after operating charges	+17.11	+14.50	+10.39
Historic yield	0.00	0.25	0.30
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	33,224	23,437	15,389
Closing NAV percentage of total fund NAV (%)	4.20	2.79	2.90
Number of shares	1,883,439	1,555,966	1,169,867
Highest share price (US ¢)	1,787.74	1,526.94	1,319.00
Lowest share price (US ¢)	1,510.13	1,278.24	1,068.00

M&G North American Value Fund

Financial highlights

Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 9 March 2007.

for the year to 31 August	2018	2017	2016
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1,629.93	1,412.87	1,270.30
Return before operating charges and after direct portfolio transaction costs	309.95	231.31	154.49
Operating charges	(16.67)	(14.25)	(11.92)
Return after operating charges	293.28	217.06	142.57
Distributions	(12.55)	(15.64)	(14.04)
Retained distributions	12.55	15.64	14.04
Closing NAV	1,923.21	1,629.93	1,412.87
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.38	0.36	0.40
Dilution adjustments ^[a]	(0.38)	(0.36)	(0.27)
Total direct portfolio transaction costs	0.00	0.00	0.13
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.01
Operating charges	0.92	0.91	0.91
Return after operating charges	+17.99	+15.36	+11.22
Historic yield	0.66	0.96	0.99
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	193,133	37,060	17,671
Closing NAV percentage of total fund NAV (%)	24.42	4.40	3.33
Number of shares	10,042,232	2,273,737	1,250,746
Highest share price (US ¢)	1,940.55	1,651.11	1,416.00
Lowest share price (US ¢)	1,634.41	1,374.84	1,142.00

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

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

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

M&G North American Value Fund

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 August	Note	2018		2017	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	3		137,045		78,709
Revenue	5	19,079		14,821	
Expenses	6	(10,996)		(9,705)	
Net revenue / (expense) before taxation		8,083		5,116	
Taxation	7	(5,651)		(2,111)	
Net revenue / (expense) after taxation			2,432		3,005
Total return before distributions			139,477		81,714
Distributions	8		(6,261)		(7,332)
Change in net assets attributable to shareholders from investment activities			133,216		74,382

Statement of change in net assets attributable to shareholders

for the year to 31 August		2018		2017	
		\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders			841,330		531,205
Amounts received on issue of shares		339,737		435,991	
Amounts paid on cancellation of shares		(464,536)		(203,468)	
Value of in specie transfer paid		(61,350)		0	
			(186,149)		232,523
Dilution adjustments			277		333
Change in net assets attributable to shareholders from investment activities (see above)			133,216		74,382
Retained distributions on Accumulation shares			2,226		2,887
Closing net assets attributable to shareholders			790,900		841,330

Balance sheet

as at 31 August	Note	2018		2017	
		\$'000	\$'000	\$'000	\$'000
Assets					
Fixed assets					
Investments			757,585		819,751
Current assets					
Debtors	9	2,766		7,551	
Cash and bank balances	10	1,206		0	
Cash equivalents		35,664		30,845	
Total assets			797,221		858,147
Liabilities					
Creditors					
Bank overdrafts			0		(30)
Distribution payable			(3,272)		(4,566)
Other creditors	11		(3,049)		(12,221)
Total liabilities			(6,321)		(16,817)
Net assets attributable to shareholders			790,900		841,330

Notes to the financial statements

1 Accounting policies

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

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

2 Distribution policy

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

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

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

3 Net capital gains / (losses)

for the year to 31 August	2018	2017
	\$'000	\$'000
Non-derivative securities	136,681	78,967
Derivative contracts	(2)	0
Currency gains / (losses)	371	(249)
Transaction charges	(5)	(9)
Net capital gains / (losses)	137,045	78,709

M&G North American Value Fund

Financial statements and notes

Notes to the financial statements

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 147.

for the year to 31 August	2018 \$'000	% of transaction	2017 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	170,848		370,926	
Commissions	59	0.03	103	0.03
Total purchases after transaction costs	170,907		371,029	
b) Sales				
Equities				
Equities before transaction costs	311,503		139,905	
Commissions	(111)	0.04	(44)	0.03
Taxes	(7)	0.00	(3)	0.00
Total sales after transaction costs	311,385		139,858	
c) Direct portfolio transaction costs				
Commissions paid				
Equities	170	0.02	147	0.02
Taxes paid				
Equities	7	0.00	3	0.00
Total direct portfolio transaction costs [a]	177	0.02	150	0.02
d) Indirect portfolio transaction costs				
Portfolio dealing spread [b]		0.03		0.03

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

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

5 Revenue

for the year to 31 August	2018 \$'000	2017 \$'000
Bank interest	7	0
Dividends from equity investments: non-taxable	18,667	14,536
Dividends from equity investments: taxable	(122)	72
Interest distributions	527	213
Total revenue	19,079	14,821

6 Expenses

for the year to 31 August	2018 \$'000	2017 \$'000
Payable to the ACD or associate		
Annual management charge	9,639	8,642
Administration charge	1,266	982
	10,905	9,624
Payable to the Depositary or associate		
Depositary's charge (including VAT)	57	45
Other expenses		
Audit fee (including VAT)	12	11
Interest payable	4	12
Safe custody charge	18	14
Tax fees (including VAT)	0	1
	34	38
VAT recoverable		
Current year	0	0
Prior year	0	(2)
	0	(2)
Total expenses	10,996	9,705

7 Taxation

for the year to 31 August	2018 \$'000	2017 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	5,651	2,111
Deferred tax (note 7c)	0	0
Total taxation	5,651	2,111
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	8,083	5,116
Corporation tax at 20%	1,617	1,023
Effects of:		
Dividends from equity investments: non-taxable	(3,733)	(2,907)
Current year expenses not utilised	2,116	1,884
Withholding tax	5,651	2,111
Total tax charge (note 7a)	5,651	2,111
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of \$10,401,000 (2017: \$8,285,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

M&G North American Value Fund

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8 Distributions

for the year to 31 August	2018		2017	
	Inc ^[a] \$'000	Acc ^[b] \$'000	Inc ^[a] \$'000	Acc ^[b] \$'000
Dividend distributions				
Final	3,272	2,226	4,566	2,887
Total net distributions		5,498		7,453
Income deducted on cancellation of shares		1,330		1,288
Income received on issue of shares		(567)		(1,409)
Distributions		6,261		7,332
Net revenue / (expense) per statement of total return		2,432		3,005
Expenses offset against capital		3,701		4,327
Income deficit transferred to capital		128		0
Distributions		6,261		7,332

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2018 \$'000	2017 \$'000
Amounts receivable on issues of shares	1,209	139
Currency deals outstanding	0	5,588
Distributions receivable	60	28
Dividends receivable	1,462	1,768
Withholding tax recoverable	35	28
Total debtors	2,766	7,551

10 Cash and bank balances

as at 31 August	2018 \$'000	2017 \$'000
Cash held as bank balances	1,206	0
Total cash and bank balances	1,206	0

11 Other creditors

as at 31 August	2018 \$'000	2017 \$'000
ACD's annual management charge payable	444	517
Administration charge payable	59	60
Amounts payable on cancellation of shares	2,528	6,015
Currency deals outstanding	0	5,611
Expenses payable	18	18
Total other creditors	3,049	12,221

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2017: same).

13 Shares in issue

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

Share class	Opening 01.09.17	Movements		Closing 31.08.18
		Issued	Cancelled	
Euro				
Class 'A' Accumulation	8,445,903	1,936,627	(2,956,303)	7,426,227
Class 'C' Accumulation	4,383,771	1,568,780	(3,138,090)	2,814,461
Sterling				
Class 'A' Income	136,207,062	20,312,092	(66,312,008)	90,207,146
Class 'A' Accumulation	1,603,509	436,709	(673,393)	1,366,825
Class 'I' Income	923,916	603,751	(183,981)	1,343,686
Class 'I' Accumulation	1,626,085	369,017	(283,553)	1,711,549
Class 'R' Income	80,772	129,474	(81,417)	128,829
Class 'R' Accumulation	102,542	872,267	(159,776)	815,033
Class 'X' Income	1,726,740	25,073	(701,873)	1,049,940
Class 'X' Accumulation	108,644,159	537,964	(107,886,567)	1,295,556
US dollar				
Class 'A' Accumulation	1,555,966	664,904	(337,431)	1,883,439
Class 'C' Accumulation	2,273,737	9,602,592	(1,834,097)	10,042,232

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %
Euro			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75
Sterling			
Class 'A'	nil	n/a	1.50
Class 'I'	nil	n/a	0.75
Class 'R'	nil	n/a	1.00
Class 'X'	nil	n/a	1.50
US dollar			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75

15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 50.79% (2017: 53.38%) of the fund's shares.

M&G North American Value Fund

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16 Events after the balance sheet date

As a result of the Extraordinary General Meetings of Shareholders held on 4 October 2018, the non-sterling share classes of the M&G North American Value Fund will be merged into corresponding share classes of M&G (Lux) North American Value Fund.

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 August	Assets 2018	Liabilities 2018	Assets 2017	Liabilities 2017
Basis of valuation	\$'000	\$'000	\$'000	\$'000
Level 1	757,585	0	819,751	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	757,585	0	819,751	0

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by \$37,879,000 (2017: \$40,988,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

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

21 Interest rate risk sensitivity and exposure

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

22 Credit risk

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

23 Dividend distribution tables

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

Annual distribution period				
	Start	End	Xd	Payment
Final	01.09.17	31.08.18	03.09.18	31.10.18

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

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

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

Euro Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
Final	0.0000	0.0000	0.0000	4.7569

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	€	€	€	€
Final	9.5767	6.7269	16.3036	19.9933

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
Final	1.3289	0.8229	2.1518	2.2813

M&G North American Value Fund

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23 Dividend distribution tables (continued)

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
	p	p	p	p
Final	0.0000	0.0000	0.0000	0.3228

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
	p	p	p	p
Final	21.7146	18.9860	40.7006	42.8174

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
	p	p	p	p
Final	12.1190	6.6721	18.7911	23.6500

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
	p	p	p	p
Final	1.4485	2.6043	4.0528	4.2752

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
	p	p	p	p
Final	0.5371	0.6460	1.1831	1.7596

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
	p	p	p	p
Final	1.4694	0.6830	2.1524	2.2820

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
	p	p	p	p
Final	0.0000	0.0000	0.0000	0.3235

US dollar Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
	¢	¢	¢	¢
Final	0.0000	0.0000	0.0000	3.7691

US dollar Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
	¢	¢	¢	¢
Final	11.1831	1.3647	12.5478	15.6365

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Investment objective

The fund aims to provide a total return (the combination of capital growth and income).

Investment policy

The fund will invest at least 80% in equity securities of companies that are domiciled in, or conducting the major part of their economic activity in any European country. The fund has a concentrated portfolio and usually holds fewer than 35 stocks.

The fund is based on an investment process that uses fundamental analysis to identify competitively advantaged companies with sustainable business models.

Sustainability considerations play an important role in determining the investment universe and assessing business models. Companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment and anti-corruption are excluded from the investment universe. Industries such as tobacco and controversial weapons are also excluded.

The fund may also invest in other transferable securities, directly or via collective investment schemes, and may hold cash for liquidity purposes. Collective investment schemes may include funds managed by M&G.

Derivatives may be used for efficient portfolio management.

Investment approach

The M&G Pan European Select Fund is a focused European equity fund, making long-term investments in companies with sustainable business models and competitively advantageous characteristics to protect their profitability. Importantly, the fund manager invests in these businesses where short-term issues have provided a clear valuation opportunity.

Sustainability considerations are fully integrated into the investment process.

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

Risk profile

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

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

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

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



The above number:

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

Investment review

As at 3 September 2018, for the year ended 31 August 2018

Performance against objective

Between 1 September 2017 (the start of the review period) and 3 September 2018, the M&G Pan European Select Fund delivered positive total returns (the combination of income and growth of capital) across all of its share classes.* All share classes finished ahead of a comparable index, the MSCI Europe Index. Over the 12 months, returns from the index were 3.5%, 5.0% and 2.8% in sterling, euros and US dollars, respectively.

Over five years and since launch, the fund has met its objective of delivering positive total returns.

* 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.

Investment performance

The period under review was turbulent for European stocks. Markets were shaky as we began the review period, as investors grappled with a number of issues, including a series of destructive hurricanes, ongoing tensions with North Korea and the outlook for interest rates on both sides of the Atlantic. As some of these concerns dissipated and the mood improved, various markets went on to reach record highs. Investor sentiment was supported by solid earnings and robust economic growth, with the overall global macroeconomic environment continuing to improve. Markets were further boosted near the end of 2017 by hopes for US tax reforms, and a somewhat euphoric mood took us into the New Year.

As we moved into February, however, markets moved violently at a level not experienced since the Chinese stockmarket rout in 2015, before a degree of calm eventually returned. Wild market swings were apparently triggered by a pick-up in wage inflation in the US, which led to rising interest rate expectations. The subsequent market reaction was extreme, giving back those euphoric gains from January.

Markets further declined as investor sentiment became dominated by fears that import tariffs announced by the US would precipitate an all-out trade war with China. This became a recurring theme, with

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Investment review

Investment performance (continued)

various regions and sectors falling under President Trump's tariff spotlight, causing wide fluctuations in sentiment depending on the perception of how positively, or not, trade talks were progressing. This had a particularly negative effect on the European automotive industry, as fresh tariffs were announced on cars imported from the EU.

We also saw geopolitical tensions in the Middle East, as well as difficulties in Spain, Italy, Germany and Turkey, the latter of which experienced a melt-down in its currency that drove a wave of risk aversion, hitting banks particularly hard. In the UK, meanwhile, 'Brexit' uncertainties continued to weigh on investors' minds. Despite this varied newsflow hitting short-term sentiment, European markets managed to finish the period under review in positive territory.

Against this background, and given strengthening of the oil price, the energy sector was the standout performer for the period under review, followed by information technology and materials. Stock selection within all three sectors proved beneficial for fund returns, as was the fund's above index position in information technology, although the below index position in energy weighed on relative performance. The fund's above index position in the consumer discretionary sector – namely retailers – as well as stockpicking within the sector, also dragged on returns.

At an individual stock level, the fund's largest contributor was Spain-listed airline industry IT outsourcing business Amadeus. The company has delivered ongoing share price performance and operational success, including solid growth in contract wins and new customers, as well as diversification into new business areas. With that in mind, its shares climbed steadily on news that it was to acquire US company TravelClick, a provider of cloud-based software solutions for hoteliers. The deal should help boost Amadeus' presence in the hospitality sector.

Danish transport and logistics company DSV bolstered returns as well. The company published record earnings and good growth across all of its divisions, particularly air and sea, with record-high margins driven by continued improvements in productivity.

Other supportive holdings included Norwegian energy company Equinor (formerly Statoil) and UK retailer WHSmith. Equinor benefited from improvement in the oil price and a number of new contract wins, as well as anticipated growth in its US operations, all of which pleased investors. WHSmith, meanwhile, saw its high street business performing in line with expectations, while the performance of its travel business, including concessions in airports and train stations, was continuing apace. Last year the company reported that it had reached an inflection point, with travel sales surpassing those of the high street – this was in line with our investment case for the company, predicated on travel driving long-term growth in the business.

On the downside, the fund's largest detractor was another UK retailer, pet specialist Pets at Home. The company's shares fell off sharply after it reported a reduction in full-year profit despite robust growth in revenue, as it had cut prices in an effort to counter competition. After the initial price fall its shares then continued to drift downward, as investor sentiment in the company remained subdued.

Danish branded jewellery specialist Pandora dragged on returns as well, as it has continued to suffer from poor execution and an uncertain outlook: its new charm collection did not receive the anticipated welcome in the US, while the hope of stronger sales in China have not yet materialised.

Other laggards included Dutch financial institution ING and UK addiction cessation drug maker Indivior. Along with other European banks, sentiment in ING was hit by the political situation in Italy, along with weaker economic data out of Europe. This was despite ING publishing good results, with a sizable increase in core lending, a substantial rise in its customer base and increased profitability. The bank's shares were further hit by the general sell-off in reaction to Turkey's deepening currency crisis spreading to other emerging markets. Indivior's shares, meanwhile, fell sharply after the company warned that it would miss its full-year profit target, as its best-selling opioid addiction drug Suboxone Film was facing new competitors in the US, as well as slower early uptake of its new injectable treatment Sublocade. Indivior's shares had been under pressure before this, particularly hard hit on news that Indian drug maker Dr Reddy's was set to launch its own generic version of Suboxone Film.

Investment activities

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

During the review period, five such opportunities presented themselves. The first was Bank of Georgia, Georgia's second largest lender. We think the company has a strong branch network and clear funding advantages, delivering strong returns in a duopolistic market (where two banks control 70% of the market). We believe the bank is run by a solid, shareholder friendly management team, punctuated by a good governance framework and long-term incentives. The bank's investment arm is also widely diversified, buying businesses across healthcare, power, water and elsewhere, helping to drive improvement in Georgian infrastructure. Shortly after we bought shares in the bank, it split out its investment arm, forming a new company, Georgia Capital, of which we also own shares.

We funded the holding in Bank of Georgia by closing the position in Danish insurer Topdanmark (which was up by close to 40% since we initiated the position). We became uncomfortable with governance issues at the company, and were also concerned that the business might not be able to sustain its very high levels of profitability, believing Bank of Georgia was a more attractive opportunity. Around the same time, we also closed the position in UK-listed bank Standard Chartered, whose share price had more than doubled since its lows in February of 2016.

We bought shares in French consumer products company Bic, best known for producing lighters, pens and razors. We believe that Bic operates under a strong company culture with very little bureaucracy, concentrated on innovation and service delivery for its customers – it benefits from scale advantages, manufacturing expertise and a unique distribution channel, all of which help to protect its competitive advantage. The company is also very focused on both its employees

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Investment review

Investment activities (continued)

and the environment – with clear targets for internal promotion and fuel efficiency, for example – as well as governance, where it is highly disciplined on cash and capital allocation. Concerns around the old CEO stepping down, rumours of disagreement with the new CEO, and poor performance at the company's graphic division created the share price disruption that allowed us to buy the shares at what we believe to be an attractive valuation. We funded the purchase of Bic by closing the position in German carmaker BMW.

We added a holding in allergy immunotherapy specialist ALK-Abelló. ALK is a quality company that specialises in autoimmune therapy for dust mite and grass allergies. These treatments were traditionally injectable, which could result in sometimes fatal allergic reactions, but ALK has developed much safer, and easier to administer, pills. These have been approved for distribution to adults in Europe and the US, and the company is currently conducting clinical trials in children to establish if the pills are effective for allergic asthma – this could open up the large paediatric market when completed in 2020. We think that ALK has a unique, well-protected, skill set, having developed its research and development capabilities since the early 1900s. We see strong growth potential for the business if its distribution strategy plays out, especially in the US where the company has built its own salesforce.

Finally, we bought shares in Denmark-listed facility services business ISS. Founded in 1901, the company is one of only two global players that can provide a full service across the range of facility management – this includes cleaning, catering, security, energy management and so on. As customers are increasingly moving towards more integrated services, this provides the company with a distinct competitive advantage. ISS also has the ability to service customers globally, enabling it to target global corporate clients across their facilities. In terms of sustainability, ISS has set out measurable targets for environmental impacts, and has strong social policies in place; of obvious importance for a company with over 500,000 employees.

In terms of sales, in addition to those mentioned above, we closed an additional four positions over the review period. We sold our shares in German chemical and pharmaceutical company Bayer, not believing that its proposed acquisition of US agribusiness Monsanto was a good allocation of capital.

German food processing technology and component maker GEA left the portfolio as well. While the company's valuation had been attractive and there was good growth potential in its end markets, we believed there were better opportunities available for a concentrated portfolio of quality, sustainable companies.

In addition, we closed the positions in 'fast fashion' retailer H&M and Italian global banking and financial services company UniCredit, having lost faith in the investment case for both businesses.

Outlook

We look for companies that can generate persistent cashflows, and given the climate for much of last year, this may be considered boring compared to rapidly growing tech companies or deep value stocks. ISS, mentioned above, is probably as boring as you can get, but has

the ability to deliver long-term compounding returns and create wealth, sustainably, for our investors.

We believe that it is not worth being too aggressive on risk when everyone else is. It can sometimes feel like you are missing out, when you see investors making massive returns speculating on Bitcoin, or when already expensive tech stocks keep going up. However, that is when you need to be the most disciplined. We continue to carry out fundamental research on the companies within our watchlist – those stocks we would like to own when the timing and price is right – and have stayed vigilant of behavioural episodes affecting their share prices that could result in attractive buying opportunities.

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

John William Olsen Fund manager

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

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

Investments

Portfolio statement

as at 31 August	2018	2018	2017 [a]
Holding	€'000	%	%
EQUITIES	312,017	99.67	96.13
Oil, gas & consumable fuels	15,145	4.84	3.65
683,016 Equinor (formerly Statoil)	15,145	4.84	
Chemicals	27,018	8.63	6.25
156,327 Akzo Nobel	12,594	4.02	
73,764 Linde	14,424	4.61	
Construction materials	8,999	2.87	3.08
214,509 LafargeHolcim (Regd.)	8,999	2.87	
Electrical equipment	11,166	3.57	3.14
158,970 Schneider Electric	11,166	3.57	
Machinery	5,476	1.75	5.06
174,722 Jungheinrich Pref. (non-voting)	5,476	1.75	
Commercial services & supplies	19,727	6.30	0.00
399,520 ISS	12,024	3.84	
97,441 Société BIC	7,703	2.46	
Road & rail	20,495	6.55	5.13
254,850 DSV	20,495	6.55	
Automobiles	0	0.00	1.65
Textiles, apparel & luxury goods	9,775	3.12	3.72
88,051 HUGO BOSS	6,009	1.92	
73,669 Pandora	3,766	1.20	
Media	8,868	2.83	2.51
232,885 CTS EVENTIM	8,868	2.83	
Specialty retail	25,507	8.15	9.66
5,480,863 Pets at Home	7,086	2.26	
796,116 WHSmith	18,421	5.89	

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Investments

Portfolio statement (continued)			
as at 31 August	2018	2018	2017 ^[a]
Holding	€'000	%	%
Food products	13,787	4.40	4.49
191,673 Nestlé (Regd.)	13,787	4.40	
Household products	10,379	3.32	2.45
141,430 Reckitt Benckiser	10,379	3.32	
Personal products	12,153	3.88	3.32
245,110 Unilever CVA	12,153	3.88	
Health care providers & services	13,099	4.18	2.72
149,058 Fresenius Medical Care	13,099	4.18	
Pharmaceuticals	36,121	11.54	14.32
34,920 ALK-Abelló	5,499	1.76	
386,395 GlaxoSmithKline	6,794	2.17	
1,452,778 Indivior	4,377	1.40	
458,497 Novo-Nordisk	19,451	6.21	
Banks	24,756	7.91	10.38
2,378,676 AIB Group (formerly Allied Irish Bank)	11,499	3.67	
168,070 Bank of Georgia	3,141	1.01	
865,632 ING Groep	10,116	3.23	
Capital markets	3,889	1.24	0.00
340,743 Georgia Capital	3,889	1.24	
Insurance	7,031	2.25	4.84
372,359 Hiscox	7,031	2.25	
IT services	19,714	6.30	4.72
245,876 Amadeus IT Group (formerly Amadeus IT Holdings)	19,714	6.30	
Software	18,912	6.04	5.04
182,864 SAP	18,912	6.04	
Portfolio of investments	312,017	99.67	96.13
CASH EQUIVALENTS	3,640	1.16	3.70
'AAA' rated money market funds ^[b]	3,640	1.16	3.70
3,701,900 Northern Trust Global Fund - Euro	3,640	1.16	
Total portfolio (notes 2c & 2d on page 7)	315,657	100.83	99.83
Net other assets / (liabilities)	(2,594)	(0.83)	0.17
Net assets attributable to shareholders	313,063	100.00	100.00

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

^[a] The portfolio has been reclassified to more appropriately reflect how the fund is managed. 2017 comparatives have been restated to reflect this.

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

Top ten portfolio transactions

for the year to 31 August 2018

	€'000
Largest purchases	
ISS	12,507
Société BIC	9,312
Bank of Georgia	6,774
Novo-Nordisk	5,247
Akzo Nobel	4,494
Fresenius Medical Care	4,160
ALK-Abelló	3,293
Reckitt Benckiser	2,558
Georgia Capital	2,090
Pets at Home	1,778
Other purchases	7,138
Total purchases	59,351
Largest sales	
Topdanmark	8,334
Indivior	8,307
Novo-Nordisk	6,544
Bayerische Motoren Werke	6,289
UniCredit	5,883
GEA Group	5,870
Jungheinrich Pref. (non-voting)	5,683
Standard Chartered	4,976
Bayer	4,935
GlaxoSmithKline	4,603
Other sales	33,235
Total sales	94,659

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

M&G Pan European Select Fund

Financial highlights

Fund performance

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

The following charts and tables show the performance for two of the fund's share classes – Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

We show performance for these two share classes because:

- The performance of the Sterling Class 'A' (Accumulation) share is what most individuals investing directly with M&G have received. It has the highest ongoing charge of all the sterling share classes. Performance is shown after deduction of this charge. All UK investors in the fund therefore received this performance or better.
- The performance of the Sterling Class 'I' (Accumulation) share is the most appropriate to compare with the average performance of the fund's comparative sector. It is the share class used by the Investment Association in the calculation of the comparative sector's average performance. This share class is available for direct investment with M&G subject to minimum investment criteria, or via third parties who may charge additional fees. The performance shown takes the deduction of the ongoing charge for this share class into account but it does not take account of charges applied by any other party through which you may have 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 (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at 31 August	2018 €'000	2017 €'000	2016 €'000
Fund net asset value (NAV)	313,063	343,454	191,928

Performance since launch

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



Ten-year performance

Please note that comparative data is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.



The fund's Sterling Class 'I' (Accumulation) shares were launched on 3 August 2012. Performance data shown prior to this date is that of the fund's Sterling Class 'A' (Accumulation) shares.

M&G Pan European Select Fund

Financial highlights

Fund performance

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

Long-term performance by share class				
	One year 01.09.17 % ^[a]	Three years 03.09.15 % p.a.	Five years 03.09.13 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	+6.7	+6.6	+8.0	+4.5 ^[c]
Class 'B'	+6.2	n/a	n/a	+8.6 ^[d]
Class 'C'	+7.5	+7.4	+8.8	+5.3 ^[c]
Sterling ^[e]				
Class 'A'	+4.4	+14.1	+9.4	+8.3 ^[f]
Class 'I'	+5.2	+14.9	+10.2	+13.0 ^[g]
Class 'R'	+5.0	+14.6	+9.9	+12.7 ^[g]
Class 'X'	+4.4	+14.1	+9.4	+12.6 ^[h]
US dollar ^[b]				
Class 'A'	+4.1	+7.8	n/a	+5.6 ^[i]
Class 'C'	+4.8	+8.6	n/a	+6.4 ^[i]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 28 November 2001, the launch date of the share class.

[d] 18 March 2016, the launch date of the share class.

[e] Price to price with income reinvested.

[f] 29 September 1989, the end of the initial offer period of the predecessor unit trust.

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

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

[i] 8 August 2014, the launch date of the share class.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

M&G Pan European Select Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
for the year to 31 August	2018	2017	2016	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.02	0.04	0.08	0.05
Taxes	0.04	0.08	0.01	0.04
Costs before dilution adjustments	0.06	0.12	0.09	0.09
Dilution adjustments ^[c]	(0.03)	(0.10)	(0.03)	(0.05)
Total direct portfolio transaction costs	0.03	0.02	0.06	0.04
as at 31 August	2018	2017	2016	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.07	0.05	0.06	0.06

^[a] Average of first three columns.

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

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

Specific share class performance

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

Historic yields for the current year are calculated as at 14 September 2018.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August	2018	2017	2016
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1,961.49	1,791.43	1,712.31
Return before operating charges and after direct portfolio transaction costs	158.99	202.01	107.86
Operating charges	(34.29)	(31.95)	(28.74)
Return after operating charges	124.70	170.06	79.12
Distributions	(16.95)	(13.71)	(45.62)
Retained distributions	16.95	13.71	45.62
Closing NAV	2,086.19	1,961.49	1,791.43
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.20	2.34	1.54
Dilution adjustments ^[a]	(0.52)	(1.83)	(0.55)
Total direct portfolio transaction costs	0.68	0.51	0.99
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.06
Operating charges	1.67	1.68	1.68
Return after operating charges	+6.36	+9.49	+4.62
Historic yield	0.82	0.70	2.49
Effect on yield of charges offset against capital	0.00	0.00	1.50
Other information			
Closing NAV (€'000)	111,661	121,387	13,136
Closing NAV percentage of total fund NAV (%)	35.67	35.35	6.85
Number of shares	5,352,378	6,188,518	733,275
Highest share price (Euro ¢)	2,146.87	1,999.46	1,848.75
Lowest share price (Euro ¢)	1,936.77	1,668.64	1,488.66

M&G Pan European Select Fund

Financial highlights

Specific share class performance

Euro Class 'B' Accumulation share performance

The share class was launched on 18 March 2016.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,159.70	1,064.43	1,000.00
Return before operating charges and after direct portfolio transaction costs	94.01	118.94	74.39
Operating charges	(26.42)	(23.67)	(9.96)
Return after operating charges	67.59	95.27	64.43
Distributions	(3.94)	(2.88)	(19.30)
Retained distributions	3.94	2.88	19.30
Closing NAV	1,227.29	1,159.70	1,064.43
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.71	1.33	0.42
Dilution adjustments ^[a]	(0.31)	(1.04)	(0.15)
Total direct portfolio transaction costs	0.40	0.29	0.27
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.06
Operating charges	2.17	2.17	2.17
Return after operating charges	+5.83	+8.95	+6.44
Historic yield	0.32	0.25	2.48
Effect on yield of charges offset against capital	0.00	0.00	2.00
Other information			
Closing NAV (€'000)	770	57	32
Closing NAV percentage of total fund NAV (%)	0.25	0.02	0.02
Number of shares	62,733	4,880	3,000
Highest share price (Euro ¢)	1,266.80	1,183.59	1,072.77
Lowest share price (Euro ¢)	1,144.99	990.59	952.42

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	2,214.23	2,007.15	1,904.11
Return before operating charges and after direct portfolio transaction costs	179.96	226.13	120.71
Operating charges	(21.47)	(19.05)	(17.67)
Return after operating charges	158.49	207.08	103.04
Distributions	(36.69)	(31.69)	(50.91)
Retained distributions	36.69	31.69	50.91
Closing NAV	2,372.72	2,214.23	2,007.15
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.36	2.53	1.72
Dilution adjustments ^[a]	(0.59)	(1.97)	(0.62)
Total direct portfolio transaction costs	0.77	0.56	1.10
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.06
Operating charges	0.92	0.93	0.93
Return after operating charges	+7.16	+10.32	+5.41
Historic yield	1.56	1.44	2.48
Effect on yield of charges offset against capital	0.00	0.00	0.75
Other information			
Closing NAV (€'000)	36,784	23,764	20,558
Closing NAV percentage of total fund NAV (%)	11.75	6.92	10.71
Number of shares	1,550,300	1,073,257	1,024,259
Highest share price (Euro ¢)	2,430.72	2,252.92	2,059.82
Lowest share price (Euro ¢)	2,186.59	1,872.08	1,661.02

Sterling Class 'A' Income share performance

The share class was launched on 29 September 1989.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	222.26	191.32	162.23
Return before operating charges and after direct portfolio transaction costs	11.68	39.39	36.89
Operating charges	(3.73)	(3.38)	(2.86)
Return after operating charges	7.95	36.01	34.03
Distributions	(5.57)	(5.07)	(4.94)
Closing NAV	224.64	222.26	191.32
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.13	0.25	0.15
Dilution adjustments ^[a]	(0.06)	(0.19)	(0.05)
Total direct portfolio transaction costs	0.07	0.06	0.10
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.06
Operating charges	1.67	1.68	1.68
Return after operating charges	+3.58	+18.82	+20.98
Historic yield ^[c]	2.49	2.30	2.54
Effect on yield of charges offset against capital	1.65	1.65	1.50
Other information			
Closing NAV (€'000)	80,239	86,655	86,393
Closing NAV percentage of total fund NAV (%)	25.63	25.23	45.01
Number of shares	32,047,244	35,903,665	38,299,702
Highest share price (UK p)	232.36	227.97	200.74
Lowest share price (UK p)	208.38	178.92	151.29

Sterling Class 'A' Accumulation share performance

The share class was launched on 29 September 1989.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	459.06	386.16	318.98
Return before operating charges and after direct portfolio transaction costs	24.34	79.74	72.81
Operating charges	(7.71)	(6.84)	(5.63)
Return after operating charges	16.63	72.90	67.18
Distributions	(3.87)	(3.29)	(9.75)
Retained distributions	3.87	3.29	9.75
Closing NAV	475.69	459.06	386.16
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.27	0.50	0.30
Dilution adjustments ^[a]	(0.12)	(0.39)	(0.11)
Total direct portfolio transaction costs	0.15	0.11	0.19
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.06
Operating charges	1.67	1.68	1.68
Return after operating charges	+3.62	+18.88	+21.06
Historic yield	0.82	0.72	2.48
Effect on yield of charges offset against capital	0.00	0.00	1.50
Other information			
Closing NAV (€'000)	51,071	63,483	52,537
Closing NAV percentage of total fund NAV (%)	16.31	18.48	27.37
Number of shares	9,632,302	12,735,111	11,539,174
Highest share price (UK p)	482.11	462.20	395.95
Lowest share price (UK p)	432.56	361.08	297.54

M&G Pan European Select Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	1,749.00	1,494.22	1,257.43
Return before operating charges and after direct portfolio transaction costs	92.34	309.25	287.53
Operating charges	(16.24)	(14.64)	(12.27)
Return after operating charges	76.10	294.61	275.26
Distributions	(44.01)	(39.83)	(38.47)
Closing NAV	1,781.09	1,749.00	1,494.22

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.03	1.94	1.20
Dilution adjustments ^[a]	(0.45)	(1.51)	(0.43)
Total direct portfolio transaction costs	0.58	0.43	0.77

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.06
Operating charges	0.92	0.93	0.93
Return after operating charges	+4.35	+19.72	+21.89
Historic yield ^[c]	2.49	2.29	2.53
Effect on yield of charges offset against capital	0.90	0.90	0.75

Other information

Closing NAV (€'000)	12,397	11,861	10,434
Closing NAV percentage of total fund NAV (%)	3.96	3.45	5.44
Number of shares	624,464	624,535	592,296
Highest share price (UK p)	1,841.23	1,793.53	1,567.15
Lowest share price (UK p)	1,646.62	1,399.96	1,176.61

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	2,013.19	1,680.78	1,377.97
Return before operating charges and after direct portfolio transaction costs	107.31	348.92	316.27
Operating charges	(18.73)	(16.51)	(13.46)
Return after operating charges	88.58	332.41	302.81
Distributions	(32.49)	(28.55)	(42.29)
Retained distributions	32.49	28.55	42.29
Closing NAV	2,101.77	2,013.19	1,680.78

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.19	2.19	1.31
Dilution adjustments ^[a]	(0.52)	(1.71)	(0.47)
Total direct portfolio transaction costs	0.67	0.48	0.84

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.06
Operating charges	0.92	0.93	0.92
Return after operating charges	+4.40	+19.78	+21.98
Historic yield	1.56	1.43	2.48
Effect on yield of charges offset against capital	0.00	0.00	0.75

Other information

Closing NAV (€'000)	9,735	8,393	6,125
Closing NAV percentage of total fund NAV (%)	3.11	2.44	3.19
Number of shares	415,546	383,917	309,100
Highest share price (UK p)	2,129.97	2,026.56	1,722.82
Lowest share price (UK p)	1,904.83	1,574.61	1,289.70

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	172.33	147.60	124.52
Return before operating charges and after direct portfolio transaction costs	9.08	30.50	28.43
Operating charges	(2.04)	(1.84)	(1.54)
Return after operating charges	7.04	28.66	26.89
Distributions	(4.33)	(3.93)	(3.81)
Closing NAV	175.04	172.33	147.60

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.19	0.12
Dilution adjustments ^[a]	(0.04)	(0.15)	(0.04)
Total direct portfolio transaction costs	0.06	0.04	0.08

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.06
Operating charges	1.17	1.18	1.18
Return after operating charges	+4.09	+19.42	+21.59
Historic yield ^[c]	2.49	2.29	2.54
Effect on yield of charges offset against capital	1.15	1.15	1.00

Other information

Closing NAV (€'000)	1,617	238	161
Closing NAV percentage of total fund NAV (%)	0.52	0.07	0.08
Number of shares	828,522	126,927	92,645
Highest share price (UK p)	180.96	176.72	154.82
Lowest share price (UK p)	162.01	138.20	116.39

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	198.62	166.24	136.63
Return before operating charges and after direct portfolio transaction costs	10.58	34.41	31.30
Operating charges	(2.36)	(2.03)	(1.69)
Return after operating charges	8.22	32.38	29.61
Distributions	(2.69)	(2.36)	(4.20)
Retained distributions	2.69	2.36	4.20
Closing NAV	206.84	198.62	166.24

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.12	0.21	0.13
Dilution adjustments ^[a]	(0.05)	(0.17)	(0.05)
Total direct portfolio transaction costs	0.07	0.04	0.08

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.06
Operating charges	1.17	1.18	1.17
Return after operating charges	+4.14	+19.48	+21.67
Historic yield	1.31	1.19	2.49
Effect on yield of charges offset against capital	0.00	0.00	1.00

Other information

Closing NAV (€'000)	4,919	69	126
Closing NAV percentage of total fund NAV (%)	1.57	0.02	0.07
Number of shares	2,133,825	32,120	64,120
Highest share price (UK p)	209.62	199.95	170.42
Lowest share price (UK p)	187.67	155.64	127.73

M&G Pan European Select Fund

Financial highlights

Specific share class performance

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	219.84	189.24	160.46
Return before operating charges and after direct portfolio transaction costs	11.53	38.96	36.50
Operating charges	(3.68)	(3.34)	(2.83)
Return after operating charges	7.85	35.62	33.67
Distributions	(5.51)	(5.02)	(4.89)
Closing NAV	222.18	219.84	189.24
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.13	0.24	0.15
Dilution adjustments ^[a]	(0.06)	(0.19)	(0.05)
Total direct portfolio transaction costs	0.07	0.05	0.10
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.06
Operating charges	1.67	1.68	1.68
Return after operating charges	+3.57	+18.82	+20.98
Historic yield ^[c]	2.49	2.30	2.54
Effect on yield of charges offset against capital	1.65	1.65	1.50
Other information			
Closing NAV (€000)	1,084	1,396	1,401
Closing NAV percentage of total fund NAV (%)	0.35	0.41	0.73
Number of shares	437,874	584,780	627,780
Highest share price (UK p)	229.82	225.48	198.55
Lowest share price (UK p)	206.10	176.96	149.64

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	453.67	381.62	315.23
Return before operating charges and after direct portfolio transaction costs	24.05	78.80	71.95
Operating charges	(7.62)	(6.75)	(5.56)
Return after operating charges	16.43	72.05	66.39
Distributions	(3.82)	(3.25)	(9.63)
Retained distributions	3.82	3.25	9.63
Closing NAV	470.10	453.67	381.62
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.27	0.49	0.30
Dilution adjustments ^[a]	(0.12)	(0.39)	(0.11)
Total direct portfolio transaction costs	0.15	0.10	0.19
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.06
Operating charges	1.67	1.68	1.68
Return after operating charges	+3.62	+18.88	+21.06
Historic yield	0.82	0.72	2.48
Effect on yield of charges offset against capital	0.00	0.00	1.50
Other information			
Closing NAV (€000)	796	928	886
Closing NAV percentage of total fund NAV (%)	0.25	0.27	0.46
Number of shares	151,966	188,287	196,909
Highest share price (UK p)	476.44	456.77	391.29
Lowest share price (UK p)	427.47	356.83	294.03

US dollar Class 'A' Accumulation share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,200.68	1,030.40	996.97
Return before operating charges and after direct portfolio transaction costs	77.20	187.41	49.81
Operating charges	(21.23)	(17.13)	(16.38)
Return after operating charges	55.97	170.28	33.43
Distributions	(10.21)	(9.26)	(26.15)
Retained distributions	10.21	9.26	26.15
Closing NAV	1,256.65	1,200.68	1,030.40
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.74	1.26	0.88
Dilution adjustments ^[a]	(0.32)	(0.98)	(0.32)
Total direct portfolio transaction costs	0.42	0.28	0.56
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.06
Operating charges	1.67	1.68	1.67
Return after operating charges	+4.66	+16.53	+3.35
Historic yield	0.83	0.77	2.48
Effect on yield of charges offset against capital	0.00	0.00	1.50
Other information			
Closing NAV (€000)	535	350	134
Closing NAV percentage of total fund NAV (%)	0.17	0.10	0.07
Number of shares	49,680	34,537	14,465
Highest share price (US ¢)	1,376.08	1,209.66	1,051.19
Lowest share price (US ¢)	1,192.75	925.60	871.33

US dollar Class 'C' Accumulation share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,228.94	1,046.67	1,005.13
Return before operating charges and after direct portfolio transaction costs	78.35	192.46	50.54
Operating charges	(11.72)	(10.19)	(9.00)
Return after operating charges	66.63	182.27	41.54
Distributions	(20.06)	(17.41)	(26.55)
Retained distributions	20.06	17.41	26.55
Closing NAV	1,295.57	1,228.94	1,046.67
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.74	1.35	0.94
Dilution adjustments ^[a]	(0.32)	(1.05)	(0.34)
Total direct portfolio transaction costs	0.42	0.30	0.60
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.06
Operating charges	0.92	0.93	0.91
Return after operating charges	+5.42	+17.41	+4.13
Historic yield	1.58	1.42	2.48
Effect on yield of charges offset against capital	0.00	0.00	0.75
Other information			
Closing NAV (€000)	1,455	24,873	5
Closing NAV percentage of total fund NAV (%)	0.46	7.24	0.00
Number of shares	131,067	2,399,906	500
Highest share price (US ¢)	1,412.38	1,237.37	1,067.64
Lowest share price (US ¢)	1,220.83	941.99	881.41

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

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

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

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Statement of total return

for the year to 31 August	Note	2018		2017	
		€'000	€'000	€'000	€'000
Income					
Net capital gains / (losses)	3		17,644		24,510
Revenue	5	8,764		7,493	
Expenses	6	(5,051)		(4,081)	
Net revenue / (expense) before taxation		3,713		3,412	
Taxation	7	(586)		(504)	
Net revenue / (expense) after taxation			3,127		2,908
Total return before distributions			20,771		27,418
Distributions	8		(4,679)		(4,460)
Change in net assets attributable to shareholders from investment activities			16,092		22,958

Statement of change in net assets attributable to shareholders

for the year to 31 August		2018		2017	
		€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders					
			343,454		191,928
Amounts received on issue of shares		39,607		162,112	
Amounts paid on cancellation of shares		(88,356)		(36,017)	
			(48,749)		126,095
Dilution adjustments			112		332
Change in net assets attributable to shareholders from investment activities (see above)			16,092		22,958
Retained distributions on Accumulation shares			2,143		2,116
Unclaimed distributions			11		25
Closing net assets attributable to shareholders			313,063		343,454

Balance sheet

as at 31 August	Note	2018	2017
		€'000	€'000
Assets			
Fixed assets			
Investments		312,017	330,181
Current assets			
Debtors	9	1,614	3,050
Cash and bank balances	10	135	998
Cash equivalents		3,640	12,697
Total assets		317,406	346,926
Liabilities			
Creditors			
Bank overdrafts		(1,983)	0
Distribution payable		(1,918)	(1,875)
Other creditors	11	(442)	(1,597)
Total liabilities		(4,343)	(3,472)
Net assets attributable to shareholders		313,063	343,454

Notes to the financial statements

1 Accounting policies

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

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

2 Distribution policy

In determining the amount available for reinvestment to Accumulation shares, all expenses with the exception of the annual management charge, administration charge and overdraft interest are offset against capital, increasing the amount available for reinvestment whilst restraining capital performance to an equivalent extent.

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

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

3 Net capital gains / (losses)

for the year to 31 August	2018	2017
	€'000	€'000
Non-derivative securities	17,933	24,856
Currency gains / (losses)	(285)	(338)
Transaction charges	(4)	(8)
Net capital gains / (losses)	17,644	24,510

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4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 162 and 163.

for the year to 31 August	2018 €'000	% of transaction	2017 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	59,199		171,025	
Commissions	24	0.04	66	0.04
Taxes	128	0.22	214	0.13
Equities after transaction costs	59,351		171,305	
Other transaction types				
Corporate actions	0		5,020	
Total purchases after transaction costs	59,351		176,325	
b) Sales				
Equities				
Equities before transaction costs	94,700		57,614	
Commissions	(41)	0.04	(44)	0.08
Equities after transaction costs	94,659		57,570	
Other transaction types				
Corporate actions	0		2,813	
Total sales after transaction costs	94,659		60,383	
c) Direct portfolio transaction costs				
	2018 €'000	% of average NAV	2017 €'000	% of average NAV
Commissions paid				
Equities	65	0.02	110	0.04
Taxes paid				
Equities	128	0.04	214	0.08
Total direct portfolio transaction costs [a]	193	0.06	324	0.12
d) Indirect portfolio transaction costs				
		%		%
Portfolio dealing spread [b]		0.07		0.05

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

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

5 Revenue

for the year to 31 August	2018 €'000	2017 €'000
Bank interest	0	1
Dividends from equity investments: non-taxable	7,890	6,221
Dividends from equity investments: taxable	267	412
Interest distributions	25	17
Interest on withholding tax previously withheld at source	0	14
Stock dividends	582	828
Total revenue	8,764	7,493

6 Expenses

for the year to 31 August	2018 €'000	2017 €'000
for the year to 31 August		
Payable to the ACD or associate		
Annual management charge	4,469	3,616
Administration charge	493	396
	4,962	4,012
Payable to the Depositary or associate		
Depositary's charge (including VAT)	25	21
Other expenses		
Audit fee (including VAT)	10	9
Interest payable	20	10
Safe custody charge	34	29
	64	48
Total expenses	5,051	4,081

7 Taxation

for the year to 31 August	2018 €'000	2017 €'000
for the year to 31 August		
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	586	504
Deferred tax (note 7c)	0	0
Total taxation	586	504
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	3,713	3,412
Corporation tax at 20%	743	682
Effects of:		
Dividends from equity investments: non-taxable	(1,578)	(1,244)
Stock dividends not taxable	(117)	(166)
Current year expenses not utilised	952	728
Withholding tax	586	504
Total tax charge (note 7a)	586	504
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of €7,103,000 (2017: €6,151,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

for the year to 31 August	2018		2017	
	Inc [a] €'000	Acc [b] €'000	Inc [a] €'000	Acc [b] €'000
Dividend distributions				
Interim	471	18	459	16
Final	1,918	2,125	1,875	2,100
Total net distributions		4,532		4,450
Income deducted on cancellation of shares		164		74
Income received on issue of shares		(17)		(64)
Distributions		4,679		4,460
Net revenue / (expense) per statement of total return				
		3,127		2,908
Expenses offset against capital				
		1,552		1,552
Distributions		4,679		4,460

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

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9 Debtors

as at 31 August	2018 €'000	2017 €'000
Amounts receivable on issues of shares	0	1,375
Currency deals outstanding	59	77
Distributions receivable	0	2
Dividends receivable	321	503
Withholding tax recoverable	1,234	1,093
Total debtors	1,614	3,050

10 Cash and bank balances

as at 31 August	2018 €'000	2017 €'000
Cash held as bank balances	135	998
Total cash and bank balances	135	998

11 Other creditors

as at 31 August	2018 €'000	2017 €'000
ACD's annual management charge payable	210	218
Administration charge payable	23	24
Amounts payable on cancellation of shares	133	1,260
Currency deals outstanding	59	77
Expenses payable	17	18
Total other creditors	442	1,597

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2017: same).

13 Shares in issue

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

Share class	Opening 01.09.17	Movements		Closing 31.08.18
		Issued	Cancelled	
Euro				
Class 'A' Accumulation	6,188,518	360,311	(1,196,451)	5,352,378
Class 'B' Accumulation	4,880	62,263	(4,410)	62,733
Class 'C' Accumulation	1,073,257	695,070	(218,027)	1,550,300
Sterling				
Class 'A' Income	35,903,665	285,636	(4,142,057)	32,047,244
Class 'A' Accumulation	12,735,111	10,757	(3,113,566)	9,632,302
Class 'I' Income	624,535	43,525	(43,596)	624,464
Class 'I' Accumulation	383,917	242,615	(210,986)	415,546
Class 'R' Income	126,927	852,446	(150,851)	828,522
Class 'R' Accumulation	32,120	2,132,247	(30,542)	2,133,825
Class 'X' Income	584,780	2,685	(149,591)	437,874
Class 'X' Accumulation	188,287	351	(36,672)	151,966
US dollar				
Class 'A' Accumulation	34,537	107,414	(92,271)	49,680
Class 'C' Accumulation	2,399,906	46,724	(2,315,563)	131,067

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %
Euro			
Class 'A'	5.25	n/a	1.50
Class 'B'	n/a	n/a	2.00
Class 'C'	3.25	n/a	0.75
Sterling			
Class 'A'	nil	n/a	1.50
Class 'I'	nil	n/a	0.75
Class 'R'	nil	n/a	1.00
Class 'X'	nil	n/a	1.50
US dollar			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75

15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 0.00% (2017: 9.66%) of the fund's shares.

16 Events after the balance sheet date

As a result of the Extraordinary General Meetings of Shareholders held on 4 October 2018, the non-sterling share classes of the M&G Pan European Select Fund will be merged into corresponding share classes of M&G (Lux) Pan European Select Fund.

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17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 August Basis of valuation	Assets	Liabilities	Assets	Liabilities
	2018 €'000	2018 €'000	2017 €'000	2017 €'000
Level 1	312,017	0	330,181	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	312,017	0	330,181	0

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by €15,601,000 (2017: €16,509,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by €15,653,000 (2017: €17,173,000). A five per cent decrease would have an equal and opposite effect.

as at 31 August	2018 €'000	2017 €'000
Currency exposure in respect of the fund		
Danish krone	61,510	51,663
Euro	153,669	160,628
Norwegian krone	15,334	12,580
Sterling	59,376	85,124
Swedish krona	0	5,725
Swiss franc	23,174	26,308
US dollar	0	1,426
Total	313,063	343,454

21 Interest rate risk sensitivity and exposure

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

22 Credit risk

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

23 Dividend distribution tables

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

Semi-annual distribution periods				
	Start	End	Xd	Payment
Interim	01.09.17	28.02.18	01.03.18	30.04.18
Final	01.03.18	31.08.18	03.09.18	31.10.18

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

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

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

Euro Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
Interim	€	€	€	€
Interim	0.0000	0.0000	0.0000	0.0000
Final	9.4684	7.4847	16.9531	13.7061

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23 Dividend distribution tables (continued)

Euro Class 'B' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	€	€	€	€
Interim	0.0000	0.0000	0.0000	0.0000
Final	3.9363	0.0000	3.9363	2.8767

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	€	€	€	€
Interim	0.8062	0.0000	0.8062	1.1709
Final	26.5784	9.3087	35.8871	30.5150

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	p	p	p	p
Interim	0.8824	0.1639	1.0463	0.9111
Final	3.1555	1.3643	4.5198	4.1634

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	p	p	p	p
Interim	0.0000	0.0000	0.0000	0.0000
Final	2.6975	1.1682	3.8657	3.2942

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	p	p	p	p
Interim	5.0116	3.2411	8.2527	7.1368
Final	19.4639	16.2947	35.7586	32.6888

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	p	p	p	p
Interim	0.7025	0.0000	0.7025	0.8099
Final	16.0792	15.7094	31.7886	27.7394

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	p	p	p	p
Interim	0.3689	0.4436	0.8125	0.7046
Final	2.5222	0.9947	3.5169	3.2233

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	p	p	p	p
Interim	0.0000	0.0000	0.0000	0.0000
Final	1.6088	1.0853	2.6941	2.3574

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	p	p	p	p
Interim	0.7573	0.2775	1.0348	0.9004
Final	1.7355	2.7350	4.4705	4.1179

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	p	p	p	p
Interim	0.0000	0.0000	0.0000	0.0000
Final	3.8203	0.0000	3.8203	3.2542

US dollar Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	€	€	€	€
Interim	0.0000	0.0000	0.0000	0.0000
Final	4.7168	5.4945	10.2113	9.2616

US dollar Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	Distribution 2017
	€	€	€	€
Interim	0.4599	0.0000	0.4599	0.4794
Final	7.3045	12.2906	19.5951	16.9324

M&G Pan European Select Fund

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M&G Pan European Select Smaller Companies Fund

Authorised Corporate Director's Report

Investment objective and policy up to 24 May 2018

The fund invests in smaller companies in Europe, with the sole objective of long term capital growth. It will invest wholly or mainly in securities of European companies which constitute the bottom third in terms of total market capitalisation of all publicly listed equity in Europe. When not wholly invested as above, the fund may only invest in medium and larger capitalised companies in order to enhance the liquidity of the fund.

Investment approach up to 24 May 2018

The M&G European Smaller Companies Fund invests in smaller quality companies, with advantageous characteristics, or 'economic moats', to protect their profitability and an element of change helping to drive their value. Importantly, the fund manager invests in businesses where short-term 'disruptions' have provided a clear valuation opportunity, and will engage with management where appropriate, to help bring about positive change.

The fund manager believes that a focus on both quality and value offers a powerful combination, providing the long-term growth in returns that quality businesses can deliver, as well as the potential boost to a company's share price when a 'disruption' has been resolved and the shares revert to a more appropriate level. Key to his approach is remaining patient and taking a long-term view, both in the entry and exit points of the fund's holdings. The fund manager keeps the portfolio focused, generally holding fewer than 50 well-understood stocks from a diverse universe of smaller companies, which is often less well-covered and understood than a universe of larger businesses.

Holdings in the fund generally fall into one of two 'buckets' – 'stable growth' and 'opportunities'. The manager sees stable growth companies as those that generate high levels of cash with a visible reinvestment plan, and represent lower business risk. Opportunities companies tend to be improving their returns on capital, have more potential for internal change and are more attractively valued at the point of investment.

Investment objective from 25 May 2018

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

Investment policy from 25 May 2018

The fund will invest at least 80% in the equities of European smaller companies, from the bottom third (by total market capitalisation) of all publicly listed equities in Europe including the UK.

The fund has a concentrated portfolio and usually holds fewer than 45 stocks.

The fund uses an investment process that is based on the fundamental analysis of competitively advantaged companies with sustainable business models.

Sustainability considerations play an important role in determining the investment universe and assessing business models. Companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment and anti-corruption are excluded from the investment universe. Companies involved in the production of tobacco and controversial weapons are also excluded.

The fund may also invest in collective investment schemes, including funds managed by M&G, other transferable securities and warrants. Cash and near cash may be held for ancillary purposes and derivatives may be used for efficient portfolio management and hedging purposes.

Investment approach from 25 May 2018

The Fund makes long-term investments in smaller companies with sustainable business models and competitively advantageous characteristics to protect their profitability. Importantly, the fund manager invests in businesses where short-term issues have provided a clear valuation opportunity.

Sustainability considerations are fully integrated into the investment process.

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

Risk profile

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

The fund's focus is on smaller companies where the share price movement can be more unpredictable and the shares more difficult to buy and sell compared to those of larger companies. Diversification across countries, industries and market capitalisation is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

M&G Pan European Select Smaller Companies Fund

Authorised Corporate Director's Report

Investment review

As at 3 September 2018, for the year ended 31 August 2018

Performance against objective

Between 1 September 2017 (the start of the review period) and 3 September 2018, the M&G Pan European Select Smaller Companies Fund (formerly the M&G European Smaller Companies Fund) declined across all of its share classes. All share classes finished behind the comparative index, the EMIX Smaller European Companies Index*. Over the 12 months, returns from the index were 5.7%, 7.2% and 5.0% in sterling, euros and US dollars, respectively.

On 25 May 2018, the fund changed its name, objective and policy. We believe the fund name change better reflects the concentrated nature of the portfolio and the type of companies in which it invests – quality, sustainable businesses from across Europe, including the UK. The change to fund objective also introduced a performance comparator, the EMIX Smaller European Companies Index.

The fund's new objective is to outperform the EMIX Smaller European Companies Index, net of the ongoing charges figure, over any five-year period. The past performance achieved before the change in May 2018 was therefore attained under circumstances that no longer apply.

* 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.

Investment performance

The 12 months under review was a turbulent period for European stocks. Markets were shaky as we began the review period, as investors grappled with a number of issues, including a series of destructive hurricanes, ongoing tensions with North Korea and the outlook for interest rates on both sides of the Atlantic. As some of these concerns dissipated and the mood improved, various markets went on to reach record highs. Investor sentiment was supported by solid earnings and robust economic growth, with the overall global macroeconomic environment continuing to improve. Markets were further boosted near the end of 2017 by hopes for US tax reforms, and a somewhat euphoric mood took us into the New Year.

As we moved into February, however, markets moved violently at a level not experienced since the Chinese stockmarket rout in 2015, before a degree of calm eventually returned. Wild market swings were apparently triggered by a pick-up in wage inflation in the US, which led to rising interest rate expectations. The subsequent market reaction was extreme, giving back those euphoric gains from January.

Markets further declined as investor sentiment became dominated by fears that import tariffs announced by the US would precipitate an all-out trade war with China. This became a recurring theme, with various regions and sectors falling under President Trump's tariff spotlight, causing wide fluctuations in sentiment depending on the perception of how positively, or not, trade talks were progressing. This had a particularly negative effect on the European automotive industry, as fresh tariffs were announced on cars imported from the European Union.

We also saw geopolitical tensions in the Middle East, as well as difficulties in Spain, Italy, Germany and Turkey, the latter of which experienced a meltdown in its currency that drove a wave of risk aversion, hitting banks particularly hard. In the UK, meanwhile, 'Brexit' uncertainties continued to weigh on investors' minds. Despite this

varied newsflow hitting short-term sentiment, European markets managed to finish the period under review in positive territory, with smaller companies outpacing the wider European universe.

Against this background, and given the strengthening of the oil price, the oil & gas sector was the standout performer for the period under review, followed by technology and healthcare – in a difficult year for the fund, stock selection within all three sectors weighed on returns, as did selection within the industrial and consumer goods sectors.

At an individual stock level, the largest detractor to performance was German household goods manufacturer Leifheit. The company is one of Europe's leading suppliers of cleaning, laundry care, kitchen and wellbeing products. Over the past few years, Leifheit has re-positioned itself from an engineering firm into a consumer brand business, while delivering a series of operational successes. During the period under review, however, it missed industry estimates, publishing underwhelming results, and its share price steadily eroded as investor confidence in the business waned. We prefer to look at the long-term potential of the business and have maintained our belief in the long-run prospects for the business.

Targeted web advertising specialist Criteo weighed on performance as well, its shares having gone through a rough period after Apple introduced 'intelligent tracking prevention' (ITP), which some investors speculated would be damaging to Criteo's business model. Its shares subsequently strengthened as we moved through the period under review, as investors realised this was not the case (but the share price remained below its previous level). We did not believe ITP would be a problem for the company, and because of its position in the market, would actually strengthen its competitive advantages.

Other significant detractors included retail pet specialist Pets at Home and addiction cessation drug maker Indivior, both UK-listed companies. Pets at Home's share price fell sharply after it reported a reduction in full-year profits despite robust growth in revenue, as it had cut prices in an effort to counter competition. There were also questions raised about the veterinary clinic side of its business. After the initial price fall, its shares then continued to drift downward, as investor sentiment in the company remained subdued. Shares in Indivior, meanwhile, fell sharply after the company warned that it would miss its full-year profit target, as its best-selling opioid addiction drug Suboxone Film was facing new competitors in the US, as well as slower early uptake of its new injectable treatment Sublocade. Indivior's shares had been under pressure before this, particularly hard hit on news that Indian drug maker Dr Reddy's was set to launch its own generic version of Suboxone Film.

On the upside, a number of stocks were supportive of relative returns, but did not counterbalance the stock-specific laggards that weighed on performance. The fund's largest contributor was German online brokerage leader FinTech Group. The company has continued to follow through on its operational plans, and investors are realising the potential of the business. This perception has been aided by Brexit, as FinTech is one of the largest online brokers in Germany and stands to benefit from business shifting from London to Frankfurt – a potential outcome of Britain's vote to leave the European Union. Other supportive holdings included Austria-based directional drilling equipment maker Schoeller-Bleckmann Oilfield, which benefited from the higher oil price, and Norwegian maritime services, defence and technology firm Kongsberg Gruppen, which delivered ongoing operational success, including a cooperation agreement with Qatari authorities over technology development programmes. We eventually sold our shares in Kongsberg on valuation grounds.

M&G Pan European Select Smaller Companies Fund

Authorised Corporate Director's Report

Investment review

Investment activities

We run a concentrated portfolio of fewer than 45 holdings, maintaining a watchlist of around 200 quality, sustainable companies that we would like to own when the timing and price are right. We monitor our watchlist closely, waiting patiently for short-term issues, or 'disruptions', to create buying opportunities.

During the review period, 10 such opportunities presented themselves, the first being Georgia's second-largest lender Bank of Georgia. We believe the bank is run by a solid, shareholder-friendly management team, punctuated by a good governance framework and long-term incentives. The bank's investment arm is also widely diversified, buying businesses across healthcare, power, water and elsewhere, helping to drive improvement in Georgian infrastructure. During the period the bank spun off its investment arm to form Georgia Capital – we now own the shares in Georgia Capital and have sold the shares in Bank of Georgia.

We invested in French consumer products company Société BIC, best known for producing lighters, pens and razors. We think Société BIC operates under a strong company culture with very little bureaucracy, concentrated on innovation and service delivery for its customers – it benefits from scale advantages, manufacturing expertise and a unique distribution channel, all of which help to protect its competitive advantages. The company is also very focused on both its employees and the environment – with clear targets for internal promotion and fuel efficiency, for example – as well as governance, where it is highly disciplined on cash and capital allocation.

We purchased shares in international payments specialist Earthport. A financial services business, the company provides cross-border payment services to business enterprises and banks. Its payments solution connects international payment and local infrastructures to provide clients access to global payment options through a managed service.

We established a holding in Denmark-listed facility services business ISS. Founded in 1901, the company is one of only two global players that can provide complete services across the full range of facility management – this includes cleaning, catering, security, energy management and so on. As customers are increasingly moving towards more integrated services, this provides the company with powerful competitive advantages.

We bought shares in UK-based funeral services provider Dignity. The company has a leading position in the fragmented UK funeral services market, where most businesses are smaller, local operations, giving the company clear scale advantages. Dignity also operates its own crematoria, which provides a distinct competitive advantage.

We opened a position in high performance off-road motorbike specialist KTM Industries. Winner of 17 consecutive Paris Dakar Rallies, KTM has a very strong brand and advanced engine technology that helps to protect it from competition. The company has recently partnered with Indian company Bajaj, opening up a powerful distribution platform in India, with plans for a similar partnership in China.

We invested in Dutch multi-industrial company Aalberts Industries. Aalberts has operations in a variety of niche categories, its main business segments being valves and fittings (which are used in commercial and residential plumbing systems as well as in industrial applications) and hydronic systems (which provide cool and hot air around a building). These are highly engineered products, with a strong reputation for quality and ease of use among tradesmen and building specifiers.

We also established a holding in Swiss industrial valve manufacturer VAT Group. The company is the global leader in vacuum valves, 'mission critical' for the production of semiconductors, which require exacting environmental control within their production environment.

Finally we opened a position in Sweden-based cash handling business Loomis. The company provides intelligent safes, cash in transit, cash collection, and cash processing solutions for retailers, banks and the public sector.

Conversely, we closed 14 positions during the period under review. These included Austrian construction company Porr, Danish branded jewellery creator Pandora, Irish building materials company Kingspan Group, Swiss niche technology and electronics developer Comet and Dublin-based global healthcare services group UDG Healthcare. Our divestments funded the purchases of our new holdings, with the decision to sell made on valuation grounds in some cases, and in others, where we had lost faith in the investment case for the businesses.

Outlook

We think that the growth part of market has continued to do well on the back of earnings upgrades, and we are happy to allow our holdings in this space to rise with the tide. As some growth areas of the market are starting to look crowded, though, we are not currently looking to invest new money there.

Meanwhile, any stock reporting an earnings downgrade has been hit hard, with the market being totally unforgiving; this is more interesting for smaller company investors, especially if we bear in mind that the economic recovery is relatively recent in Europe and that there will be pauses on the way. With this in mind, the more boring the company the more interested we are, as evidenced by the purchase of the Danish facilities management company ISS at the beginning of the year, while a few countries have also attracted our attention. Spain and Italy, in particular, are throwing up opportunities given the recent political turmoil. Otherwise, both Eastern Europe and the UK remain on our radar.

Short-term underperformance is frustrating, and we have had a difficult year where some of our holdings have been punished by an unforgiving market. We remain confident in the quality of our holdings, though, and firmly believe that they will generate long-term value for the fund. As long-term investors, this is our focus, and we continue to be optimistic about their prospects.

Michael Oliveros
Fund manager

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

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

M&G Pan European Select Smaller Companies Fund

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Investments

Portfolio statement

as at 31 August Holding	2018 €'000	2018 %	2017 %
EQUITIES	190,041	97.14	97.53
Oil & gas producers	0	0.00	0.78
Oil equipment, services & distribution	4,605	2.35	2.52
49,407 Schoeller Bleckmann Oilfield	4,605	2.35	
Chemicals	0	0.00	2.13 ^[a]
Construction & materials	0	0.00	5.43
Aerospace & defence	0	0.00	2.02
Electronic & electrical equipment	3,042	1.55	3.74
149,462 EVS Broadcast Equipment	3,042	1.55	
Industrial engineering	22,902	11.71	10.26
101,104 Aalberts Industries	3,719	1.90	
109,330 Cargotec	4,539	2.32	
707,043 Deutz	5,374	2.75	
356,268 Oerlikon	4,462	2.28	
43,301 VAT Group	4,808	2.46	
Industrial transportation	8,446	4.31	4.46
28,429 ID Logistics	4,310	2.20	
181,251 Logista	4,136	2.11	
Support services	27,366	13.99	4.51 ^[a]
75,594 DCC	5,898	3.02	
2,634,846 Equiniti	6,476	3.31	
200,566 ISS	6,037	3.09	
202,020 Loomis	5,681	2.90	
222,745 TAKKT	3,274	1.67	
Automobiles & parts	4,613	2.36	0.00
64,530 KTM Industries	4,613	2.36	
Food producers	5,607	2.87	1.78
1,023,190 Origin Enterprises	5,607	2.87	
Household goods & home construction	14,934	7.63	5.75
310,325 Arbonia	4,096	2.09	
25,484 Cairn Homes (Ireland)	40	0.02	
2,225,839 Cairn Homes (UK)	3,548	1.81	
160,911 Leifheit	2,990	1.53	
53,893 Société BIC	4,260	2.18	
Leisure goods	5,332	2.73	2.13
263,215 Thule Group	5,332	2.73	
Personal goods	3,460	1.77	3.61
50,706 HUGO BOSS	3,460	1.77	
Healthcare equipment & services	4,233	2.16	3.94
561,955 Medicover	4,233	2.16	
Pharmaceuticals & biotechnology	11,029	5.63	7.63 ^[a]
28,179 ALK-Abelló	4,437	2.27	
1,016,022 Indivior	3,061	1.56	
568,624 MagForce	3,531	1.80	
Food & drug retailers	6,105	3.12	2.08
120,016 Galenica	6,105	3.12	
General retailers	19,152	9.79	10.41
741,204 AcadeMedia	3,280	1.68	
350,050 Dignity	4,003	2.05	
3,141,845 Pets at Home	4,062	2.07	
337,416 WHSmith	7,807	3.99	
Media	4,490	2.30	2.37 ^[a]
117,920 CTS EVENTIM	4,490	2.30	
Banks	5,447	2.78	1.96
772,103 Bank of Ireland	5,447	2.78	

Portfolio statement (continued)

as at 31 August Holding	2018 €'000	2018 %	2017 %
Non-life insurance	3,900	1.99	2.55
241,333 Jardine Lloyd Thompson Group	3,900	1.99	
Financial services	11,805	6.04	6.65
183,880 FinTech Group	5,241	2.68	
467,023 Georgia Capital	5,330	2.72	
132,713 MyBucks	1,234	0.64	
Software & computer services	18,493	9.46	8.70
181,149 Criteo ADR	3,948	2.02	
14,839,832 Earthport	1,654	0.85	
301,232 EMIS Group	3,156	1.61	
337,978 Indra Sistemas	3,593	1.84	
39,911 Sopra Steria	6,142	3.14	
Technology hardware & equipment	5,080	2.60	2.12
75,282 ams	5,080	2.60	
Portfolio of investments	190,041	97.14	97.53
CASH EQUIVALENTS	6,871	3.51	3.24
'AAA' rated money market funds ^[b]	6,871	3.51	3.24
6,987,240 Northern Trust Global Fund - Euro	6,871	3.51	
Total portfolio (notes 2c & 2d on page 7)	196,912	100.65	100.77
Net other assets / (liabilities)	(1,271)	(0.65)	(0.77)
Net assets attributable to shareholders	195,641	100.00	100.00

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

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

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

Top ten portfolio transactions

for the year to 31 August 2018

Largest purchases	€'000
ISS	6,278
Loomis	6,012
Société BIC	5,145
VAT Group	4,959
KTM Industries	4,628
Georgia Capital	4,568
Dignity	4,110
Aalberts Industries	4,064
Bank of Georgia	3,799
Pets at Home	3,694
Other purchases	49,720
Total purchases	96,977
Largest sales	€'000
Kongsberg Gruppen	4,756
Frutarom Industries	4,244
UDG Healthcare	4,191
LISI	4,097
FinTech Group	3,537
Jungheinrich Pref. (non-voting)	3,523
Comet	3,331
Kingspan Group	3,182
Mutares	3,138
Técnicas Reunidas	2,858
Other sales	38,473
Total sales	75,330

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

M&G Pan European Select Smaller Companies Fund

Financial highlights

Fund performance

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

The following chart and tables show the performance for two of the fund's share classes – Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

We show performance for these two share classes because:

- The performance of the Sterling Class 'A' (Accumulation) share is what most individuals investing directly with M&G have received. It has the highest ongoing charge of all the sterling share classes. Performance is shown after deduction of this charge. All UK investors in the fund therefore received this performance or better.
- The performance of the Sterling Class 'I' (Accumulation) share is the most appropriate to compare with the average performance of the fund's comparative sector. It is the share class used by the Investment Association in the calculation of the comparative sector's average performance. This share class is available for direct investment with M&G subject to minimum investment criteria, or via third parties who may charge additional fees. The performance shown takes the deduction of the ongoing charge for this share class into account but it does not take account of charges applied by any other party through which you may have 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 (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
	2018	2017	2016
as at 31 August	€'000	€'000	€'000
Fund net asset value (NAV)	195,641	180,695	140,323

Performance since launch

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



The fund's Sterling Class 'I' (Accumulation) shares were launched on 3 August 2012. Performance data shown prior to this date is that of the fund's Sterling Class 'A' (Accumulation) shares.

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

	Long-term performance by share class			
	One year 01.09.17 % [a]	Three years 03.09.15 % p.a.	Five years 03.09.13 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	-3.2	+5.3	+8.5	+7.6 [c]
Class 'C'	-2.5	+6.1	+9.3	+8.4 [c]
Sterling [d]				
Class 'A'	-5.3	+12.8	+9.9	+10.4 [e]
Class 'I'	-4.6	+13.6	+10.7	+14.8 [f]
Class 'R'	-4.8	+13.3	+10.4	+14.5 [f]
Class 'X'	-5.3	+12.8	+9.9	+13.3 [g]
US dollar [b]				
Class 'A'	-5.7	+6.6	n/a	+5.4 [h]
Class 'C'	-4.9	+7.4	n/a	+6.2 [h]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 28 November 2001, the launch date of the share class.

[d] Price to price with income reinvested.

[e] 30 September 1996, the end of the initial offer period of the predecessor unit trust.

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

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

[h] 8 August 2014, the launch date of the share class.

M&G Pan European Select Smaller Companies 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, comprising operating charges and portfolio transaction costs.

Operating charges

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

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

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

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

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

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

Portfolio transaction costs

for the year to 31 August	2018	2017	2016	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.04	0.03	0.14	0.07
Taxes	0.09	0.05	0.10	0.08
Costs before dilution adjustments	0.13	0.08	0.24	0.15
Dilution adjustments ^[c]	(0.04)	(0.03)	(0.04)	(0.04)
Total direct portfolio transaction costs	0.09	0.05	0.20	0.11
as at 31 August	2018	2017	2016	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.31	0.25	0.28	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. Please see the section above this table for an explanation of dilution adjustments.

M&G Pan European Select Smaller Companies Fund

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Specific share class performance

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

Historic yields for the current year are calculated as at 14 September 2018.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	3,525.70	2,986.95	2,913.17
Return before operating charges and after direct portfolio transaction costs	(65.45)	594.80	123.09
Operating charges	(60.86)	(56.05)	(49.31)
Return after operating charges	(126.31)	538.75	73.78
Distributions	(2.50)	(6.84)	(18.19)
Retained distributions	2.50	6.84	18.19
Closing NAV	3,399.39	3,525.70	2,986.95
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	4.69	2.65	6.89
Dilution adjustments ^[a]	(1.32)	(0.99)	(1.30)
Total direct portfolio transaction costs	3.37	1.66	5.59
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.05	0.20
Operating charges	1.68	1.68	1.69
Return after operating charges	-3.58	+18.04	+2.53
Historic yield	0.07	0.19	0.60
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	11,504	18,461	13,935
Closing NAV percentage of total fund NAV (%)	5.88	10.22	9.93
Number of shares	338,426	523,605	466,517
Highest share price (Euro ¢)	3,808.35	3,639.00	3,159.54
Lowest share price (Euro ¢)	3,380.49	2,918.05	2,560.14

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	3,957.93	3,327.96	3,221.24
Return before operating charges and after direct portfolio transaction costs	(75.31)	664.45	137.14
Operating charges	(37.92)	(34.48)	(30.42)
Return after operating charges	(113.23)	629.97	106.72
Distributions	(33.41)	(35.49)	(44.78)
Retained distributions	33.41	35.49	44.78
Closing NAV	3,844.70	3,957.93	3,327.96
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	5.28	2.94	7.67
Dilution adjustments ^[a]	(1.49)	(1.10)	(1.45)
Total direct portfolio transaction costs	3.79	1.84	6.22
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.05	0.20
Operating charges	0.93	0.93	0.94
Return after operating charges	-2.86	+18.93	+3.31
Historic yield	0.88	0.89	1.33
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	544	727	666
Closing NAV percentage of total fund NAV (%)	0.28	0.40	0.48
Number of shares	14,152	18,372	20,007
Highest share price (Euro ¢)	4,287.80	4,075.65	3,500.38
Lowest share price (Euro ¢)	3,822.24	3,255.55	2,840.49

Sterling Class 'A' Income share performance

The share class was launched on 30 September 1996.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	414.01	328.76	278.80
Return before operating charges and after direct portfolio transaction costs	(18.29)	98.88	56.95
Operating charges	(6.85)	(6.28)	(4.96)
Return after operating charges	(25.14)	92.60	51.99
Distributions	(7.10)	(7.35)	(2.03)
Closing NAV	381.77	414.01	328.76
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.53	0.30	0.69
Dilution adjustments ^[a]	(0.15)	(0.11)	(0.13)
Total direct portfolio transaction costs	0.38	0.19	0.56
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.05	0.20
Operating charges	1.68	1.68	1.69
Return after operating charges	-6.07	+28.17	+18.65
Historic yield ^[c]	1.87	1.78	0.61
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (€'000)	82,301	94,287	83,808
Closing NAV percentage of total fund NAV (%)	42.07	52.18	59.73
Number of shares	19,341,487	20,972,892	21,621,923
Highest share price (UK p)	431.14	423.28	337.13
Lowest share price (UK p)	386.22	326.86	259.82

M&G Pan European Select Smaller Companies Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 30 September 1996.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	443.04	345.71	291.37
Return before operating charges and after direct portfolio transaction costs	(19.53)	103.94	59.53
Operating charges	(7.33)	(6.61)	(5.19)
Return after operating charges	(26.86)	97.33	54.34
Distributions	(0.31)	(0.86)	(2.12)
Retained distributions	0.31	0.86	2.12
Closing NAV	416.18	443.04	345.71

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.57	0.31	0.73
Dilution adjustments ^[a]	(0.16)	(0.12)	(0.14)
Total direct portfolio transaction costs	0.41	0.19	0.59

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.05	0.20
Operating charges	1.68	1.68	1.69
Return after operating charges	-6.06	+28.15	+18.65
Historic yield	0.07	0.19	0.61
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (€'000)	21,118	30,550	23,174
Closing NAV percentage of total fund NAV (%)	10.79	16.91	16.52
Number of shares	4,552,703	6,349,972	5,685,714
Highest share price (UK p)	461.41	445.08	352.33
Lowest share price (UK p)	413.34	343.71	271.54

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	2,262.32	1,782.92	1,511.79
Return before operating charges and after direct portfolio transaction costs	(100.49)	538.44	310.47
Operating charges	(20.82)	(18.96)	(15.03)
Return after operating charges	(121.31)	519.48	295.44
Distributions	(39.01)	(40.08)	(24.31)
Closing NAV	2,102.00	2,262.32	1,782.92

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.90	1.62	3.79
Dilution adjustments ^[a]	(0.82)	(0.61)	(0.72)
Total direct portfolio transaction costs	2.08	1.01	3.07

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.05	0.20
Operating charges	0.93	0.93	0.94
Return after operating charges	-5.36	+29.14	+19.54
Historic yield ^[c]	1.87	1.77	1.35
Effect on yield of charges offset against capital	0.90	0.90	0.00

Other information

Closing NAV (€'000)	6,777	7,230	6,251
Closing NAV percentage of total fund NAV (%)	3.46	4.00	4.45
Number of shares	289,278	294,308	297,383
Highest share price (UK p)	2,357.99	2,312.90	1,841.32
Lowest share price (UK p)	2,121.78	1,773.17	1,413.61

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	2,419.27	1,873.64	1,567.32
Return before operating charges and after direct portfolio transaction costs	(107.38)	565.69	321.90
Operating charges	(22.21)	(20.06)	(15.58)
Return after operating charges	(129.59)	545.63	306.32
Distributions	(19.90)	(21.71)	(25.19)
Retained distributions	19.90	21.71	25.19
Closing NAV	2,289.68	2,419.27	1,873.64

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.09	1.71	3.93
Dilution adjustments ^[a]	(0.87)	(0.64)	(0.74)
Total direct portfolio transaction costs	2.22	1.07	3.19

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.05	0.20
Operating charges	0.93	0.93	0.94
Return after operating charges	-5.36	+29.12	+19.54
Historic yield	0.88	0.90	1.33
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (€'000)	17,337	8,745	6,335
Closing NAV percentage of total fund NAV (%)	8.86	4.84	4.51
Number of shares	679,327	332,881	286,788
Highest share price (UK p)	2,521.75	2,430.38	1,908.97
Lowest share price (UK p)	2,269.13	1,863.26	1,465.56

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	225.27	177.97	151.00
Return before operating charges and after direct portfolio transaction costs	(10.00)	53.68	30.85
Operating charges	(2.63)	(2.38)	(1.90)
Return after operating charges	(12.63)	51.30	28.95
Distributions	(3.88)	(4.00)	(1.98)
Closing NAV	208.76	225.27	177.97

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.29	0.16	0.38
Dilution adjustments ^[a]	(0.08)	(0.06)	(0.07)
Total direct portfolio transaction costs	0.21	0.10	0.31

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.05	0.20
Operating charges	1.18	1.18	1.19
Return after operating charges	-5.61	+28.83	+19.17
Historic yield ^[c]	1.87	1.77	1.10
Effect on yield of charges offset against capital	1.15	1.15	0.00

Other information

Closing NAV (€'000)	625	103	131
Closing NAV percentage of total fund NAV (%)	0.32	0.06	0.09
Number of shares	268,705	42,204	62,372
Highest share price (UK p)	234.70	230.29	183.36
Lowest share price (UK p)	210.94	176.98	140.95

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Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	238.94	185.50	155.57
Return before operating charges and after direct portfolio transaction costs	(10.60)	55.94	31.88
Operating charges	(2.78)	(2.50)	(1.95)
Return after operating charges	(13.38)	53.44	29.93
Distributions	(1.36)	(1.59)	(2.04)
Retained distributions	1.36	1.59	2.04
Closing NAV	225.56	238.94	185.50
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.31	0.17	0.39
Dilution adjustments ^[a]	(0.09)	(0.06)	(0.07)
Total direct portfolio transaction costs	0.22	0.11	0.32
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.05	0.20
Operating charges	1.18	1.18	1.19
Return after operating charges	-5.60	+28.81	+19.24
Historic yield	0.61	0.66	1.09
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	6,908	225	197
Closing NAV percentage of total fund NAV (%)	3.53	0.13	0.14
Number of shares	2,747,673	86,793	90,000
Highest share price (UK p)	248.98	240.02	189.02
Lowest share price (UK p)	223.77	184.46	145.30

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	409.52	325.20	275.78
Return before operating charges and after direct portfolio transaction costs	(18.07)	97.81	56.34
Operating charges	(6.78)	(6.21)	(4.91)
Return after operating charges	(24.85)	91.60	51.43
Distributions	(7.03)	(7.28)	(2.01)
Closing NAV	377.64	409.52	325.20
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.52	0.29	0.69
Dilution adjustments ^[a]	(0.15)	(0.11)	(0.13)
Total direct portfolio transaction costs	0.37	0.18	0.56
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.05	0.20
Operating charges	1.68	1.68	1.69
Return after operating charges	-6.07	+28.17	+18.65
Historic yield ^[c]	1.87	1.78	0.61
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (€'000)	2,777	3,999	3,650
Closing NAV percentage of total fund NAV (%)	1.42	2.21	2.60
Number of shares	659,859	899,299	951,988
Highest share price (UK p)	426.47	418.70	333.48
Lowest share price (UK p)	382.04	323.33	257.01

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	437.73	341.52	287.85
Return before operating charges and after direct portfolio transaction costs	(19.34)	102.72	58.79
Operating charges	(7.25)	(6.51)	(5.12)
Return after operating charges	(26.59)	96.21	53.67
Distributions	(0.30)	(0.85)	(2.09)
Retained distributions	0.30	0.85	2.09
Closing NAV	411.14	437.73	341.52
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.56	0.31	0.72
Dilution adjustments ^[a]	(0.16)	(0.12)	(0.14)
Total direct portfolio transaction costs	0.40	0.19	0.58
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.05	0.20
Operating charges	1.68	1.68	1.69
Return after operating charges	-6.07	+28.17	+18.65
Historic yield	0.07	0.19	0.61
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	1,408	1,707	2,032
Closing NAV percentage of total fund NAV (%)	0.72	0.94	1.45
Number of shares	307,168	359,007	504,507
Highest share price (UK p)	455.83	439.69	348.07
Lowest share price (UK p)	408.34	339.54	268.26

US dollar Class 'A' Accumulation share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,303.07	1,037.49	1,024.48
Return before operating charges and after direct portfolio transaction costs	(43.75)	285.24	30.60
Operating charges	(22.79)	(19.66)	(17.59)
Return after operating charges	(66.54)	265.58	13.01
Distributions	(0.91)	(2.54)	(6.22)
Retained distributions	0.91	2.54	6.22
Closing NAV	1,236.53	1,303.07	1,037.49
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.76	0.93	2.47
Dilution adjustments ^[a]	(0.50)	(0.35)	(0.47)
Total direct portfolio transaction costs	1.26	0.58	2.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.05	0.20
Operating charges	1.67	1.68	1.69
Return after operating charges	-5.11	+25.60	+1.27
Historic yield	0.08	0.19	0.59
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	442	777	139
Closing NAV percentage of total fund NAV (%)	0.23	0.43	0.10
Number of shares	41,714	70,679	14,938
Highest share price (US ¢)	1,467.90	1,325.32	1,084.49
Lowest share price (US ¢)	1,200.10	995.35	895.29

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Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 8 August 2014.

for the year to 31 August	2018	2017	2016
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1,334.15	1,054.09	1,032.75
Return before operating charges and after direct portfolio transaction costs	(45.69)	291.33	30.67
Operating charges	(12.85)	(11.27)	(9.33)
Return after operating charges	(58.54)	280.06	21.34
Distributions	(11.09)	(12.20)	(14.26)
Retained distributions	11.09	12.20	14.26
Closing NAV	1,275.61	1,334.15	1,054.09
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.79	0.97	2.52
Dilution adjustments ^[a]	(0.50)	(0.36)	(0.48)
Total direct portfolio transaction costs	1.29	0.61	2.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.05	0.20
Operating charges	0.93	0.93	0.91
Return after operating charges	-4.39	+26.57	+2.07
Historic yield	0.89	0.91	1.33
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	43,900	13,884	5
Closing NAV percentage of total fund NAV (%)	22.44	7.68	0.00
Number of shares	4,015,639	1,234,000	500
Highest share price (US ¢)	1,507.55	1,356.18	1,099.90
Lowest share price (US ¢)	1,237.67	1,013.22	905.56

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

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

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

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Statement of total return

for the year to 31 August	Note	2018		2017	
		€'000	€'000	€'000	€'000
Income					
Net capital gains / (losses)	3		(7,818)		24,430
Revenue	5	3,681		3,121	
Expenses	6	(2,920)		(2,499)	
Net revenue / (expense) before taxation		761		622	
Taxation	7	(145)		(151)	
Net revenue / (expense) after taxation			616		471
Total return before distributions			(7,202)		24,901
Distributions	8		(2,268)		(2,109)
Change in net assets attributable to shareholders from investment activities			(9,470)		22,792

Statement of change in net assets attributable to shareholders

for the year to 31 August	2018		2017	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		180,695		140,323
Amounts received on issue of shares	56,055		31,002	
Amounts paid on cancellation of shares	(32,400)		(13,836)	
		23,655		17,166
Dilution adjustments		157		101
Change in net assets attributable to shareholders from investment activities (see above)		(9,470)		22,792
Retained distributions on Accumulation shares		604		313
Closing net assets attributable to shareholders		195,641		180,695

Balance sheet

as at 31 August	Note	2018 €'000	2017 €'000
Assets			
Fixed assets			
Investments		190,041	176,234
Current assets			
Debtors	9	476	839
Cash and bank balances	10	150	116
Cash equivalents		6,871	5,844
Total assets		197,538	183,033
Liabilities			
Creditors			
Bank overdrafts		0	(249)
Distribution payable		(1,721)	(1,876)
Other creditors	11	(176)	(213)
Total liabilities		(1,897)	(2,338)
Net assets attributable to shareholders		195,641	180,695

Notes to the financial statements

1 Accounting policies

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

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

2 Distribution policy

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

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

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

3 Net capital gains / (losses)

for the year to 31 August	2018 €'000	2017 €'000
Non-derivative securities	(7,637)	24,509
Currency gains / (losses)	(175)	(73)
Transaction charges	(6)	(6)
Net capital gains / (losses)	(7,818)	24,430

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4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 178.

for the year to 31 August	2018 €'000	% of transaction	2017 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	95,667		46,738	
Commissions	38	0.04	22	0.05
Taxes	186	0.19	71	0.15
Equities after transaction costs	95,891		46,831	
Other transaction types				
Corporate actions	1,086		0	
Total purchases after transaction costs	96,977		46,831	
b) Sales				
Equities				
Equities before transaction costs	75,367		35,503	
Commissions	(37)	0.05	(31)	0.09
Total sales after transaction costs	75,330		35,472	
c) Direct portfolio transaction costs				
Commissions paid				
Equities	75	0.04	53	0.03
Taxes paid				
Equities	186	0.09	71	0.05
Total direct portfolio transaction costs [a]	261	0.13	124	0.08
d) Indirect portfolio transaction costs				
Portfolio dealing spread [b]		0.31		0.25

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

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

5 Revenue

for the year to 31 August	2018 €'000	2017 €'000
Bank interest	1	8
Distributions from underlying funds: property income dividends	0	8
Dividends from equity investments: non-taxable	3,583	2,955
Dividends from equity investments: taxable	90	144
Interest distributions	7	6
Total revenue	3,681	3,121

6 Expenses

for the year to 31 August	2018 €'000	2017 €'000
Payable to the ACD or associate		
Annual management charge	2,563	2,217
Administration charge	302	235
	2,865	2,452
Payable to the Depositary or associate		
Depositary's charge (including VAT)	17	14
Other expenses		
Audit fee (including VAT)	10	9
Interest payable	4	2
Legal fees	1	0
Safe custody charge	23	22
	38	33
Total expenses	2,920	2,499

7 Taxation

for the year to 31 August	2018 €'000	2017 €'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	145	151
Deferred tax (note 7c)	0	0
Total taxation	145	151
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	761	622
Corporation tax at 20%	152	124
Effects of:		
Dividends from equity investments: non-taxable	(717)	(591)
Current year expenses not utilised	565	467
Withholding tax	145	151
Total tax charge (note 7a)	145	151
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of €4,035,000 (2017: €3,470,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

for the year to 31 August	2018		2017	
	Inc [a] €'000	Acc [b] €'000	Inc [a] €'000	Acc [b] €'000
Dividend distributions				
Final	1,721	604	1,876	313
Total net distributions		2,325		2,189
Income deducted on cancellation of shares		18		43
Income received on issue of shares		(75)		(123)
Distributions		2,268		2,109
Net revenue / (expense) per statement of total return		616		471
Expenses offset against capital		1,652		1,638
Distributions		2,268		2,109

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

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9 Debtors

as at 31 August	2018 €'000	2017 €'000
Amounts receivable on issues of shares	15	112
Distributions receivable	0	1
Dividends receivable	34	59
Sales awaiting settlement	0	244
Withholding tax recoverable	427	423
Total debtors	476	839

10 Cash and bank balances

as at 31 August	2018 €'000	2017 €'000
Cash held as bank balances	150	116
Total cash and bank balances	150	116

11 Other creditors

as at 31 August	2018 €'000	2017 €'000
ACD's annual management charge payable	118	117
Administration charge payable	15	13
Amounts payable on cancellation of shares	0	68
Expenses payable	15	15
Purchases awaiting settlement	28	0
Total other creditors	176	213

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2017: same).

13 Shares in issue

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

Share class	Opening 01.09.17	Movements		Closing 31.08.18
		Issued	Cancelled	
Euro				
Class 'A' Accumulation	523,605	57,354	(242,533)	338,426
Class 'C' Accumulation	18,372	400	(4,620)	14,152
Sterling				
Class 'A' Income	20,972,892	181,397	(1,812,802)	19,341,487
Class 'A' Accumulation	6,349,972	5,268	(1,802,537)	4,552,703
Class 'I' Income	294,308	27,926	(32,956)	289,278
Class 'I' Accumulation	332,881	384,850	(38,404)	679,327
Class 'R' Income	42,204	299,496	(72,995)	268,705
Class 'R' Accumulation	86,793	2,708,727	(47,847)	2,747,673
Class 'X' Income	899,299	1,617	(241,057)	659,859
Class 'X' Accumulation	359,007	29,793	(81,632)	307,168
US dollar				
Class 'A' Accumulation	70,679	108,726	(137,691)	41,714
Class 'C' Accumulation	1,234,000	2,847,785	(66,146)	4,015,639

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %
Euro			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75
Sterling			
Class 'A'	nil	n/a	1.50
Class 'I'	nil	n/a	0.75
Class 'R'	nil	n/a	1.00
Class 'X'	nil	n/a	1.50
US dollar			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75

15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 31.12% (2017: 32.16%) of the fund's shares.

16 Events after the balance sheet date

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

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17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 August Basis of valuation	Assets		Liabilities	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Level 1	190,041	0	176,234	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	190,041	0	176,234	0

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by €9,502,000 (2017: €8,812,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by €9,782,000 (2017: €9,035,000). A five per cent decrease would have an equal and opposite effect.

as at 31 August	2018 €'000	2017 €'000
Currency exposure in respect of the fund		
Danish krone	10,539	6,138
Euro	89,782	87,654
Israeli shekel	0	3,838
Norwegian krone	13	3,099
Sterling	43,662	41,417
Swedish krona	18,526	10,787
Swiss franc	29,163	23,186
US dollar	3,956	4,576
Total	195,641	180,695

21 Interest rate risk sensitivity and exposure

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

22 Credit risk

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

23 Dividend distribution tables

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

Annual distribution period				
	Start	End	Xd	Payment
Final	01.09.17	31.08.18	03.09.18	31.10.18

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

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

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

Euro Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
Final	€	€	€	€
	2.4989	0.0000	2.4989	6.8429

M&G Pan European Select Smaller Companies Fund

Financial statements and notes

Notes to the financial statements

23 Dividend distribution tables (continued)

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	€	€	€	€
Final	33.4121	0.0000	33.4121	35.4852

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	5.8568	1.2481	7.1049	7.3546

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	0.3058	0.0000	0.3058	0.8599

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	27.0443	11.9614	39.0057	40.0842

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	2.2274	17.6697	19.8971	21.7114

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	3.0521	0.8258	3.8779	3.9953

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	1.3637	0.0000	1.3637	1.5855

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	6.7443	0.2838	7.0281	7.2751

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	p	p	p	p
Final	0.3022	0.0000	0.3022	0.8499

US dollar Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	€	€	€	€
Final	0.9145	0.0000	0.9145	2.5356

US dollar Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	€	€	€	€
Final	10.4682	0.6170	11.0852	12.2011

M&G Investment Funds (1)

Other regulatory disclosures

Remuneration

In line with the requirements of the Undertakings for Collective Investment in Transferable Securities (UCITS) V, the UCITS Manager is subject to a remuneration policy which is consistent with the principles outlined in SYSC19E of the FCA Handbook (UCITS Remuneration Code).

The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its staff is in line with the risk policies and objectives of the UCITS funds it manages. Further details of the remuneration policy applicable at an M&G Limited level can be found here: <http://docs.mandg.com/docs/Corporate/MandG-Limited-Remuneration-Policy.pdf>. M&G's remuneration policy is reviewed on an annual basis, or more frequently where required, and approved by the M&G Remuneration Committee.

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

M&G Securities Limited does not directly employ any staff members. However, for the financial year ended 31 December 2017, aggregate remuneration of £39,245,473 (£4,916,932 in respect of fixed remuneration and £34,328,541 in respect of variable remuneration) was paid to individuals whose actions may have a material impact on the risk profile of the UCITS Manager, of which £1,812,300 related to senior management.

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 under 'Performance and charges'.

Glossary

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

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

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

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

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

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

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

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

Bunds: Fixed income securities issued by the German government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Distribution: Distributions represent a share in the income of the fund and are paid out to Income shareholders or reinvested for Accumulation shareholders at set times of the year (monthly, quarterly, half-yearly or annually). They may either be in the form of interest distributions or dividend distributions.

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

Glossary

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

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

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

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

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

Equities: Shares of ownership in a company.

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

Ex-dividend, ex-distribution or XD date: The date on which declared distributions officially belong to underlying investors.

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

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

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

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

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

Forward contract: A contract between two parties to buy or sell a particular commodity or financial instrument at a pre-determined price at a future date. Examples include forward currency contracts.

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

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

Futures: A futures contract is a contract between two parties to buy or sell a particular commodity or financial instrument at a 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.

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.

Glossary

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.

Ongoing Charge Figure: The Ongoing Charge Figure includes charges for the following items: management of the fund (also known as Annual Management Charge), administration services, services provided by external parties which include depository, custody and audit, as well as incorporating the ongoing charge figure from funds held in the portfolio (taking into account any rebates).

Open-ended investment company (OEIC): A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Options: Financial contracts that offer the right, but not the obligation, to buy or sell an asset at a given price on or before a given date in the future.

Over-the-counter (OTC): Whereby financial assets are traded directly between two parties. This is in contrast to exchange trading, which is carried out through exchanges set up specifically for the purpose of trading. OTC is also known as off-exchange trading.

Overweight: If a fund is 'overweight' a stock, it holds a larger proportion of that stock than the comparable index or sector.

Payment date: The date on which distributions will be paid by the fund to investors, usually the last business day of the month.

Physical assets: An item of value that has tangible existence, for example, cash, equipment, inventory or real estate. Physical assets can also refer to securities, such as company shares or fixed income securities.

Portfolio transaction cost: The cost of trading, such as brokerage, clearing, exchange fees and bid-offer spread as well as taxes such as stamp duty.

Preference shares: Preference shares are a loan to a company that may be traded in the same way as ordinary shares, but generally have a higher yield and pay dividends on fixed dates. Preference shares have varying characteristics as to the treatment of the principal and the dividend payment, which includes ranking them above ordinary shares when it comes to dividend payments.

Principal: The face value of a fixed income security, which is the amount due back to the investor by the borrower when the security reaches the end of its life.

Private placement: An offer of sale of securities to a relatively small number of investors selected by the company, generally investment banks, mutual funds, insurance companies or pension funds.

Property Expense Ratio (PER): Property expenses are the operating expenses that relate to the management of the property assets in the portfolio. These include: insurance and rates, rent review and lease renewal costs and maintenance and repairs, but not improvements. They depend on the level of activity taking place within the fund. The Property Expense Ratio is the ratio of property expenses to the fund's net asset value.

Real yield: The return of an investment, adjusted for changes in prices in an economy.

Retail Prices Index (RPI): A UK inflation index that measures the rate of change in prices for a basket of goods and services in the UK, including mortgage payments and council tax.

Risk: The chance that an investment's return will be different to what is expected. Risk includes the possibility of losing some or all of the original investment.

Risk management: The term used to describe the activities the fund manager undertakes to limit the risk of a loss in a fund.

Risk premium: The difference between the return from a risk-free asset, such as a high-quality government bond or cash, and the return from an investment in any other asset. The risk premium can be considered the 'price' or 'pay-off' for taking on increased risk. A higher risk premium implies higher risk.

Risk-free asset: An asset that notionally carries no risk of non-payment by the borrower such as a high-quality fixed income security issued by a government or cash.

Glossary

Risk/reward ratio: A ratio comparing the expected returns of an investment with the amount of risk undertaken.

Safe-haven assets: Refers to assets that investors perceive to be relatively safe from suffering a loss in times of market turmoil.

Security: Financial term for a paper asset – usually a share in a company or a fixed income security also known as a bond.

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

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

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

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

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

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

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

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

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.

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