



M&G Investment Funds (1)

Interim Long Report and unaudited Financial Statements
for the six months ended 28 February 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 Interim Long Report and unaudited Financial Statements for the six months ended 28 February 2018.

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

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

Company information

M&G Investment Funds (1) is an umbrella Open-Ended Investment Company (OEIC) and contains 12 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 28 February 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

M&G European Index Tracker Fund

Nigel Booth

M&G European Select Fund

Phil Cliff

M&G European Smaller Companies Fund

Michael Oliveros

M&G Global Leaders Fund

Aled Smith

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

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

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

National Westminster Bank Plc, Trustee & Depositary Services,
Drummond House, 1 Redheughs Avenue, Edinburgh EH12 9RH, UK
(Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority)

Independent auditor

Ernst & Young LLP
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 25 May 2018 the M&G European Smaller Companies Fund will amend its investment objective and policy. It will also change its name to M&G Pan European Select Smaller Companies Fund.

Investor information

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

Customer services and administration for UK clients:

M&G Securities Limited,

PO Box 9039, Chelmsford CM99 2XG, UK

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

Telephone: 0800 390 390 (UK only)

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

Customer services and administration for non-UK clients:

M&G Securities Limited,

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

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

Telephone: +352 2605 9944

Email: csmandg@rbc.com

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

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

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 operationel, 28-32, place de la Gare, 1616 Luxembourg,
Grand Duchy of Luxembourg

Portuguese distributor:

Best - Banco Electrónico de Serviço Total, S.A.,

Praça Marquês de Pombal, no. 3 - 3º, 1250-161 Lisboa, Portugal

Spanish representative:

Allfunds Bank, S.A.,

Calle Estafeta, No 6 Complejo Plaza de la Fuente,
La Moraleja 28109, Alcobendas, Madrid, Spain

Swedish paying agent:

Nordea Bank AB (publ),

Smålandsgatan 17, 105 71 Stockholm, Sweden

Swiss paying agent and representative:

Société Générale, Paris, Zurich Branch,

Talacker 50, 8021 Zurich, Switzerland

M&G Investment Funds (1)

Authorised Corporate Director's Report

Authorised Corporate Director's Responsibilities

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

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

Directors' statement

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

G W MACDOWALL }
L J MUMFORD } Directors

12 April 2018

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.

Notes to the financial statements

Accounting policies

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

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 1 March 2018, for the six months ended 28 February 2018

Performance against objective

Between 1 September 2017 (the start of the review period) and 1 March 2018, the M&G Asian Fund produced a positive total return (the combination of income and growth of capital) in its euro and US dollar share classes. Returns in the sterling share classes were negative, however. This disparity reflected the appreciation of sterling over the period. The relative strength of the currency dampened the value of the gains in overseas assets for sterling-based investors.

The fund's returns in all share classes were behind a comparative index, the MSCI AC Asia Pacific ex Japan Index. Over the six months, returns for the index were 6.3%, 3.0% and 9.0% 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*, as successful stock selection helped the fund navigate 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

Share prices of Asian companies rose during the six months under review, extending their impressive run of gains since the beginning of 2016. Investor risk appetite was buoyed by a broad-based upturn in economic activity across both advanced and emerging economies, as well as robust corporate performance.

In the US, the improving economic environment led the US Federal Reserve (the Fed) to continue unwinding the measures it introduced after the financial crisis of 2008/9 to stimulate growth. In October, the Fed started to reduce the assets that it had purchased since then. It also raised interest rates again in December 2017, the fifth rate hike since the crisis.

M&G Asian Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

In Asia, investors were cheered by robust economic growth in China, which suggested that the country's transition from an industrial-focused economy towards one driven by consumption was proceeding relatively smoothly. Investors also welcomed the government's efforts to reduce corporate debt levels and remove excess capacity in a range of industries, which should have positive long-term benefits for the country's economic stability.

Meanwhile, buoyed by stronger global growth and trade, many Asian companies delivered a significant increase in earnings and profits.

At the beginning of February, however, the relative calm that had prevailed in financial markets for the previous year or so was shattered. Stockmarkets globally fell sharply amid concerns about higher interest rates in the US. Still, investor confidence quickly recovered, and share prices recouped some of their earlier losses by the end of the period.

Against this backdrop, China's stockmarket was one of the best-performing markets, buoyed by robust economic activity and higher company profits. Thailand's stockmarket rallied, supported by the recovery of oil prices in the second half of 2017, while stocks in Singapore and South Korea also outperformed.

At the sector level, energy stocks were among the stand-out performers as oil prices climbed to their highest level since 2015, helped by output cuts from leading producers and robust demand. Information technology stocks extended their run of gains amid continued optimism about internet businesses and component manufacturers. The consumer discretionary sector also outperformed.

During the period, so-called 'growth' stocks, which tend to deliver high revenue growth, outperformed cheap, out-of-favour 'value' stocks. This trend created a headwind for the fund's value-oriented approach.

Over the six months under review, the fund's returns were behind a comparative index. One of the biggest contributors to the underperformance was the portfolio's allocation to the information technology sector. In particular, not holding any shares in Chinese internet firm Tencent had a negative impact on relative performance. The large index constituent, which owns a very popular messaging application and sells smartphone games, outperformed after reporting impressive earnings growth.

Although not owning Tencent has proved costly for the fund, as value investors we think the stock is too expensive – the share price reflects high expectations for Tencent's future growth – and we are not comfortable buying stocks with such high valuations.

Additionally, in the technology sector, our holding in Taiwanese power supply firm Delta Electronics detracted. Delta's share price declined on weaker-than-expected quarterly results. However, the company also provides industrial automation solutions and is optimistic that this part of the business will grow over time.

In Australia, our holding in QBE Insurance, the country's largest insurer, was a drag on performance. The shares have declined recently on concerns about weakness in QBE's emerging markets business as well as the impact of increased claims following a series of devastating natural disasters.

The holding in First Pacific, a Hong Kong-based conglomerate with operations in Indonesia and the Philippines, detracted too. First Pacific owns several businesses including a consumer foods company and a telecoms firm, and in our view the group is trading at a discount to the value of its assets.

In China, our holdings in China Lesso, a plastic pipe company, and China Unicom, a mobile phone operator, were leading detractors. China Lesso is seeking to gain market share and expand overseas as well as developing a new retail format to sell home building materials. Meanwhile, China Unicom is working with internet firms to develop new services and we believe the stock remains attractively valued.

In contrast, the holding in DBS, 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.

In addition, the holdings in financial group Bank Mandiri from Indonesia and in UK-based Asia-focused bank Standard Chartered made positive contributions as their share prices outperformed. Investors have been encouraged by Standard Chartered's progress with its turnaround strategy, with the lender returning to profit and restoring its dividend during the period.

Elsewhere, our holdings in Chinese firms HollySys Automation Technologies, a provider of control devices used in transportation and industrial plants, and energy firm CNOOC added value. CNOOC's share price advanced with higher oil prices, while HollySys recovered from a period of weakness on encouraging results, with its industrial automation business showing signs of recovery.

Chinese sporting goods retailer Li Ning was another leading contributor. Li Ning is undergoing a turnaround process currently, closing stores, improving operational efficiency and investing in its brand. Given these changes and robust demand for sportswear, investors are starting to take a more positive view of the company's prospects and the shares rose.

Investment activities

As value-focused investors, we are attracted to the cheaper markets and, during the review period, we identified a number of opportunities in China. We are increasingly optimistic about Chinese firms, partly because of the improving macroeconomic situation but also on account of the government's reforms.

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 a position in China Petroleum & Chemical, a Chinese oil & gas company, known as Sinopec. We believe the firm is attractively valued relative to its peers and could see an upturn in profitability as its oil exploration business improves.

China Railway Signal & Communication (CRSC), a supplier of signalling and safety equipment to the railway network, also joined the portfolio. The company 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.

The final newcomer was Xinyi Solar, a manufacturer of solar glass panels, which we believe is well placed to benefit from increased demand for solar energy.

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, which has rallied over the past two years driven by robust demand for smartphones. We also took some profits by trimming our positions in Samsung Electronics, a South Korean manufacturer of smartphones and components, and Taiwan Semiconductor, a memory chip firm from Taiwan, after a period of good performance.

Compal Electronics, a Taiwanese manufacturer of personal computers, also left the portfolio as we saw better opportunities elsewhere.

ALS, an Australian minerals-testing business, was another complete sale. In 2014/15, the company suffered from the slowdown in the resources sector but ALS's shares have subsequently rebounded as commodities prices have recovered.

Outlook

We remain optimistic about the outlook for Asian companies for two main reasons. First, profitability has been on an upwards trend in the region for the past couple of years. This rebound in profitability is largely a reflection of good cost management and capital discipline by company management teams.

We are greatly encouraged by this switch in management mindset from chasing growth to prioritising profits – in our view, this is part of a longer term trend of better governance and we are hopeful the improvement in capital allocation will continue.

We are particularly pleased about developments in South Korea, where there is greater emphasis on returning cash to shareholders. We are hopeful that other companies in the region will embrace this shareholder focus.

Secondly, we think Asian equities still look attractively valued, particularly relative to share prices in the US, for instance.

In particular, we believe there are opportunities for 'value'-oriented investors. 2017 was a particularly challenging period for value investors, as growth stocks outperformed by a significant margin.

However, we remain confident that over the long run a value-focused approach to investment can deliver superior returns. While we cannot predict a catalyst for value's return to favour, the improving macroeconomic environment and robust company fundamentals could be supportive of a shift towards value, in our opinion.

We will continue to focus on finding companies across Asia that are being run in the interests of all their investors and whose future levels of profitability are, in our view, being undervalued by the market.

Matthew Vaight
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 Holding	28.02.18 \$'000	28.02.18 %	31.08.17 %
EQUITIES	577,759	98.70	97.66
United Kingdom	3,022	0.52	0.61
4,174,368 Ophir Energy	3,022	0.52	
Australia	43,315	7.40	10.31
3,171,580 Asaleo Care	3,343	0.57	
1,258,370 Downer EDI	6,809	1.16	
742,781 Iluka Resources	6,020	1.03	
3,426,003 Mesoblast	4,748	0.81	
43,395 Mesoblast ADR	298	0.05	
655,201 Nufarm	4,230	0.72	
346,970 Orica	5,050	0.87	
1,598,506 QBE Insurance Group	12,717	2.17	
756,353 Rex Minerals	100	0.02	
China	170,109	29.06	22.18
13,018,000 AMVIG Holdings	3,343	0.57	
87,844 Baidu ADR	22,001	3.76	
12,898,000 China Construction Bank	13,413	2.29	
14,129,000 China Lesso	9,296	1.59	
12,818,000 China Petroleum & Chemical	10,317	1.76	
1,460,000 China Railway Signal & Communication	1,142	0.19	
2,718,032 China Resources Power Holdings	4,723	0.81	
6,352,000 China Unicom (Hong Kong)	8,213	1.40	
13,992,000 CNOOC	20,343	3.47	
233,831 Ctrip.com International ADR	10,861	1.86	
12,248,000 Far East Horizon	12,346	2.11	
15,015,000 Greatview Aseptic Packaging	10,647	1.82	
409,684 HollySys Automation Technologies	10,898	1.86	
13,198,000 Lenovo	6,896	1.18	
5,109,240 PICC Property & Casualty	10,118	1.73	
576,100 Vtech	7,942	1.36	
18,442,000 Xinyi Solar Holdings	7,610	1.30	
Hong Kong	84,189	14.38	14.14
2,268,800 AIA Group	19,000	3.25	
1,410,850 CK Hutchison Holdings	17,656	3.02	
11,193,000 Fufeng Group	7,694	1.31	
747,527 HSBC Holdings	7,449	1.27	
8,878,000 Li-Ning	8,155	1.39	
20,905,006 PCCW	11,832	2.02	
1,085,919 Standard Chartered	12,403	2.12	
India	16,649	2.85	3.83
909,022 Axis Bank	7,349	1.26	
1,267,162 McLeod Russel India	3,206	0.55	
2,431,952 NTPC	6,094	1.04	
Indonesia	6,871	1.17	1.46
11,381,000 Bank Mandiri	6,871	1.17	
Philippines	11,137	1.90	3.75
14,336,923 Energy Development	1,528	0.26	
15,412,000 First Pacific	9,609	1.64	
Singapore	48,464	8.28	6.72
9,588,200 CSE Global	2,717	0.46	
1,112,109 DBS Group Holdings	24,054	4.11	
26,855,990 Ezion Holdings ^[a]	2,233	0.38	
5,220,528 Ezion Holdings wts. 2020 ^[a]	0	0.00	
12,311,600 Japfa	4,373	0.75	
102,482 Jardine Matheson	6,674	1.14	
3,489,800 Sembcorp Industries	8,413	1.44	

M&G Asian Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	28.02.18 \$'000	28.02.18 %	31.08.17 %	
South Korea	92,073	15.73	17.77	
286,354 Hana Financial Group	12,984	2.22		
60,104 Hyundai Motor	8,964	1.53		
162,214 Kia Motors	5,145	0.88		
17,208 Samsung Electronic	37,391	6.39		
43,492 Samsung Fire & Marine Insurance	11,607	1.98		
365,521 Shinhan Financial Group	15,982	2.73		
Taiwan	101,930	17.41	16.89	
2,960,610 Casetek Holdings	9,755	1.67		
934,000 Catcher Technology	11,325	1.93		
5,884,000 Cathay Financial Holdings	10,984	1.88		
5,094,478 Chicony Electronics	12,546	2.14		
2,448,220 Delta Electronics	11,656	1.99		
430,000 eMemory Technology	5,714	0.97		
3,083,178 Taiwan Semiconductor Manufacturing	25,979	4.44		
8,059,000 TECO Electric & Machinery	7,315	1.25		
3,266,000 Yungtay Engineering	6,656	1.14		
Portfolio of investments	577,759	98.70	97.66	
CASH EQUIVALENTS	829	0.14	2.05	
Eire 'AAA' rated money market funds [b]	829	0.14	2.05	
829,000 Northern Trust Global Fund - US dollar	829	0.14		
Total portfolio	578,588	98.84	99.71	
Net other assets / (liabilities)	6,783	1.16	0.29	
Net assets attributable to shareholders	585,371	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 six months to 28 February 2018

Largest purchases	\$'000
China Construction Bank	14,811
China Petroleum & Chemical	9,914
Xinyi Solar Holdings	7,198
Ctrip.com International ADR	3,655
Casetek Holdings	2,125
Delta Electronics	2,052
Japfa	1,845
Cathay Financial Holdings	1,724
Catcher Technology	1,638
Standard Chartered	1,446
Other purchases	10,576
Total purchases	56,984
Largest sales	\$'000
SK hynix	20,608
Taiwan Semiconductor Manufacturing	13,244
Energy Development	12,326
Samsung Electronic	8,730
DBS Group Holdings	7,606
Axis Bank	7,567
AIA Group	7,559
HollySys Automation Technologies	7,205
Baidu ADR	6,880
Iluka Resources	6,299
Other sales	101,618
Total sales	199,642

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.

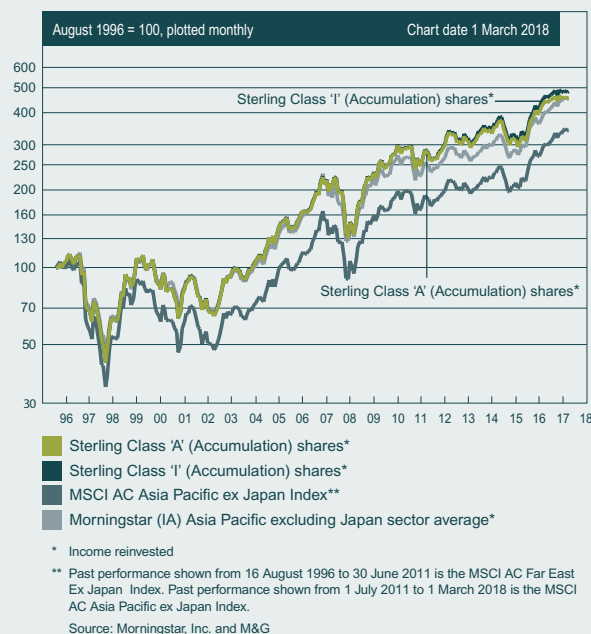
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	28.02.18 \$'000	31.08.17 \$'000	31.08.16 \$'000
Fund net asset value (NAV)	585,371	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.



The fund was originally launched on 14 September 1973. However, when the fund's name and objective were changed on 16 August 1996 the fund's comparable index and sector also changed, therefore to make a fair comparison the chart above shows performance since this date.

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				
	Six months 01.09.17 % [a]	Three years 02.03.15 % p.a.	Five years 01.03.13 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	+2.9	+2.1	+5.8	+8.9 [c]
Class 'C'	+3.3	+2.9	+6.6	+9.7 [c]
Sterling [d]				
Class 'A'	-1.0	+9.0	+6.3	+9.1 [e]
Class 'I'	-0.6	+9.8	+7.1	+11.0 [f]
Class 'R'	-0.7	+9.5	+6.8	+10.7 [f]
Class 'X'	-1.0	+9.0	+6.3	+15.7 [g]
US dollar [b]				
Class 'A'	+5.2	+4.9	+4.4	+12.0 [h]
Class 'C'	+5.6	+5.7	+5.2	+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] 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

	Six months to 28.02.18 %	Year to 31.08.17 %	Year to 31.08.16 %	Average ^[a] %
Direct portfolio transaction costs ^[b]				
Broker commission	0.05	0.05	0.06	0.05
Taxes	0.10	0.07	0.05	0.08
Costs before dilution adjustments	0.15	0.12	0.11	0.13
Dilution adjustments ^[c]	(0.10)	(0.10)	(0.07)	(0.09)
Total direct portfolio transaction costs	0.05	0.02	0.04	0.04
as at	28.02.18	31.08.17	31.08.16	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.21	0.22	0.28	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 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 period are calculated as at 9 March 2018.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	3,907.05	3,449.85	3,217.85
Return before operating charges and after direct portfolio transaction costs	132.56	523.14	288.24
Operating charges	(34.26)	(65.94)	(56.24)
Return after operating charges	98.30	457.20	232.00
Distributions	n/a	(29.75)	(26.05)
Retained distributions	n/a	29.75	26.05
Closing NAV	4,005.35	3,907.05	3,449.85
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.91	4.71	3.48
Dilution adjustments ^[a]	(2.01)	(3.87)	(2.11)
Total direct portfolio transaction costs	0.90	0.84	1.37
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.04
Operating charges	1.72	1.73	1.74
Return after operating charges	+2.52	+13.25	+7.21
Historic yield	0.75	0.76	0.73
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	132,282	144,382	142,932
Closing NAV percentage of total fund NAV (%)	22.60	20.64	19.49
Number of shares	2,703,188	3,116,526	3,718,496
Highest share price (Euro ¢)	4,191.48	4,097.96	3,604.36
Lowest share price (Euro ¢)	3,838.24	3,394.56	2,780.32

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	4,345.72	3,808.43	3,525.90
Return before operating charges and after direct portfolio transaction costs	147.45	579.39	317.81
Operating charges	(21.54)	(42.10)	(35.28)
Return after operating charges	125.91	537.29	282.53
Distributions	n/a	(62.52)	(55.29)
Retained distributions	n/a	62.52	55.29
Closing NAV	4,471.63	4,345.72	3,808.43
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	3.25	5.31	3.83
Dilution adjustments ^[a]	(2.25)	(4.36)	(2.32)
Total direct portfolio transaction costs	1.00	0.95	1.51
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.04
Operating charges	0.97	0.98	0.99
Return after operating charges	+2.90	+14.11	+8.01
Historic yield	1.41	1.44	1.41
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	126,034	207,138	125,003
Closing NAV percentage of total fund NAV (%)	21.53	29.62	17.04
Number of shares	2,306,950	4,019,799	2,945,870
Highest share price (Euro ¢)	4,668.58	4,547.60	3,954.75
Lowest share price (Euro ¢)	4,269.89	3,748.66	3,056.82

Sterling Class 'A' Income share performance

The share class was launched on 14 September 1973.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	1,467.64	1,221.09	991.98
Return before operating charges and after direct portfolio transaction costs	(13.06)	304.39	256.71
Operating charges	(12.42)	(23.94)	(18.31)
Return after operating charges	(25.48)	280.45	238.40
Distributions	n/a	(33.90)	(9.29)
Closing NAV	1,442.16	1,467.64	1,221.09
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.06	1.71	1.13
Dilution adjustments ^[a]	(0.73)	(1.40)	(0.69)
Total direct portfolio transaction costs	0.33	0.31	0.44
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.04
Operating charges	1.72	1.73	1.74
Return after operating charges	-1.74	+22.97	+24.03
Historic yield ^[c]	2.35	2.32	0.75
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (\$'000)	176,027	184,111	187,766
Closing NAV percentage of total fund NAV (%)	30.07	26.33	25.60
Number of shares	8,817,922	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)	1,387.03	1,202.92	907.00

M&G Asian Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 14 September 1973.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	2,353.57	1,913.98	1,542.92
Return before operating charges and after direct portfolio transaction costs	(21.11)	476.78	399.57
Operating charges	(19.91)	(37.19)	(28.51)
Return after operating charges	(41.02)	439.59	371.06
Distributions	n/a	(17.92)	(14.45)
Retained distributions	n/a	17.92	14.45
Closing NAV	2,312.55	2,353.57	1,913.98
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.69	2.66	1.76
Dilution adjustments ^[a]	(1.17)	(2.19)	(1.07)
Total direct portfolio transaction costs	0.52	0.47	0.69
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.04
Operating charges	1.72	1.73	1.74
Return after operating charges	-1.74	+22.97	+24.05
Historic yield	0.78	0.77	0.74
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	64,790	67,603	166,448
Closing NAV percentage of total fund NAV (%)	11.07	9.67	22.70
Number of shares	2,024,023	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)	2,224.15	1,885.52	1,410.94

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	1,669.18	1,378.34	1,119.48
Return before operating charges and after direct portfolio transaction costs	(14.89)	344.72	291.00
Operating charges	(7.98)	(15.43)	(11.81)
Return after operating charges	(22.87)	329.29	279.19
Distributions	n/a	(38.45)	(20.33)
Closing NAV	1,646.31	1,669.18	1,378.34
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.21	1.94	1.28
Dilution adjustments ^[a]	(0.83)	(1.60)	(0.78)
Total direct portfolio transaction costs	0.38	0.34	0.50
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.04
Operating charges	0.97	0.98	0.99
Return after operating charges	-1.37	+23.89	+24.94
Historic yield ^[c]	2.34	2.31	1.45
Effect on yield of charges offset against capital	0.90	0.90	0.00
Other information			
Closing NAV (\$'000)	16,801	15,177	11,991
Closing NAV percentage of total fund NAV (%)	2.87	2.17	1.63
Number of shares	737,266	706,150	662,245
Highest share price (UK p)	1,721.72	1,727.52	1,438.83
Lowest share price (UK p)	1,580.29	1,358.16	1,026.83

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	1,801.20	1,453.84	1,163.21
Return before operating charges and after direct portfolio transaction costs	(16.21)	363.68	302.90
Operating charges	(8.59)	(16.32)	(12.27)
Return after operating charges	(24.80)	347.36	290.63
Distributions	n/a	(25.91)	(21.10)
Retained distributions	n/a	25.91	21.10
Closing NAV	1,776.40	1,801.20	1,453.84
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.30	2.06	1.33
Dilution adjustments ^[a]	(0.90)	(1.69)	(0.81)
Total direct portfolio transaction costs	0.40	0.37	0.52
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.04
Operating charges	0.97	0.98	0.99
Return after operating charges	-1.38	+23.89	+24.99
Historic yield	1.46	1.44	1.42
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	29,093	32,674	25,198
Closing NAV percentage of total fund NAV (%)	4.97	4.67	3.44
Number of shares	1,183,199	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)	1,705.20	1,432.58	1,067.33

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	166.30	137.68	111.82
Return before operating charges and after direct portfolio transaction costs	(1.46)	34.38	29.04
Operating charges	(1.01)	(1.93)	(1.48)
Return after operating charges	(2.47)	32.45	27.56
Distributions	n/a	(3.83)	(1.70)
Closing NAV	163.83	166.30	137.68
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.12	0.19	0.13
Dilution adjustments ^[a]	(0.08)	(0.16)	(0.08)
Total direct portfolio transaction costs	0.04	0.03	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.04
Operating charges	1.21	1.23	1.24
Return after operating charges	-1.49	+23.57	+24.65
Historic yield ^[c]	2.34	2.31	1.21
Effect on yield of charges offset against capital	1.15	1.15	0.00
Other information			
Closing NAV (\$'000)	772	312	266
Closing NAV percentage of total fund NAV (%)	0.13	0.04	0.04
Number of shares	340,252	145,633	147,292
Highest share price (UK p)	171.47	172.13	143.39
Lowest share price (UK p)	157.42	135.65	102.46

M&G Asian Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	177.91	143.96	115.47
Return before operating charges and after direct portfolio transaction costs	(1.58)	35.95	30.02
Operating charges	(1.08)	(2.00)	(1.53)
Return after operating charges	(2.66)	33.95	28.49
Distributions	n/a	(2.16)	(1.76)
Retained distributions	n/a	2.16	1.76
Closing NAV	175.25	177.91	143.96
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.13	0.20	0.13
Dilution adjustments ^[a]	(0.09)	(0.17)	(0.08)
Total direct portfolio transaction costs	0.04	0.03	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.04
Operating charges	1.21	1.23	1.25
Return after operating charges	-1.50	+23.58	+24.67
Historic yield	1.23	1.22	1.20
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	7,130	261	288
Closing NAV percentage of total fund NAV (%)	1.22	0.04	0.04
Number of shares	2,939,210	113,830	152,232
Highest share price (UK p)	183.42	179.99	148.11
Lowest share price (UK p)	168.40	141.84	105.83

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	1,465.67	1,219.45	990.66
Return before operating charges and after direct portfolio transaction costs	(13.08)	303.93	256.35
Operating charges	(12.38)	(23.86)	(18.29)
Return after operating charges	(25.46)	280.07	238.06
Distributions	n/a	(33.85)	(9.27)
Closing NAV	1,440.21	1,465.67	1,219.45
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.05	1.71	1.13
Dilution adjustments ^[a]	(0.73)	(1.40)	(0.69)
Total direct portfolio transaction costs	0.32	0.31	0.44
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.04
Operating charges	1.72	1.73	1.74
Return after operating charges	-1.74	+22.97	+24.03
Historic yield ^[c]	2.35	2.32	0.75
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (\$'000)	10,089	12,753	13,792
Closing NAV percentage of total fund NAV (%)	1.72	1.82	1.88
Number of shares	506,090	675,786	860,894
Highest share price (UK p)	1,509.80	1,517.17	1,264.42
Lowest share price (UK p)	1,385.16	1,201.30	905.79

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	2,331.55	1,896.08	1,528.50
Return before operating charges and after direct portfolio transaction costs	(20.92)	472.61	395.80
Operating charges	(19.73)	(37.14)	(28.22)
Return after operating charges	(40.65)	435.47	367.58
Distributions	n/a	(17.76)	(14.36)
Retained distributions	n/a	17.76	14.36
Closing NAV	2,290.90	2,331.55	1,896.08
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.68	2.65	1.74
Dilution adjustments ^[a]	(1.16)	(2.18)	(1.06)
Total direct portfolio transaction costs	0.52	0.47	0.68
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.04
Operating charges	1.72	1.73	1.74
Return after operating charges	-1.74	+22.97	+24.05
Historic yield	0.78	0.77	0.74
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	3,795	4,413	4,461
Closing NAV percentage of total fund NAV (%)	0.65	0.63	0.61
Number of shares	119,693	146,994	179,103
Highest share price (UK p)	2,401.60	2,358.99	1,951.15
Lowest share price (UK p)	2,203.33	1,867.87	1,397.74

US dollar Class 'A' Accumulation share performance

The share class was launched on 19 December 2008.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	2,679.39	2,223.02	2,099.27
Return before operating charges and after direct portfolio transaction costs	174.49	497.65	160.28
Operating charges	(23.69)	(41.28)	(36.53)
Return after operating charges	150.80	456.37	123.75
Distributions	n/a	(20.41)	(16.70)
Retained distributions	n/a	20.41	16.70
Closing NAV	2,830.19	2,679.39	2,223.02
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	2.02	2.95	2.25
Dilution adjustments ^[a]	(1.39)	(2.42)	(1.36)
Total direct portfolio transaction costs	0.63	0.53	0.89
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.04
Operating charges	1.72	1.73	1.75
Return after operating charges	+5.63	+20.53	+5.89
Historic yield	0.72	0.76	0.73
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	11,117	12,576	24,046
Closing NAV percentage of total fund NAV (%)	1.90	1.80	3.28
Number of shares	392,808	469,365	1,081,682
Highest share price (US ¢)	2,968.03	2,741.03	2,276.87
Lowest share price (US ¢)	2,644.71	2,154.76	1,813.63

M&G Asian Fund

Financial highlights

Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 19 December 2008.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	2,858.71	2,354.12	2,206.34
Return before operating charges and after direct portfolio transaction costs	186.46	529.54	169.54
Operating charges	(14.33)	(24.95)	(21.76)
Return after operating charges	172.13	504.59	147.78
Distributions	n/a	(41.13)	(34.14)
Retained distributions	n/a	41.13	34.14
Closing NAV	3,030.84	2,858.71	2,354.12
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	2.15	3.15	2.36
Dilution adjustments ^[a]	(1.49)	(2.59)	(1.43)
Total direct portfolio transaction costs	0.66	0.56	0.93
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.04
Operating charges	0.97	0.98	0.99
Return after operating charges	+6.02	+21.43	+6.70
Historic yield	1.36	1.44	1.41
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	7,441	17,984	31,184
Closing NAV percentage of total fund NAV (%)	1.27	2.57	4.25
Number of shares	245,510	629,106	1,324,635
Highest share price (US ¢)	3,176.49	2,922.74	2,396.19
Lowest share price (US ¢)	2,823.22	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.

M&G Asian Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2018		2017	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		36,751		58,512
Revenue	6,343		6,074	
Expenses	(4,691)		(5,294)	
Net revenue / (expense) before taxation	1,652		780	
Taxation	(1,721)		(443)	
Net revenue / (expense) after taxation		(69)		337
Total return before equalisation		36,682		58,849
Equalisation		(208)		(23)
Change in net assets attributable to shareholders from investment activities		36,474		58,826

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2018		2017	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		699,384		733,375
Amounts received on issue of shares	42,176		89,511	
Amounts paid on cancellation of shares	(193,244)		(110,873)	
		(151,068)		(21,362)
Dilution adjustments		581		521
Change in net assets attributable to shareholders from investment activities (see above)		36,474		58,826
Closing net assets attributable to shareholders		585,371		771,360

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	28 February 2018	31 August 2017
	\$'000	\$'000
Assets		
Fixed assets		
Investments	578,588	697,388
Current assets		
Debtors	7,712	5,882
Cash and bank balances	2,140	5,228
Total assets	588,440	708,498
Liabilities		
Creditors		
Bank overdrafts	(227)	(89)
Distribution payable	0	(4,904)
Other creditors	(2,842)	(4,121)
Total liabilities	(3,069)	(9,114)
Net assets attributable to shareholders	585,371	699,384

Notes to the financial statements

Accounting policies

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

Distribution policy

In determining the amount available for distribution to Income shares, the annual 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.

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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.

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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 1 March 2018, for the six months ended 28 February 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 1 March 2018, the fund's Sterling Class 'A' shares returned -3.7%, while the Euro Class 'A' shares returned 0.0%. The difference in returns between the share classes reflects currency movements over the period. Meanwhile, the FTSE World Europe ex UK Index returned -2.9% in sterling terms and 0.2% in euro terms.

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.

Economic activity in the eurozone is showing solid expansion, as the region benefits from strong global growth and a supportive monetary policy. Despite this encouraging economic backdrop, investors' mood was mixed over the period under review. After a generally steady rise in the last four months of 2017, global stockmarkets experienced pronounced weakness in January and February; investors were unnerved as better-than-expected wage growth in the US led to fears that the US Federal Reserve would need to raise interest rates more quickly than previously thought in order to tackle inflation.

The positive economic backdrop in the eurozone led to speculation that the European Central Bank (ECB) would soon start scaling back its supportive measures for the economy. The ECB duly announced in October that it would reduce its stimulus programme from January 2018. The move was widely expected by investors and the development had little impact on European stockmarkets.

On the political front, lengthy negotiations to form a coalition government followed the German federal election in September, which had produced a poor result for the incumbent CDU/CSU bloc. In early March, the opposition Social Democrats (SPD) voted in favour of forming a grand coalition with the CDU/CSU. Angela Merkel is continuing as Chancellor, although her position has been weakened.

In Austria, an inconclusive result in the legislative elections in October led to coalition discussions. In December, a coalition government was formed between the conservative People's Party and the far-right Freedom Party.

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

Elsewhere, the election in Italy also failed to produce a single party with a majority, leading to a hung parliament or possibly a fresh election. The anti-establishment Five Star Movement won the largest share of the vote, while a right-wing coalition, which includes the far-right League, also made notable gains. While the final outcome is not yet clear, the result marks a notable success for populist parties at the expense of mainstream political parties.

Turning to economic data, estimates suggest that quarter-on-quarter growth in the euro area was 0.7% in the third quarter of 2017 and 0.6% in the fourth quarter. Over the previous year, the region grew by 2.3%. Germany's growth slowed slightly from 0.7% to 0.6%, while Spanish expansion remained stable at 0.7% and Italy's growth was 0.4% and 0.3% in the final two quarters of 2017. Meanwhile, France's growth strengthened modestly from 0.5% to 0.6%.

Inflation in the eurozone remains below the ECB's target level of 2.0%, although it briefly reached this level in February 2017. Prices increased by 1.1% in February 2018, down from 1.3% the previous month. Despite encouraging economic growth in the region, interest rates remain low owing to sluggish inflation levels.

Meanwhile, unemployment levels continue to decline, thanks to healthy expansion in the region. Unemployment stood at 8.6% in January 2018, down from 9.6% in the previous year. Germany and the Czech Republic have the lowest levels, at 3.6% and 2.4%, respectively. The highest rates remain Greece (20.9% in November 2017) and Spain (16.3%). Compared with the previous year, all member states saw inflation levels decline. Youth unemployment is also falling, standing at 17.7% in the eurozone, compared with 19.9% in January 2017.

At a sector level, the strongest areas included automobiles & parts, support services and industrial metals, as such 'cyclical' industries tend to appeal to investors when economies are performing well. By contrast, 'defensive' stocks do not generally respond much to swings in economic cycles and many of these trailed the broader market. For example, laggards included telecommunications, general retailers and pharmaceuticals and utilities.

Investment activities

A number of companies joined the index and therefore the portfolio over the period under review. Italian tyre maker Pirelli was a new entry to the FTSE World Europe ex UK Index after it floated on the Italian stock exchange. Pirelli was previously held in the portfolio before its takeover in 2015 by ChemChina.

In other transactions, various companies were added to the index and we subsequently initiated holdings in the portfolio. New entrants included French company Rubis, which specialises in energy storage and distribution, Austrian sensor developer AMS and Logitech International, a Swiss provider of personal computer and mobile accessories.

Certain purchases involved changes in the index weighting of some holdings; for example, we increased our positions in Dutch insurance group ASR Nederland and Germany's Covestro, a supplier of high-tech polymer materials, as their index weightings had increased.

Other transactions related to large cashflows into and out of the fund during the period under review. Specific transactions involved Swiss food and beverage firm Nestlé, Swiss healthcare company Roche Holding, French oil and gas business Total, Swiss drug company Novartis and Spain's Banco Santander.

Outlook

Economic data in the eurozone remains encouraging, with solid growth, low inflation and improving employment levels. Global growth is providing support, which has helped Europe's exporters. However, recent strength in the euro may put pressure on exports from the region as a strong currency makes exports relatively more expensive.

Negotiations are ongoing regarding the UK's departure from the European Union (EU) and uncertainty about the final nature of relations should diminish as talks progress. Nevertheless, challenges are possible as the UK and EU seek to reconcile sometimes conflicting aims. Meanwhile, the recent success of some populist parties in European elections, most notably in Italy, is likely to throw up uncertainties and potential problems for the EU, which may unsettle investors.

Although political factors may threaten to cause disquiet, European economic fundamentals are largely favourable, which bodes well for European company shares. Meanwhile, valuations are undemanding and the financial health of companies in the region is relatively sound.

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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Investments

Portfolio statement				
as at Holding	28.02.18 €'000	28.02.18 %	31.08.17 %	
EQUITIES	158,309	98.01	98.35	
Austria	930	0.58	0.57	
1,954 Andritz	94	0.06		
7,043 Erste Group	287	0.18		
4,149 OMV	196	0.12		
3,663 Raiffeisen International Bank	117	0.07		
7,256 Telekom Austria Group	53	0.04		
3,021 Vienna Insurance Group	82	0.05		
2,113 Voestalpine	101	0.06		
Belgium	3,924	2.43	2.51	
886 Ackermans & van Haaren	131	0.08		
5,860 Ageas	252	0.16		
20,370 Anheuser-Busch InBev	1,766	1.09		
3,329 bpost	92	0.06		
2,024 Groupe Bruxelles Lambert	190	0.12		
7,484 KBC Group	575	0.36		
4,126 Proximus	108	0.07		
2,092 Solvay	238	0.15		
1,614 Telenet Group	91	0.05		
3,593 UCB	244	0.15		
5,150 Umicore	237	0.14		
Czech Republic	232	0.14	0.11	
5,914 CEZ	118	0.07		
3,125 Komerční banka	114	0.07		
Denmark	6,035	3.74	3.79	
297 AP Moller-Maersk	401	0.25		
3,207 Carlsberg	321	0.20		
2,769 Chr. Hansen Holding	189	0.12		
3,876 Coloplast	270	0.17		
18,265 Danske Bank	598	0.37		
4,412 Dong Energy	225	0.14		
4,596 DSV	296	0.18		
1,581 Genmab	260	0.16		
5,414 ISS	162	0.10		
2,553 JYSKE Bank	124	0.08		
47,570 Novo-Nordisk	2,037	1.26		
6,420 Novozymes	272	0.17		
3,268 Pandora	280	0.17		
26,732 TDC	179	0.11		
3,500 Tryg	68	0.04		
5,884 Vestas Wind Systems	353	0.22		
Finland	3,615	2.24	2.27	
3,864 Elisa	136	0.08		
9,745 Fortum	177	0.11		
3,195 Huhtamaki	110	0.07		
1,846 Kesko	88	0.05		
10,709 Kone	458	0.28		
3,745 Metso	98	0.06		
3,725 Neste	226	0.14		
148,113 Nokia	712	0.44		
2,806 Nokian Renkaat	106	0.07		
3,510 Orion Corporation	94	0.06		
12,855 Sampo	599	0.37		
8,332 Stora Enso	121	0.08		
15,758 UPM-Kymmene	446	0.28		
4,206 Wartsila	244	0.15		
France	34,974	21.65	20.98	
4,748 Accor	225	0.14		
799 Aéroports de Paris	132	0.08		

Portfolio statement (continued)

as at Holding	28.02.18 €'000	28.02.18 %	31.08.17 %
France (continued)			
1,980 Air Liquide	204	0.13	
5,279 Air Liquide (prime de fidélité 2012)	544	0.34	
1,100 Air Liquide (prime de fidélité 2019)	113	0.07	
3,000 Air Liquide (prime de fidélité 2020)	309	0.19	
15,434 Airbus	1,518	0.94	
4,559 Alstom	157	0.10	
2,121 Arkema	228	0.14	
2,721 AtoS	294	0.18	
51,527 AXA	1,337	0.83	
1,701 BioMérieux	108	0.07	
28,872 BNP Paribas	1,886	1.17	
26,967 Bolloré	126	0.08	
180 Bolloré NV	1	0.00	
5,806 Bouygues	243	0.15	
7,327 Bureau Veritas	158	0.10	
4,314 Cap Gemini	441	0.27	
14,831 Carrefour	278	0.17	
2,384 Casino Guichard Perrachon	107	0.07	
6,464 CNP Assurances	130	0.08	
13,421 Compagnie de Saint Gobain	626	0.39	
9,089 Crédit Agricole	129	0.08	
10,000 Crédit Agricole (prime de fidélité 2012)	142	0.09	
5,000 Crédit Agricole (prime de fidélité 2019)	71	0.04	
9,000 Crédit Agricole (prime de fidélité 2020)	127	0.08	
16,697 Danone	1,103	0.68	
96 Dassault Aviation	137	0.08	
3,766 Dassault Systemes	395	0.24	
6,718 Edenred	194	0.12	
5,681 EDF	61	0.04	
3,522 EDF (prime de fidélité 2017)	38	0.02	
5,000 EDF (prime de fidélité 2020)	53	0.03	
1,488 Eiffage	132	0.08	
8,948 ENGIE (prime de fidélité 2017)	115	0.07	
5,000 ENGIE (prime de fidélité 2019)	65	0.04	
12,000 ENGIE (prime de fidélité 2020)	155	0.10	
17,798 ENGIE (prime de fidélité regd)	230	0.14	
5,506 Essilor International	596	0.37	
1,260 Eurazeo	99	0.06	
294 Eurofins Scientific	138	0.09	
6,486 Eutelsat Communications	123	0.08	
1,739 Faurecia	120	0.07	
1,310 Foncière Des Régions REIT	113	0.07	
1,369 Gecina REIT	198	0.12	
2,628 Gemalto	130	0.08	
13,408 Groupe Eurotunnel	142	0.09	
908 Hermes International	401	0.25	
711 Iliad	138	0.09	
1,442 Imerys	120	0.07	
1,598 Ingenico	113	0.07	
1,009 Ipsen	122	0.08	
1,999 Kering	778	0.48	
6,253 Klepierre REIT	211	0.13	
2,991 LafargeHolcim (Regd.)	144	0.09	
4,339 Lagardère	105	0.07	
7,837 Legrand	504	0.31	
1,033 L'Oréal	183	0.11	
3,416 L'Oréal (prime de fidélité 2012)	604	0.37	
2,000 L'Oréal (prime de fidélité 2020)	354	0.22	
7,184 LVMH	1,768	1.09	

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Portfolio statement (continued)				
as at Holding	28.02.18 €'000	28.02.18 %	31.08.17 %	
France (continued)				
4,731 Michelin	598	0.37		
24,124 Natixis	170	0.11		
50,818 Orange	709	0.44		
1,206 Orpea	119	0.07		
5,927 Pernod Ricard	800	0.50		
12,435 Peugeot	227	0.14		
2,312 Plastic Omnium	89	0.05		
5,605 Publicis Groupe	347	0.21		
5,208 Renault	462	0.29		
9,437 Rexel	137	0.08		
2,892 Rubis	170	0.11		
7,627 Safran	694	0.43		
28,881 Sanofi	1,875	1.16		
14,593 Schneider Electric	1,040	0.64		
4,878 SCOR	170	0.11		
400 SEB (prime de fidélité 2020)	67	0.04		
337 SEB SA	57	0.03		
5,836 SES FDR	77	0.05		
910 Société BIC (formerly BIC)	78	0.05		
19,449 Société Générale	912	0.56		
261 Sodexo	26	0.02		
938 Sodexo (prime de fidélité 2021/2022)	94	0.06		
1,500 Sodexo (prime de fidélité regd)	151	0.09		
18,389 STMicroelectronics	346	0.21		
9,845 Suez	110	0.07		
11,523 TechnipFMC	279	0.17		
1,533 Teleperformance	178	0.11		
2,661 Thales	244	0.15		
59,093 Total	2,772	1.72		
1,554 Ubisoft	105	0.07		
6,737 Valeo	358	0.22		
13,064 Veolia Environnement	261	0.16		
12,315 Vinci	1,004	0.62		
28,365 Vivendi	593	0.37		
978 Wendel	139	0.09		
Germany	32,300	20.00	19.70	
5,476 adidas	1,005	0.62		
11,472 Allianz	2,217	1.37		
1,580 Axel Springer	116	0.07		
23,718 BASF	2,057	1.27		
21,980 Bayer	2,087	1.29		
10,033 Bayerische Motoren Werke	872	0.54		
159 Bayerische Motoren Werke Pref.	12	0.01		
2,719 Beiersdorf	245	0.15		
4,598 Brenntag	236	0.15		
8,233 Ceconomy	89	0.05		
30,888 Commerzbank	395	0.24		
2,942 Continental	663	0.41		
4,403 Covestro	412	0.26		
25,908 Daimler	1,824	1.13		
1,200 Delivery Hero	43	0.03		
49,286 Deutsche Bank	658	0.41		
5,383 Deutsche Börse	590	0.37		
6,204 Deutsche Lufthansa	170	0.11		
25,098 Deutsche Post	936	0.58		
94,236 Deutsche Telekom	1,253	0.78		
10,666 Deutsche Wohnen	363	0.22		
59,304 E.ON	502	0.31		

Portfolio statement (continued)

as at Holding	28.02.18 €'000	28.02.18 %	31.08.17 %
Germany (continued)			
4,404 Evonik Industries	134	0.08	
1,441 Fraport	121	0.07	
10,965 Fresenius	741	0.46	
5,942 Fresenius Medical Care	515	0.32	
1,496 Fuchs Petrolub	64	0.04	
1,928 Fuchs Petrolub Pref.	90	0.06	
5,250 GEA Group	204	0.13	
1,749 Hannover Re	197	0.12	
4,249 HeidelbergCement	350	0.22	
7,707 Henkel Pref.	839	0.52	
673 Hochtief	92	0.06	
2,055 HUGO BOSS	151	0.09	
31,708 Infineon Technologies	705	0.44	
3,186 Innogy	105	0.06	
5,938 K&S	136	0.08	
2,154 Kion Group	154	0.10	
2,736 LANXESS	188	0.12	
1,758 LEG Immobilien (formerly LEG)	148	0.09	
4,933 Linde	911	0.56	
1,404 MAN	132	0.08	
3,858 Merck Group	318	0.20	
5,652 Metro AG	89	0.06	
1,613 MTU Aero Engines	222	0.14	
3,722 Muenchener Rueckversicherungs-Gesellschaft (formerly Munich Re)	691	0.43	
2,769 OSRAM	181	0.11	
4,296 Porsche Pref.	298	0.18	
6,277 ProSiebenSat.1 Media	204	0.13	
6,764 QIAGEN	186	0.12	
1,250 RTL	90	0.05	
14,072 RWE	233	0.14	
23,235 SAP	1,989	1.23	
19,559 Siemens	2,130	1.32	
3,529 Südzucker	52	0.03	
3,350 Symrise	224	0.14	
24,081 Telefónica Deutschland	92	0.06	
13,294 ThyssenKrupp	297	0.18	
5,306 Uniper	132	0.08	
3,362 United Internet	187	0.12	
3,074 Volkswagen	508	0.31	
2,874 Volkswagen Pref. (non-voting)	467	0.29	
13,305 Vonovia	496	0.31	
3,469 Wirecard	341	0.21	
3,201 Zalando	151	0.09	
Greece	557	0.34	0.32
50,567 Alpha Bank	100	0.06	
3,141 FF Group	55	0.03	
5,328 Hellenic Petroleum	43	0.03	
8,614 Hellenic Telecommunications	101	0.06	
3,340 Jumbo	50	0.03	
315,159 National Bank of Greece	95	0.06	
5,838 OPAP	59	0.04	
15,341 Piraeus Bank	54	0.03	
Hungary	416	0.26	0.28
4,809 Gedeon Richter	88	0.05	
5,015 MOL Hungarian Oil & Gas	45	0.03	
7,665 OTP Bank	283	0.18	
Ireland	740	0.46	0.55
21,893 AIB Group (formerly Allied Irish Bank)	115	0.07	
16,629 Bank of Ireland	128	0.08	
6,687 Glanbia	97	0.06	

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Investments

Portfolio statement (continued)				
as at Holding	28.02.18 €'000	28.02.18 %	31.08.17 %	
Ireland (continued)				
16,490 Irish Bank Resolution Corporation ^[a]	0	0.00		
3,709 Kerry Group	304	0.19		
2,761 Kingspan Group	96	0.06		
Italy	9,164	5.67	5.46	
35,677 Assicurazioni Generali	550	0.34		
15,331 Atlantia	390	0.24		
11,022 Banca Mediolanum	82	0.05		
41,634 Banco BPM	130	0.08		
2,747 Buzzi Unicem	56	0.03		
18,887 CNH Industrial	211	0.13		
17,934 Davide Campari Milano	105	0.06		
206,151 Enel	988	0.61		
66,522 Eni	915	0.57		
2,339 EXOR	140	0.09		
3,674 Ferrari	378	0.23		
29,058 Fiat Chrysler Automobiles	512	0.32		
10,414 FinecoBank	105	0.07		
1,245 GEDI Gruppo Editoriale	1	0.00		
380,745 Intesa Sanpaolo	1,181	0.73		
21,602 Italgas	96	0.06		
10,993 Leonardo	98	0.06		
4,766 Luxottica Group	235	0.15		
15,932 Mediaset	51	0.03		
18,055 Mediobanca	179	0.11		
5,597 Moncler	160	0.10		
14,644 Parmalat	43	0.03		
16,459 Pirelli	120	0.07		
6,388 Prysmian	165	0.10		
2,876 Recordati	85	0.05		
26,235 Saipem	89	0.06		
64,623 Snam	237	0.15		
323,794 Telecom Italia	239	0.15		
190,437 Telecom Italia (Savings shares)	118	0.07		
12,646 Tenaris	180	0.11		
39,014 Terna	178	0.11		
28,343 UBI Banca	113	0.07		
59,315 UniCredit	1,034	0.64		
Netherlands	11,457	7.09	7.14	
12,305 ABN Amro GDR	315	0.20		
51,210 Aegon	294	0.18		
7,200 Akzo Nobel	571	0.35		
18,210 Altice	140	0.09		
17,440 ArcelorMittal	496	0.31		
8,678 ASML Holding	1,406	0.87		
4,171 ASR Nederland	154	0.10		
2,838 Boskalis Westminster	88	0.05		
5,114 DSM	436	0.27		
7,720 Heineken	656	0.41		
1,281 Heineken Holding	104	0.06		
104,628 ING Groep	1,528	0.95		
36,300 Koninklijke Ahold Delhaize	669	0.41		
69,500 KPN	180	0.11		
9,716 NN Group	359	0.22		
27,351 Philips	863	0.53		
3,444 Randstad Holding	202	0.13		
26,297 RELX	443	0.27		
2,856 Unibail-Rodamco REIT	540	0.33		
38,487 Unilever	1,660	1.03		
2,361 Vopak	91	0.06		
6,305 Wolters Kluwer	262	0.16		

Portfolio statement (continued)

as at Holding	28.02.18 €'000	28.02.18 %	31.08.17 %
Norway	2,271	1.41	1.33
30,120 DnB	488	0.30	
7,333 Gjensidige Forsikring	110	0.07	
8,925 Marine Harvest	141	0.09	
36,461 Norsk Hydro	202	0.13	
23,783 Orkla	212	0.13	
2,683 Schibsted 'A'	59	0.03	
2,013 Schibsted 'B'	41	0.03	
29,600 Statoil	558	0.34	
17,280 Telenor	318	0.20	
3,891 Yara International	142	0.09	
Poland	1,596	0.99	1.00
3,569 Alior Bank	71	0.04	
2,438 Bank Handlowy w Warszawie	48	0.03	
4,804 Bank Pekao	152	0.09	
1,063 Bank Zachodni WBK	96	0.06	
699 Budimex	33	0.02	
2,295 CD Projekt	57	0.04	
1,624 Ciech	23	0.01	
10,864 ENEA	26	0.02	
2,792 Grupa Azoty	40	0.02	
3,335 KGHM Polska Miedz	85	0.05	
34 LPP	74	0.05	
369 mBank	41	0.03	
24,109 Orange Polska	33	0.02	
21,049 PGE Polska Grupa Energetyczna	52	0.03	
69,565 PGNiG	103	0.06	
8,818 PKN Orlen	203	0.13	
23,102 PKO Bank Polski	241	0.15	
16,787 PZU	174	0.11	
71,248 TAURON Polska Energia	44	0.03	
Portugal	551	0.34	0.32
73,212 EDP - Energias de Portugal	202	0.13	
15,432 Galp Energia	228	0.14	
7,033 Jerónimo Martins	121	0.07	
Spain	11,152	6.90	7.39
15,740 Abertis Infraestructuras	309	0.19	
1,245 Acciona	87	0.05	
4,058 Acerinox	49	0.03	
6,996 ACS Actividades	198	0.12	
1,792 Aena	300	0.19	
10,969 Amadeus IT Holdings	658	0.41	
169,698 Banco de Sabadell	291	0.18	
407,277 Banco Santander	2,320	1.44	
39,107 Bankia	155	0.09	
18,885 Bankinter	171	0.11	
186,591 BBVA	1,288	0.80	
104,624 CaixaBank	418	0.26	
4,789 Cellnex Telecom	100	0.06	
22,532 Distribuidora Internacional de Alimentación (DIA)	88	0.05	
6,367 Enagas	136	0.08	
9,305 Endesa	161	0.10	
12,546 Ferrovial	221	0.14	
5,806 Gas Natural	110	0.07	
15,712 Grifols	352	0.22	
394 Grifols Pref.	7	0.00	
150,736 Iberdrola	924	0.57	
29,220 Inditex	731	0.45	
38,101 Mapfre	106	0.06	
7,136 Mediaset España Comunicación	68	0.04	
6,335 Merlin Properties REIT	73	0.05	
13,151 Red Eléctrica	210	0.13	
33,469 Repsol	483	0.30	

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	28.02.18 €'000	28.02.18 %	31.08.17 %	
Spain (continued)				
6,103 Siemens Gamesa	79	0.05		
123,020 Telefónica	981	0.61		
9,004 Zardoya Otis	78	0.05		
Sweden	9,656	5.98	6.20	
9,466 Alfa Laval	187	0.12		
7,555 Arjo	20	0.01		
26,665 Assa Abloy	491	0.30		
26,894 Atlas Copco	947	0.59		
7,746 Boliden	226	0.14		
5,892 Electrolux	160	0.10		
87,244 Ericsson	485	0.30		
15,573 Essity	352	0.22		
3,858 Fastighets AB Bald	78	0.05		
9,447 Göttinge	97	0.06		
25,799 Hennes & Mauritz	352	0.22		
7,800 Hexagon	380	0.24		
13,281 Husqvarna	116	0.07		
2,961 ICA Gruppen	87	0.05		
10,121 Industrivarden	209	0.13		
6,148 Investment AB Latour	60	0.04		
12,856 Investor	477	0.30		
5,793 Kinnevik	174	0.11		
5,934 Lundin Petroleum	114	0.07		
84,329 Nordea Bank	791	0.49		
30,004 Sandvik	457	0.28		
12,178 Securitas	172	0.10		
42,286 Skandinaviska Enskilda Banken	411	0.25		
9,896 Skanska	162	0.10		
10,357 SKF	179	0.11		
16,140 Svenska Cellulosa	132	0.08		
42,508 Svenska Handelsbanken	479	0.30		
28,588 Swedbank	591	0.37		
2,849 Swedish Match	101	0.06		
7,637 Tele2	74	0.04		
72,417 Telia	280	0.17		
8,162 Trelleborg	172	0.11		
41,416 Volvo	643	0.40		
Switzerland	27,222	16.85	17.45	
51,192 ABB (Regd.)	1,031	0.64		
5,092 Adecco (Regd.)	335	0.21		
1,544 ams	149	0.09		
3,114 ARYZTA	63	0.04		
1,333 Baloise Holdings (Regd.)	173	0.11		
136 Banque Cantonale Vaudoise	94	0.06		
6,105 Clariant (Regd.)	125	0.08		
13,838 Compagnie Financière Richemont (Regd.)	999	0.62		
69,051 Credit Suisse Group (Regd.)	1,057	0.65		
853 Dufry	100	0.06		
309 EMS-Chemie Holdings	162	0.10		
547 Flughafen Zurich	107	0.06		
1,000 Geberit	370	0.23		
266 Givaudan	498	0.31		
284 Helvetia Holding	140	0.08		
6,253 Julius Baer Gruppe (Regd.)	334	0.21		
1,031 Kuehne & Nagel	138	0.09		
9,605 LafargeHolcim (Regd.)	463	0.29		
6 Lindt & Sprüngli	354	0.22		

Portfolio statement (continued)

as at Holding	28.02.18 €'000	28.02.18 %	31.08.17 %
Switzerland (continued)			
4,370 Logitech	142	0.09	
2,150 Lonza Group (Regd.)	450	0.28	
84,286 Nestlé (Regd.)	5,503	3.41	
60,095 Novartis (Regd.)	4,134	2.56	
1,172 Pargesa Holdings (Bearer)	85	0.05	
475 Partners Group (Regd.)	282	0.17	
1,496 PSP Swiss Property	116	0.07	
19,699 Roche Holding 'Genussscheine'	3,777	2.34	
1,743 Schindler Holding	324	0.20	
138 SGS SA (Regd.)	287	0.18	
63 Sika	423	0.26	
1,254 Sonova Holding	161	0.10	
273 Straumann Holding	151	0.09	
633 Sulzer (Regd.)	68	0.04	
1,128 Swatch Group (Bearer)	388	0.24	
773 Swiss Life Holdings (Regd.)	230	0.14	
1,510 Swiss Prime Site	115	0.07	
8,261 Swiss Re	695	0.43	
538 Swisscom (Regd.)	239	0.15	
1,307 Temenos Group	125	0.08	
95,571 UBS Group (Regd.)	1,505	0.93	
1,600 Vifor Pharma	185	0.11	
4,208 Zurich Insurance Group	1,145	0.71	
Turkey	1,517	0.94	0.98
40,546 Akbank	93	0.06	
11,518 Anadolu Efes	64	0.04	
4,055 BIM Birlesik Magazalar	65	0.04	
83,033 Emlak Konut Gayrimenkul Yatirim REIT	47	0.03	
40,921 ENKA	49	0.03	
47,407 Eregli Demir Celik Fabrikalari	115	0.07	
3,807 Ford Otosan	52	0.03	
35,941 Hacı Ömer Sabancı	83	0.05	
26,779 Koç Holding	105	0.07	
36,606 Petkim	63	0.04	
6,105 Tofaş Türk Otomobil Fabrikası	40	0.02	
4,413 Tüpraş	111	0.07	
26,511 Türk Telekomunikasyon	37	0.02	
1,134 Türk Traktör	19	0.01	
19,783 Türkcell İletişim	65	0.04	
25,688 Turkish Airlines	104	0.07	
57,007 Türkiye Garanti Bankası	144	0.09	
32,733 Türkiye Halk Bankası (formerly Halkbank)	69	0.04	
51,358 Türkiye İş Bankası	84	0.05	
47,316 Türkiye Şişe ve Cam Fabrikaları	49	0.03	
37,495 Türkiye Vakıflar Bankası	59	0.04	
EQUITY DERIVATIVES	(62)	(0.04)	(0.07)
Equity futures contracts	(62)	(0.04)	(0.07)
76 EURO STOXX 50 Index Mar 2018	(62)	(0.04)	
Portfolio of investments	158,247	97.97	98.28
CASH EQUIVALENTS	79	0.05	0.26
'AAA' rated money market funds [b]	79	0.05	0.26
70,000 Northern Trust Global Fund - Sterling	79	0.05	
Total portfolio	158,326	98.02	98.54
Net other assets / (liabilities)	3,197	1.98	1.46
Net assets attributable to shareholders	161,523	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.

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Investments

Top ten portfolio transactions	
for the six months to 28 February 2018	
Largest purchases	€'000
Nestlé (Regd.)	493
Roche Holding 'Genussscheine'	288
Total	284
Siemens	236
Bayer	219
Banco Santander	214
SAP	212
Rubis	206
Novartis (Regd.)	206
BASF	204
Other purchases	11,057
Total purchases	13,619
Largest sales	€'000
Nestlé (Regd.)	1,048
Novartis (Regd.)	906
Roche Holding 'Genussscheine'	687
Total	594
Banco Santander	593
Siemens	568
SAP	537
Allianz	522
Unilever	514
BASF	505
Other sales	19,818
Total sales	26,292

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 28 February 2018 was -0.24% (28 February 2017: -0.05%). 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 28 February 2018 was +0.16% (28 February 2017: +0.22%), which falls within the predicted tracking error range of 0% 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	28.02.18 €'000	31.08.17 €'000	31.08.16 €'000
Fund net asset value (NAV)	161,523	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

	Six months 01.09.17 % [a]	Three years 02.03.15 % p.a.	Five years 01.03.13 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	+0.0	+2.6	+9.2	+4.4 [c]
Sterling [d]				
Class 'A'	-3.7	+9.5	+9.7	+5.0 [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

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

	Six months to 28.02.18 %	Year to 31.08.17 %	Year to 31.08.16 %	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	28.02.18	31.08.17	31.08.16	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.04	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 9 March 2018.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	1,988.51	1,735.75	1,750.80
Return before operating charges and after direct portfolio transaction costs	40.97	266.79	(2.98)
Operating charges	(7.09)	(14.03)	(12.07)
Return after operating charges	33.88	252.76	(15.05)
Distributions	n/a	(40.03)	(39.96)
Retained distributions	n/a	40.03	39.96
Closing NAV	2,022.39	1,988.51	1,735.75
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.23	1.13	0.34
Dilution adjustments ^[a]	(0.23)	(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	0.69	0.72	0.71
Return after operating charges	+1.70	+14.56	-0.86
Historic yield	1.99	2.00	2.26
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	73,861	85,930	25,400
Closing NAV percentage of total fund NAV (%)	45.73	50.09	24.86
Number of shares	3,652,166	4,321,333	1,463,365
Highest share price (Euro ¢)	2,147.55	2,083.57	1,894.95
Lowest share price (Euro ¢)	1,968.64	1,679.68	1,499.74

Sterling Class 'A' Income share performance

The share class was launched on 31 January 2000.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	86.23	71.20	63.53
Return before operating charges and after direct portfolio transaction costs	(1.84)	17.94	9.81
Operating charges	(0.30)	(0.57)	(0.46)
Return after operating charges	(2.14)	17.37	9.35
Distributions	n/a	(2.34)	(1.68)
Closing NAV	84.09	86.23	71.20
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.05	0.01
Dilution adjustments ^[a]	(0.01)	(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	0.69	0.71	0.70
Return after operating charges	-2.48	+24.40	+14.72
Historic yield ^[c]	2.76	2.70	2.33
Effect on yield of charges offset against capital	0.65	0.65	0.00
Other information			
Closing NAV (€'000)	38,535	42,265	37,258
Closing NAV percentage of total fund NAV (%)	23.86	24.64	36.47
Number of shares	40,446,944	45,135,726	44,387,941
Highest share price (UK p)	88.95	89.63	75.31
Lowest share price (UK p)	82.07	69.44	58.38

Sterling Class 'A' Accumulation share performance

The share class was launched on 31 January 2000.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	123.90	99.60	86.83
Return before operating charges and after direct portfolio transaction costs	(2.58)	25.09	13.40
Operating charges	(0.42)	(0.79)	(0.63)
Return after operating charges	(3.00)	24.30	12.77
Distributions	n/a	(2.50)	(2.29)
Retained distributions	n/a	2.50	2.29
Closing NAV	120.90	123.90	99.60
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.07	0.02
Dilution adjustments ^[a]	(0.01)	(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	0.69	0.71	0.70
Return after operating charges	-2.42	+24.40	+14.71
Historic yield	2.06	2.01	2.28
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	49,127	43,357	39,515
Closing NAV percentage of total fund NAV (%)	30.41	25.27	38.67
Number of shares	35,867,151	32,226,481	33,648,641
Highest share price (UK p)	127.76	125.38	102.93
Lowest share price (UK p)	117.88	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 period figures.

M&G European Index Tracker Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2018		2017	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		2,269		7,254
Revenue	762		465	
Expenses	(600)		(339)	
Net revenue / (expense) before taxation	162		126	
Taxation	(34)		(20)	
Net revenue / (expense) after taxation		128		106
Total return before equalisation		2,397		7,360
Equalisation		(18)		(2)
Change in net assets attributable to shareholders from investment activities		2,379		7,358

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2018		2017	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		171,552		102,173
Amounts received on issue of shares	25,072		8,509	
Amounts paid on cancellation of shares	(37,533)		(15,684)	
		(12,461)		(7,175)
Dilution adjustments		53		21
Change in net assets attributable to shareholders from investment activities (see above)		2,379		7,358
Closing net assets attributable to shareholders		161,523		102,377

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	28 February 2018	31 August 2017
	€'000	€'000
Assets		
Fixed assets		
Investments	158,388	169,165
Current assets		
Debtors	1,542	3,227
Cash and bank balances	2,211	3,467
Total assets	162,141	175,859
Liabilities		
Investment liabilities	(62)	(115)
Creditors		
Distribution payable	0	(1,145)
Other creditors	(556)	(3,047)
Total liabilities	(618)	(4,307)
Net assets attributable to shareholders	161,523	171,552

Notes to the financial statements

Accounting policies

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

Distribution policy

In determining the amount available for distribution to Income shares, the annual 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.

M&G European Index Tracker Fund

Financial statements and notes

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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 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 1 March 2018, for the six months ended 28 February 2018

Performance against objective

Between 1 September 2017 (the start of the review period) and 1 March 2018, the M&G European Select Fund delivered positive returns across all of its euro share classes while sterling denominated shares delivered negative returns.* All share classes finished ahead of a comparable index, the FTSE World Europe ex UK Index. Over the six months, returns from the index were -2.9% and 0.2% 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 saw the continuation of strong returns in US stockmarkets through January 2018, supported by news of US tax reforms and positive economic data. European markets were well-supported by a combination of the positive US mood and the strengthening of economic data. While growth in the UK remained hampered by Brexit considerations, Europe saw the beginning of an earnings recovery for the first time in nearly a decade. The market is expecting European companies earnings to grow to between 12-15% – in line with the earnings growth predicted in the US – with some estimates ranging even higher; this is a major trend reversal for European economies.

The euro remained strong, boosted by positive data on eurozone employment, strong business surveys and a solid reporting season, but the currency's strength weighed on European stocks.

February brought a halt to the rather ebullient market mood, as the US Federal Reserve (Fed) took a more aggressive stance. Janet Yellen, who had presided over much of the easy money policy as Fed governor, was succeeded by Jerome Powell at the end of January. This transition, and the arrival of an unknown Fed governor further added to concerns about rising interest rates. Subsequently all markets, led by the US, were hit by a wave of turbulent trading days,

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Investment review

Investment performance (continued)

particularly stark after a generally subdued 2017. Moving beyond the reporting period, we may well see further buying opportunities in European stockmarkets, as investors adjust to the 'normalisation' of interest rates.

Against this background, the basic materials and technology sectors managed to successfully shrug off the market chill, while oil & gas delivered decent returns driven by improvement in the oil price. Conversely, some of the more defensive areas of the market (that is, those that have relatively predictable and stable earnings regardless of the state of the overall economy), including telecoms, utilities and healthcare, were heavily sold. For the fund, stock selection in the technology and financial sectors added the most value, while the above-index position in industrials, and below-index positions in telecoms and utilities, were also supportive of relative returns. Conversely, stockpicking among the consumer sectors dragged on performance.

Our top performer was semiconductor company AMS, as investors reacted well to a raft of positive news. This included sales targets being upgraded to €2.2 billion on the back of several large contract wins linked to new designs and enhanced technologies. Significant new contracts were announced in the company's smartphone segment (thanks to new designs, such as advanced charging technology) as well as in the automotive component segment (the company supplies microchips which are crucial in the design and functionality of automated breaking, for instance).

Austrian savings bank Erste Bank was another positive contributor, as overall economic sentiment improved across Central and Eastern Europe and early rate rises had a positive impact on the bank's revenues. Equally strong results from Erste's peers led us to believe that we will continue to see growth in this sector.

German semiconductor and systems maker Infineon also delivered positive returns as we saw strong momentum in electric and hybrid vehicle sales. We believe that the market is not really focusing on this stock and that it seems to simply have fallen out of favour, which explains the undemanding valuation. Mergers and acquisitions are continuing in this market segment, and we expect good things from the stock.

KBC, a Belgian bank focusing on private clients and small and medium-sized companies, benefited from more positive views on the financial sector, as investors anticipated the end of so called 'quantitative easing' (the European Central Bank's programme of purchasing fixed income securities to support the market) and a return to a more 'normalised' rate environment (ie economic growth). This should benefit banks, among other things, via an increase in interest rates.

Finally, OC Oerlikon, a Swiss technology group, was rewarded following greater appreciation by investors of the changes recently made in the business, as new management streamlined operations via cost cutting measures and the divestment of activities that had negative returns. The company also won some significant new contracts during the period under review.

Turning to detractors, UK building materials company CRH disappointed the market with news of the sale of its US distribution business (despite having achieved an exceptionally high valuation for the business). We continue to like the capital discipline shown by the company and believe that the US and European construction markets will continue to improve, which should lead to greater pricing power in the future.

Anglo-Dutch consumer company Unilever also detracted from the fund's performance as the 'froth' from Kraft Heinz and (Brazilian private equity firm) 3G takeover bids wore off and the company delivered disappointing sales growth. We believe, however, that the market's disaffection is temporary and that the impending retirement of the much admired, visionary CEO Paul Polman will continue to weigh on the share price until a satisfactory long-term succession plan is announced.

Healthcare business Roche, meanwhile, was hurt by concerns about its cancer franchise, as patents expire on drugs facing competition from rival generics. We think that Roche was also impacted by a more general market rotation, which saw defensive companies, structurally less exposed to the economic upswing, lag the wider market given the strong improvement in economies.

Investment activities

During the period under review, we added three new holdings to the fund, starting with SMCP, a fast-growing French 'niche' aspirational luxury brand. The company boasts a very solid management team with a strong pedigree. Recent results showed solid like-for-like growth and the best sales density of the entire sector. The company should also further benefit from its international stores rollout over the coming quarters. In control of its product pricing and digital strategy, it should deliver impressive cash generation through the scale-up, as well as margin expansion and dividend growth (as per its luxury peer group). Currently on a less-than-aspirational valuation, the company should yet deliver best-in-class growth and returns expansion.

We also added KBC, the Belgian bank (mentioned above as one of our top performers for the period), as a recovery play on Eastern Europe, which should benefit from neighbouring Germany's economic growth. Very disciplined in its core Benelux markets and able to cross-sell its fee & advice business very effectively, the company should deliver very positive returns, as well as a further improvement in its capital base. The company should also benefit from its strong Irish exposure, as we expect the Irish economy to bounce strongly over the coming 12- 24 months.

Finally, we bought shares in ASML, a semiconductor manufacturer. We believe this is the key enabler for an acceleration in the use of Big Data, Artificial Intelligence and Augmented Reality. All of these products or processes involve greater requirements for hardware in a segment where ASML has a virtual global monopoly, thanks to the exceptional intellectual property they have developed over the years. In everyday life, one is never more than a few feet away from a chip that has been made by the company's equipment, used from mobile phones to computers.

Conversely, we closed three positions during the review period.

ING, the Dutch bank, was sold after solid performance in order to finance the purchase of KBC, which we think offers the potential of higher returns, as described above. We also had short-term concerns about the company's US growth potential, a possible hindrance to further performance.

M&G European Select Fund

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Investment review

Investment activities (continued)

Infineon, the semiconductor company, was also sold after very strong performance, likewise, to allow us to build our position in ASML, where we expect better returns.

Finally, Bayer was a position we had inherited from our predecessor, but it was kept in the portfolio as we felt that the stock was oversold on the news of the 'strategic' Monsanto acquisition, which the market feared would yield poor returns. The stock did recover some of its lost ground before we sold it, mitigating its negative performance.

Outlook

We believe that the markets are overreacting to the reappearance of volatility (or large price moves), but that companies able to show strong earnings and dividend growth will outperform the wider market over the medium and long term.

We continue to see shares as attractive vs fixed income securities, and the European market as attractive vs the US market. Selection will remain key to performance, however, as volatility should remain much higher in 2018. We believe that, as long as inflation remains subdued in the US and in Europe, rate increases will be modest and that the environment should be supportive for European markets.

From a sector perspective, we continue to see value in European banks, which we use to get exposure to the European earnings recovery so, we have continued to add selectively to our existing holdings. In other sectors, we are looking for well-priced exposure to technology and to late cyclical companies (whose share prices are closely aligned with economic fluctuations) with potential for superior growth.

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. We remain dedicated to our task of generating excellent 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.

Investments

Portfolio statement

as at Holding	28.02.18 €'000	28.02.18 %	31.08.17 %
Oil & gas producers	6,150	3.79	2.01
330,846 Borr Drilling (NOK)	1,121	0.69	
503,427 Borr Drilling (USD)	1,705	1.05	
224,628 Galp Energia	3,324	2.05	
Chemicals	6,133	3.78	5.49
33,221 Linde	6,133	3.78	
Construction & materials	7,231	4.46	4.92
166,988 CRH	4,569	2.82	
76,235 Kingspan Group	2,662	1.64	
General industrials	6,929	4.27	3.90
63,611 Siemens	6,929	4.27	
Electronic & electrical equipment	5,124	3.16	3.02
79,715 Legrand	5,124	3.16	
Industrial engineering	7,542	4.65	5.65
237,080 Alfa Laval	4,693	2.89	
204,971 Oerlikon	2,849	1.76	
Industrial transportation	5,426	3.35	3.22
84,301 DSV	5,426	3.35	
Support services	9,872	6.09	8.33
219,725 Bureau Veritas	4,746	2.93	
127,822 CTS EVENTIM	5,126	3.16	
Automobiles & parts	5,474	3.38	2.92
145,345 Nokian Renkaat	5,474	3.38	
Food producers	3,819	2.36	3.74 [a]
58,491 Nestlé (Regd.)	3,819	2.36	
Household goods & home construction	3,759	2.32	1.09
2,145,408 Cairn Homes	3,759	2.32	
Leisure goods	2,757	1.70	1.59
154,288 Thule Group	2,757	1.7	
Personal goods	24,936	15.38	12.07 [a]
189,013 Essity	4,270	2.63	
54,603 HUGO BOSS	4,015	2.48	
51,665 Pandora	4,427	2.73	
323,752 SMCP	6,669	4.11	
128,769 Unilever	5,555	3.43	
Healthcare equipment & services	4,625	2.85	2.69
53,387 Fresenius Medical Care	4,625	2.85	
Pharmaceuticals & biotechnology	14,056	8.67	8.68 [a]
103,895 Novartis (Regd.)	7,148	4.41	
36,032 Roche Holding 'Genussscheine'	6,908	4.26	
Food & drug retailers	0.00	0.00	1.41
General retailers	0.00	0.00	1.33
Media	5,771	3.56	3.15
342,568 RELX	5,771	3.56	
Banks	18,263	11.27	9.90
1,064,523 AIB Group	5,594	3.45	
157,311 Erste Group	6,418	3.96	
81,390 KBC Group	6,251	3.86	
Non-life insurance	10,512	6.49	5.25
36,382 Hannover Re	4,093	2.53	
137,874 Sampo	6,419	3.96	
Financial services	2,075	1.28	2.65
58,825 Banca IFIS	2,075	1.28	

M&G European Select Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at	28.02.18	28.02.18	31.08.17
Holding	€'000	%	%
Technology hardware & equipment	11,370	7.01	5.07
56,664 ams	5,458	3.36	
36,495 ASML Holding	5,912	3.65	
Portfolio of investments	161,824	99.82	98.08
Net other assets / (liabilities)	295	0.18	1.92
Net assets attributable to shareholders	162,119	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 six months to 28 February 2018	
Largest purchases	€'000
SMCP	6,782
KBC Group	5,974
ASML Holding	5,722
Cairn Homes	2,363
Linde	2,033
Borr Drilling (USD)	1,715
Sampo	1,709
Siemens	1,384
RELX	1,072
Erste Group	1,034
Other purchases	7,234
Total purchases	37,022
Largest sales	€'000
ING Groep	6,237
Infineon Technologies	5,586
Bayer	5,116
Amadeus IT Holdings	4,040
Galenica Santé	2,279
Banca IFIS	1,933
Hennes & Mauritz	1,721
Nestlé (Regd.)	1,606
Alfa Laval	1,318
Essity	959
Other sales	3,864
Total sales	34,659

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	28.02.18 €'000	31.08.17 €'000	31.08.16 €'000
Fund net asset value (NAV)	162,119	155,193	212,077

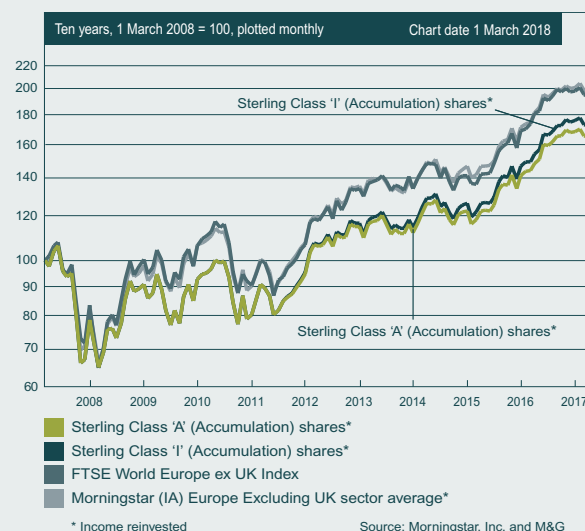
Performance since launch

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				
	Six months 01.09.17 % ^[a]	Three years 02.03.15 % p.a.	Five years 01.03.13 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	+2.6	+3.6	+8.5	+3.2 ^[c]
Class 'C'	+3.0	+4.4	+9.4	+4.0 ^[c]
Sterling ^[d]				
Class 'A'	-1.2	+10.7	+9.0	+9.5 ^[e]
Class 'I'	-0.8	+11.5	+9.9	+13.4 ^[f]
Class 'R'	-1.0	+11.2	+9.6	+13.2 ^[f]
Class 'X'	-1.2	+10.7	+9.0	+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.

M&G 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				
	Six months to 28.02.18	Year to 31.08.17	Year to 31.08.16	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.04	0.11	0.08	0.08
Taxes	0.05	0.07	0.03	0.05
Costs before dilution adjustments	0.09	0.18	0.11	0.13
Dilution adjustments ^[c]	(0.01)	(0.06)	(0.01)	(0.03)
Total direct portfolio transaction costs	0.08	0.12	0.10	0.10
as at	28.02.18	31.08.17	31.08.16	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.10	0.07	0.07	0.08

^[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 period are calculated as at 9 March 2018.

Euro Class 'A' Accumulation share performance

The share class was launched on 26 November 2001.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	1,624.92	1,451.20	1,455.60
Return before operating charges and after direct portfolio transaction costs	79.32	199.50	19.74
Operating charges	(14.30)	(25.78)	(24.14)
Return after operating charges	65.02	173.72	(4.40)
Distributions	n/a	(6.24)	(12.33)
Retained distributions	n/a	6.24	12.33
Closing NAV	1,689.94	1,624.92	1,451.20
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.77	2.73	1.65
Dilution adjustments ^[a]	(0.12)	(0.89)	(0.08)
Total direct portfolio transaction costs	0.65	1.84	1.57
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.12	0.10
Operating charges	1.68	1.68	1.68
Return after operating charges	+4.00	+11.97	-0.30
Historic yield	0.37	0.38	0.78
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	1,483	1,943	1,890
Closing NAV percentage of total fund NAV (%)	0.92	1.25	0.89
Number of shares	87,775	119,597	130,264
Highest share price (Euro ¢)	1,763.12	1,681.04	1,569.06
Lowest share price (Euro ¢)	1,626.26	1,368.75	1,250.33

M&G European Select Fund

Financial highlights

Specific share class performance

Euro Class 'C' Accumulation share performance

The share class was launched on 26 November 2001.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	1,834.43	1,626.03	1,618.75
Return before operating charges and after direct portfolio transaction costs	89.23	225.83	22.10
Operating charges	(8.90)	(17.43)	(14.82)
Return after operating charges	80.33	208.40	7.28
Distributions	n/a	(20.05)	(25.73)
Retained distributions	n/a	20.05	25.73
Closing NAV	1,914.76	1,834.43	1,626.03
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.86	3.34	1.83
Dilution adjustments ^[a]	(0.14)	(1.09)	(0.09)
Total direct portfolio transaction costs	0.72	2.25	1.74
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.12	0.10
Operating charges	0.93	0.93	0.93
Return after operating charges	+4.38	+12.82	+0.45
Historic yield	1.05	1.09	1.51
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	14,132	8,802	27
Closing NAV percentage of total fund NAV (%)	8.72	5.67	0.01
Number of shares	738,035	479,795	1,650
Highest share price (Euro ¢)	1,996.34	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	2,020.73	1,695.12	1,482.07
Return before operating charges and after direct portfolio transaction costs	10.68	395.81	253.28
Operating charges	(17.02)	(30.09)	(25.68)
Return after operating charges	(6.34)	365.72	227.60
Distributions	n/a	(40.11)	(14.55)
Closing NAV	2,014.39	2,020.73	1,695.12
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.91	3.19	1.76
Dilution adjustments ^[a]	(0.14)	(1.04)	(0.09)
Total direct portfolio transaction costs	0.77	2.15	1.67
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.12	0.10
Operating charges	1.68	1.68	1.68
Return after operating charges	-0.31	+21.57	+15.36
Historic yield ^[c]	1.97	1.97	0.79
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (€'000)	55,483	56,331	125,464
Closing NAV percentage of total fund NAV (%)	34.22	36.30	59.16
Number of shares	2,431,077	2,567,161	6,277,734
Highest share price (UK p)	2,100.51	2,070.96	1,756.96
Lowest share price (UK p)	1,975.73	1,616.13	1,364.92

Sterling Class 'A' Accumulation share performance

The share class was launched on 24 July 1972.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	3,092.21	2,543.44	2,204.69
Return before operating charges and after direct portfolio transaction costs	15.87	595.07	376.98
Operating charges	(26.04)	(46.30)	(38.23)
Return after operating charges	(10.17)	548.77	338.75
Distributions	n/a	(11.89)	(21.63)
Retained distributions	n/a	11.89	21.63
Closing NAV	3,082.04	3,092.21	2,543.44
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.39	4.90	2.61
Dilution adjustments ^[a]	(0.22)	(1.60)	(0.13)
Total direct portfolio transaction costs	1.17	3.30	2.48
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.12	0.10
Operating charges	1.68	1.68	1.68
Return after operating charges	-0.33	+21.58	+15.36
Historic yield	0.38	0.38	0.79
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	68,777	71,380	69,394
Closing NAV percentage of total fund NAV (%)	42.42	45.99	32.72
Number of shares	1,969,655	2,125,792	2,314,096
Highest share price (UK p)	3,213.81	3,107.40	2,613.79
Lowest share price (UK p)	3,022.90	2,424.93	2,030.57

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	1,845.74	1,536.67	1,343.51
Return before operating charges and after direct portfolio transaction costs	9.68	361.18	230.83
Operating charges	(8.62)	(15.58)	(12.90)
Return after operating charges	1.06	345.60	217.93
Distributions	n/a	(36.53)	(24.77)
Closing NAV	1,846.80	1,845.74	1,536.67
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.83	2.98	1.60
Dilution adjustments ^[a]	(0.13)	(0.97)	(0.08)
Total direct portfolio transaction costs	0.70	2.01	1.52
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.12	0.10
Operating charges	0.93	0.93	0.93
Return after operating charges	+0.06	+22.49	+16.22
Historic yield ^[c]	1.96	1.97	1.55
Effect on yield of charges offset against capital	0.90	0.90	0.00
Other information			
Closing NAV (€'000)	8,410	7,599	6,655
Closing NAV percentage of total fund NAV (%)	5.19	4.90	3.14
Number of shares	401,926	379,140	367,341
Highest share price (UK p)	1,923.62	1,891.28	1,604.12
Lowest share price (UK p)	1,806.60	1,467.88	1,241.39

M&G European Select Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	2,023.40	1,651.90	1,421.10
Return before operating charges and after direct portfolio transaction costs	10.37	388.18	244.43
Operating charges	(9.46)	(16.68)	(13.63)
Return after operating charges	0.91	371.50	230.80
Distributions	n/a	(22.09)	(26.22)
Retained distributions	n/a	22.09	26.22
Closing NAV	2,024.31	2,023.40	1,651.90
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.92	3.19	1.69
Dilution adjustments ^[a]	(0.14)	(1.04)	(0.08)
Total direct portfolio transaction costs	0.78	2.15	1.61
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.12	0.10
Operating charges	0.93	0.93	0.93
Return after operating charges	+0.04	+22.49	+16.24
Historic yield	1.08	1.08	1.53
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	7,920	6,024	5,572
Closing NAV percentage of total fund NAV (%)	4.89	3.88	2.63
Number of shares	345,327	274,161	286,115
Highest share price (UK p)	2,108.46	2,033.09	1,697.03
Lowest share price (UK p)	1,980.16	1,577.94	1,313.29

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	184.24	153.77	134.47
Return before operating charges and after direct portfolio transaction costs	0.98	36.09	23.02
Operating charges	(1.10)	(1.97)	(1.63)
Return after operating charges	(0.12)	34.12	21.39
Distributions	n/a	(3.65)	(2.09)
Closing NAV	184.12	184.24	153.77
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.30	0.16
Dilution adjustments ^[a]	(0.01)	(0.10)	(0.01)
Total direct portfolio transaction costs	0.07	0.20	0.15
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.12	0.10
Operating charges	1.18	1.18	1.18
Return after operating charges	-0.07	+22.19	+15.91
Historic yield ^[c]	1.96	1.97	1.30
Effect on yield of charges offset against capital	1.15	1.15	0.00
Other information			
Closing NAV (€'000)	526	183	181
Closing NAV percentage of total fund NAV (%)	0.32	0.12	0.09
Number of shares	252,062	91,288	99,710
Highest share price (UK p)	191.84	188.80	160.14
Lowest share price (UK p)	180.31	146.80	124.09

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	199.87	163.58	141.08
Return before operating charges and after direct portfolio transaction costs	1.03	38.39	24.22
Operating charges	(1.20)	(2.10)	(1.72)
Return after operating charges	(0.17)	36.29	22.50
Distributions	n/a	(1.71)	(2.19)
Retained distributions	n/a	1.71	2.19
Closing NAV	199.70	199.87	163.58
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.32	0.17
Dilution adjustments ^[a]	(0.01)	(0.10)	(0.01)
Total direct portfolio transaction costs	0.08	0.22	0.16
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.12	0.10
Operating charges	1.18	1.18	1.18
Return after operating charges	-0.09	+22.18	+15.95
Historic yield	0.85	0.85	1.28
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	2,888	65	41
Closing NAV percentage of total fund NAV (%)	1.78	0.04	0.02
Number of shares	1,276,690	29,944	21,000
Highest share price (UK p)	208.08	200.83	168.07
Lowest share price (UK p)	195.58	156.15	130.23

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	2,000.83	1,678.43	1,467.49
Return before operating charges and after direct portfolio transaction costs	10.55	392.67	250.76
Operating charges	(16.83)	(30.55)	(25.43)
Return after operating charges	(6.28)	362.12	225.33
Distributions	n/a	(39.72)	(14.39)
Closing NAV	1,994.55	2,000.83	1,678.43
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.90	3.24	1.74
Dilution adjustments ^[a]	(0.14)	(1.06)	(0.08)
Total direct portfolio transaction costs	0.76	2.18	1.66
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.12	0.10
Operating charges	1.68	1.68	1.68
Return after operating charges	-0.31	+21.57	+15.35
Historic yield ^[c]	1.97	1.97	0.79
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (€'000)	1,585	1,981	1,981
Closing NAV percentage of total fund NAV (%)	0.98	1.28	0.93
Number of shares	70,155	91,178	100,109
Highest share price (UK p)	2,079.83	2,050.58	1,739.64
Lowest share price (UK p)	1,956.28	1,600.21	1,351.48

M&G European Select Fund

Financial highlights

Specific share class performance

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Opening NAV	3,059.63	2,516.67	2,181.50
Return before operating charges and after direct portfolio transaction costs	15.73	588.73	373.01
Operating charges	(25.78)	(45.77)	(37.84)
Return after operating charges	(10.05)	542.96	335.17
Distributions	n/a	(11.77)	(21.39)
Retained distributions	n/a	11.77	21.39
Closing NAV	3,049.58	3,059.63	2,516.67
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.38	4.85	2.59
Dilution adjustments ^[a]	(0.22)	(1.58)	(0.13)
Total direct portfolio transaction costs	1.16	3.27	2.46
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.12	0.10
Operating charges	1.68	1.68	1.68
Return after operating charges	-0.33	+21.57	+15.36
Historic yield	0.38	0.38	0.79
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	915	885	872
Closing NAV percentage of total fund NAV (%)	0.56	0.57	0.41
Number of shares	26,479	26,649	29,388
Highest share price (UK p)	3,179.96	3,074.66	2,586.27
Lowest share price (UK p)	2,991.06	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.

M&G European Select Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2018		2017	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		7,206		12,312
Revenue	556		614	
Expenses	(1,270)		(1,758)	
Net revenue / (expense) before taxation	(714)		(1,144)	
Taxation	(63)		(13)	
Net revenue / (expense) after taxation		(777)		(1,157)
Total return before equalisation		6,429		11,155
Equalisation		6		(68)
Change in net assets attributable to shareholders from investment activities		6,435		11,087

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2018		2017	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		155,193		212,077
Amounts received on issue of shares	13,309		36,959	
Amounts paid on cancellation of shares	(12,837)		(115,741)	
		472		(78,782)
Dilution adjustments		18		138
Change in net assets attributable to shareholders from investment activities (see above)		6,435		11,087
Unclaimed distributions		1		1
Closing net assets attributable to shareholders		162,119		144,521

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	28 February 2018	31 August 2017
	€'000	€'000
Assets		
Fixed assets		
Investments	161,824	152,210
Current assets		
Debtors	1,569	1,487
Cash and bank balances	0	3,288
Total assets	163,393	156,985
Creditors		
Bank overdrafts	(792)	0
Distribution payable	0	(1,311)
Other creditors	(482)	(481)
Total liabilities	(1,274)	(1,792)
Net assets attributable to shareholders	162,119	155,193

Notes to the financial statements

Accounting policies

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

Distribution policy

In determining the amount available for distribution to Income shares, the annual 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.

M&G European Select Fund

Financial statements and notes

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M&G European Smaller Companies Fund

Authorised Corporate Director's Report

Investment objective and policy

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

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.

Risk profile

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

The fund's focus is on smaller companies where the share price movement can be more unpredictable and the shares more difficult to buy and sell compared to those of larger companies. Diversification across countries, industries and market capitalisation is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 1 March 2018, for the six months ended 28 February 2018

Performance against objective

Between 1 September 2017 (the start of the review period) and 1 March 2018, the M&G European Smaller Companies Fund delivered positive capital growth across all of its euro and US dollar denominated share classes, while its sterling denominated share classes declined.* The majority of share classes finished behind a comparable index, the EMIX Smaller European Companies Index. Over the six months, returns from the index were -0.3%, 2.8% and 5.4% in sterling, euros and US dollars, respectively.

Over five years and since launch, the fund has delivered positive capital growth, and has remained invested in a diversified portfolio of smaller company shares from across Europe, including the UK, 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

For the six months under review, smaller European companies delivered positive returns in euro and US dollar terms, while sterling returns were negative – this was a reflection of relative currency strengths for the period. Markets began the review period on shaky ground, 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 we moved through the period, Europe also experienced a degree of political discord, driven by uncertain German elections and a Catalan independence vote in Spain, both of which unnerved markets to a degree. Investor sentiment was supported, though, 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.

M&G European Smaller Companies Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

As we passed 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 reaction was extreme, infecting markets globally and giving back those euphoric gains from January.

Overall, smaller European companies outpaced the broader European market, but did not keep up with the wider global indices, which were led by Japan and the US. Among the larger European constituents, smaller companies in Germany and Switzerland outpaced the index – the fund's above-index position in both countries was therefore supportive of returns, as was stock selection within them. The below-index position in Sweden, an underperforming market for the period, was also beneficial. At a country level, the largest drag on returns came from stockpicking in France, reflecting the aggregate underperformance of consumer products company BIC, automotive component maker Lisi and warehouse outsourcing specialist ID Logistics, as well as targeted web advertising specialist Criteo, highlighted below.

Against this background, within the smaller companies space, the technology, retail providers and industrial goods sectors all outperformed the wider market – stockpicking within technology led to the largest drag on returns for the period, while selection among retail providers and industrial goods was supportive. At the other end of the spectrum, basic materials and consumer goods underperformed, with stockpicking in the former adding value, and the latter detracting from relative performance.

At an individual stock level, the fund's largest detractor was Criteo, mentioned above. The company's shares were hit earlier in the year, after Apple introduced 'intelligent tracking prevention' (ITP), which automatically deletes cookies over time. Criteo developed a work-around to the technology, but a new ITP release meant the company would need to develop an alternative solution. This uncertainty, combined with new data protection legislation in the EU, due to come into force in the spring of 2018, hit sentiment in the company, and its shares fell as a result. We think the market reaction was excessive as, in reality, Apple is only a small percentage of the business. We do not believe ITP will be a problem for the company, and because of its position in the market, will actually strengthen its competitive advantages – as, for example, less established players are not as capable of developing workarounds.

International payments company Earthport, a new holding for the period (see below), dragged on returns as well. Delays in two projects that were meant to be completed by the end of 2017 led to reduced payment volumes, resulting in a profit warning. It was also announced that the chairman and chief executive officer would be swapping roles, which the market did not believe was an effective means of dealing with difficulties the company is facing – its shares fell sharply as a result. We have been in contact with management and believe their long-term strategy remains sound, and that the company will ultimately provide a socially beneficial solution to international payments – a historically inefficient process that does not favour the consumer.

Other detractors included allergy immunotherapy specialist ALK-Abelló, whose share price fell following a private placement fundraising (where shares are sold directly to a private investor, rather than as part of a public offering) in which we took part, and household goods manufacturer Leifheit, which reported earnings that fell below expectations.

On the upside, the fund's largest contributor was German online brokerage leader FinTech. The company has continued to follow through on its operational plans, and investors are realising the potential of the company. 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 the UK's vote to leave the European Union. During the period under review the company published strong results, including the expectation of some 40% growth in 2018 net profit.

UK-listed retailer WH Smith bolstered returns as well. Just prior to the start of the review period, the company reported that its travel business, which includes concessions in airports and train stations, had continued to deliver robust sales across all of its channels, reaching the inflection point at which those sales had surpassed the high street. Its high street stores, meanwhile, have delivered cost savings and margin improvements. Investors were cheered by this news, and the company's shares maintained their upward momentum for much of the period under review.

Other supportive holdings included high-performance sensor maker AMS and maritime services and technology company Kongsberg. AMS reported strong guidance for the fourth quarter of 2017, against a background of uncertainty over demand for Apple's latest iPhone, which had led to turbulence in the share prices of Apple suppliers. Investors were comforted by the news, and the company's shares subsequently rose. Kongsberg, meanwhile, published good results in light of ongoing operational success, including a solid increase in new orders, and its share price reacted well.

Investment activities

We run a concentrated portfolio of fewer than 50 holdings, maintaining a watchlist of around 200 quality 'moated' companies that we would like to own when the timing and price are right (moated companies are those where we feel the business model is well protected from competition). We monitor our watchlist closely, waiting patiently for short-term issues to create buying opportunities.

During the period under review, four such opportunities presented themselves. The first was Georgia's second largest lender, BGEO. 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. We do not feel that investors have realised the inherent value in the bank, and in particular in its investment vehicle, allowing us to purchase the shares at what we believe to be an attractive valuation.

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,

M&G European Smaller Companies Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

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 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. Short-term underperformance across its business units worried investors, providing our buying opportunity.

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 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. The loss of two contracts and some short-term cost pressures weighed on the share price.

Our other new purchase was 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 believe Dignity is an excellent company, producing high returns, with a very well-protected business model. Its shares sold off following a profit warning linked to management's decision to reduce prices of low end funerals, in response to increased competition – this provided our investment entry point.

Conversely, we further concentrated the portfolio by closing six positions, using proceeds to fund the review period's new purchases. These included Austrian construction company Porr, branded jewellery creator Pandora, Irish building materials company Kingspan, multinational flavour and fragrance creator Frutarom Industries, restructuring specialist Mutares and forklift truck and logistics systems business Jungheinrich.

Outlook

We think that the growth part of the market has continued to do well on the back of earnings upgrades, and we are generally happy to allow our holdings in this space to rise with the tide. AMS, for example (mentioned above), over the course of 2017 more than trebled in value, while Jungheinrich saw its share price rise by some 44% in local currency, to the point where it was looking quite expensive and we took the decision to sell. As growth areas of the market are starting to look crowded, 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 recovery is relatively young in Europe and that there will be pauses on the way. Leifheit, for example, was down 30% after a recent profit

warning – we think this is quite an extreme market reaction. With this in mind, the more boring the company the more interested we are, while a few countries have also attracted our attention. Spain in particular is throwing up opportunities after the post referendum wobble. Likewise, Italy is of interest following the evaporation of the hype surrounding the PIR (Piano Individuale di Risparmio – tax breaks on small cap investment if held for five years). Otherwise, both Eastern Europe and the UK remain on our radar.

In terms of the current portfolio, we remain confident in the quality of our holdings, and firmly believe that they will generate long-term value for the fund. As long-term investors, this is our focus, and we continue to be optimistic about their prospects.

Michael Oliveros

Fund manager

An employee of M&G 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	28.02.18	28.02.18	31.08.17
Holding	€'000	%	%
EQUITIES	204,508	99.63	97.53
Oil & gas producers	1,037	0.51	0.78
1,750,509 Ophir Energy	1,037	0.51	
Oil equipment, services & distribution	6,220	3.03	2.52
38,537 Schoeller Bleckmann Oilfield	3,229	1.57	
112,306 Técnicas Reunidas	2,991	1.46	
Chemicals	4,334	2.11	4.76
610,461 MagForce	4,334	2.11	
Construction & materials	4,308	2.10	5.43
306,813 Arbonia	4,308	2.10	
Aerospace & defence	4,545	2.21	2.02
122,347 LISI	4,545	2.21	
Electronic & electrical equipment	7,281	3.55	3.74
34,037 Comet	4,108	2.00	
111,711 EVS Broadcast Equipment	3,173	1.55	
Industrial engineering	20,825	10.14	10.26
117,695 Cargotec	5,447	2.65	
743,275 Deutz	5,708	2.78	
263,986 Kongsberg Gruppen	4,773	2.32	
352,236 Oerlikon	4,897	2.39	
Industrial transportation	8,294	4.04	4.46
28,402 ID Logistics	3,880	1.89	
235,413 Logista	4,414	2.15	
Support services	17,296	8.43	6.88
95,598 CTS EVENTIM	3,833	1.87	
53,407 DCC	4,039	1.97	
1,670,306 Equiniti	5,507	2.68	
130,731 ISS	3,917	1.91	
Automobiles & parts	4,782	2.33	0.00
789,564 KTM Industries	4,782	2.33	

M&G European Smaller Companies Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	28.02.18 €'000	28.02.18 %	31.08.17 %	
Food producers	3,771	1.84	1.78	
661,610 Origin Enterprises	3,771	1.84		
Household goods & home construction	15,968	7.78	5.75	
2,225,839 Cairn Homes	3,927	1.91		
253,376 Leifheit	7,475	3.64		
53,283 Societe BIC	4,566	2.23		
Leisure goods	3,790	1.85	2.13	
212,071 Thule Group	3,790	1.85		
Personal goods	4,130	2.01	3.61	
56,155 HUGO BOSS	4,130	2.01		
Healthcare equipment & services	7,434	3.62	3.94	
558,346 Medcover	3,560	1.73		
406,147 UDG Healthcare	3,874	1.89		
Pharmaceuticals & biotechnology	10,185	4.96	5.00	
36,896 ALK-Abelló	3,587	1.75		
1,520,498 Indivior	6,598	3.21		
Food & drug retailers	3,016	1.47	2.08	
75,106 Galenica	3,016	1.47		
General retailers	27,093	13.20	10.41	
770,412 AcadeMedia	4,530	2.21		
411,132 Dignity	3,810	1.86		
2,821,900 Pets at Home	5,506	2.68		
254,649 TAKKT	5,513	2.68		
335,958 WH Smith	7,734	3.77		
Banks	9,945	4.84	1.96	
825,269 Bank of Ireland	6,342	3.09		
94,533 BGEO Group	3,603	1.75		
Non-life insurance	5,151	2.51	2.55	
339,308 Jardine Lloyd Thompson Group	5,151	2.51		
Financial services	11,816	5.75	6.65	
223,705 FinTech Group	6,398	3.11		
248,159 GAM Holding (Regd.)	3,670	1.79		
148,137 MyBucks	1,748	0.85		
Software & computer services	17,404	8.48	8.70	
166,584 Criteo ADR	4,035	1.97		
16,260,000 Earthport	2,192	1.07		
297,823 EMIS Group	2,436	1.19		
334,153 Indra Sistemas	3,803	1.85		
31,039 Sopra Steria	4,938	2.40		
Technology hardware & equipment	5,883	2.87	2.12	
61,081 ams	5,883	2.87		
Portfolio of investments	204,508	99.63	97.53	
CASH EQUIVALENTS	444	0.22	3.24	
'AAA' rated money market funds ^[a]	444	0.22	3.24	
392,000 Northern Trust Global Fund - Sterling	444	0.22		
Total portfolio	204,952	99.85	100.77	
Net other assets / (liabilities)	320	0.15	(0.77)	
Net assets attributable to shareholders	205,272	100.00	100.00	

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

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

Top ten portfolio transactions

for the six months to 28 February 2018

	€'000
Largest purchases	
Societe BIC	5,097
KTM Industries	4,628
ISS	4,245
Dignity	4,063
BGEO Group	3,799
Earthport	3,583
Bank of Ireland	2,374
Cargotec	2,367
Pets at Home	2,145
Deutz	1,999
Other purchases	20,873
Total purchases	55,173
Largest sales	
Frutarom Industries	4,244
Jungheinrich Pref. (non-voting)	3,523
Kingspan Group	3,182
Mutares	3,138
PORR	2,548
Pandora	2,373
FinTech Group	2,309
Deutz	1,524
Logista	1,280
AcadeMedia	1,025
Other sales	8,478
Total sales	33,624

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

M&G European 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.

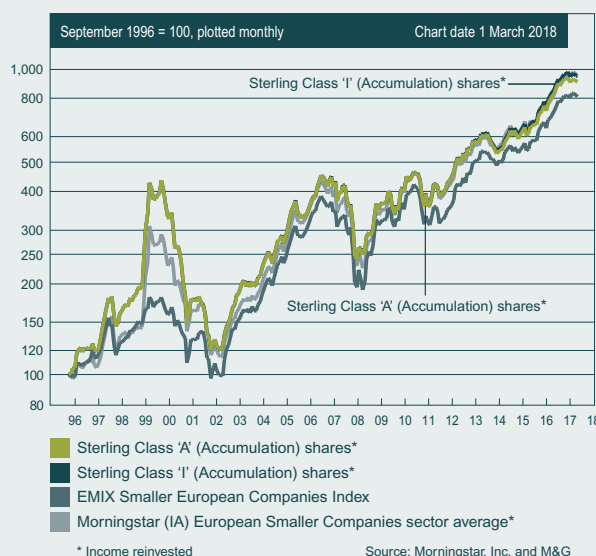
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	28.02.18 €'000	31.08.17 €'000	31.08.16 €'000
Fund net asset value (NAV)	205,272	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

	Six months 01.09.17 % [a]	Three years 02.03.15 % p.a.	Five years 01.03.13 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	+2.5	+9.1	+11.7	+8.2 [c]
Class 'C'	+2.9	+9.9	+12.5	+9.0 [c]
Sterling [d]				
Class 'A'	-1.4	+16.4	+12.2	+10.9 [e]
Class 'I'	-1.0	+17.3	+13.0	+17.0 [f]
Class 'R'	-1.1	+17.0	+12.8	+16.7 [f]
Class 'X'	-1.4	+16.4	+12.2	+14.1 [g]
US dollar [b]				
Class 'A'	+4.8	+12.1	n/a	+9.3 [h]
Class 'C'	+5.2	+13.0	n/a	+10.2 [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 European 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

	Six months to 28.02.18 %	Year to 31.08.17 %	Year to 31.08.16 %	Average ^[a] %
Direct portfolio transaction costs ^[b]				
Broker commission	0.04	0.03	0.14	0.07
Taxes	0.11	0.05	0.10	0.09
Costs before dilution adjustments	0.15	0.08	0.24	0.16
Dilution adjustments ^[c]	(0.05)	(0.03)	(0.04)	(0.04)
Total direct portfolio transaction costs	0.10	0.05	0.20	0.12
as at	28.02.18	31.08.17	31.08.16	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.23	0.25	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 European 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 period are calculated as at 9 March 2018.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	3,525.70	2,986.95	2,913.17
Return before operating charges and after direct portfolio transaction costs	142.69	594.80	123.09
Operating charges	(30.47)	(56.05)	(49.31)
Return after operating charges	112.22	538.75	73.78
Distributions	n/a	(6.84)	(18.19)
Retained distributions	n/a	6.84	18.19
Closing NAV	3,637.92	3,525.70	2,986.95
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.74	2.65	6.89
Dilution adjustments ^[a]	(0.92)	(0.99)	(1.30)
Total direct portfolio transaction costs	1.82	1.66	5.59
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.20
Operating charges	1.68	1.68	1.69
Return after operating charges	+3.18	+18.04	+2.53
Historic yield	0.19	0.19	0.60
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	15,972	18,461	13,935
Closing NAV percentage of total fund NAV (%)	7.78	10.22	9.93
Number of shares	439,037	523,605	466,517
Highest share price (Euro ¢)	3,808.35	3,639.00	3,159.54
Lowest share price (Euro ¢)	3,500.22	2,918.05	2,560.14

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	3,957.93	3,327.96	3,221.24
Return before operating charges and after direct portfolio transaction costs	160.01	664.45	137.14
Operating charges	(18.96)	(34.48)	(30.42)
Return after operating charges	141.05	629.97	106.72
Distributions	n/a	(35.49)	(44.78)
Retained distributions	n/a	35.49	44.78
Closing NAV	4,098.98	3,957.93	3,327.96
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	3.08	2.94	7.67
Dilution adjustments ^[a]	(1.03)	(1.10)	(1.45)
Total direct portfolio transaction costs	2.05	1.84	6.22
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.20
Operating charges	0.93	0.93	0.94
Return after operating charges	+3.56	+18.93	+3.31
Historic yield	0.86	0.89	1.33
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	741	727	666
Closing NAV percentage of total fund NAV (%)	0.36	0.40	0.48
Number of shares	18,072	18,372	20,007
Highest share price (Euro ¢)	4,287.80	4,075.65	3,500.38
Lowest share price (Euro ¢)	3,942.02	3,255.55	2,840.49

Sterling Class 'A' Income share performance

The share class was launched on 30 September 1996.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	414.01	328.76	278.80
Return before operating charges and after direct portfolio transaction costs	(1.15)	98.88	56.95
Operating charges	(3.45)	(6.28)	(4.96)
Return after operating charges	(4.60)	92.60	51.99
Distributions	n/a	(7.35)	(2.03)
Closing NAV	409.41	414.01	328.76
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.31	0.30	0.69
Dilution adjustments ^[a]	(0.10)	(0.11)	(0.13)
Total direct portfolio transaction costs	0.21	0.19	0.56
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.20
Operating charges	1.68	1.68	1.69
Return after operating charges	-1.11	+28.17	+18.65
Historic yield ^[c]	1.77	1.78	0.61
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (€'000)	92,108	94,287	83,808
Closing NAV percentage of total fund NAV (%)	44.87	52.18	59.73
Number of shares	19,857,232	20,972,892	21,621,923
Highest share price (UK p)	431.14	423.28	337.13
Lowest share price (UK p)	396.33	326.86	259.82

M&G European Smaller Companies Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 30 September 1996.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	443.04	345.71	291.37
Return before operating charges and after direct portfolio transaction costs	(1.18)	103.94	59.53
Operating charges	(3.69)	(6.61)	(5.19)
Return after operating charges	(4.87)	97.33	54.34
Distributions	n/a	(0.86)	(2.12)
Retained distributions	n/a	0.86	2.12
Closing NAV	438.17	443.04	345.71
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.33	0.31	0.73
Dilution adjustments ^[a]	(0.11)	(0.12)	(0.14)
Total direct portfolio transaction costs	0.22	0.19	0.59
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.20
Operating charges	1.68	1.68	1.69
Return after operating charges	-1.10	+28.15	+18.65
Historic yield	0.19	0.19	0.61
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	23,851	30,550	23,174
Closing NAV percentage of total fund NAV (%)	11.62	16.91	16.52
Number of shares	4,804,549	6,349,972	5,685,714
Highest share price (UK p)	461.41	445.08	352.33
Lowest share price (UK p)	424.16	343.71	271.54

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	2,262.32	1,782.92	1,511.79
Return before operating charges and after direct portfolio transaction costs	(6.34)	538.44	310.47
Operating charges	(10.45)	(18.96)	(15.03)
Return after operating charges	(16.79)	519.48	295.44
Distributions	n/a	(40.08)	(24.31)
Closing NAV	2,245.53	2,262.32	1,782.92
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.70	1.62	3.79
Dilution adjustments ^[a]	(0.57)	(0.61)	(0.72)
Total direct portfolio transaction costs	1.13	1.01	3.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.20
Operating charges	0.93	0.93	0.94
Return after operating charges	-0.74	+29.14	+19.54
Historic yield ^[c]	1.76	1.77	1.35
Effect on yield of charges offset against capital	0.90	0.90	0.00
Other information			
Closing NAV (€'000)	7,586	7,230	6,251
Closing NAV percentage of total fund NAV (%)	3.70	4.00	4.45
Number of shares	298,169	294,308	297,383
Highest share price (UK p)	2,357.99	2,312.90	1,841.32
Lowest share price (UK p)	2,172.84	1,773.17	1,413.61

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	2,419.27	1,873.64	1,567.32
Return before operating charges and after direct portfolio transaction costs	(6.74)	565.69	321.90
Operating charges	(11.18)	(20.06)	(15.58)
Return after operating charges	(17.92)	545.63	306.32
Distributions	n/a	(21.71)	(25.19)
Retained distributions	n/a	21.71	25.19
Closing NAV	2,401.35	2,419.27	1,873.64
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.82	1.71	3.93
Dilution adjustments ^[a]	(0.61)	(0.64)	(0.74)
Total direct portfolio transaction costs	1.21	1.07	3.19
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.20
Operating charges	0.93	0.93	0.94
Return after operating charges	-0.74	+29.12	+19.54
Historic yield	0.89	0.90	1.33
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	9,780	8,745	6,335
Closing NAV percentage of total fund NAV (%)	4.77	4.84	4.51
Number of shares	359,498	332,881	286,788
Highest share price (UK p)	2,521.75	2,430.38	1,908.97
Lowest share price (UK p)	2,323.73	1,863.26	1,465.56

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	225.27	177.97	151.00
Return before operating charges and after direct portfolio transaction costs	(0.68)	53.68	30.85
Operating charges	(1.33)	(2.38)	(1.90)
Return after operating charges	(2.01)	51.30	28.95
Distributions	n/a	(4.00)	(1.98)
Closing NAV	223.26	225.27	177.97
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.17	0.16	0.38
Dilution adjustments ^[a]	(0.06)	(0.06)	(0.07)
Total direct portfolio transaction costs	0.11	0.10	0.31
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.20
Operating charges	1.18	1.18	1.19
Return after operating charges	-0.89	+28.83	+19.17
Historic yield ^[c]	1.76	1.77	1.10
Effect on yield of charges offset against capital	1.15	1.15	0.00
Other information			
Closing NAV (€'000)	665	103	131
Closing NAV percentage of total fund NAV (%)	0.32	0.06	0.09
Number of shares	262,856	42,204	62,372
Highest share price (UK p)	234.70	230.29	183.36
Lowest share price (UK p)	216.10	176.98	140.95

M&G European Smaller Companies Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	238.94	185.50	155.57
Return before operating charges and after direct portfolio transaction costs	(0.69)	55.94	31.88
Operating charges	(1.41)	(2.50)	(1.95)
Return after operating charges	(2.10)	53.44	29.93
Distributions	n/a	(1.59)	(2.04)
Retained distributions	n/a	1.59	2.04
Closing NAV	236.84	238.94	185.50
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.18	0.17	0.39
Dilution adjustments ^[a]	(0.06)	(0.06)	(0.07)
Total direct portfolio transaction costs	0.12	0.11	0.32
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.20
Operating charges	1.18	1.18	1.19
Return after operating charges	-0.88	+28.81	+19.24
Historic yield	0.66	0.66	1.09
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	5,900	225	197
Closing NAV percentage of total fund NAV (%)	2.87	0.13	0.14
Number of shares	2,198,786	86,793	90,000
Highest share price (UK p)	248.98	240.02	189.02
Lowest share price (UK p)	229.24	184.46	145.30

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	409.52	325.20	275.78
Return before operating charges and after direct portfolio transaction costs	(1.11)	97.81	56.34
Operating charges	(3.41)	(6.21)	(4.91)
Return after operating charges	(4.52)	91.60	51.43
Distributions	n/a	(7.28)	(2.01)
Closing NAV	405.00	409.52	325.20
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.31	0.29	0.69
Dilution adjustments ^[a]	(0.10)	(0.11)	(0.13)
Total direct portfolio transaction costs	0.21	0.18	0.56
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.20
Operating charges	1.68	1.68	1.69
Return after operating charges	-1.10	+28.17	+18.65
Historic yield ^[c]	1.77	1.78	0.61
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (€'000)	3,383	3,999	3,650
Closing NAV percentage of total fund NAV (%)	1.65	2.21	2.60
Number of shares	737,308	899,299	951,988
Highest share price (UK p)	426.47	418.70	333.48
Lowest share price (UK p)	392.04	323.33	257.01

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	437.73	341.52	287.85
Return before operating charges and after direct portfolio transaction costs	(1.19)	102.72	58.79
Operating charges	(3.65)	(6.51)	(5.12)
Return after operating charges	(4.84)	96.21	53.67
Distributions	n/a	(0.85)	(2.09)
Retained distributions	n/a	0.85	2.09
Closing NAV	432.89	437.73	341.52
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.33	0.31	0.72
Dilution adjustments ^[a]	(0.11)	(0.12)	(0.14)
Total direct portfolio transaction costs	0.22	0.19	0.58
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.20
Operating charges	1.68	1.68	1.69
Return after operating charges	-1.11	+28.17	+18.65
Historic yield	0.19	0.19	0.61
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	1,644	1,707	2,032
Closing NAV percentage of total fund NAV (%)	0.80	0.94	1.45
Number of shares	335,175	359,007	504,507
Highest share price (UK p)	455.83	439.69	348.07
Lowest share price (UK p)	419.03	339.54	268.26

US dollar Class 'A' Accumulation share performance

The share class was launched on 8 August 2014.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	1,303.07	1,037.49	1,024.48
Return before operating charges and after direct portfolio transaction costs	93.77	285.24	30.60
Operating charges	(11.49)	(19.66)	(17.59)
Return after operating charges	82.28	265.58	13.01
Distributions	n/a	(2.54)	(6.22)
Retained distributions	n/a	2.54	6.22
Closing NAV	1,385.35	1,303.07	1,037.49
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.03	0.93	2.47
Dilution adjustments ^[a]	(0.35)	(0.35)	(0.47)
Total direct portfolio transaction costs	0.68	0.58	2.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.20
Operating charges	1.67	1.68	1.69
Return after operating charges	+6.31	+25.60	+1.27
Historic yield	0.18	0.19	0.59
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	480	777	139
Closing NAV percentage of total fund NAV (%)	0.23	0.43	0.10
Number of shares	42,321	70,679	14,938
Highest share price (US ¢)	1,467.90	1,325.32	1,084.49
Lowest share price (US ¢)	1,304.89	995.35	895.29

M&G European Smaller Companies Fund

Financial highlights

Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 8 August 2014.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	1,334.15	1,054.09	1,032.75
Return before operating charges and after direct portfolio transaction costs	95.96	291.33	30.67
Operating charges	(6.47)	(11.27)	(9.33)
Return after operating charges	89.49	280.06	21.34
Distributions	n/a	(12.20)	(14.26)
Retained distributions	n/a	12.20	14.26
Closing NAV	1,423.64	1,334.15	1,054.09
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.05	0.97	2.52
Dilution adjustments ^[a]	(0.35)	(0.36)	(0.48)
Total direct portfolio transaction costs	0.70	0.61	2.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.20
Operating charges	0.93	0.93	0.91
Return after operating charges	+6.71	+26.57	+2.07
Historic yield	0.84	0.91	1.33
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	43,162	13,884	5
Closing NAV percentage of total fund NAV (%)	21.03	7.68	0.00
Number of shares	3,704,078	1,234,000	500
Highest share price (US ¢)	1,507.55	1,356.18	1,099.90
Lowest share price (US ¢)	1,337.61	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.

M&G European Smaller Companies Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2018		2017	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		6,816		17,444
Revenue	625		554	
Expenses	(1,479)		(1,147)	
Net revenue / (expense) before taxation	(854)		(593)	
Taxation	(7)		(3)	
Net revenue / (expense) after taxation		(861)		(596)
Total return before equalisation		5,955		16,848
Equalisation		(8)		(1)
Change in net assets attributable to shareholders from investment activities		5,947		16,847

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2018		2017	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		180,695		140,323
Amounts received on issue of shares	40,037		3,483	
Amounts paid on cancellation of shares	(21,510)		(5,488)	
		18,527		(2,005)
Dilution adjustments		103		12
Change in net assets attributable to shareholders from investment activities (see above)		5,947		16,847
Closing net assets attributable to shareholders		205,272		155,177

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	28 February 2018	31 August 2017
	€'000	€'000
Assets		
Fixed assets		
Investments	204,952	182,078
Current assets		
Debtors	644	839
Cash and bank balances	30	116
Total assets	205,626	183,033
Creditors		
Bank overdrafts	0	(249)
Distribution payable	0	(1,876)
Other creditors	(354)	(213)
Total liabilities	(354)	(2,338)
Net assets attributable to shareholders	205,272	180,695

Notes to the financial statements

Accounting policies

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

Distribution policy

In determining the amount available for distribution to Income shares, the annual 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.

M&G European Smaller Companies Fund

Financial statements and notes

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M&G Global Leaders Fund

Authorised Corporate Director's Report

Investment objective and policy

The objective of the fund is to maximise long term total return (the combination of income and growth of capital). The fund invests in a wide range of global equities issued by companies that the fund manager considers to be, or have the potential to be, leading in their field in terms of improving shareholder value.

Investment approach

The fund manager selects shares in companies that he believes to be leading in their field, or have the potential to be leading in their field, in terms of improving shareholder value. Importantly, their prospects are not fully reflected in their share prices.

The approach has three core beliefs: i) management can make a big difference to the returns shareholders receive; ii) where management decide to allocate resources and capital is key – companies must concentrate resources on those business activities where they have an advantage relative to other companies and can create value; iii) the above factors are only attractive from an investment perspective if they are not yet reflected in the share price.

Stocks are selected on a bottom-up basis, that is the fund manager focuses on company fundamentals. He tends to avoid imposing top-down views, that is sector, country or currency selections do not drive stockpicking, but they will be taken into account where they impact on a particular stock or the risk profile of the broader portfolio. The fund usually holds between 50 and 80 stocks, with a typical holding period of three to five years.

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 companies undergoing positive internal change leading to improvements in return on capital, but where the change is not yet 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 countries, industries and market capitalisation is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 1 March 2018, for the six months ended 28 February 2018

Performance against objective

Between 1 September 2017 (the start of the review period) and 1 March 2018, the M&G Global Leaders Fund produced a strong positive total return (the combination of income and growth of capital) across all its share classes.* In addition, the fund's returns in all share classes were significantly ahead of the comparative index, the MSCI ACWI Index. Over the six months, returns from the index were 1.8%, 5.0% and 7.7% in sterling, euros and US dollars respectively.

Over five years and since launch, the fund has delivered on its investment objective of maximising long-term total return.

* 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 six months under review was a positive one for most global equity markets, which made steady gains throughout the majority of the period. However, towards the end of January, signs of a pick-up in wage inflation in the US led to rising interest rate expectations, which triggered a sudden sell-off in equity markets.

Ahead of the correction, many stockmarkets had risen to all-time highs, while others reached their highest levels for many years. Investor sentiment was boosted by better economic data and robust company earnings.

Consequently, central bankers are now considering the withdrawal of emergency measures, such as record low interest rates and asset purchases, to curb any rise in inflation. For example, during the review period interest rates were increased in both the UK and US while the European Central Bank is scaling back its asset purchase programme.

In developed markets, the largest gains were seen in the US and Japan, whereas European stockmarkets, including the UK, lagged. Meanwhile, within emerging markets impressive returns were recorded in Brazil, Russia and China.

M&G Global Leaders Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

Unsurprisingly, given the general strength in stockmarkets, cyclical sectors (that is sectors that tend to be more volatile throughout the economic cycle) outperformed.

Technology stocks rallied over the review period and holdings in Amazon and Microsoft were amongst the fund's top contributors. We have believed for some time that investors are not fully appreciating the disruption being caused by cloud computing and this has been the main reason why Microsoft and Amazon are the fund's largest holdings.

Initially, Amazon targeted small and medium-sized customers, who do not have the critical mass to build their own server infrastructure and are therefore willing to rent capacity. Now the public cloud has become mainstream, Amazon has broadened its vision and is building a highly profitable software business on top of its cloud infrastructure.

Microsoft is going through a transition from a traditional software licensing business to a subscription model in its commercial software offering. The global software giant is also growing its cloud infrastructure business for its core enterprise clients. Whilst weakness in the consumer business, which includes its hardware division and Windows licensing, is a concern for some investors, the shares are still trading on a very attractive cashflow multiple, in our view.

However, other technology holdings such as Xperi, Corelogic and Jabil detracted. Shares in US-based technology company Xperi weakened over the review period on concerns over whether a major customer would continue to licence its technology.

Corelogic, a leading property information company has traded sideways. Whilst the part of its business that is tied to mortgage originations has performed well, this is being offset by the costs in transforming the group into a more efficient information company.

Jabil is a provider of electronic manufacturing services and solutions worldwide. Like Corelogic, Jabil has the potential to generate strong free cashflows, but operates in a competitive marketplace and has a demanding and concentrated customer base. As a result of these challenges, we have sold the holding.

In financials, a recent addition to the portfolio, SVB Financial and Russia's Sberbank, added value. SVB is a strong Silicon Valley-based bank with a niche business model and culture that understands its customers (venture capital clients). Meanwhile, Sberbank reported strong results and enjoyed the wider rally in Russian shares. Sberbank is an extremely well run bank in our view, although we accept that it carries additional risks being based in Russia. If it wasn't for this, the bank would have a greater weighting in the portfolio. Both of these banks, in our opinion, are winners in a digital world.

In the industrial services sector, both Cimpress and Chegg added value. Cimpress is an online customised printing platform catering to the printing needs of small businesses, such as business cards and flyers. The company is consolidating the market and adding new products to its platform.

Chegg, on the other hand, is a digitally focused educational services provider. During the year, the company reported strong results and raised profits guidance. We feel other investors misunderstand Chegg's business. The company has a clear strategy centred around supporting students at college, making their education more cost effective and improving their chances of success. In our view, Chegg could be one of the companies at the vanguard of educational reform through the application of digital technology.

Defensive sectors (that is, sectors that tend to remain more stable throughout the economic cycle) underperformed over the six months and the fund's holding in Spark New Zealand was one of the fund's largest detractors.

Investment activities

For the M&G Global Leaders Fund, we select stocks from across the global investment universe, identifying companies that are undergoing positive change leading to improvements in return on capital. The observed improvements at the company must not yet be reflected in its share price.

Investment activity was relatively subdued during the review period, however, we began new holdings in Rumbleon and Collectis. Rumbleon is a technology company that has created a simple digital platform to buy, sell, trade, and finance motorcycles.

Meanwhile, Collectis is a French biopharmaceutical company. It develops genome-edited chimeric antigen receptor T-cell technologies for cancer immunotherapy.

Conversely, we sold out of positions in Snap-On and Mallinckrodt. Shares in Snap-On, a manufacturer and marketer of tools and equipment to professional users, were sold as the stock no longer looked attractive on valuation grounds, in our view. The stake in Mallinckrodt, which specialises in drugs using highly regulated raw materials, was sold as we had concerns over the level of debt in the business.

We also felt there were other pharmaceutical stocks better placed to benefit from the new realities of the US healthcare system. In our view, the US healthcare system exhibits many unsustainable characteristics: costs have risen faster than consumer prices for over 50 years; healthcare is a poor value proposition when considering costs versus outcomes, and healthcare expenditure is becoming unaffordable for individuals and the federal government alike.

Two of the fund's holdings – Kite Pharma and Rocket Fuel – were the subject of takeover activity during the period and left the portfolio. Kite Pharma is a clinical-stage biopharma company focused on the development and commercialisation of novel and very promising cancer immunotherapy products. During the review period, Gilead Sciences agreed to acquire the company. Meanwhile, Rocket Fuel was acquired by Sizmek.

Outlook

We continue to have above-index positions in Japan and in the consumer discretionary and technology sectors, albeit at lower levels than in the past. In our view, valuations of Japanese stocks are still attractive, but we accept that government initiatives at the policy level need to be followed through by governance reform at the corporate level.

M&G Global Leaders Fund

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Investment review

Outlook (continued)

The consumer (particularly the US consumer) has remained one of the brightest spots of the recovery following the 2007/08 global financial crisis. However, consumers' behaviour is changing (from goods to services and from physical stores to online), causing a disruption in legacy business models. We are finding plenty of opportunities in the consumer discretionary sector to invest in companies that are transforming their culture and business models to align with this new paradigm.

One of our core investment themes is that the shift from analogue to digital is one of the most important changes happening in the investment world today. This is a transformation many of the fund's technology holdings are primed to benefit from. We believe the digital world will see a polarisation in performance between the winners and losers and that there will be opportunity to add value through stock selection. It is worth noting that eight out of our top 10 contributors to relative performance during the review period are examples of this thesis.

The fund retains its below-index weighting in emerging markets. Despite the strong performance in 2017, emerging markets still offer pockets of value, especially in Eastern Europe, Middle East and Africa and Latin America, where we continue to invest selectively.

The US, where the fund is slightly below-index, represents its largest geographical exposure. We believe US companies, on the whole, are extremely well run, have excellent capital discipline and high corporate governance standards. With valuations near fair value, investing selectively is the key. The potential for increased government spending combined with tax reforms from a Trump-led US government have tipped the odds in favour of faster economic growth and rising interest rates in the near term.

However, our long-term base case is that the forces of global excess capacity and technology are here to stay, and in our opinion, inflation is unlikely to rise significantly higher. We continue to focus on companies undergoing change and, in particular, on business models that will win in an increasingly digital world.

Aled Smith

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		28.02.18	28.02.18	31.08.17
Holding		\$'000	%	%
	EQUITIES	583,618	99.19	98.38
	Oil, gas & consumable fuels	18,860	3.21	2.73
255,798	International Petroleum	1,129	0.19	
315,807	Lundin Petroleum	7,423	1.27	
2,415,408	MEG Energy	10,308	1.75	
	Containers & packaging	11,704	1.99	2.03
98,426	Avery Dennison	11,704	1.99	
	Paper & forest products	4,950	0.84	0.55
1,363,431	Duratex	4,950	0.84	
	Building products	8,457	1.44	1.67
345,700	LIXIL Group	8,457	1.44	
	Electrical equipment	9,186	1.56	1.67
57,000	Nidec	9,186	1.56	
	Industrial conglomerates	10,191	1.73	1.53
76,585	Siemens	10,191	1.73	
	Machinery	29,832	5.07	5.54
541,720	Bodycote	6,955	1.18	
65,035	DMC Global	1,460	0.25	
83,285	ITT	4,347	0.74	
233,224	Manitowoc	7,221	1.23	
54,152	Parker Hannifin	9,849	1.67	
	Commercial services & supplies	15,228	2.59	2.96
57,034	Cimpress	9,254	1.57	
1,638,565	G4S	5,974	1.02	
	Auto components	11,058	1.88	1.95
958,008	Hanon Systems	11,058	1.88	
	Automobiles	10,911	1.85	1.34
100,661	Renault	10,911	1.85	
	Household durables	0	0.00	2.01
	Leisure products	8,070	1.37	1.60
266,141	Amer Sports	8,070	1.37	
	Textiles, apparel & luxury goods	11,130	1.89	1.80
2,562,154	Samsonite International	11,130	1.89	
	Hotels, restaurants & leisure	15,649	2.66	2.29
456,908	MGM Resorts International	15,649	2.66	
	Diversified consumer services	13,370	2.27	2.49
667,172	Chegg	13,370	2.27	
	Internet & direct marketing retail	31,891	5.42	4.20
21,092	Amazon	31,891	5.42	
	Specialty retail	9,780	1.66	1.32
1,964,849	Kingfisher	9,780	1.66	
	Food products	25,031	4.25	3.00
102,032	Ingredion	13,370	2.27	
703,306	Nomad Foods	11,661	1.98	
	Health care equipment & supplies	16,699	2.84	3.25
269,501	Mazor Robotics	8,659	1.47	
98,994	Medtronic	8,040	1.37	
	Health care providers & services	5,133	0.87	2.37
217,200	Toho	5,133	0.87	
	Health care technology	6,094	1.04	1.07
1,716,611	Castlight Health	6,094	1.04	
	Biotechnology	5,028	0.86	1.01
80,456	Collectis ADR	2,552	0.44	
1,786,426	Mesoblast	2,476	0.42	

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Investments

Portfolio statement (continued)				
as at Holding	28.02.18 \$'000	28.02.18 %	31.08.17 ^[a] %	
Pharmaceuticals	35,308	6.00	7.11	
36,694 GW Pharmaceuticals ADR	4,237	0.72		
803,574 Indivior	4,260	0.72		
161,610 Novartis (Regd.)	13,583	2.31		
258,700 Otsuka	13,002	2.21		
375,864 Senestech	226	0.04		
Life sciences tools & services	851	0.14	0.13	
332,397 Horizon Discovery Group	851	0.14		
Banks	54,147	9.20	8.02	
233,689 Erste Group	11,649	1.98		
2,866,971 Intesa Sanpaolo	10,862	1.85		
122,434 KBC Group	11,488	1.95		
539,707 Sberbank of Russia ADR	11,010	1.87		
36,897 SVB Financial Group	9,138	1.55		
Diversified financial services	9,315	1.58	1.24	
3,295,045 Hacı Omer Sabancı	9,315	1.58		
Capital markets	28,013	4.76	4.34	
69,534 Affiliated Managers	13,225	2.25		
260,912 Morgan Stanley	14,788	2.51		
Insurance	35,924	6.11	6.02	
1,717,635 AIA Group	14,385	2.44		
256,488 Brasil Insurance	772	0.13		
21,189 BrightHouse Financial	1,178	0.20		
287,998 Health Insurance Innovations	8,942	1.53		
225,483 MetLife	10,647	1.81		
Internet software & services	29,924	5.09	3.78	
10,146 Alphabet	11,346	1.93		
314,534 Scout24	13,957	2.37		
251,713 ShotSpotter	4,621	0.79		
IT services	25,345	4.31	4.02	
264,305 CoreLogic	12,015	2.04		
296,200 Nomura Research Institute	13,330	2.27		
Software	36,824	6.26	5.60	
276,882 Asure Software	4,051	0.69		
343,142 Microsoft	32,327	5.49		
123,475 Rumbleon	446	0.08		
Communications equipment	19,843	3.37	2.42	
186,165 Motorola Solutions	19,843	3.37		
Technology hardware, storage & peripherals	5,879	1.00	0.41	
140,700 FUJIFILM Holdings	5,879	1.00		
Electronic equipment, instruments & components	8,690	1.48	3.15	
220,700 Amano	6,169	1.05		
174,612 Knowles	2,521	0.43		
Semiconductors & semiconductor equipment	5,599	0.95	1.84	
256,818 Xperi	5,599	0.95		
Diversified telecommunication services	9,704	1.65	1.92	
4,008,124 Spark New Zealand	9,704	1.65		
CURRENCY	0	0.00	0.05	
Forward currency contracts	0	0.00	0.05	
Portfolio of investments	583,618	99.19	98.43	

Portfolio statement (continued)

as at Holding	28.02.18 \$'000	28.02.18 %	31.08.17 ^[a] %
CASH EQUIVALENTS	4,121	0.70	1.74
'AAA' rated money market funds ^[b]	4,121	0.70	1.74
4,121,000 Northern Trust Global Fund - US dollar	4,121	0.70	
Total portfolio	587,739	99.89	100.17
Net other assets / (liabilities)	659	0.11	(0.17)
Net assets attributable to shareholders	588,398	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. 31.08.17 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 six months to 28 February 2018

	\$'000
Largest purchases	
Scout24	10,429
Nomad Foods	7,006
Novartis (Regd.)	4,052
Aetna	3,817
Parker Hannifin	3,644
Otsuka	3,548
FUJIFILM Holdings	3,526
Hacı Omer Sabancı	3,008
Health Insurance Innovations	2,783
Motorola Solutions	2,763
Other purchases	17,377
Total purchases	61,953
Largest sales	
Whirlpool	13,793
Microsoft	12,138
Amazon	11,990
Aetna	11,822
Chegg	9,409
Jabil Circuit	9,406
SVB Financial Group	8,003
Indivior	7,984
Snap-on	7,550
G4S	7,217
Other sales	155,504
Total sales	254,816

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

M&G Global Leaders 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	28.02.18 \$'000	31.08.17 \$'000	31.08.16 \$'000
Fund net asset value (NAV)	588,398	696,030	889,660

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 was originally launched on 31 May 1985. However, when the fund's name and objective were changed on 12 January 2001 the fund's comparable index also changed, therefore to make a fair comparison the chart above shows performance since this date.

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.

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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				
	Six months 01.09.17 % ^[a]	Three years 02.03.15 % p.a.	Five years 01.03.13 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	+10.8	+5.8	+10.0	+4.8 ^[c]
Class 'C'	+11.4	+6.9	+11.1	+5.9 ^[c]
Sterling ^[d]				
Class 'A'	+6.8	+13.3	+10.8	+8.4 ^[e]
Class 'I'	+7.2	+14.1	+11.7	+14.5 ^[f]
Class 'R'	+7.0	+13.8	+11.4	+14.2 ^[f]
Class 'X'	+6.8	+13.3	+10.8	+15.6 ^[g]
US dollar ^[b]				
Class 'A'	+13.4	+8.8	+8.6	+2.9 ^[h]
Class 'C'	+13.9	+9.9	+9.7	+4.0 ^[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] 31 May 1985, 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.

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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				
	Six months to 28.02.18	Year to 31.08.17	Year to 31.08.16	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.03	0.08	0.09	0.07
Taxes	0.01	0.02	0.02	0.01
Costs before dilution adjustments	0.04	0.10	0.11	0.08
Dilution adjustments ^[c]	(0.04)	(0.04)	(0.03)	(0.03)
Total direct portfolio transaction costs	0.00	0.06	0.08	0.05
as at	28.02.18	31.08.17	31.08.16	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.15	0.13	0.09	0.12

^[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 period are calculated as at 9 March 2018.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.18 Euro €	Year to 31.08.17 Euro €	Year to 31.08.16 Euro €
Change in NAV per share			
Opening NAV	1,953.02	1,821.78	1,692.43
Return before operating charges and after direct portfolio transaction costs	238.64	168.89	162.15
Operating charges	(19.71)	(37.65)	(32.80)
Return after operating charges	218.93	131.24	129.35
Distributions	0.00	0.00	(25.12)
Retained distributions	0.00	0.00	25.12
Closing NAV	2,171.95	1,953.02	1,821.78
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.42	1.87	1.94
Dilution adjustments ^[a]	(0.42)	(0.69)	(0.43)
Total direct portfolio transaction costs	0.00	1.18	1.51
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.08
Operating charges	1.92	1.92	1.93
Return after operating charges	+11.21	+7.20	+7.64
Historic yield	0.00	0.00	1.36
Effect on yield of charges offset against capital	0.00	0.00	1.75
Other information			
Closing NAV (\$'000)	277,329	355,781	337,851
Closing NAV percentage of total fund NAV (%)	47.13	51.12	37.98
Number of shares	10,451,110	15,363,288	16,644,312
Highest share price (Euro €)	2,208.20	2,076.09	1,887.58
Lowest share price (Euro €)	1,908.87	1,767.65	1,432.34

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Specific share class performance

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	2,272.20	2,098.51	1,930.06
Return before operating charges and after direct portfolio transaction costs	278.35	194.49	186.44
Operating charges	(11.02)	(20.80)	(17.99)
Return after operating charges	267.33	173.69	168.45
Distributions	0.00	(16.01)	(28.79)
Retained distributions	0.00	16.01	28.79
Closing NAV	2,539.53	2,272.20	2,098.51
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.49	2.15	2.21
Dilution adjustments ^[a]	(0.49)	(0.80)	(0.49)
Total direct portfolio transaction costs	0.00	1.35	1.72
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.08
Operating charges	0.92	0.92	0.92
Return after operating charges	+11.77	+8.28	+8.73
Historic yield	0.50	0.71	1.35
Effect on yield of charges offset against capital	0.00	0.00	0.75
Other information			
Closing NAV (\$'000)	3,445	8,606	12,620
Closing NAV percentage of total fund NAV (%)	0.59	1.24	1.42
Number of shares	111,032	319,419	539,740
Highest share price (Euro ¢)	2,579.78	2,408.00	2,158.16
Lowest share price (Euro ¢)	2,221.39	2,039.78	1,640.86

Sterling Class 'A' Income share performance

The share class was launched on 31 May 1985.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	259.60	226.02	183.66
Return before operating charges and after direct portfolio transaction costs	19.67	41.79	48.69
Operating charges	(2.21)	(4.15)	(3.26)
Return after operating charges	17.46	37.64	45.43
Distributions	(1.10)	(4.06)	(3.07)
Closing NAV	275.96	259.60	226.02
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.24	0.22
Dilution adjustments ^[a]	(0.05)	(0.09)	(0.05)
Total direct portfolio transaction costs	0.00	0.15	0.17
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.08
Operating charges	1.67	1.67	1.68
Return after operating charges	+6.73	+16.65	+24.74
Historic yield ^[c]	1.34	1.58	1.35
Effect on yield of charges offset against capital	1.65	1.65	1.50
Other information			
Closing NAV (\$'000)	82,970	77,690	78,020
Closing NAV percentage of total fund NAV (%)	14.10	11.16	8.77
Number of shares	21,720,323	23,242,019	26,277,613
Highest share price (UK p)	281.24	263.09	232.15
Lowest share price (UK p)	248.14	221.04	166.93

Sterling Class 'A' Accumulation share performance

The share class was launched on 31 May 1985.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	630.16	540.04	432.49
Return before operating charges and after direct portfolio transaction costs	47.72	99.93	115.23
Operating charges	(5.37)	(9.81)	(7.68)
Return after operating charges	42.35	90.12	107.55
Distributions	0.00	0.00	(7.25)
Retained distributions	0.00	0.00	7.25
Closing NAV	672.51	630.16	540.04
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.13	0.56	0.52
Dilution adjustments ^[a]	(0.13)	(0.21)	(0.12)
Total direct portfolio transaction costs	0.00	0.35	0.40
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.08
Operating charges	1.67	1.67	1.68
Return after operating charges	+6.72	+16.69	+24.87
Historic yield	0.00	0.00	1.33
Effect on yield of charges offset against capital	0.00	0.00	1.50
Other information			
Closing NAV (\$'000)	113,234	158,871	370,937
Closing NAV percentage of total fund NAV (%)	19.25	22.82	41.70
Number of shares	12,164,086	19,580,090	52,287,354
Highest share price (UK p)	682.65	632.16	549.64
Lowest share price (UK p)	602.31	528.12	393.15

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	1,843.66	1,593.09	1,284.80
Return before operating charges and after direct portfolio transaction costs	140.02	295.51	342.51
Operating charges	(8.71)	(16.21)	(12.66)
Return after operating charges	131.31	279.30	329.85
Distributions	(7.80)	(28.73)	(21.56)
Closing NAV	1,967.17	1,843.66	1,593.09
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.38	1.67	1.56
Dilution adjustments ^[a]	(0.38)	(0.62)	(0.35)
Total direct portfolio transaction costs	0.00	1.05	1.21
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.08
Operating charges	0.92	0.92	0.93
Return after operating charges	+7.12	+17.53	+25.67
Historic yield ^[c]	1.34	1.57	1.34
Effect on yield of charges offset against capital	0.90	0.90	0.75
Other information			
Closing NAV (\$'000)	23,861	21,114	20,144
Closing NAV percentage of total fund NAV (%)	4.06	3.03	2.26
Number of shares	876,298	889,413	962,582
Highest share price (UK p)	2,003.51	1,867.80	1,635.80
Lowest share price (UK p)	1,762.83	1,558.45	1,171.73

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Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	1,990.24	1,692.89	1,345.59
Return before operating charges and after direct portfolio transaction costs	151.10	314.71	360.59
Operating charges	(9.41)	(17.36)	(13.29)
Return after operating charges	141.69	297.35	347.30
Distributions	0.00	(13.81)	(22.66)
Retained distributions	0.00	13.81	22.66
Closing NAV	2,131.93	1,990.24	1,692.89
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.41	1.79	1.64
Dilution adjustments ^[a]	(0.41)	(0.66)	(0.36)
Total direct portfolio transaction costs	0.00	1.13	1.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.08
Operating charges	0.92	0.92	0.93
Return after operating charges	+7.12	+17.56	+25.81
Historic yield	0.52	0.70	1.33
Effect on yield of charges offset against capital	0.00	0.00	0.75
Other information			
Closing NAV (\$'000)	41,136	35,971	26,899
Closing NAV percentage of total fund NAV (%)	6.99	5.17	3.02
Number of shares	1,393,967	1,403,686	1,209,558
Highest share price (UK p)	2,162.75	1,995.97	1,722.45
Lowest share price (UK p)	1,902.92	1,656.06	1,227.36

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	182.00	157.66	127.47
Return before operating charges and after direct portfolio transaction costs	13.84	29.21	33.92
Operating charges	(1.12)	(2.03)	(1.59)
Return after operating charges	12.72	27.18	32.33
Distributions	(0.77)	(2.84)	(2.14)
Closing NAV	193.95	182.00	157.66
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.17	0.15
Dilution adjustments ^[a]	(0.04)	(0.06)	(0.03)
Total direct portfolio transaction costs	0.00	0.11	0.12
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.08
Operating charges	1.18	1.17	1.18
Return after operating charges	+6.99	+17.24	+25.36
Historic yield ^[c]	1.34	1.57	1.35
Effect on yield of charges offset against capital	1.15	1.15	1.00
Other information			
Closing NAV (\$'000)	1,371	284	259
Closing NAV percentage of total fund NAV (%)	0.23	0.04	0.03
Number of shares	510,562	121,123	125,054
Highest share price (UK p)	197.58	184.41	161.91
Lowest share price (UK p)	174.00	154.22	116.12

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	196.45	167.52	133.49
Return before operating charges and after direct portfolio transaction costs	14.93	31.11	35.70
Operating charges	(1.21)	(2.18)	(1.67)
Return after operating charges	13.72	28.93	34.03
Distributions	0.00	(0.90)	(2.24)
Retained distributions	0.00	0.90	2.24
Closing NAV	210.17	196.45	167.52
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.18	0.16
Dilution adjustments ^[a]	(0.04)	(0.07)	(0.04)
Total direct portfolio transaction costs	0.00	0.11	0.12
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.08
Operating charges	1.18	1.17	1.18
Return after operating charges	+6.98	+17.27	+25.49
Historic yield	0.40	0.46	1.33
Effect on yield of charges offset against capital	0.00	0.00	1.00
Other information			
Closing NAV (\$'000)	3,436	327	260
Closing NAV percentage of total fund NAV (%)	0.58	0.05	0.03
Number of shares	1,180,983	129,149	118,031
Highest share price (UK p)	213.25	197.04	170.46
Lowest share price (UK p)	187.82	163.86	121.62

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	256.79	223.57	181.67
Return before operating charges and after direct portfolio transaction costs	19.44	41.35	48.16
Operating charges	(2.18)	(4.11)	(3.22)
Return after operating charges	17.26	37.24	44.94
Distributions	(1.08)	(4.02)	(3.04)
Closing NAV	272.97	256.79	223.57
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.23	0.22
Dilution adjustments ^[a]	(0.05)	(0.09)	(0.05)
Total direct portfolio transaction costs	0.00	0.14	0.17
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.08
Operating charges	1.67	1.67	1.68
Return after operating charges	+6.72	+16.66	+24.74
Historic yield ^[c]	1.34	1.58	1.35
Effect on yield of charges offset against capital	1.65	1.65	1.50
Other information			
Closing NAV (\$'000)	9,886	10,526	9,809
Closing NAV percentage of total fund NAV (%)	1.68	1.51	1.10
Number of shares	2,616,460	3,183,656	339,914
Highest share price (UK p)	278.19	260.24	229.64
Lowest share price (UK p)	245.46	218.64	165.12

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Specific share class performance

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	621.89	532.97	426.82
Return before operating charges and after direct portfolio transaction costs	47.11	98.72	113.74
Operating charges	(5.30)	(9.80)	(7.59)
Return after operating charges	41.81	88.92	106.15
Distributions	0.00	0.00	(7.16)
Retained distributions	0.00	0.00	7.16
Closing NAV	663.70	621.89	532.97
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.13	0.56	0.52
Dilution adjustments ^[a]	(0.13)	(0.21)	(0.11)
Total direct portfolio transaction costs	0.00	0.35	0.41
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.08
Operating charges	1.67	1.67	1.68
Return after operating charges	+6.72	+16.68	+24.87
Historic yield	0.00	0.00	1.33
Effect on yield of charges offset against capital	0.00	0.00	1.50
Other information			
Closing NAV (\$'000)	18,600	17,254	21,650
Closing NAV percentage of total fund NAV (%)	3.16	2.48	2.43
Number of shares	2,024,615	2,154,776	3,092,350
Highest share price (UK p)	673.71	623.88	542.43
Lowest share price (UK p)	594.43	521.21	388.00

US dollar Class 'A' Accumulation share performance

The share class was launched on 9 March 2007.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	1,210.91	1,061.40	998.21
Return before operating charges and after direct portfolio transaction costs	189.10	170.79	82.21
Operating charges	(12.45)	(21.28)	(19.02)
Return after operating charges	176.65	149.51	63.19
Distributions	0.00	0.00	(14.52)
Retained distributions	0.00	0.00	14.52
Closing NAV	1,387.56	1,210.91	1,061.40
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.26	1.06	1.12
Dilution adjustments ^[a]	(0.26)	(0.39)	(0.25)
Total direct portfolio transaction costs	0.00	0.67	0.87
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.08
Operating charges	1.93	1.92	1.93
Return after operating charges	+14.59	+14.09	+6.33
Historic yield	0.00	0.00	1.35
Effect on yield of charges offset against capital	0.00	0.00	1.75
Other information			
Closing NAV (\$'000)	12,495	9,054	10,763
Closing NAV percentage of total fund NAV (%)	2.12	1.30	1.21
Number of shares	900,520	747,682	1,014,063
Highest share price (US ¢)	1,431.27	1,229.68	1,068.19
Lowest share price (US ¢)	1,201.53	1,026.26	849.23

US dollar Class 'C' Accumulation share performance

The share class was launched on 9 March 2007.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	1,343.35	1,165.77	1,085.44
Return before operating charges and after direct portfolio transaction costs	210.23	189.09	90.34
Operating charges	(6.64)	(11.51)	(10.01)
Return after operating charges	203.59	177.58	80.33
Distributions	0.00	(9.27)	(15.88)
Retained distributions	0.00	9.27	15.88
Closing NAV	1,546.94	1,343.35	1,165.77
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.29	1.19	1.23
Dilution adjustments ^[a]	(0.29)	(0.44)	(0.27)
Total direct portfolio transaction costs	0.00	0.75	0.96
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.08
Operating charges	0.92	0.92	0.93
Return after operating charges	+15.16	+15.23	+7.40
Historic yield	0.48	0.69	1.34
Effect on yield of charges offset against capital	0.00	0.00	0.75
Other information			
Closing NAV (\$'000)	635	552	448
Closing NAV percentage of total fund NAV (%)	0.11	0.08	0.05
Number of shares	41,074	41,074	38,415
Highest share price (US ¢)	1,594.36	1,362.84	1,173.00
Lowest share price (US ¢)	1,333.14	1,129.18	927.60

^[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 Leaders Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2018		2017	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		92,327		36,222
Revenue	3,855		5,106	
Expenses	(5,707)		(6,193)	
Net revenue / (expense) before taxation	(1,852)		(1,087)	
Taxation	(822)		(629)	
Net revenue / (expense) after taxation		(2,674)		(1,716)
Total return before distributions		89,653		34,506
Distributions		(33)		(588)
Change in net assets attributable to shareholders from investment activities		89,620		33,918

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2018		2017	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		696,030		889,660
Amounts received on issue of shares	15,729		34,339	
Amounts paid on cancellation of shares	(213,253)		(293,246)	
		(197,524)		(258,907)
Dilution adjustments		266		355
Change in net assets attributable to shareholders from investment activities (see above)		89,620		33,918
Retained distributions on Accumulation shares		0		57
Unclaimed distributions		6		8
Closing net assets attributable to shareholders		588,398		665,091

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	28 February 2018	31 August 2017
	\$'000	\$'000
Assets		
Fixed assets		
Investments	587,739	697,228
Current assets		
Debtors	1,926	4,734
Cash and bank balances	365	288
Total assets	590,030	702,250
Liabilities		
Creditors		
Distribution payable	(469)	(1,119)
Other creditors	(1,163)	(5,101)
Total liabilities	(1,632)	(6,220)
Net assets attributable to shareholders	588,398	696,030

Notes to the financial statements

Accounting policies

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

Distribution policy

In determining the amount available for distribution to Income shares, the annual 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.

M&G Global Leaders Fund

Financial statements and notes

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M&G Global Select Fund

Authorised Corporate Director's Report

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 1 March 2018, for the six months ended 28 February 2018

Performance against objective

Between 1 September 2017 (the start of the review period) and 1 March 2018, the M&G Global 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 World Index. Over the six months, returns from the index were 1.5%, 4.7% and 7.3% 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 six months under review, but the journey was far from smooth, with particularly tumultuous conditions as we neared the end of the period. Markets were shaky as we began the review period as well, 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)

Among larger markets, Japan saw the best overall returns for the period, with investors enlivened by Prime Minister Shinzo Abe's re-election, as well as a weaker yen supporting international companies. This benefited the fund's one Japanese holding, insurer Tokio Marine, but overall the fund's below-index position in that market weighed on relative returns. The US also outpaced the wider global market, driven by technology stocks, where a solid reporting season reaffirmed investor confidence in the sector. US financials likely to benefit in a rising interest rate environment also performed well. In light of this, fund performance was aided by positive US stock selection, with most of the top performers for the period being US-listed companies. Conversely, the UK was among the weaker markets, as Brexit concerns continued to weigh on sentiment. Here the fund's above-index position dragged on returns to a degree, as was also the case for Denmark, another laggard for the period.

Against this background, the information technology, consumer discretionary and financial sectors all outperformed the wider market, while some of the more defensive sectors (that is, those that have relatively predictable and stable earnings regardless of the state of the overall economy) lagged – these included utilities, telecoms and consumer staples. The real estate sector also underperformed for the period. For the fund, stockpicking within healthcare was particularly supportive – this included the holdings in diversified managed healthcare company UnitedHealth and medical equipment manufacturer Becton Dickinson, both US companies, as well as pharmaceutical companies Teva and Novo Nordisk – all of these gained in a sector that declined for the period. The fund also benefited from not holding any utilities, real estate or telecoms companies.

On the downside, the fund's overall positions in industrials and consumer staples represented the largest drag on relative performance.

At an individual stock level, the fund's largest contributor was direct banking and payments company Discover Financial Services, whose shares rose throughout much of the review period. Investor sentiment in the company remained buoyant, as the company stands to benefit from a rising interest rate environment in the US. Other positive financial holdings included US regional lender M&T Bank, and the aforementioned Tokio Marine.

UK-listed retailer WH Smith bolstered returns as well. Just prior to the start of the review period, the company reported that its travel business, which includes concessions in airports and train stations, had continued to deliver robust sales across all of its channels, reaching the inflection point at which those sales had surpassed the high street. Its high street stores, meanwhile, have delivered cost savings and margin improvements. Investors were cheered by this news, and the company's shares maintained their upward momentum for much of the period under review.

Other supportive holdings included tech giant Microsoft and retailer operator L Brands, both US companies. Microsoft has experienced ongoing operational success, which includes strengthening its cloud and services offerings. This means that the company is now much less reliant on the sale of PCs, and hence its Windows operating system, to drive revenues. Meanwhile, the shares in L Brands, which owns Victoria's Secret and Bath & Body Works, among others, had

been under pressure for some time amid a difficult retail environment in the US, squeezed margins and reduced sales after shedding its apparel and swimwear businesses. In November the company reported good results while boosting its performance expectations for the year, and later announced a solid start to the holiday shopping season – subsequent improved sentiment in the company saw its shares rise strongly.

On the downside, as mentioned above, stockpicking within the consumer staples sector weighed on relative performance, reflected in the three largest detractors for the period – consumer goods giants Unilever and Reckitt Benckiser, as well as global food and beverage company Nestlé.

Unilever's shares declined after the company published sales figures that fell below expectations. This was in light of natural disasters in Mexico and the Caribbean hitting its business. We see this as a short-term issue, and remain confident in the long-term business case for the company, which we believe is a global leader in sustainability.

Nestlé experienced a degree of share price weakness around potential merger and acquisition – and activist investor – activity. This included questions around the company's stake in beauty company L'Oreal following the death of Liliane Bettencourt, heiress to the business. Meanwhile, Reckitt Benckiser's share price fell following the publication of underwhelming results, with the company having faced a number of headwinds over the previous year. These included a cyber-attack temporarily hitting production and distribution, higher commodity prices and tough price competition weighing on margins, and sales for a new product launch falling below expectations.

Other detractors included US efficiency specialist Johnson Controls, whose shares declined despite publishing results in line with expectations, and US insurer AIG. Like Unilever, AIG was also hit by adverse weather conditions, reporting an operating loss for the third quarter. This stemmed from a US\$3.0 billion impact from unprecedented catastrophic events, including hurricanes Harvey, Irma and Maria – this matched the company's previously disclosed preliminary loss estimates.

Investment activities

We run a concentrated portfolio of between 30 and 40 holdings, maintaining a watchlist of around 300 quality 'moated' companies that we would like to own when the timing and price are right (moated companies are those where we feel the business model is well protected from competition). We monitor our watchlist closely, waiting patiently for short-term issues to create buying opportunities.

During the review period, two such opportunities presented themselves. The first was Georgia's second-largest lender, BGEO. 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. We do not feel that investors have realised the inherent value in the bank, and in particular in its investment vehicle, allowing us to purchase the shares at what we believe to be an attractive valuation.

M&G Global Select Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

Our other new purchase was 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. The loss of two contracts and some short-term cost pressures weighed on the share price.

To fund these purchases, we closed three positions, starting with multinational media company Time Warner. In 2016 US telecom conglomerate AT&T had 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 sold our shares in German food processing technology and component maker GEA. 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. German chemical and pharmaceutical company Bayer also left the portfolio, as 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.

Outlook

We look for companies that can generate persistent cashflows, and given the climate for much of the review period, this may be considered boring compared to rapidly growing tech companies or deep value stocks. When the market is in a good mood, though, and wants to take on risk, we have to make up our minds – do we want to ride that momentum and see where it takes us, or take advantage of more attractive valuations to move the portfolio back to the 'dull' end of the market. At the end of 2016, when consumer staples were attracting a lot of attention because of their perceived safety, we scaled back our positions in the sector, selling into the momentum. Those staples are now looking cheaper, and this means we can add some defensiveness back into the fund, and not have to overpay for it – as always, though, we will do this slowly and incrementally.

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 already expensive tech stocks keep going up. However, that is when you need to be the most disciplined. And the good thing about momentum is that you can scale out of it. In some cases, we have scaled back positions by more than our original holding in a company, just through investment gains.

We have recently, of course, bought shares in some special cases – in particular BGEO. We have taken on risk by doing so, but this is not market or momentum-driven; it is idiosyncratic risk, which actually lends itself to diversification – this ties in with keeping the fund balanced.

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 Holding	28.02.18 \$'000	28.02.18 %	31.08.17 [a] %
EQUITIES	1,042,562	97.20	96.46
Energy equipment & services	18,272	1.70	1.50
504,067 National Oilwell Varco	18,272	1.70	
Chemicals	35,658	3.32	2.72
158,103 Linde	35,658	3.32	
Containers & packaging	41,751	3.89	3.58
1,043,504 Ball	41,751	3.89	
Building products	26,067	2.43	2.61
685,420 Johnson Controls International	26,067	2.43	
Electrical equipment	30,400	2.83	2.73
348,985 Schneider Electric	30,400	2.83	
Machinery	22,442	2.09	3.40
499,932 Graco	22,442	2.09	
Commercial services & supplies	33,811	3.16	1.77
558,774 ISS	20,453	1.91	
213,689 Stericycle	13,358	1.25	
Media	0	0.00	2.60
Specialty retail	108,509	10.12	8.53
451,370 L Brands	21,742	2.03	
275,350 Tiffany & Co	28,196	2.63	
2,082,395 WH Smith	58,571	5.46	
Food products	38,248	3.57	4.48
479,497 Nestlé (Regd.)	38,248	3.57	
Household products	20,443	1.91	1.80
255,115 Reckitt Benckiser	20,443	1.91	
Personal products	30,814	2.87	3.35
584,633 Unilever	30,814	2.87	
Health care equipment & supplies	62,555	5.83	5.36
277,925 Becton Dickinson	62,555	5.83	
Health care providers & services	58,434	5.45	5.32
251,392 UnitedHealth Group	58,434	5.45	

M&G Global Select Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	28.02.18	28.02.18	31.08.17 ^[a]	
	\$'000	%	%	
Pharmaceuticals	97,112	9.06	12.35	
6,630,831 Indivior	35,153	3.28		
949,955 Novo-Nordisk	49,704	4.64		
632,660 Teva Pharmaceutical Industries ADR	12,255	1.14		
Banks	71,766	6.69	4.59	
401,827 BGEO Group	18,711	1.74		
1,556,241 ING Groep	27,759	2.59		
131,598 M&T Bank	25,296	2.36		
Consumer finance	66,032	6.16	5.31	
293,767 American Express	29,253	2.73		
462,276 Discover Financial Services	36,779	3.43		
Capital markets	41,515	3.87	3.91	
716,154 Bank of New York Mellon	41,515	3.87		
Insurance	71,897	6.70	6.58	
573,110 American International Group	33,361	3.11		
831,300 Tokio Marine Holding	38,536	3.59		
Internet software & services	42,909	4.00	3.53	
38,409 Alphabet A	42,909	4.00		
IT services	21,135	1.97	1.88	
135,022 International Business Machines	21,135	1.97		
Software	102,792	9.58	8.56	
144,419 Ansys	23,301	2.17		
587,652 Manhattan Associates	24,863	2.32		
579,854 Microsoft	54,628	5.09		
Portfolio of investments	1,042,562	97.20	96.46	
CASH EQUIVALENTS	23,009	2.15	4.02	
'AAA' rated money market funds ^[b]	23,009	2.15	4.02	
23,009,000 Northern Trust Global Fund - US dollar	23,009	2.15		
Total portfolio	1,065,571	99.35	100.48	
Net other assets / (liabilities)	6,982	0.65	(0.48)	
Net assets attributable to shareholders	1,072,553	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. 31.08.17 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 six months to 28 February 2018

	\$'000
Purchases	
ISS	22,435
BGEO Group	19,066
L Brands	7,793
Reckitt Benckiser	5,627
Manhattan Associates	4,921
Ball	4,730
Linde	2,670
Novo-Nordisk	2,663
Unilever	206
Indivior	161
Total purchases	70,272
Largest sales	\$'000
Time Warner	26,595
Novo-Nordisk	20,706
Bayer	20,290
GEA Group	17,607
Ansys	8,033
Nestlé (Regd.)	5,520
UnitedHealth Group	5,267
Bank of New York Mellon	2,793
Tiffany & Co	2,763
Discover Financial Services	2,747
Other sales	5,227
Total sales	117,548

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.

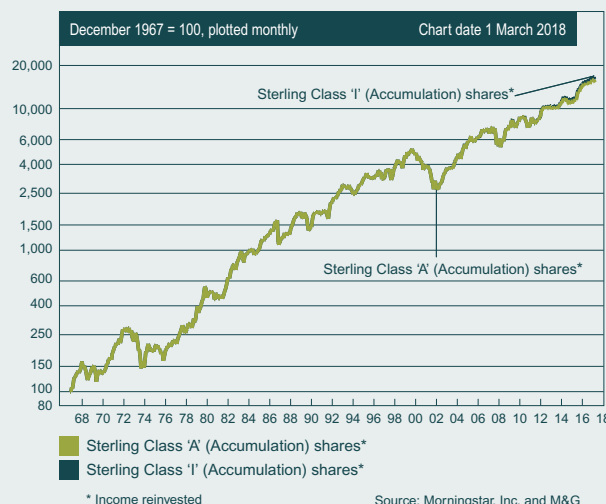
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	28.02.18 \$'000	31.08.17 \$'000	31.08.16 \$'000
Fund net asset value (NAV)	1,072,553	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				
	Six months 01.09.17 % ^[a]	Three years 02.03.15 % p.a.	Five years 01.03.13 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	+6.2	+3.6	+8.2	+6.0 ^[c]
Class 'B'	+6.0	n/a	n/a	+8.4 ^[d]
Class 'C'	+6.8	+4.6	+9.3	+6.9 ^[c]
Sterling ^[e]				
Class 'A'	+2.4	+10.8	+8.9	+10.6 ^[f]
Class 'I'	+2.8	+11.7	+9.8	+13.1 ^[g]
Class 'R'	+2.6	+11.4	+9.5	+12.8 ^[g]
Class 'X'	+2.4	+10.8	+8.9	+16.4 ^[h]
US dollar ^[b]				
Class 'A'	+8.7	+6.4	+6.8	+9.7 ^[i]
Class 'C'	+9.2	+7.5	+7.8	+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				
	Six months to 28.02.18	Year to 31.08.17	Year to 31.08.16	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.02	0.03	0.06	0.03
Taxes	0.02	0.02	0.01	0.02
Costs before dilution adjustments	0.04	0.05	0.07	0.05
Dilution adjustments ^[c]	(0.01)	(0.02)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.03	0.03	0.05	0.03
as at	28.02.18	31.08.17	31.08.16	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 period are calculated as at 9 March 2018.

Euro Class 'A' Income share performance

The share class was launched on 8 August 2014.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	2,390.67	2,317.94	2,216.87
Return before operating charges and after direct portfolio transaction costs	175.96	162.54	150.00
Operating charges	(24.17)	(47.38)	(42.97)
Return after operating charges	151.79	115.16	107.03
Distributions	n/a	(42.43)	(5.96)
Closing NAV	2,542.46	2,390.67	2,317.94
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.50	1.29	1.55
Dilution adjustments ^[a]	(0.15)	(0.60)	(0.43)
Total direct portfolio transaction costs	0.35	0.69	1.12
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.05
Operating charges	1.91	1.91	1.92
Return after operating charges	+6.35	+4.97	+4.83
Historic yield ^[c]	1.68	1.79	0.26
Effect on yield of charges offset against capital	1.90	1.90	0.00
Other information			
Closing NAV (\$'000)	311	278	311
Closing NAV percentage of total fund NAV (%)	0.03	0.03	0.04
Number of shares	10,013	9,821	12,049
Highest share price (Euro ¢)	2,679.50	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.

	Six months to 28.02.18 Euro €	Year to 31.08.17 Euro €	Year to 31.08.16 Euro €
Change in NAV per share			
Opening NAV	2,448.35	2,332.46	2,225.04
Return before operating charges and after direct portfolio transaction costs	180.44	163.44	150.10
Operating charges	(24.74)	(47.55)	(42.68)
Return after operating charges	155.70	115.89	107.42
Distributions	n/a	0.00	(5.93)
Retained distributions	n/a	0.00	5.93
Closing NAV	2,604.05	2,448.35	2,332.46
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.51	1.30	1.54
Dilution adjustments ^[a]	(0.16)	(0.60)	(0.43)
Total direct portfolio transaction costs	0.35	0.70	1.11
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.05
Operating charges	1.91	1.91	1.92
Return after operating charges	+6.36	+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)	76,179	72,904	69,391
Closing NAV percentage of total fund NAV (%)	7.10	7.11	8.45
Number of shares	2,394,450	2,511,233	2,670,087
Highest share price (Euro €)	2,744.37	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.

	Six months to 28.02.18 Euro €	Year to 31.08.17 Euro €	Year to 31.08.16 Euro €
Change in NAV per share			
Opening NAV	1,115.93	1,068.43	1,000.00
Return before operating charges and after direct portfolio transaction costs	82.24	75.58	79.72
Operating charges	(14.24)	(28.08)	(11.29)
Return after operating charges	68.00	47.50	68.43
Distributions	n/a	0.00	(2.39)
Retained distributions	n/a	0.00	2.39
Closing NAV	1,183.93	1,115.93	1,068.43
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.23	0.61	0.33
Dilution adjustments ^[a]	(0.07)	(0.28)	(0.09)
Total direct portfolio transaction costs	0.16	0.33	0.24
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.05
Operating charges	2.41	2.41	2.41
Return after operating charges	+6.09	+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)	181	153	36
Closing NAV percentage of total fund NAV (%)	0.02	0.02	0.00
Number of shares	12,488	11,556	3,000
Highest share price (Euro €)	1,248.28	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.

	Six months to 28.02.18 Euro €	Year to 31.08.17 Euro €	Year to 31.08.16 Euro €
Change in NAV per share			
Opening NAV	2,663.06	2,556.18	2,444.07
Return before operating charges and after direct portfolio transaction costs	196.04	178.68	166.14
Operating charges	(12.81)	(24.62)	(22.87)
Return after operating charges	183.23	154.06	143.27
Distributions	n/a	(47.18)	(31.16)
Closing NAV	2,846.29	2,663.06	2,556.18
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.56	1.42	1.73
Dilution adjustments ^[a]	(0.17)	(0.66)	(0.48)
Total direct portfolio transaction costs	0.39	0.76	1.25
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.05
Operating charges	0.91	0.91	0.92
Return after operating charges	+6.88	+6.03	+5.86
Historic yield ^[c]	1.67	1.78	1.22
Effect on yield of charges offset against capital	0.90	0.90	0.00
Other information			
Closing NAV (\$'000)	26	24	30
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	745	745	1,045
Highest share price (Euro €)	2,997.21	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.

	Six months to 28.02.18 Euro €	Year to 31.08.17 Euro €	Year to 31.08.16 Euro €
Change in NAV per share			
Opening NAV	2,806.91	2,647.46	2,500.39
Return before operating charges and after direct portfolio transaction costs	206.81	185.65	170.21
Operating charges	(13.61)	(26.20)	(23.14)
Return after operating charges	193.20	159.45	147.07
Distributions	n/a	(25.07)	(31.85)
Retained distributions	n/a	25.07	31.85
Closing NAV	3,000.11	2,806.91	2,647.46
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.59	1.50	1.74
Dilution adjustments ^[a]	(0.18)	(0.70)	(0.48)
Total direct portfolio transaction costs	0.41	0.80	1.26
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.05
Operating charges	0.91	0.91	0.92
Return after operating charges	+6.88	+6.02	+5.88
Historic yield	0.84	0.90	1.20
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	63,591	50,594	31,717
Closing NAV percentage of total fund NAV (%)	5.93	4.93	3.86
Number of shares	1,734,915	1,520,123	1,075,212
Highest share price (Euro €)	3,159.31	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	378.07	336.76	278.33
Return before operating charges and after direct portfolio transaction costs	10.98	54.13	65.00
Operating charges	(3.20)	(6.12)	(4.91)
Return after operating charges	7.78	48.01	60.09
Distributions	n/a	(6.70)	(1.66)
Closing NAV	385.85	378.07	336.76
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.19	0.20
Dilution adjustments ^[a]	(0.02)	(0.09)	(0.06)
Total direct portfolio transaction costs	0.06	0.10	0.14
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.05
Operating charges	1.66	1.66	1.67
Return after operating charges	+2.06	+14.26	+21.59
Historic yield ^[c]	1.74	1.79	0.50
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (\$'000)	519,597	486,113	462,473
Closing NAV percentage of total fund NAV (%)	48.44	47.38	56.34
Number of shares	97,286,773	99,859,434	104,538,931
Highest share price (UK p)	406.92	395.79	343.72
Lowest share price (UK p)	362.02	326.49	259.21

Sterling Class 'A' Accumulation share performance

The share class was launched on 19 December 1967.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	748.20	654.86	538.55
Return before operating charges and after direct portfolio transaction costs	21.85	105.22	125.80
Operating charges	(6.30)	(11.88)	(9.49)
Return after operating charges	15.55	93.34	116.31
Distributions	n/a	(1.43)	(3.20)
Retained distributions	n/a	1.43	3.20
Closing NAV	763.75	748.20	654.86
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.15	0.37	0.39
Dilution adjustments ^[a]	(0.05)	(0.17)	(0.11)
Total direct portfolio transaction costs	0.10	0.20	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.05
Operating charges	1.66	1.66	1.67
Return after operating charges	+2.08	+14.25	+21.60
Historic yield	0.19	0.19	0.49
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	117,868	159,000	132,082
Closing NAV percentage of total fund NAV (%)	10.99	15.50	16.09
Number of shares	11,149,308	16,504,330	15,353,780
Highest share price (UK p)	805.39	769.64	665.09
Lowest share price (UK p)	716.52	634.88	501.57

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	1,819.69	1,608.70	1,329.29
Return before operating charges and after direct portfolio transaction costs	52.83	259.24	312.00
Operating charges	(8.52)	(16.10)	(12.98)
Return after operating charges	44.31	243.14	299.02
Distributions	n/a	(32.15)	(19.61)
Closing NAV	1,864.00	1,819.69	1,608.70
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.37	0.92	0.98
Dilution adjustments ^[a]	(0.11)	(0.43)	(0.27)
Total direct portfolio transaction costs	0.26	0.49	0.71
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.05
Operating charges	0.91	0.91	0.92
Return after operating charges	+2.44	+15.11	+22.49
Historic yield ^[c]	1.72	1.78	1.23
Effect on yield of charges offset against capital	0.90	0.90	0.00
Other information			
Closing NAV (\$'000)	27,600	24,463	23,534
Closing NAV percentage of total fund NAV (%)	2.57	2.39	2.87
Number of shares	1,069,685	1,044,084	1,113,639
Highest share price (UK p)	1,963.91	1,902.09	1,653.19
Lowest share price (UK p)	1,743.02	1,560.00	1,242.00

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	1,949.35	1,693.41	1,382.15
Return before operating charges and after direct portfolio transaction costs	56.80	272.91	324.74
Operating charges	(9.11)	(16.97)	(13.48)
Return after operating charges	47.69	255.94	311.26
Distributions	n/a	(17.41)	(20.40)
Retained distributions	n/a	17.41	20.40
Closing NAV	1,997.04	1,949.35	1,693.41
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.40	0.97	1.01
Dilution adjustments ^[a]	(0.12)	(0.45)	(0.28)
Total direct portfolio transaction costs	0.28	0.52	0.73
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.05
Operating charges	0.91	0.91	0.92
Return after operating charges	+2.45	+15.11	+22.52
Historic yield	0.87	0.90	1.21
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	98,294	92,385	79,279
Closing NAV percentage of total fund NAV (%)	9.16	9.00	9.66
Number of shares	3,555,828	3,680,718	3,563,837
Highest share price (UK p)	2,104.05	2,002.25	1,719.29
Lowest share price (UK p)	1,867.39	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	181.51	160.86	132.93
Return before operating charges and after direct portfolio transaction costs	5.25	25.91	31.15
Operating charges	(1.10)	(2.05)	(1.65)
Return after operating charges	4.15	23.86	29.50
Distributions	n/a	(3.21)	(1.57)
Closing NAV	185.66	181.51	160.86
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.09	0.10
Dilution adjustments ^[a]	(0.01)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.03	0.05	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.05
Operating charges	1.16	1.16	1.17
Return after operating charges	+2.29	+14.83	+22.19
Historic yield ^[c]	1.73	1.78	0.98
Effect on yield of charges offset against capital	1.15	1.15	0.00
Other information			
Closing NAV (\$'000)	1,863	425	342
Closing NAV percentage of total fund NAV (%)	0.17	0.04	0.04
Number of shares	724,915	181,866	161,836
Highest share price (UK p)	195.71	189.83	164.94
Lowest share price (UK p)	173.84	155.99	124.07

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	192.44	167.59	137.13
Return before operating charges and after direct portfolio transaction costs	5.60	26.98	32.16
Operating charges	(1.18)	(2.13)	(1.70)
Return after operating charges	4.42	24.85	30.46
Distributions	n/a	(1.27)	(1.62)
Retained distributions	n/a	1.27	1.62
Closing NAV	196.86	192.44	167.59
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.10	0.10
Dilution adjustments ^[a]	(0.01)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.03	0.06	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.05
Operating charges	1.16	1.16	1.17
Return after operating charges	+2.30	+14.83	+22.21
Historic yield	0.64	0.67	0.97
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	8,117	200	289
Closing NAV percentage of total fund NAV (%)	0.76	0.02	0.04
Number of shares	2,978,705	80,949	131,175
Highest share price (UK p)	207.52	197.76	170.17
Lowest share price (UK p)	184.33	162.51	128.01

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	378.04	336.74	278.31
Return before operating charges and after direct portfolio transaction costs	10.99	54.11	65.00
Operating charges	(3.20)	(6.11)	(4.91)
Return after operating charges	7.79	48.00	60.09
Distributions	n/a	(6.70)	(1.66)
Closing NAV	385.83	378.04	336.74
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.19	0.20
Dilution adjustments ^[a]	(0.02)	(0.09)	(0.06)
Total direct portfolio transaction costs	0.06	0.10	0.14
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.05
Operating charges	1.66	1.66	1.67
Return after operating charges	+2.06	+14.25	+21.59
Historic yield ^[c]	1.74	1.79	0.50
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (\$'000)	9,453	11,020	11,681
Closing NAV percentage of total fund NAV (%)	0.89	1.07	1.42
Number of shares	1,769,925	2,263,895	2,640,665
Highest share price (UK p)	406.89	395.77	343.69
Lowest share price (UK p)	362.00	326.47	259.19

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	741.92	649.36	534.02
Return before operating charges and after direct portfolio transaction costs	21.64	104.35	124.75
Operating charges	(6.28)	(11.79)	(9.41)
Return after operating charges	15.36	92.56	115.34
Distributions	n/a	(1.41)	(3.18)
Retained distributions	n/a	1.41	3.18
Closing NAV	757.28	741.92	649.36
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.15	0.37	0.39
Dilution adjustments ^[a]	(0.05)	(0.17)	(0.11)
Total direct portfolio transaction costs	0.10	0.20	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.05
Operating charges	1.66	1.66	1.67
Return after operating charges	+2.07	+14.25	+21.60
Historic yield	0.19	0.19	0.49
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	6,598	7,156	7,240
Closing NAV percentage of total fund NAV (%)	0.62	0.70	0.88
Number of shares	629,465	749,083	848,727
Highest share price (UK p)	798.62	763.18	659.50
Lowest share price (UK p)	710.51	629.55	497.35

M&G Global Select Fund

Financial highlights

Specific share class performance

US dollar Class 'A' Income share performance

The share class was launched on 8 August 2014.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	2,106.48	1,919.15	1,858.21
Return before operating charges and after direct portfolio transaction costs	223.24	263.32	101.02
Operating charges	(21.48)	(38.60)	(35.19)
Return after operating charges	201.76	224.72	65.83
Distributions	n/a	(37.39)	(4.89)
Closing NAV	2,308.24	2,106.48	1,919.15
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.45	1.05	1.27
Dilution adjustments ^[a]	(0.14)	(0.49)	(0.35)
Total direct portfolio transaction costs	0.31	0.56	0.92
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.05
Operating charges	1.91	1.91	1.92
Return after operating charges	+9.58	+11.71	+3.54
Historic yield ^[c]	1.62	1.78	0.25
Effect on yield of charges offset against capital	1.90	1.90	0.00

Other information

Closing NAV (\$'000)	383	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.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	2,162.22	1,935.59	1,869.25
Return before operating charges and after direct portfolio transaction costs	229.34	265.59	101.73
Operating charges	(22.05)	(38.96)	(35.39)
Return after operating charges	207.29	226.63	66.34
Distributions	n/a	0.00	(4.89)
Retained distributions	n/a	0.00	4.89
Closing NAV	2,369.51	2,162.22	1,935.59
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.46	1.06	1.27
Dilution adjustments ^[a]	(0.14)	(0.49)	(0.35)
Total direct portfolio transaction costs	0.32	0.57	0.92
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.05
Operating charges	1.91	1.91	1.92
Return after operating charges	+9.59	+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)	2,183	1,969	1,713
Closing NAV percentage of total fund NAV (%)	0.20	0.19	0.21
Number of shares	92,116	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.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	2,237.41	2,017.65	1,953.07
Return before operating charges and after direct portfolio transaction costs	237.46	278.21	106.87
Operating charges	(10.89)	(18.73)	(17.42)
Return after operating charges	226.57	259.48	89.45
Distributions	n/a	(39.72)	(24.87)
Closing NAV	2,463.98	2,237.41	2,017.65
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.49	0.98	1.31
Dilution adjustments ^[a]	(0.15)	(0.46)	(0.36)
Total direct portfolio transaction costs	0.34	0.52	0.95
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.05
Operating charges	0.91	0.88	0.90
Return after operating charges	+10.13	+12.86	+4.58
Historic yield ^[c]	1.62	1.78	1.23
Effect on yield of charges offset against capital	0.90	0.90	0.00
Other information			
Closing NAV (\$'000)	6	6	5
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	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.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	2,350.45	2,083.13	1,991.74
Return before operating charges and after direct portfolio transaction costs	249.59	288.49	109.55
Operating charges	(11.50)	(21.17)	(18.16)
Return after operating charges	238.09	267.32	91.39
Distributions	n/a	(20.99)	(25.03)
Retained distributions	n/a	20.99	25.03
Closing NAV	2,588.54	2,350.45	2,083.13
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.50	1.21	1.36
Dilution adjustments ^[a]	(0.15)	(0.56)	(0.38)
Total direct portfolio transaction costs	0.35	0.65	0.98
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.03	0.05
Operating charges	0.91	0.91	0.92
Return after operating charges	+10.13	+12.83	+4.59
Historic yield	0.81	0.90	1.20
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	140,303	118,933	413
Closing NAV percentage of total fund NAV (%)	13.08	11.59	0.06
Number of shares	5,420,148	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.

M&G Global Select Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2018		2017	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		100,113		49,284
Revenue	6,813		5,840	
Expenses	(7,654)		(6,166)	
Net revenue / (expense) before taxation	(841)		(326)	
Taxation	(1,518)		(583)	
Net revenue / (expense) after taxation		(2,359)		(909)
Total return before equalisation		97,754		48,375
Equalisation		17		(51)
Change in net assets attributable to shareholders from investment activities		97,771		48,324

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2018		2017	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		1,025,973		820,854
Amounts received on issue of shares	52,360		10,700	
Amounts paid on cancellation of shares	(103,654)		(49,430)	
		(51,294)		(38,730)
Dilution adjustments		90		30
Change in net assets attributable to shareholders from investment activities (see above)		97,771		48,324
Unclaimed distributions		13		2
Closing net assets attributable to shareholders		1,072,553		830,480

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	28 February 2018	31 August 2017
	\$'000	\$'000
Assets		
Fixed assets		
Investments	1,065,571	1,030,933
Current assets		
Debtors	11,039	4,302
Cash and bank balances	77	1,709
Total assets	1,076,687	1,036,944
Liabilities		
Creditors		
Distribution payable	0	(9,265)
Other creditors	(4,134)	(1,706)
Total liabilities	(4,134)	(10,971)
Net assets attributable to shareholders	1,072,553	1,025,973

Notes to the financial statements

Accounting policies

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

Distribution policy

In determining the amount available for distribution to Income shares, the annual 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.

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 a 'top-down' 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.

The fund's focus is on companies operating in the basic industries ('primary' and 'secondary' industries) and also in companies that service these industries. The emphasis is on selecting those companies that are positioned to benefit from the most compelling global economic trends, driven predominantly by emerging markets.

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 1 March 2018, for the six months ended 28 February 2018

Performance against objective

Between 1 September 2017 (the start of the review period) and 1 March 2018, the M&G Global Themes Fund produced a positive total return (the combination of income and growth of capital) across its euro and US dollar share classes, but performance was broadly flat across its sterling share classes.* The fund's returns in all share classes lagged that of the comparative index. Over the six months, returns from the comparative index** were 2.0%, 5.2% and 7.9% in sterling, euros and US dollars respectively.

On 17 November 2017, the fund changed its name, objective and policy, and the performance comparator changed from the FTSE Global Basics Composite Index to the MSCI ACWI Index.

Over this short six-month period the fund underperformed the comparative index. The fund's aim is to outperform the index over any five-year period.

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

** Past performance shown from 1 September 2017 to 16 November 2017 is the FTSE Global Basics Composite Index (comprising all subsectors of the FTSE World Index except media, IT, telecommunications, financials and healthcare). Past performance shown from 17 November 2017 to 1 March 2018 is the MSCI ACWI Index.

M&G Global Themes Fund

Authorised Corporate Director's Report

Investment review

Investment performance

The six months under review was a positive one for most global equity markets, which made steady gains throughout the majority of the period. However, towards the end of January 2018, signs of a pick-up in wage inflation in the US led to rising interest rate expectations, which triggered a sudden sell-off in equity markets.

Ahead of the correction, many stockmarkets had risen to all-time highs, while others reached their highest levels for many years. Investor sentiment was boosted by better economic data and robust company earnings.

Consequently, central bankers are now considering the withdrawal of emergency measures, such as record low interest rates and asset purchases, to curb any rise in inflation. For example, during the review period interest rates were increased in both the UK and US while the European Central Bank is scaling back its asset purchase programme.

In developed markets the largest gains were seen in the US and Japan, whereas European stockmarkets, including the UK, lagged. Meanwhile, within emerging markets impressive returns were recorded in Brazil, Russia and China.

Unsurprisingly, given the general strength in stockmarkets, defensive sectors (that is sectors that tend to remain more stable throughout the economic cycle.) underperformed. Several of the fund's top detractors came from these sectors, including consumer staples names PZ Cussons and Unilever and healthcare holding, Roche.

During the review period, UK-based personal care company PZ Cussons announced a fall in half-year profits and tough trading conditions in the UK. Meanwhile, Unilever reported that conditions in its developed markets remained challenging. Sales growth in the third quarter of 2017 was adversely affected by poorer weather in Europe compared with last year and natural disasters in the Americas.

Shares in Switzerland-based Roche, which is one of the principal players in oncology, fell after some brokers revised down their earnings estimates for the company. In particular, Roche is facing increased competition from generic versions of two of its drugs – Rituxan and Herceptin.

In the mining sector, the fund's position in Hochschild held back returns as well. Shares in the company fell after it released results in September 2017, that showed a sharp decrease in profits compared to the same period a year earlier on the back of higher production costs.

In technology, a holding in Microsoft benefited from both the broader rally in technology stocks and solid financial results. The software giant topped analysts' estimates for quarterly revenue, helped by brisk growth in its cloud and corporate software businesses. However, not holding online retailing giant Amazon detracted.

Elsewhere, industrial names including BYD Company and Porsche also added value. Shares in BYD, a Hong Kong-listed, Chinese manufacturer of automobiles (including electric cars) and rechargeable batteries, rallied sharply following news that China is working on a timetable to ban production and sales of fossil fuelled cars.

Meanwhile, German car manufacturer Porsche reported strong profits that rose significantly on the same period a year earlier. The contribution from its subsidiary Volkswagen was one of the key drivers of improved profitability.

Despite the healthcare sector lagging the broader market, there were names in the portfolio which contributed to relative returns, such as Hutchison China MediTech and Starpharma.

Hutchison China MediTech has become the first China-based biotechnology company to take a drug from discovery to production. Fruquintinib – which has been developed alongside US pharmaceutical giant Eli Lilly – increases the chances of overall survival for colorectal cancer patients who had previously been treated with two rounds of chemotherapy.

Meanwhile, Starpharma, a biotechnology company based in Australia, announced that there was evidence that the company's drug delivery technology had improved the characteristics of one of AstraZeneca's cancer drugs, by making it more effective and less toxic.

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 macroeconomics, 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 aging 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 is focused on oncology, cardiovascular and metabolic diseases and respiratory, inflammation and autoimmune diseases. Management has a strong focus on the productivity of research and development and it should benefit from strong growth in its emerging markets-based business.

Meanwhile, in financials we bought shares in First Republic Bank San Francisco, a US West Coast private bank and wealth manager. The company's business mix offers robust growth, low credit risk and strong returns. First Republic has a double-digit share of the high net worth market (households with net assets of more than US\$10 million) and a strong presence amongst younger adults. For example, the bank offers products aimed at student loan refinancing and loans to enable professionals to buy into partnerships.

We also began positions in several mining stocks, including Fortescue Metals, Compass Minerals International and Evolution.

Australia-based Fortescue Metals is one of the largest iron producers in the world. Not only is it said to be the lowest cost supplier of seaborne iron ore into China, it also owns several infrastructure assets.

M&G Global Themes Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

Compass Minerals International is a US-listed company which is a leading producer of minerals, including salt, magnesium chloride, sulphate of potash and other plant nutrition products. The company has strong market positions in the UK and US. Near term, Compass is expected to see strong demand for salt used in de-icing, due to the harsh US winter.

Finally, we bought shares in Evolution, an Australian gold miner with attractive mining assets and strong management.

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

Global package delivery business UPS also left the portfolio. We are concerned in general about so-called global 'yield-carry' names – that is companies borrowing cheaply, to aggressively buy back shares, mainly to pay higher dividends and enhance earnings per share.

It is worth noting that UPS sold off heavily in early 2016 after the first US interest rate rise in December 2015, and we are expecting further increases in 2018. The sharp rally in the oil price in the second half of 2017 is also expected to have eroded profit margins.

Outlook

In 2017, global stockmarkets enjoyed one of their strongest years since the global financial crisis. Many recorded double-digit returns and only a handful fell. Stockmarkets benefited from central banks' stimulus measures, and in many cases, ultra-low interest rates, as well as healthy earnings growth, all of which supported an increase in earnings multiples.

If monetary conditions continue to tighten through 2018, and if the US Federal Reserve (the Fed) tightens more quickly than expected, stockmarkets may weaken. However, we are optimistic that the Fed will be moderate in its actions and that stockmarkets will benefit from sustained earnings growth.

There are, however, some concerns we have identified: the health of some European banks, the level of student debt and auto loans in the US, and shadow banking and financial leverage in China. On the geopolitical front, risks remain elevated on the Korean peninsula and in the Middle East, while in Europe and the US there are important elections.

We continue to focus on identifying well-run companies which have sustainable growth prospects and are trading on reasonable valuations and continue to rebalance the portfolio to reflect its new, broader remit.

Jamie Horvat
Fund manager

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

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 Holding	28.02.18 \$'000	28.02.18 %	31.08.17 %
EQUITIES	2,688,294	97.17	99.47
United Kingdom	408,125	14.75	16.99
620,525 AstraZeneca	41,263	1.49	
7,436,184 BP	49,330	1.78	
799,006 Fresnillo	13,664	0.49	
10,420,741 G4S	37,994	1.37	
1,850,000 Genus	57,105	2.07	
12,809,566 Hochschild Mining	36,686	1.33	
440,191 Hutchison China MediTech ^[a]	28,821	1.04	
903,724 MD Medical Group GDR	8,856	0.32	
16,952,292 PZ Cussons	66,360	2.40	
1,310,907 Unilever	68,046	2.46	
France	55,744	2.02	1.83
193,556 Imerys	19,687	0.71	
476,464 Publicis Groupe	36,057	1.31	
Germany	304,883	11.02	10.76
912,575 GEA Group	43,282	1.57	
160,000 Linde	36,086	1.30	
874,653 Porsche Pref.	74,119	2.68	
628,356 Siemens	83,617	3.02	
830,251 Symrise	67,779	2.45	
Ireland	102,045	3.69	3.68
1,019,200 Kerry Group	102,045	3.69	
Netherlands	92,058	3.33	3.19
400,000 Core Laboratories	43,444	1.57	
390,000 NXP Semiconductors	48,614	1.76	
Spain	36,640	1.32	1.14
500,000 Amadeus IT Holdings	36,640	1.32	
Switzerland	89,044	3.22	3.56
380,134 Roche Holding 'Genusscheine'	89,044	3.22	
United States	976,392	35.29	37.24
32,180 Alphabet	35,986	1.30	
202,715 Becton Dickinson	45,627	1.65	
369,190 Booz Allen Hamilton	14,199	0.51	
644,224 Bunge	48,214	1.74	
530,685 Cal Maine Foods	23,005	0.83	
382,532 Compass Minerals International	23,889	0.86	
160,844 First Republic Bank San Francisco	15,213	0.55	
476,490 Honeywell International	73,317	2.65	
253,985 Jacobs Engineering Group	15,683	0.57	
318,728 Johnson & Johnson	41,948	1.52	
215,747 Matthews International	11,294	0.41	
193,000 MetLife	9,113	0.33	
1,907,284 Microsoft	179,685	6.49	
1,100,000 National Oilwell Varco	39,875	1.44	
674,462 Newmont Mining	25,913	0.94	
281,602 Raytheon	61,727	2.23	
305,738 ResMed	29,201	1.06	
143,983 Rockwell Automation	26,571	0.96	
303,692 Schlumberger	20,305	0.73	
733,130 Southern Copper Corporation	39,142	1.42	
608,862 The Scotts Miracle-Gro	55,431	2.00	
91,522 Thermo Fisher Scientific	19,282	0.70	
200,000 Time Warner	18,852	0.68	
548,124 Welltower REIT	28,629	1.04	
600,722 Yum China Holdings	26,107	0.94	
600,722 Yum! Brands	48,184	1.74	

M&G Global Themes Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at Holding	28.02.18 \$'000	28.02.18 %	31.08.17 %
Canada	86,443	3.13	4.66
1,535,401 Alamos Gold	7,784	0.28	
20,220,000 Bonterra Resources	7,758	0.28	
3,310,661 Iamgold Corporation	17,446	0.63	
591,928 Osisko Gold Royalties	5,780	0.21	
112,582 Osisko Gold Royalties wts. 2019	51	0.00	
775,386 Pretium Resources	4,893	0.18	
6,725,367 Roxgold	5,951	0.22	
184,532 Stella-Jones	6,898	0.25	
666,809 Suncor Energy	22,760	0.82	
6,023,923 Trevali Mining	7,122	0.26	
Mexico	29,581	1.07	1.06
8,506,681 Grupo Mexico	29,581	1.07	
Japan	184,607	6.67	6.42
932,400 Honda Motor	33,812	1.22	
1,615,800 Japan Tobacco	45,967	1.66	
4,041,600 Kirin Holdings	104,828	3.79	
Australia	185,687	6.71	4.59
5,085,696 Ansell	104,031	3.76	
326,423 Erin Barr ^[b]	0	0.00	
7,113,295 Evolution Mining	15,828	0.57	
3,773,706 Fortescue Metals Group	14,849	0.54	
45,186,512 Starpharma	50,979	1.84	
Hong Kong	52,373	1.89	1.30
1,316,000 BYD	12,156	0.44	
1,206,618 Hutchison China Meditech ADR	40,217	1.45	
Singapore	15,208	0.55	0.69
13,238,800 Delfi	15,208	0.55	
United Arab Emirates	69,464	2.51	2.36
2,857,429 DP World	69,464	2.51	
Portfolio of investments	2,688,294	97.17	99.47
CASH EQUIVALENTS	69,113	2.50	0.21
Eire 'AAA' rated money market funds ^[c]	69,113	2.50	0.21
49,930,000 Northern Trust Global Fund - Sterling	69,113	2.50	
Total portfolio	2,757,407	99.67	99.68
Net other assets / (liabilities)	9,116	0.33	0.32
Net assets attributable to shareholders	2,766,523	100.00	100.00

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

[a] AIM quoted.

[b] Unlisted.

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

Top ten portfolio transactions

for the six months to 28 February 2018

Purchases	\$'000
AstraZeneca	42,532
Compass Minerals International	27,356
Fortescue Metals Group	26,942
Fresnillo	14,934
Evolution Mining	14,826
First Republic Bank San Francisco	14,815
Pretium Resources	7,604
Bonterra Resources	7,331
Trevali Mining	7,217
Roxgold	6,089
Total purchases	169,646
Largest sales	\$'000
Rockwell Automation	64,444
BHP Billiton	50,675
BYD	43,647
MetLife	31,753
Franco Nevada	30,385
Symrise	29,393
United Parcel Service	27,877
Johnson & Johnson	27,701
Dominion Diamond	18,328
Barrick Gold	15,042
Other sales	46,197
Total sales	385,442

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.

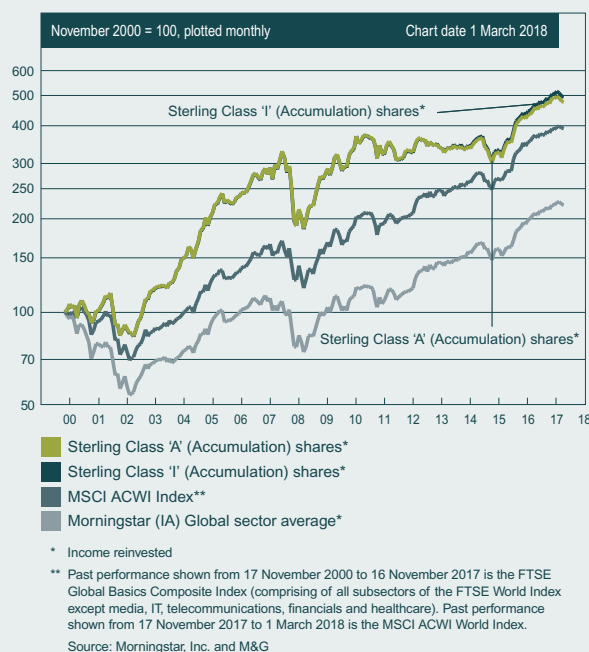
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	28.02.18 \$'000	31.08.17 \$'000	31.08.16 \$'000
Fund net asset value (NAV)	2,766,523	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.



The fund was originally launched on 28 February 1973. However, when the fund's name and objective were changed on 17 November 2000 the fund's comparable index and sector also changed, therefore to make a fair comparison the chart above shows performance since this date.

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					
	Six months 01.09.17 % [a]	Three years 02.03.15 % p.a.	Five years 01.03.13 % p.a.	Since launch % p.a.	
Euro [b]					
Class 'A'	+3.7	+3.0	+4.8	+7.3 [c]	
Class 'C'	+4.2	+4.0	+5.9	+8.3 [c]	
Sterling [d]					
Class 'A'	-0.1	+10.2	+5.6	+7.8 [e]	
Class 'I'	+0.3	+11.1	+6.4	+8.6 [f]	
Class 'R'	+0.2	+10.8	+6.1	+8.4 [f]	
Class 'X'	-0.1	+10.2	+5.6	+14.5 [g]	
US dollar [b]					
Class 'A'	+6.0	+5.9	+3.5	+2.8 [h]	
Class 'C'	+6.6	+6.9	+4.5	+3.8 [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] 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.

M&G Global Themes 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

	Six months to 28.02.18 %	Year to 31.08.17 %	Year to 31.08.16 %	Average ^[a] %
Direct portfolio transaction costs ^[b]				
Broker commission	0.02	0.02	0.06	0.03
Taxes	0.02	0.01	0.01	0.02
Costs before dilution adjustments	0.04	0.03	0.07	0.05
Dilution adjustments ^[c]	(0.01)	(0.01)	(0.02)	(0.01)
Total direct portfolio transaction costs	0.03	0.02	0.05	0.04
as at	28.02.18	31.08.17	31.08.16	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 9 March 2018.

Euro Class 'A' Income share performance

The share class was launched on 12 July 2013.

	Six months to 28.02.18 Euro €	Year to 31.08.17 Euro €	Year to 31.08.16 Euro €
Change in NAV per share			
Opening NAV	2,922.01	2,824.63	2,518.66
Return before operating charges and after direct portfolio transaction costs	198.14	209.47	362.58
Operating charges	(29.80)	(57.25)	(49.99)
Return after operating charges	168.34	152.22	312.59
Distributions	n/a	(54.84)	(6.62)
Closing NAV	3,090.35	2,922.01	2,824.63
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.65	0.99	1.73
Dilution adjustments ^[a]	(0.14)	(0.26)	(0.59)
Total direct portfolio transaction costs	0.51	0.73	1.14
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.05
Operating charges	1.92	1.92	1.92
Return after operating charges	+5.76	+5.39	+12.41
Historic yield ^[c]	1.79	1.85	0.23
Effect on yield of charges offset against capital	1.90	1.90	0.00
Other information			
Closing NAV (\$'000)	6,129	4,990	3,857
Closing NAV percentage of total fund NAV (%)	0.22	0.19	0.14
Number of shares	162,337	144,009	122,547
Highest share price (Euro €)	3,268.60	3,145.52	2,871.59
Lowest share price (Euro €)	2,929.94	2,720.14	2,251.56

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.18 Euro €	Year to 31.08.17 Euro €	Year to 31.08.16 Euro €
Change in NAV per share			
Opening NAV	3,003.89	2,850.14	2,535.39
Return before operating charges and after direct portfolio transaction costs	202.87	211.27	364.89
Operating charges	(30.55)	(57.52)	(50.14)
Return after operating charges	172.32	153.75	314.75
Distributions	n/a	(2.55)	(6.63)
Retained distributions	n/a	2.55	6.63
Closing NAV	3,176.21	3,003.89	2,850.14
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.67	0.99	1.73
Dilution adjustments ^[a]	(0.14)	(0.26)	(0.59)
Total direct portfolio transaction costs	0.53	0.73	1.14
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.05
Operating charges	1.92	1.92	1.92
Return after operating charges	+5.74	+5.39	+12.41
Historic yield	0.08	0.09	0.23
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	1,877,013	1,816,848	1,723,401
Closing NAV percentage of total fund NAV (%)	67.85	67.78	64.41
Number of shares	48,369,942	51,008,408	54,269,623
Highest share price (Euro €)	3,359.41	3,173.93	2,890.75
Lowest share price (Euro €)	3,011.42	2,744.71	2,266.60

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

	Six months to 28.02.18 Euro €	Year to 31.08.17 Euro €	Year to 31.08.16 Euro €
Change in NAV per share			
Opening NAV	3,307.75	3,165.27	2,820.48
Return before operating charges and after direct portfolio transaction costs	223.99	235.29	407.44
Operating charges	(16.26)	(30.97)	(26.45)
Return after operating charges	207.73	204.32	380.99
Distributions	n/a	(61.84)	(36.20)
Closing NAV	3,515.48	3,307.75	3,165.27
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.74	1.11	1.87
Dilution adjustments ^[a]	(0.16)	(0.29)	(0.63)
Total direct portfolio transaction costs	0.58	0.82	1.24
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.05
Operating charges	0.92	0.92	0.94
Return after operating charges	+6.28	+6.46	+13.51
Historic yield ^[c]	1.77	1.84	1.13
Effect on yield of charges offset against capital	0.90	0.90	0.00
Other information			
Closing NAV (\$'000)	1,533	1,290	28
Closing NAV percentage of total fund NAV (%)	0.06	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

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Specific share class performance

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	3,492.19	3,280.53	2,889.31
Return before operating charges and after direct portfolio transaction costs	235.86	243.52	418.62
Operating charges	(17.16)	(31.86)	(27.40)
Return after operating charges	218.70	211.66	391.22
Distributions	n/a	(35.10)	(37.16)
Retained distributions	n/a	35.10	37.16
Closing NAV	3,710.89	3,492.19	3,280.53
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.78	1.15	1.97
Dilution adjustments ^[a]	(0.17)	(0.30)	(0.67)
Total direct portfolio transaction costs	0.61	0.85	1.30
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.05
Operating charges	0.92	0.92	0.92
Return after operating charges	+6.26	+6.45	+13.54
Historic yield	0.95	0.99	1.12
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	16,287	14,125	15,885
Closing NAV percentage of total fund NAV (%)	0.59	0.53	0.59
Number of shares	359,225	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	873.84	776.01	597.91
Return before operating charges and after direct portfolio transaction costs	20.46	128.12	192.31
Operating charges	(7.46)	(13.91)	(10.77)
Return after operating charges	13.00	114.21	181.54
Distributions	n/a	(16.38)	(3.44)
Closing NAV	886.84	873.84	776.01
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.19	0.28	0.43
Dilution adjustments ^[a]	(0.04)	(0.07)	(0.14)
Total direct portfolio transaction costs	0.15	0.21	0.29
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.05
Operating charges	1.67	1.67	1.68
Return after operating charges	+1.49	+14.72	+30.36
Historic yield ^[c]	1.84	1.85	0.44
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (\$'000)	96,966	93,968	112,998
Closing NAV percentage of total fund NAV (%)	3.51	3.51	4.22
Number of shares	7,899,115	8,351,587	11,084,743
Highest share price (UK p)	936.22	894.27	807.24
Lowest share price (UK p)	846.26	755.91	566.54

Sterling Class 'A' Accumulation share performance

The share class was launched on 28 February 1973.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	1,358.67	1,184.36	908.28
Return before operating charges and after direct portfolio transaction costs	31.55	195.57	292.46
Operating charges	(11.59)	(21.26)	(16.38)
Return after operating charges	19.96	174.31	276.08
Distributions	n/a	(4.29)	(5.41)
Retained distributions	n/a	4.29	5.41
Closing NAV	1,378.63	1,358.67	1,184.36
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.29	0.42	0.65
Dilution adjustments ^[a]	(0.06)	(0.11)	(0.22)
Total direct portfolio transaction costs	0.23	0.31	0.43
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.05
Operating charges	1.67	1.67	1.67
Return after operating charges	+1.47	+14.72	+30.40
Historic yield	0.31	0.31	0.46
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	274,849	271,142	287,167
Closing NAV percentage of total fund NAV (%)	9.93	10.12	10.73
Number of shares	14,402,809	15,498,977	18,457,412
Highest share price (UK p)	1,455.40	1,364.86	1,226.59
Lowest share price (UK p)	1,315.59	1,153.67	860.56

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	1,462.82	1,289.26	992.84
Return before operating charges and after direct portfolio transaction costs	34.21	213.70	321.31
Operating charges	(6.92)	(12.81)	(9.96)
Return after operating charges	27.29	200.89	311.35
Distributions	n/a	(27.33)	(14.93)
Closing NAV	1,490.11	1,462.82	1,289.26
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.32	0.46	0.72
Dilution adjustments ^[a]	(0.07)	(0.12)	(0.24)
Total direct portfolio transaction costs	0.25	0.34	0.48
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.05
Operating charges	0.92	0.92	0.91
Return after operating charges	+1.87	+15.58	+31.36
Historic yield ^[c]	1.83	1.84	1.16
Effect on yield of charges offset against capital	0.90	0.90	0.00
Other information			
Closing NAV (\$'000)	53,305	49,792	52,829
Closing NAV percentage of total fund NAV (%)	1.93	1.86	1.98
Number of shares	2,584,333	2,643,572	3,119,247
Highest share price (UK p)	1,571.44	1,496.94	1,350.29
Lowest share price (UK p)	1,417.09	1,256.20	941.22

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Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	1,570.26	1,358.59	1,034.05
Return before operating charges and after direct portfolio transaction costs	36.43	225.15	334.91
Operating charges	(7.42)	(13.48)	(10.37)
Return after operating charges	29.01	211.67	324.54
Distributions	n/a	(15.79)	(15.55)
Retained distributions	n/a	15.79	15.55
Closing NAV	1,599.27	1,570.26	1,358.59
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.34	0.48	0.75
Dilution adjustments ^[a]	(0.07)	(0.13)	(0.26)
Total direct portfolio transaction costs	0.27	0.35	0.49
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.05
Operating charges	0.92	0.92	0.91
Return after operating charges	+1.85	+15.58	+31.39
Historic yield	0.99	0.99	1.14
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	266,397	258,543	269,001
Closing NAV percentage of total fund NAV (%)	9.63	9.64	10.06
Number of shares	12,033,948	12,787,325	15,072,530
Highest share price (UK p)	1,686.56	1,577.42	1,406.61
Lowest share price (UK p)	1,520.95	1,323.72	980.30

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	146.02	129.01	99.37
Return before operating charges and after direct portfolio transaction costs	3.43	21.36	32.11
Operating charges	(0.89)	(1.62)	(1.27)
Return after operating charges	2.54	19.74	30.84
Distributions	n/a	(2.73)	(1.20)
Closing NAV	148.56	146.02	129.01
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.05	0.07
Dilution adjustments ^[a]	(0.01)	(0.01)	(0.02)
Total direct portfolio transaction costs	0.02	0.04	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.05
Operating charges	1.17	1.17	1.16
Return after operating charges	+1.74	+15.30	+31.04
Historic yield ^[c]	1.83	1.84	0.93
Effect on yield of charges offset against capital	1.15	1.15	0.00
Other information			
Closing NAV (\$'000)	2,004	654	716
Closing NAV percentage of total fund NAV (%)	0.07	0.02	0.03
Number of shares	974,514	348,053	422,422
Highest share price (UK p)	156.72	149.42	134.82
Lowest share price (UK p)	141.43	125.69	94.19

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	155.07	134.50	102.63
Return before operating charges and after direct portfolio transaction costs	3.62	22.27	33.56
Operating charges	(0.95)	(1.70)	(1.69)
Return after operating charges	2.67	20.57	31.87
Distributions	n/a	(1.20)	(1.24)
Retained distributions	n/a	1.20	1.24
Closing NAV	157.74	155.07	134.50
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.05	0.10
Dilution adjustments ^[a]	(0.01)	(0.01)	(0.03)
Total direct portfolio transaction costs	0.02	0.04	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.05
Operating charges	1.17	1.17	1.17
Return after operating charges	+1.72	+15.29	+31.05
Historic yield	0.76	0.77	0.92
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	10,747	222	167
Closing NAV percentage of total fund NAV (%)	0.39	0.01	0.01
Number of shares	4,922,059	110,924	94,487
Highest share price (UK p)	166.41	155.78	139.27
Lowest share price (UK p)	150.19	131.04	97.27

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	876.72	778.58	599.87
Return before operating charges and after direct portfolio transaction costs	20.54	128.55	193.16
Operating charges	(7.48)	(13.98)	(10.85)
Return after operating charges	13.06	114.57	182.31
Distributions	n/a	(16.43)	(3.60)
Closing NAV	889.78	876.72	778.58
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.19	0.28	0.43
Dilution adjustments ^[a]	(0.04)	(0.07)	(0.15)
Total direct portfolio transaction costs	0.15	0.21	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.05
Operating charges	1.68	1.67	1.67
Return after operating charges	+1.49	+14.72	+30.39
Historic yield ^[c]	1.84	1.85	0.46
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (\$'000)	45,758	49,153	51,020
Closing NAV percentage of total fund NAV (%)	1.65	1.83	1.91
Number of shares	3,715,243	4,354,184	4,988,458
Highest share price (UK p)	939.33	897.24	810.07
Lowest share price (UK p)	849.06	758.41	568.41

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Financial highlights

Specific share class performance

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	1,345.33	1,172.74	899.35
Return before operating charges and after direct portfolio transaction costs	31.26	193.63	289.64
Operating charges	(11.48)	(21.04)	(16.25)
Return after operating charges	19.78	172.59	273.39
Distributions	n/a	(4.25)	(5.39)
Retained distributions	n/a	4.25	5.39
Closing NAV	1,365.11	1,345.33	1,172.74
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.29	0.42	0.64
Dilution adjustments ^[a]	(0.06)	(0.11)	(0.22)
Total direct portfolio transaction costs	0.23	0.31	0.42
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.05
Operating charges	1.68	1.67	1.67
Return after operating charges	+1.47	+14.72	+30.40
Historic yield	0.31	0.31	0.46
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	93,641	94,910	103,652
Closing NAV percentage of total fund NAV (%)	3.38	3.54	3.87
Number of shares	4,955,648	5,479,002	6,728,108
Highest share price (UK p)	1,441.13	1,351.47	1,214.56
Lowest share price (UK p)	1,302.68	1,142.35	852.09

US dollar Class 'A' Income share performance

The share class was launched on 8 August 2014.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	1,232.44	1,119.41	1,010.49
Return before operating charges and after direct portfolio transaction costs	123.19	158.81	130.04
Operating charges	(12.68)	(22.64)	(19.18)
Return after operating charges	110.51	136.17	110.86
Distributions	n/a	(23.14)	(1.94)
Closing NAV	1,342.95	1,232.44	1,119.41
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.28	0.39	0.66
Dilution adjustments ^[a]	(0.06)	(0.10)	(0.22)
Total direct portfolio transaction costs	0.22	0.29	0.44
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.05
Operating charges	1.92	1.92	1.93
Return after operating charges	+8.97	+12.16	+10.97
Historic yield ^[c]	1.72	1.84	0.17
Effect on yield of charges offset against capital	1.90	1.90	0.00
Other information			
Closing NAV (\$'000)	117	108	36
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	8,707	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.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	1,263.06	1,126.12	1,014.12
Return before operating charges and after direct portfolio transaction costs	125.97	158.94	131.74
Operating charges	(12.94)	(22.00)	(19.74)
Return after operating charges	113.03	136.94	112.00
Distributions	n/a	(1.07)	(2.62)
Retained distributions	n/a	1.07	2.62
Closing NAV	1,376.09	1,263.06	1,126.12
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.28	0.38	0.68
Dilution adjustments ^[a]	(0.06)	(0.10)	(0.23)
Total direct portfolio transaction costs	0.22	0.28	0.45
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.05
Operating charges	1.93	1.92	1.92
Return after operating charges	+8.95	+12.16	+11.04
Historic yield	0.08	0.09	0.23
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	21,715	24,681	49,379
Closing NAV percentage of total fund NAV (%)	0.79	0.92	1.85
Number of shares	1,578,005	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.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	1,324.82	1,191.41	1,074.84
Return before operating charges and after direct portfolio transaction costs	132.37	169.55	140.37
Operating charges	(6.37)	(11.26)	(9.95)
Return after operating charges	126.00	158.29	130.42
Distributions	n/a	(24.88)	(13.85)
Closing NAV	1,450.82	1,324.82	1,191.41
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.26	0.40	0.77
Dilution adjustments ^[a]	(0.05)	(0.10)	(0.26)
Total direct portfolio transaction costs	0.21	0.30	0.51
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.05
Operating charges	0.90	0.91	0.91
Return after operating charges	+9.51	+13.29	+12.13
Historic yield ^[c]	1.71	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

M&G Global Themes Fund

Financial highlights

Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 9 March 2007.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	1,394.18	1,235.00	1,101.07
Return before operating charges and after direct portfolio transaction costs	144.70	170.87	144.20
Operating charges	(6.97)	(11.69)	(10.27)
Return after operating charges	137.73	159.18	133.93
Distributions	n/a	(14.04)	(14.12)
Retained distributions	n/a	14.04	14.12
Closing NAV	1,531.91	1,394.18	1,235.00
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.32	0.42	0.74
Dilution adjustments ^[a]	(0.07)	(0.11)	(0.25)
Total direct portfolio transaction costs	0.25	0.31	0.49
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.02	0.05
Operating charges	0.93	0.92	0.92
Return after operating charges	+9.88	+12.89	+12.16
Historic yield	0.92	0.99	1.13
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	56	36	5,357
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.20
Number of shares	3,647	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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2018		2017	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		243,724		42,741
Revenue	25,053		24,788	
Expenses	(24,460)		(22,238)	
Net revenue / (expense) before taxation	593		2,550	
Taxation	(3,620)		(2,233)	
Net revenue / (expense) after taxation		(3,027)		317
Total return before equalisation		240,697		43,058
Equalisation		243		(33)
Change in net assets attributable to shareholders from investment activities		240,940		43,025

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2018		2017	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		2,680,467		2,675,498
Amounts received on issue of shares	28,515		24,712	
Amounts paid on cancellation of shares	(183,638)		(156,402)	
		(155,123)		(131,690)
Dilution adjustments		239		206
Change in net assets attributable to shareholders from investment activities (see above)		240,940		43,025
Closing net assets attributable to shareholders		2,766,523		2,587,039

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	28 February 2018	31 August 2017
	\$'000	\$'000
Assets		
Fixed assets		
Investments	2,757,407	2,671,866
Current assets		
Debtors	13,832	22,652
Cash and bank balances	495	369
Total assets	2,771,734	2,694,887
Creditors		
Bank overdrafts	(687)	(868)
Distribution payable	0	(3,745)
Other creditors	(4,524)	(9,807)
Total liabilities	(5,211)	(14,420)
Net assets attributable to shareholders	2,766,523	2,680,467

Notes to the financial statements

Accounting policies

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

Distribution policy

In determining the amount available for distribution to Income shares, the annual 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.

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 1 March 2018, for the six months ended 28 February 2018

Performance against objective

Between 1 September 2017 (the start of the review period) and 1 March 2018, the M&G Japan Fund's total return (the combination of income and growth of capital) was positive across all its share classes.* The fund's returns were ahead of the comparative index, the MSCI Japan Index. Over the six months, returns from the index were 5.8%, 9.2% and 11.9% 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

During the six months under review, the fund generated strong returns and outperformed a rising Japanese stockmarket. Japanese shares were amongst the better-performing developed markets and outperformed the MSCI ACWI Index by around 4%.

As the recent Japanese results season (which included the final quarter of 2017) showed, many industrial companies are thriving from a pick-up in global growth, whilst domestically orientated companies are benefiting from renewed consumer confidence.

In October, near the start of the review period, 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, whilst the economy – which grew by an annualised 1.6% in the final quarter of 2017 – has recorded its eighth consecutive quarter of growth.

Despite the encouraging news on the economy, inflation remains well below the Bank of Japan's target of 2%. Therefore, the Bank of Japan's accommodative monetary policy remains in place. However, we note that some investors believe this may soon change and this view may have been behind the strength of the yen over the six months. While currency strength may cause some investors to be nervous about corporate profitability – especially the profits of exporters – we believe these companies can offset the effects of a

M&G Japan Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

strong currency by switching more of their manufacturing to overseas production units and through currency hedging policies.

Unsurprisingly given the strength of the stockmarket over the period, cyclical sectors (that is, sectors that tend to be more volatile throughout the economic cycle) generally outperformed – the main exception being materials. Conversely, defensive sectors (that is, sectors that tend to remain more stable throughout the economic cycle) underperformed, although healthcare bucked this trend.

Despite the solid rise in the broad stockmarket index, we have seen large fluctuations in investor sentiment throughout the review period, which led to big swings in share prices. In our view, these large price fluctuations are an indication that other investors are letting emotions drive their investment decisions – events that we have termed 'episodes'. These incidents provided us with profitable opportunities. Over the review period, we were able to take advantage of 'episodes' occurring in a variety of shares from different sectors.

The fund's top contributor over the review period was Chiyoda, an engineering company that specialises in industrial facilities, particularly oil and LNG (liquid natural gas) refineries. Chiyoda has enjoyed strong performance for several successive months and recently reported very good results for the last three months of 2017. We believe the new management team is beginning to improve the quality of the company's order book and restructure its business. Furthermore, as the company has a strong balance sheet, it has the resources to do this.

Another industrial holding which performed well for the fund was Ebara. The company manufactures heavy industrial equipment, including pumps and compressors. The chemical industry accounts for around 80% of its end market, with oil & gas making up the balance. The company generates strong cashflows and a significant proportion of revenues come from service contracts, which are very profitable. The stake in Ebara has now been sold.

Shares in Yamato, which is Japan's largest door-to-door delivery service company, rallied after the company raised guidance for revenues and profits for the current financial year. Yamato is benefiting from the explosive growth in business-to-customer deliveries. Although the company faces stiff competition, it is boosting efficiency and expanding margins through several measures. These include: improving driver retention, capping delivery volumes and reducing the number of delivery slots, increasing prices, investing in technology and making the 'final mile' of the delivery journey more effective.

Elsewhere in transportation, a holding in Mitsui O.S.K. Lines, a company that provides marine transportation, warehousing and cargo handling services, detracted.

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.

In technology, Sanken Electric also performed very strongly. When we first invested in the semiconductor manufacturer, 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. In 2015 a new chief executive was brought in 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. During the review period we closed the position.

Another technology holding, DeNA, held back returns. DeNA is a provider of mobile portal and e-commerce websites. Recent results from the company have disappointed the market. Despite the news, we believe investors are not giving management credit for the turnaround taking place at the company or the recent investment in the business it has made.

A holding in Mazda Motor also detracted. Mazda's relative valuation stands at a multi-year low as investors are concerned about the company's exposure to the Japanese yen – most of its manufacturing is based in Japan, but Mazda sells globally – and relative lack of exposure to self-drive cars. However, we believe the share price does not factor in the company's research and development expertise and the cost efficiencies that management have set out to achieve.

Investment activities

Investment activity focused on the recycling of cash out of businesses where share prices have risen materially, and topping up holdings which we think present better value.

During the review period, we initiated new positions in Mitsubishi Heavy Industries and Yamato. Mitsubishi's share price relative to the stockmarket peaked in 2013 and its shares have underperformed the market significantly since then. In our view, other investors have become overly pessimistic about the stock. We believe the drop in revenue that some other 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 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.

We closed positions in Komeri, Ebara and Sanken Electric. Home improvement retailer Komeri had hoped to boost sales with an extensive refurbishment of its stores; however, this has failed to materialise. Furthermore, the company faces numerous challenges in our view, not least from online retailers, and in the regions – where the population is declining – fierce competition from drugstore operators. Although profit margins have been helped by stronger performance from sales of hardware and building materials and its own-brand goods, on the whole, Komeri's position is difficult and so we decided to dispose of the holding.

M&G Japan Fund

Authorised Corporate Director's Report

Investment review

Outlook

Despite the rally in Japanese shares in 2017, we believe the overall valuation of the Japanese 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.

While Abenomics has been successful in stimulating the economy, we believe the case for investment in Japanese equities has less to do with fiscal and monetary stimulus and more to do with corporate governance and stakeholder reform. In our view, these reforms have been the Abe government's biggest contribution to shareholder outcomes.

Although cyclicals outperformed defensives during the review period, we believe the prospective return from owning economically sensitive names is still greater than owning shares in companies with apparently 'safe earnings' streams (typically found within consumer staples and utilities, as well as within a selected universe of growth stocks) as some investors, in our view, are still not accepting the structural changes taking place in Japan.

Cyclicals such as financials have two important anchors: the stocks are cheap relative to their trend earnings and they have substantially improved both profits and shareholder returns. Meanwhile, although the fundamentals of companies with 'safe earnings' streams have not changed, we think they are too expensive. The resultant irrational price behaviour presents significant opportunities, as valuations across sectors become stretched. Furthermore, the relative valuation of sectors within smaller companies has become even more extreme than that witnessed in the stocks of larger companies.

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		28.02.18	28.02.18	31.08.17 ^[a]
Holding		¥'000	%	%
	EQUITIES	88,089,894	97.62	97.93
	Chemicals	5,835,839	6.47	5.49
651,600	DIC	2,515,176	2.79	
1,283,100	JSR	3,320,663	3.68	
	Metals & mining	2,508,140	2.78	3.06
1,008,500	JFE Holdings	2,508,140	2.78	
	Building products	2,678,611	2.97	4.26
274,700	Asahi Glass	1,222,415	1.36	
555,800	LIXIL Group	1,456,196	1.61	
	Construction & engineering	3,290,547	3.65	2.90
3,113,100	Chiyoda	3,290,547	3.65	
	Machinery	5,475,981	6.07	4.17
805,600	Mitsubishi Heavy Industries	3,530,139	3.91	
461,100	Sumitomo Heavy Industries	1,945,842	2.16	
	Trading companies & distributors	2,597,322	2.88	3.05
1,375,700	Sumitomo	2,597,322	2.88	
	Air freight & logistics	1,621,226	1.80	0.00
605,500	Yamato Holdings	1,621,226	1.80	
	Marine	2,975,373	3.30	3.00
882,900	Mitsui O.S.K. Lines	2,975,373	3.30	
	Auto components	2,745,197	3.04	2.14
1,617,200	Sumitomo Electric Industries	2,745,197	3.04	
	Automobiles	8,351,233	9.25	8.36
1,294,200	Honda Motor	5,026,673	5.57	
2,222,300	Mazda Motor	3,324,560	3.68	
	Household durables	5,296,150	5.87	7.28
1,063,700	Nikon	2,319,930	2.57	
1,774,200	Panasonic	2,976,220	3.30	
	Textiles, apparel & luxury goods	3,171,965	3.51	3.47
1,658,700	Onward Holdings	1,514,393	1.68	
563,800	Seiko Holdings	1,657,572	1.83	
	Media	1,672,229	1.85	2.12
910,800	Fuji Media Holdings	1,672,229	1.85	
	Specialty retail	1,917,563	2.13	3.22
438,300	United Arrows	1,917,563	2.13	
	Pharmaceuticals	2,478,831	2.75	3.76
405,900	Takeda Pharmaceutical	2,478,831	2.75	
	Banks	11,319,042	12.54	11.08
6,246,100	Mitsubishi UFJ Financial	4,761,402	5.28	
828,400	Sumitomo Mitsui Financial	3,881,882	4.30	
617,958	Sumitomo Mitsui Trust Holdings	2,675,758	2.96	
	Capital markets	3,421,882	3.79	3.69
5,188,600	Nomura Holdings	3,421,882	3.79	
	Insurance	2,237,093	2.48	2.52
1,257,500	T&D Holdings	2,237,093	2.48	
	Internet software & services	1,896,943	2.10	2.30
970,800	DeNA	1,896,943	2.10	
	Technology hardware, storage & peripherals	10,170,665	11.27	11.85
1,229,000	NEC	4,000,395	4.43	
3,116,400	Ricoh	3,599,442	3.99	
4,542,100	Wacom	2,570,828	2.85	
	Electronic equipment, instruments & components	2,840,994	3.15	4.78
3,510,000	Hitachi	2,840,994	3.15	

M&G Japan Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	28.02.18 ¥'000	28.02.18 %	31.08.17 ^[a] %	
Semiconductors & semiconductor equipment	0	0.00	1.94	
Real estate management & development	3,587,068	3.97	3.49	
765,900 Nomura Real Estate Holding	1,981,383	2.19		
1,209,100 NTT Urban Development	1,605,685	1.78		
EQUITY DERIVATIVES	(65,917)	(0.07)	0.00	
Equity futures contracts	(65,917)	(0.07)	0.00	
103 TOPIX Index Mar 2018	(65,917)	(0.07)		
Portfolio of investments	88,023,977	97.55	97.93	
CASH EQUIVALENTS	311,631	0.34	0.01	
'AAA' rated money market funds ^[b]	311,631	0.34	0.01	
2,102,000 Northern Trust Global Fund - Sterling	311,631	0.34		
Total portfolio	88,335,608	97.89	97.94	
Net other assets / (liabilities)	1,900,267	2.11	2.06	
Net assets attributable to shareholders	90,235,875	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. 31.08.17 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 six months to 28 February 2018

Largest purchases	¥'000
Mitsubishi Heavy Industries	3,515,921
Sumitomo Electric Industries	1,435,729
Yamato Holdings	1,331,340
DIC	1,132,266
Mitsui O.S.K. Lines	1,077,768
Mazda Motor	846,192
Sumitomo Mitsui Financial	712,874
Mitsubishi UFJ Financial	710,744
NEC	632,907
Hitachi	632,205
Other purchases	5,547,040
Total purchases	17,574,986
Largest sales	¥'000
Ebara	2,088,510
Sanken Electric	1,927,869
Hitachi	1,583,385
Chiyoda	1,088,943
Nikon	902,864
Wacom	765,386
Komeri	734,042
LIXIL Group	476,430
Takeda Pharmaceutical	461,168
Seiko Holdings	274,949
Other sales	1,762,364
Total sales	12,065,910

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	28.02.18 ¥'000	31.08.17 ¥'000	31.08.16 ¥'000
Fund net asset value (NAV)	90,235,875	74,245,713	37,289,675

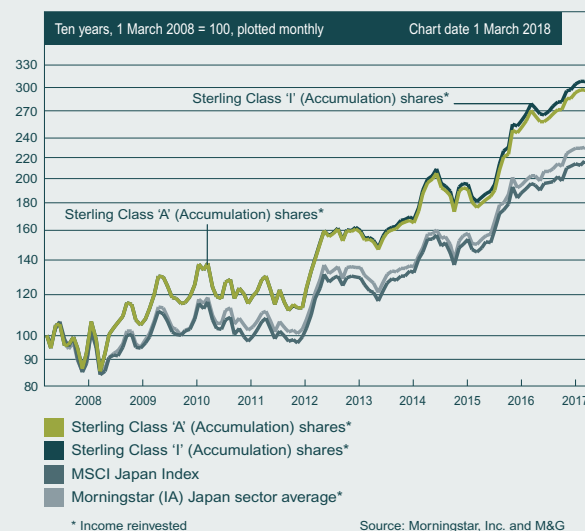
Performance since launch

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				
	Six months 01.09.17 % ^[a]	Three years 02.03.15 % p.a.	Five years 01.03.13 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	+12.4	+9.0	+15.1	+4.1 ^[c]
Class 'C'	+12.9	+9.8	+15.9	+4.8 ^[c]
Sterling ^[d]				
Class 'A'	+8.2	+16.3	+15.6	+7.5 ^[e]
Class 'I'	+8.6	+17.2	+16.5	+19.3 ^[f]
Class 'R'	+8.5	+16.9	+16.2	+19.0 ^[f]
Class 'X'	+8.2	+16.3	+15.6	+9.0 ^[g]
US dollar ^[b]				
Class 'A'	+15.0	n/a	n/a	+15.1 ^[h]
Class 'C'	+15.4	n/a	n/a	+15.9 ^[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.

M&G Japan 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				
	Six months to 28.02.18	Year to 31.08.17	Year to 31.08.16	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.04	0.03	0.18	0.09
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.04	0.03	0.18	0.09
Dilution adjustments ^[c]	(0.02)	(0.03)	(0.07)	(0.04)
Total direct portfolio transaction costs	0.02	0.00	0.11	0.05
as at	28.02.18	31.08.17	31.08.16	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.22	0.17	0.17	0.19

^[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 period are calculated as at 9 March 2018.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.18 Euro €	Year to 31.08.17 Euro €	Year to 31.08.16 Euro €
Change in NAV per share			
Opening NAV	1,700.97	1,501.74	1,468.57
Return before operating charges and after direct portfolio transaction costs	250.22	228.00	57.05
Operating charges	(15.47)	(28.77)	(23.88)
Return after operating charges	234.75	199.23	33.17
Distributions	n/a	(6.34)	(7.36)
Retained distributions	n/a	6.34	7.36
Closing NAV	1,935.72	1,700.97	1,501.74
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.32	0.58	2.57
Dilution adjustments ^[a]	(0.20)	(0.58)	(0.95)
Total direct portfolio transaction costs	0.12	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	+13.80	+13.27	+2.26
Historic yield	0.34	0.38	0.49
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information			
Closing NAV (¥'000)	7,658,356	5,539,879	4,540,556
Closing NAV percentage of total fund NAV (%)	8.49	7.46	12.18
Number of shares	3,023,437	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

M&G Japan Fund

Financial highlights

Specific share class performance

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	1,901.84	1,666.54	1,617.51
Return before operating charges and after direct portfolio transaction costs	280.01	252.96	63.58
Operating charges	(9.51)	(17.66)	(14.55)
Return after operating charges	270.50	235.30	49.03
Distributions	n/a	(20.23)	(21.90)
Retained distributions	n/a	20.23	21.90
Closing NAV	2,172.34	1,901.84	1,666.54
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.36	0.64	2.84
Dilution adjustments ^[a]	(0.23)	(0.64)	(1.04)
Total direct portfolio transaction costs	0.13	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	+14.22	+14.12	+3.03
Historic yield	0.97	1.09	1.31
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥'000)	18,804,470	15,840,973	9,839,641
Closing NAV percentage of total fund NAV (%)	20.84	21.34	26.38
Number of shares	6,615,162	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	58.35	48.37	41.08
Return before operating charges and after direct portfolio transaction costs	5.81	12.07	8.23
Operating charges	(0.51)	(0.96)	(0.70)
Return after operating charges	5.30	11.11	7.53
Distributions	n/a	(1.13)	(0.24)
Closing NAV	63.65	58.35	48.37
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.08
Dilution adjustments ^[a]	(0.01)	(0.02)	(0.03)
Total direct portfolio transaction costs	0.00	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	+9.08	+22.97	+18.33
Historic yield ^[c]	1.83	1.98	0.49
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (¥'000)	44,286,388	33,435,964	13,170,313
Closing NAV percentage of total fund NAV (%)	49.08	45.03	35.31
Number of shares	469,305,115	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

Sterling Class 'A' Accumulation share performance

The share class was launched on 6 April 1971.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	65.24	53.05	44.84
Return before operating charges and after direct portfolio transaction costs	6.45	13.23	8.97
Operating charges	(0.54)	(1.04)	(0.76)
Return after operating charges	5.91	12.19	8.21
Distributions	n/a	(0.24)	(0.26)
Retained distributions	n/a	0.24	0.26
Closing NAV	71.15	65.24	53.05
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.08
Dilution adjustments ^[a]	(0.01)	(0.02)	(0.03)
Total direct portfolio transaction costs	0.00	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	+9.06	+22.98	+18.31
Historic yield	0.35	0.38	0.49
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥'000)	1,601,628	14,268,486	7,729,013
Closing NAV percentage of total fund NAV (%)	1.77	19.22	20.72
Number of shares	15,184,108	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	2,316.61	1,905.66	1,618.13
Return before operating charges and after direct portfolio transaction costs	230.97	476.51	325.69
Operating charges	(11.18)	(20.77)	(15.28)
Return after operating charges	219.79	455.74	310.41
Distributions	n/a	(44.79)	(22.88)
Closing NAV	2,536.40	2,316.61	1,905.66
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.42	0.76	2.99
Dilution adjustments ^[a]	(0.27)	(0.76)	(1.10)
Total direct portfolio transaction costs	0.15	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	+9.49	+23.92	+19.18
Historic yield ^[c]	1.82	1.97	1.21
Effect on yield of charges offset against capital	0.90	0.90	0.00
Other information			
Closing NAV (¥'000)	541,658	438,115	229,451
Closing NAV percentage of total fund NAV (%)	0.60	0.59	0.62
Number of shares	144,045	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

M&G Japan Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	2,448.49	1,976.12	1,657.52
Return before operating charges and after direct portfolio transaction costs	243.91	494.13	334.32
Operating charges	(11.84)	(21.76)	(15.72)
Return after operating charges	232.07	472.37	318.60
Distributions	n/a	(26.05)	(23.33)
Retained distributions	n/a	26.05	23.33
Closing NAV	2,680.56	2,448.49	1,976.12
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.45	0.79	3.07
Dilution adjustments ^[a]	(0.28)	(0.79)	(1.13)
Total direct portfolio transaction costs	0.17	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	+9.48	+23.90	+19.22
Historic yield	1.00	1.09	1.19
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥'000)	5,326,257	4,277,828	1,373,803
Closing NAV percentage of total fund NAV (%)	5.90	5.76	3.68
Number of shares	1,340,256	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	230.70	190.25	161.62
Return before operating charges and after direct portfolio transaction costs	22.99	47.51	32.47
Operating charges	(1.43)	(2.59)	(1.92)
Return after operating charges	21.56	44.92	30.55
Distributions	n/a	(4.47)	(1.92)
Closing NAV	252.26	230.70	190.25
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.07	0.30
Dilution adjustments ^[a]	(0.03)	(0.07)	(0.11)
Total direct portfolio transaction costs	0.01	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	+9.35	+23.61	+18.90
Historic yield ^[c]	1.82	1.98	1.01
Effect on yield of charges offset against capital	1.15	1.15	0.00
Other information			
Closing NAV (¥'000)	22,199	6,758	5,659
Closing NAV percentage of total fund NAV (%)	0.02	0.01	0.02
Number of shares	59,357	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

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	241.88	195.72	164.53
Return before operating charges and after direct portfolio transaction costs	24.13	48.51	32.95
Operating charges	(1.53)	(2.35)	(1.76)
Return after operating charges	22.60	46.16	31.19
Distributions	n/a	(2.02)	(1.95)
Retained distributions	n/a	2.02	1.95
Closing NAV	264.48	241.88	195.72
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.07	0.27
Dilution adjustments ^[a]	(0.03)	(0.07)	(0.10)
Total direct portfolio transaction costs	0.02	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	+9.34	+23.58	+18.96
Historic yield	0.79	0.85	1.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥'000)	194,582	12,153	32,285
Closing NAV percentage of total fund NAV (%)	0.22	0.02	0.09
Number of shares	496,250	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	57.53	47.68	40.49
Return before operating charges and after direct portfolio transaction costs	5.72	11.90	8.11
Operating charges	(0.50)	(0.93)	(0.69)
Return after operating charges	5.22	10.97	7.42
Distributions	n/a	(1.12)	(0.23)
Closing NAV	62.75	57.53	47.68
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.07
Dilution adjustments ^[a]	(0.01)	(0.02)	(0.03)
Total direct portfolio transaction costs	0.00	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	+9.07	+23.01	+18.33
Historic yield ^[c]	1.83	1.98	0.49
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (¥'000)	159,982	196,286	174,085
Closing NAV percentage of total fund NAV (%)	0.18	0.26	0.47
Number of shares	1,719,745	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

M&G Japan Fund

Financial highlights

Specific share class performance

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	64.36	52.33	44.23
Return before operating charges and after direct portfolio transaction costs	6.40	13.05	8.87
Operating charges	(0.56)	(1.02)	(0.77)
Return after operating charges	5.84	12.03	8.10
Distributions	n/a	(0.24)	(0.25)
Retained distributions	n/a	0.24	0.25
Closing NAV	70.20	64.36	52.33
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.08
Dilution adjustments ^[a]	(0.01)	(0.02)	(0.03)
Total direct portfolio transaction costs	0.00	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	+9.07	+22.99	+18.31
Historic yield	0.35	0.38	0.49
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	180,747	182,166	188,656
Closing NAV percentage of total fund NAV (%)	0.20	0.25	0.51
Number of shares	1,736,738	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.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	1,205.10	999.74	1,000.00
Return before operating charges and after direct portfolio transaction costs	219.01	225.01	13.58
Operating charges	(11.08)	(19.65)	(13.84)
Return after operating charges	207.93	205.36	(0.26)
Distributions	n/a	(4.49)	(4.99)
Retained distributions	n/a	4.49	4.99
Closing NAV	1,413.03	1,205.10	999.74
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.23	0.39	1.51
Dilution adjustments ^[a]	(0.15)	(0.39)	(0.55)
Total direct portfolio transaction costs	0.08	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	+17.25	+20.54	-0.03
Historic yield	0.33	0.38	0.50
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	69,708	43,643	3,096
Closing NAV percentage of total fund NAV (%)	0.08	0.06	0.01
Number of shares	46,059	32,748	3,000
Highest share price (US ¢)	1,476.27	1,221.64	1,024.92
Lowest share price (US ¢)	1,199.97	968.00	803.51

US dollar Class 'C' Accumulation share performance

The share class was launched on 9 October 2015.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	1,222.27	1,006.41	1,000.00
Return before operating charges and after direct portfolio transaction costs	222.63	226.55	14.08
Operating charges	(6.38)	(10.69)	(7.67)
Return after operating charges	216.25	215.86	6.41
Distributions	n/a	(13.00)	(12.61)
Retained distributions	n/a	13.00	12.61
Closing NAV	1,438.52	1,222.27	1,006.41
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.24	0.39	1.51
Dilution adjustments ^[a]	(0.15)	(0.39)	(0.56)
Total direct portfolio transaction costs	0.09	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	+17.69	+21.45	+0.64
Historic yield	0.93	1.08	1.25
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	11,389,900	3,462	3,117
Closing NAV percentage of total fund NAV (%)	12.62	0.00	0.01
Number of shares	7,392,572	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 six months to 28 February	2018		2017	
	¥'000	¥'000	¥'000	¥'000
Income				
Net capital gains / (losses)		9,972,882		9,149,615
Revenue	759,153		458,485	
Expenses	(577,419)		(308,530)	
Net revenue / (expense) before taxation	181,734		149,955	
Taxation	(79,354)		(48,803)	
Net revenue / (expense) after taxation		102,380		101,152
Total return before equalisation		10,075,262		9,250,767
Equalisation		33,082		97,378
Change in net assets attributable to shareholders from investment activities		10,108,344		9,348,145

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2018		2017	
	¥'000	¥'000	¥'000	¥'000
Opening net assets attributable to shareholders		74,245,713		37,289,675
Amounts received on issue of shares	24,678,612		23,330,594	
Amounts paid on cancellation of shares	(18,821,273)		(10,547,306)	
		5,857,339		12,783,288
Dilution adjustments		24,234		37,935
Change in net assets attributable to shareholders from investment activities (see above)		10,108,344		9,348,145
Unclaimed distributions		245		37
Closing net assets attributable to shareholders		90,235,875		59,459,080

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	28 February 2018	31 August 2017
	¥'000	¥'000
Assets		
Fixed assets		
Investments	88,401,525	72,713,767
Current assets		
Debtors	877,390	290,387
Cash and bank balances	1,339,070	1,991,339
Total assets	90,617,985	74,995,493
Liabilities		
Investment liabilities	(65,917)	0
Creditors		
Bank overdrafts	0	(10,110)
Distribution payable	0	(661,909)
Other creditors	(316,193)	(77,761)
Total liabilities	(382,110)	(749,780)
Net assets attributable to shareholders	90,235,875	74,245,713

Notes to the financial statements

Accounting policies

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

Distribution policy

In determining the amount available for distribution to Income shares, the annual 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.

M&G Japan Fund

Financial statements and notes

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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 1 March 2018, for the six months ended 28 February 2018

Performance against objective

Between 1 September 2017 (the start of the review period) and 1 March 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.* The fund's performance against a comparative index, the Russell Nomura Mid-Small Index, was mixed. The sterling share classes underperformed the index, while the euro and US dollar share classes were broadly in line.

Over the six months, the index returned 5.2%, 8.6% and 11.3% 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

During the six months under review, Japanese shares were amongst the better-performing developed markets; the Russell Nomura Mid-Small Index outperformed the MSCI ACWI Index by over three percentage points.

As the recent Japanese results season (which included the final quarter of 2017) showed, many industrial companies are thriving from a pick-up in global growth, whilst domestically orientated companies are benefiting from renewed consumer confidence.

In October, near the start of the review period, 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, whilst the economy – which grew by an annualised 1.6% in the final quarter of 2017 – has recorded its eighth consecutive quarter of growth.

M&G Japan Smaller Companies Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

Despite the encouraging news on the economy, inflation remains well below the Bank of Japan's target of 2%. Therefore, the Bank of Japan's accommodative monetary policy remains in place. However, we note that some investors believe this may soon change and this view may have been behind the strength of the yen over the six months. While currency strength may cause some investors to be nervous about corporate profitability – especially the profits of exporters – we believe these companies can offset the effects of a strong currency by switching more of their manufacturing to overseas production units and through currency hedging policies.

Despite the solid rise in the broad stockmarket index, we have seen large fluctuations in investor sentiment throughout the review period, which led to big swings in share prices. In our view, these large price fluctuations are an indication that other investors are letting emotions drive their investment decisions – events that we have termed 'episodes'. These incidents provided us with profitable opportunities. Over the review period, we were able to take advantage of 'episodes' occurring in a variety of shares from different sectors.

Several of the fund's top contributors came from cyclical sectors (that is, sectors that tend to be more volatile throughout the economic cycle) including Chiyoda, an engineering company that specialises in industrial facilities, particularly oil and LNG (liquid natural gas) refineries. Chiyoda has enjoyed strong performance for several successive months and recently reported very good results for the last three months of 2017. We believe the new management team is beginning to improve the quality of the company's order book and restructure its business. Furthermore, as the company has a strong balance sheet, it has the resources to do this.

Another industrial holding which performed well for the fund was Ebara. The company manufactures heavy industrial equipment, including pumps and compressors. The chemical industry accounts for around 80% of its end market, with oil & gas making up the balance. The company generates strong cashflows and a significant proportion of revenues come from service contracts, which are very profitable. The stake in Ebara has now been sold.

A holding in Hamakyorex, a trucking company with warehouses and related logistics services, also contributed to performance. In our view, the improvement in Hamakyorex's earnings quality and growth seen so far should continue, as the company integrates past acquisitions of smaller delivery and logistics operators.

In financials, positions in online securities broker Monex and NTT Urban Development added value. The strong performance of the Japanese stockmarket has triggered significantly higher trading volumes, which has been to Monex's benefit.

NTT Urban Development engages in the acquisition, development, sale, and management of real estate properties in Japan. We first invested in NTT in the first half of 2017 as we believed there was an 'episode' occurring in the construction and real estate sectors. The shares have performed well for the fund, and in our view, the 'episode' has further to run.

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.

Holdings that held back performance included industrial names Mazda Motor and Mitsui O.S.K., a company that provides marine transportation, warehousing and cargo handling services. Mazda's relative valuation stands at a multi-year low as investors are concerned about the company's exposure to the Japanese yen – most of its manufacturing is based in Japan, but Mazda sells globally – and relative lack of exposure to self-drive cars. However, we believe the share price does not factor in the company's research and development expertise and the cost efficiencies that management have set out to achieve.

In financials, the holding in Credit Saison, a credit card processor, also detracted. The company has built a new backbone processing system which allows it to reduce costs by around a quarter. The company has restructured its business and has a solid balance sheet.

Technology company DeNA is a provider of mobile portal and e-commerce websites. Recent results from the company have disappointed the market. Despite the news, we believe investors are not giving management credit for the turnaround taking place at the company or 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 and the market fully understood the investment case. We also added to holdings where an 'episode' was still apparent. In addition, we built up significant positions in several new holdings, such as Dowa and Asahi.

Dowa is a non-ferrous metals and mining company. One of the company's main activities is the reprocessing of electronic circuit boards to reclaim zinc, which is a high-precision activity. Shares in the company were derated 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 focused on the high-end market. We believe demand for high-end bikes, such as those manufactured from carbon fibre and electric bikes, should be strong, particularly from older customers who are a growing proportion of the population.

At the same time, we exited several positions. DIY retailer Komeri had hoped to boost sales with an extensive refurbishment of its stores; however, this failed to materialise. Furthermore, the company faces numerous challenges in our view, not least from online retailers and in the regions – where the population is declining – fierce competition from drugstore operators. Although profit margins have been helped by stronger performance from sales of hardware and building materials and its own-brand goods, overall, Komeri's position is difficult and so we decided to close the position.

Nittoku manufactures winding and taping machines used in the production of coils, transformers and motors. Nittoku has a solid business and the company's shares performed very strongly for the fund. However, the 'episode' that was occurring in Nittoku's shares has largely played out, as other investors have come to understand the investment case for the company. We therefore sold the holding.

M&G Japan Smaller Companies Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

We also closed the fund's position in KYB, a manufacturer of shock absorbers for automobiles and hydraulic components used in construction machinery. In our opinion, the shares are fully valued after a period of strong performance.

When we first invested in semiconductor manufacturer Sanken Electric, 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. In 2015 a new chief executive was brought in 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. During the review period we closed the position.

Outlook

Despite the rally in Japanese shares in 2017, we believe the overall valuation of the Japanese 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.

While Abenomics has been successful in stimulating the economy, we believe the case for investment in Japanese equities has less to do with fiscal and monetary stimulus and more to do with corporate governance and stakeholder reform. In our view, these reforms have been the Abe government's biggest contribution to shareholder outcomes.

Although cyclical outperformed defensives during the review period, we believe the prospective return from owning economically sensitive names is still greater than owning shares in companies with apparently 'safe earnings' streams (typically found within consumer staples and utilities, as well as within a selected universe of growth stocks) as some investors, in our view, are still not convinced by the structural changes taking place in Japan.

Cyclicals such as financials have two important anchors: the stocks are cheap relative to their trend earnings and they have substantially improved both profits and shareholder returns. Meanwhile, although the fundamentals of companies with 'safe earnings' streams have not changed, we think they are too expensive. The resultant irrational price behaviour presents significant opportunities, as valuations across sectors become stretched. Furthermore, the relative valuation of sectors within smaller companies has become even more extreme than that witnessed in the stocks of larger companies.

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 Holding	28.02.18 ¥'000	28.02.18 %	31.08.17 %
EQUITIES	42,777,146	99.51	98.43
Chemicals	3,275,027	7.62	7.26
368,600 DIC	1,422,796	3.31	
715,700 JSR	1,852,231	4.31	
Industrial metals & mining	2,766,545	6.43	3.43
363,500 Dowa Holdings	1,444,913	3.36	
847,200 Sankyo Tateyama	1,321,632	3.07	
General industrials	1,285,900	2.99	2.81
1,169,000 Sumitomo Riko	1,285,900	2.99	
Electronic & electrical equipment	2,494,132	5.80	7.37
298,200 Denki Kogyo	939,330	2.18	
2,747,000 Wacom	1,554,802	3.62	
Industrial engineering	4,215,538	9.81	10.27
1,337,300 Chiyoda	1,413,526	3.29	
301,000 Mars Engineering	738,052	1.72	
583,600 Mitsui Engineering & Shipbuilding	1,132,184	2.63	
220,800 Sumitomo Heavy Industries	931,776	2.17	
Industrial transportation	1,508,412	3.51	3.43
447,600 Mitsui O.S.K. Lines	1,508,412	3.51	
Support services	2,075,859	4.83	4.06
373,200 Hamakyoex	1,334,190	3.10	
376,100 Yamatane	741,669	1.73	
Automobiles & parts	3,237,234	7.53	8.11
1,312,600 Mazda Motor	1,963,650	4.57	
202,800 Riken	1,273,584	2.96	
Leisure goods	1,176,650	2.74	3.64
539,500 Nikon	1,176,650	2.74	
Personal goods	1,115,503	2.59	2.51
1,221,800 Onward Holdings	1,115,503	2.59	
Food & drug retailers	0	0.00	1.67
General retailers	4,471,397	10.40	8.23
620,200 Asahi	819,904	1.91	
1,949,100 Cookpad	1,171,409	2.72	
489,400 Dena	956,288	2.22	
20,300 Escrit	19,671	0.05	
343,800 United Arrows	1,504,125	3.50	
Media	1,224,326	2.85	2.81
897,600 Relia	1,224,326	2.85	
Banks	1,245,686	2.90	2.60
466,200 Tokyo Ty Financial Group	1,245,686	2.90	
Real estate investment & services	3,646,017	8.48	8.09
761,900 Iida Group	1,541,324	3.58	
1,554,500 Leoplace21	1,313,552	3.06	
640,600 Sanyo Housing Nagoya	791,141	1.84	
Real estate investment trusts	1,304,760	3.04	3.08
982,500 NTT Urban Development	1,304,760	3.04	
Financial services	4,524,119	10.52	9.08
926,000 Credit Saison	1,711,248	3.98	
539,400 IBJ Leasing Company	1,509,241	3.51	
3,421,600 Monex Group	1,303,630	3.03	
Technology hardware & equipment	3,210,041	7.47	9.98
240,900 Daikoku Denki	421,334	0.98	
1,087,700 OKI Electric Industry	1,606,533	3.74	
402,100 Seiko Holdings	1,182,174	2.75	

M&G Japan Smaller Companies Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at	28.02.18	28.02.18	31.08.17
Holding	¥'000	%	%
EQUITY DERIVATIVES	(6,268)	(0.01)	0.00
Equity futures contracts	(6,268)	(0.01)	0.00
10 TOPIX Index Mar 2018	(6,268)	(0.01)	
Portfolio of investments	42,770,878	99.50	98.43
CASH EQUIVALENTS	18,681	0.04	0.35
'AAA' rated money market funds ^[a]	18,681	0.04	0.35
126,000 Northern Trust Global Fund - Sterling	18,681	0.04	
Total portfolio	42,789,559	99.54	98.78
Net other assets / (liabilities)	197,742	0.46	1.22
Net assets attributable to shareholders	42,987,301	100.00	100.00

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

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

Top ten portfolio transactions	
for the six months to 28 February 2018	
Largest purchases	¥'000
Dowa	1,611,526
Credit Saison	1,228,754
Mitsui Engineering & Shipbuilding	1,104,601
Asahi	839,283
Yamatane	780,991
Cookpad	691,167
Mazda Motor	651,327
Mitsui O.S.K. Lines	371,435
DIC	362,532
Leopalace21	314,372
Other purchases	2,174,578
Total purchases	10,130,566
Largest sales	¥'000
Ebara	1,344,043
Sanken Electric	959,728
Chiyoda	771,843
cocokara fine	704,479
Nikon	500,678
Wacom	474,442
KYB	401,623
Hosokawa Micron Corporation	368,310
Seiko Holdings	316,750
Monex Group	194,047
Other sales	699,617
Total sales	6,735,560

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

M&G Japan 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.

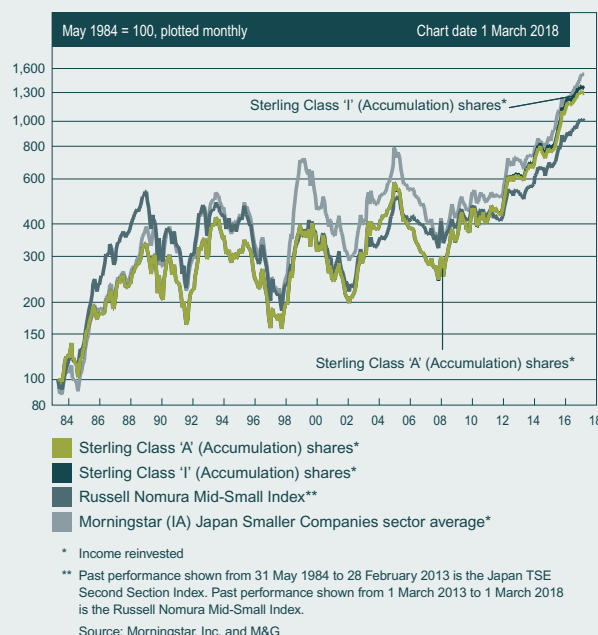
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	28.02.18 ¥'000	31.08.17 ¥'000	31.08.16 ¥'000
Fund net asset value (NAV)	42,987,301	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

	Six months 01.09.17 % [a]	Three years 02.03.15 % p.a.	Five years 01.03.13 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	+8.4	+12.1	+18.6	+7.5 [c]
Class 'C'	+8.8	+12.9	+19.5	+8.3 [c]
Sterling [d]				
Class 'A'	+4.3	+19.7	+19.2	+7.9 [e]
Class 'I'	+4.7	+20.6	+20.1	+21.7 [f]
Class 'R'	+4.6	+20.3	+19.8	+21.4 [f]
Class 'X'	+4.3	+19.7	+19.2	+12.0 [g]
US dollar [b]				
Class 'A'	+10.8	n/a	n/a	+19.1 [h]
Class 'C'	+11.3	n/a	n/a	+20.0 [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 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

	Six months to 28.02.18	Year to 31.08.17	Year to 31.08.16	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.04	0.06	0.16	0.09
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.04	0.06	0.16	0.09
Dilution adjustments ^[c]	(0.02)	(0.06)	(0.05)	(0.05)
Total direct portfolio transaction costs	0.02	0.00	0.11	0.04
as at	28.02.18	31.08.17	31.08.16	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.24	0.22	0.24	0.23

^[a] Average of first three columns.

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

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

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 period are calculated as at 9 March 2018.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	2,976.86	2,490.82	2,242.98
Return before operating charges and after direct portfolio transaction costs	325.59	535.81	287.16
Operating charges	(26.68)	(49.77)	(39.32)
Return after operating charges	298.91	486.04	247.84
Distributions	n/a	(4.09)	(10.56)
Retained distributions	n/a	4.09	10.56
Closing NAV	3,275.77	2,976.86	2,490.82
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.71	1.70	3.73
Dilution adjustments ^[a]	(0.35)	(1.70)	(1.06)
Total direct portfolio transaction costs	0.36	0.00	2.67
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	1.68	1.68	1.69
Return after operating charges	+10.04	+19.51	+11.05
Historic yield	0.13	0.14	0.42
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥'000)	9,385,621	8,923,194	5,587,955
Closing NAV percentage of total fund NAV (%)	21.83	24.49	36.83
Number of shares	2,189,565	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.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	3,345.25	2,778.17	2,483.03
Return before operating charges and after direct portfolio transaction costs	366.26	598.69	319.36
Operating charges	(16.65)	(31.61)	(24.22)
Return after operating charges	349.61	567.08	295.14
Distributions	n/a	(27.28)	(32.68)
Retained distributions	n/a	27.28	32.68
Closing NAV	3,694.86	3,345.25	2,778.17
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.80	1.96	4.13
Dilution adjustments ^[a]	(0.39)	(1.96)	(1.17)
Total direct portfolio transaction costs	0.41	0.00	2.96
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	0.92	0.93	0.94
Return after operating charges	+10.45	+20.41	+11.89
Historic yield	0.76	0.83	1.15
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥'000)	10,640,201	7,577,102	1,189,790
Closing NAV percentage of total fund NAV (%)	24.75	20.79	7.84
Number of shares	2,200,692	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	544.14	426.32	333.15
Return before operating charges and after direct portfolio transaction costs	34.52	135.93	100.78
Operating charges	(4.70)	(9.04)	(6.23)
Return after operating charges	29.82	126.89	94.55
Distributions	n/a	(9.07)	(1.38)
Closing NAV	573.96	544.14	426.32
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.12	0.31	0.57
Dilution adjustments ^[a]	(0.06)	(0.31)	(0.16)
Total direct portfolio transaction costs	0.06	0.00	0.41
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	1.67	1.68	1.71
Return after operating charges	+5.48	+29.76	+28.38
Historic yield ^[c]	1.61	1.70	0.32
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (¥'000)	3,670,543	3,530,197	395,814
Closing NAV percentage of total fund NAV (%)	8.54	9.69	2.61
Number of shares	4,313,582	4,556,080	684,585
Highest share price (UK p)	603.88	557.63	438.14
Lowest share price (UK p)	519.49	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	582.86	449.18	349.58
Return before operating charges and after direct portfolio transaction costs	36.91	142.78	106.09
Operating charges	(5.03)	(9.10)	(6.49)
Return after operating charges	31.88	133.68	99.60
Distributions	n/a	(0.80)	(1.88)
Retained distributions	n/a	0.80	1.88
Closing NAV	614.74	582.86	449.18
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.13	0.31	0.61
Dilution adjustments ^[a]	(0.07)	(0.31)	(0.17)
Total direct portfolio transaction costs	0.06	0.00	0.44
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	1.67	1.68	1.69
Return after operating charges	+5.47	+29.76	+28.49
Historic yield	0.13	0.14	0.41
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥'000)	1,713,761	1,761,313	1,365,071
Closing NAV percentage of total fund NAV (%)	3.99	4.83	9.00
Number of shares	1,880,407	2,122,149	2,240,835
Highest share price (UK p)	646.78	587.52	460.15
Lowest share price (UK p)	556.40	444.71	330.60

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	2,681.63	2,085.10	1,630.16
Return before operating charges and after direct portfolio transaction costs	170.36	664.83	496.56
Operating charges	(12.85)	(23.83)	(16.80)
Return after operating charges	157.51	641.00	479.76
Distributions	n/a	(44.47)	(24.82)
Closing NAV	2,839.14	2,681.63	2,085.10
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.62	1.47	2.87
Dilution adjustments ^[a]	(0.30)	(1.47)	(0.81)
Total direct portfolio transaction costs	0.32	0.00	2.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	0.93	0.93	0.94
Return after operating charges	+5.87	+30.74	+29.43
Historic yield ^[c]	1.60	1.69	1.18
Effect on yield of charges offset against capital	0.90	0.90	0.00
Other information			
Closing NAV (¥'000)	2,397,359	1,916,121	1,091,743
Closing NAV percentage of total fund NAV (%)	5.58	5.26	7.19
Number of shares	569,557	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	2,833.31	2,167.19	1,673.96
Return before operating charges and after direct portfolio transaction costs	179.66	690.98	510.45
Operating charges	(13.57)	(24.86)	(17.22)
Return after operating charges	166.09	666.12	493.23
Distributions	n/a	(23.11)	(25.51)
Retained distributions	n/a	23.11	25.51
Closing NAV	2,999.40	2,833.31	2,167.19
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.65	1.54	2.94
Dilution adjustments ^[a]	(0.32)	(1.54)	(0.83)
Total direct portfolio transaction costs	0.33	0.00	2.11
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	0.92	0.93	0.94
Return after operating charges	+5.86	+30.74	+29.46
Historic yield	0.79	0.83	1.16
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥'000)	12,197,258	10,906,843	4,347,014
Closing NAV percentage of total fund NAV (%)	28.37	29.94	28.65
Number of shares	2,742,955	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	267.40	208.44	162.94
Return before operating charges and after direct portfolio transaction costs	17.01	66.41	49.57
Operating charges	(1.65)	(3.01)	(2.12)
Return after operating charges	15.36	63.40	47.45
Distributions	n/a	(4.44)	(1.95)
Closing NAV	282.76	267.40	208.44
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.15	0.29
Dilution adjustments ^[a]	(0.03)	(0.15)	(0.08)
Total direct portfolio transaction costs	0.03	0.00	0.21
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	1.17	1.18	1.19
Return after operating charges	+5.74	+30.42	+29.12
Historic yield ^[c]	1.60	1.70	0.92
Effect on yield of charges offset against capital	1.15	1.15	0.00
Other information			
Closing NAV (¥'000)	65,591	22,164	11,913
Closing NAV percentage of total fund NAV (%)	0.15	0.06	0.08
Number of shares	156,469	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	279.69	214.47	166.09
Return before operating charges and after direct portfolio transaction costs	17.77	68.11	50.51
Operating charges	(1.73)	(2.89)	(2.13)
Return after operating charges	16.04	65.22	48.38
Distributions	n/a	(1.65)	(1.99)
Retained distributions	n/a	1.65	1.99
Closing NAV	295.73	279.69	214.47
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.14	0.29
Dilution adjustments ^[a]	(0.03)	(0.14)	(0.08)
Total direct portfolio transaction costs	0.04	0.00	0.21
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	1.18	1.19	1.18
Return after operating charges	+5.73	+30.41	+29.13
Historic yield	0.57	0.60	0.92
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥'000)	318,404	58,748	60,086
Closing NAV percentage of total fund NAV (%)	0.74	0.16	0.40
Number of shares	726,239	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	540.79	423.69	331.13
Return before operating charges and after direct portfolio transaction costs	34.31	134.68	100.48
Operating charges	(4.66)	(8.57)	(6.12)
Return after operating charges	29.65	126.11	94.36
Distributions	n/a	(9.01)	(1.80)
Closing NAV	570.44	540.79	423.69
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.12	0.29	0.58
Dilution adjustments ^[a]	(0.06)	(0.29)	(0.16)
Total direct portfolio transaction costs	0.06	0.00	0.42
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	1.67	1.68	1.69
Return after operating charges	+5.48	+29.76	+28.50
Historic yield ^[c]	1.61	1.70	0.42
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (¥'000)	291,636	324,739	257,507
Closing NAV percentage of total fund NAV (%)	0.68	0.89	1.70
Number of shares	344,846	421,706	448,137
Highest share price (UK p)	600.16	554.19	435.89
Lowest share price (UK p)	516.29	419.49	313.16

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	578.44	445.77	346.92
Return before operating charges and after direct portfolio transaction costs	36.64	141.69	105.30
Operating charges	(5.00)	(9.02)	(6.45)
Return after operating charges	31.64	132.67	98.85
Distributions	n/a	(0.80)	(1.88)
Retained distributions	n/a	0.80	1.88
Closing NAV	610.08	578.44	445.77
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.13	0.31	0.61
Dilution adjustments ^[a]	(0.07)	(0.31)	(0.17)
Total direct portfolio transaction costs	0.06	0.00	0.44
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	1.68	1.68	1.69
Return after operating charges	+5.47	+29.76	+28.49
Historic yield	0.13	0.14	0.42
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥'000)	1,058,166	1,021,227	856,715
Closing NAV percentage of total fund NAV (%)	2.46	2.80	5.65
Number of shares	1,169,926	1,239,840	1,417,076
Highest share price (UK p)	641.88	583.07	456.66
Lowest share price (UK p)	552.19	441.34	328.10

US dollar Class 'A' Accumulation share performance

The share class was launched on 9 October 2015.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	1,354.61	1,065.05	1,000.00
Return before operating charges and after direct portfolio transaction costs	193.98	311.35	79.88
Operating charges	(12.71)	(21.79)	(14.83)
Return after operating charges	181.27	289.56	65.05
Distributions	n/a	(1.86)	(4.66)
Retained distributions	n/a	1.86	4.66
Closing NAV	1,535.88	1,354.61	1,065.05
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.34	0.75	1.42
Dilution adjustments ^[a]	(0.17)	(0.75)	(0.40)
Total direct portfolio transaction costs	0.17	0.00	1.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	1.67	1.68	1.69
Return after operating charges	+13.38	+27.19	+6.51
Historic yield	0.12	0.14	0.43
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥'000)	385,225	96,911	4,233
Closing NAV percentage of total fund NAV (%)	0.90	0.27	0.03
Number of shares	234,178	64,691	3,850
Highest share price (US ¢)	1,615.10	1,373.97	1,074.20
Lowest share price (US ¢)	1,340.48	1,062.33	867.51

M&G Japan Smaller Companies Fund

Financial highlights

Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 9 October 2015.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	1,373.89	1,072.15	1,000.00
Return before operating charges and after direct portfolio transaction costs	196.64	314.21	80.43
Operating charges	(6.98)	(12.47)	(8.28)
Return after operating charges	189.66	301.74	72.15
Distributions	n/a	(11.20)	(12.68)
Retained distributions	n/a	11.20	12.68
Closing NAV	1,563.55	1,373.89	1,072.15
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.33	0.77	1.42
Dilution adjustments ^[a]	(0.17)	(0.77)	(0.40)
Total direct portfolio transaction costs	0.16	0.00	1.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.00	0.11
Operating charges	0.92	0.93	0.94
Return after operating charges	+13.80	+28.14	+7.22
Historic yield	0.73	0.83	1.16
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	863,536	298,781	3,321
Closing NAV percentage of total fund NAV (%)	2.01	0.82	0.02
Number of shares	515,655	196,646	3,000
Highest share price (US ¢)	1,643.18	1,392.86	1,081.09
Lowest share price (US ¢)	1,359.71	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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2018		2017	
	¥'000	¥'000	¥'000	¥'000
Income				
Net capital gains / (losses)		3,633,289		5,364,327
Revenue	353,156		180,263	
Expenses	(257,726)		(158,679)	
Net revenue / (expense) before taxation	95,430		21,584	
Taxation	(35,818)		(18,565)	
Net revenue / (expense) after taxation		59,612		3,019
Total return before equalisation		3,692,901		5,367,346
Equalisation		14,785		59,150
Change in net assets attributable to shareholders from investment activities		3,707,686		5,426,496

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2018		2017	
	¥'000	¥'000	¥'000	¥'000
Opening net assets attributable to shareholders		36,437,340		15,171,162
Amounts received on issue of shares	8,255,045		18,790,850	
Amounts paid on cancellation of shares	(5,426,665)		(5,890,850)	
		2,828,380		12,900,000
Dilution adjustments		13,895		37,438
Change in net assets attributable to shareholders from investment activities (see above)		3,707,686		5,426,496
Closing net assets attributable to shareholders		42,987,301		33,535,096

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	28 February 2018	31 August 2017
	¥'000	¥'000
Assets		
Fixed assets		
Investments	42,795,827	35,993,628
Current assets		
Debtors	834,984	492,739
Cash and bank balances	213,430	422,426
Total assets	43,844,241	36,908,793
Liabilities		
Investment liabilities	(6,268)	0
Creditors		
Distribution payable	0	(96,371)
Other creditors	(850,672)	(375,082)
Total liabilities	(856,940)	(471,453)
Net assets attributable to shareholders	42,987,301	36,437,340

Notes to the financial statements

Accounting policies

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

Distribution policy

In determining the amount available for distribution to Income shares, the annual 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.

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.

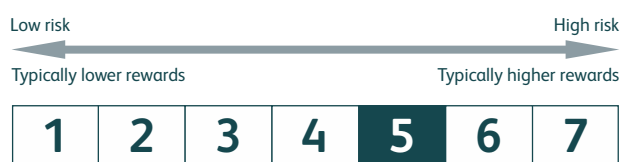
The fund manager aims to create a diversified portfolio with exposure to a broad range of sectors. He selects stocks with different drivers of dividend growth to construct a portfolio that has the potential to cope in a variety of market conditions. The fund will usually hold around 40 to 50 stocks, 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 1 March 2018, for the six months ended 28 February 2018

Distribution summary

Over the six-month review period, the fund distributed income of 12.1829 pence per Sterling Class 'A' (Income) share, compared to 14.7359 in the same period in the previous financial year. This represents a decrease of 17.3%, reflecting the fact that US dividends have been taxed at 30% rather than the 15% previously. (Dividends represent a share in the profits of a company and are paid out to the company's shareholders at set times of the year.) For the same reason, the income distributed by the US dollar Class 'A' (Income) share class was also lower, falling from 13.0000 cents per share in the same period in the previous financial year to 12.0000 cents per share in this review period. This represents a decrease of 7.7%, with the difference in magnitude explained by the recent weakness in the US dollar.

In last year's Interim Report and Accounts, we explained that such a change in the fund's tax status was possible, before confirming that it had not affected the fund for that financial year in the subsequent Annual Report. At the end of the report, we warned that the tax status issue might resurface and affect the fund's distribution this year. Unfortunately, it appears likely that this will be the case, and we have now decided to reflect this possibility in the tax assumptions that have guided the fund's first interim distributions for this financial year. Should circumstances change, we will of course amend our assumptions and revert to the 15% tax rate applied previously.

Despite this potential setback, we are pleased with the level of dividend growth we continue to see from our underlying holdings, with the majority once again posting increases in the 5% to 15% range. The fund's largest holding, Methanex, led by example with a 10% increase in its quarterly payment, accompanied by a 10% share buyback programme to further 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.)

The fund's holdings in the technology sector delivered some of the fastest dividend growth. Broadcom, the semiconductor company, led the pack with a 72% increase in its distribution. Cognizant, the IT services provider, and ICE, the financial exchange business, followed closely behind with 33% and 20% increases in their respective dividends. Technology conglomerate Microsoft extended its track record of dividend growth with an 8% raise.

Three holdings raised their dividends for the second time this financial year during the period, reflecting the positive tailwind provided by US tax reform for corporate profits. Six Flags, the amusement park owner, raised its quarterly payment by 9% in November and then by a further 11% in February, taking the overall year-on-year growth to 22%. Union Pacific, the railroads company, raised its payment by 10% in both November and February, meaning that its year-on-year growth was 21%. Anthem, the managed care organisation, increased its payment by 7% in January, having already raised it by 8% in July, taking its overall year-on-year growth to 15%.

M&G North American Dividend Fund

Authorised Corporate Director's Report

Investment review

Distribution summary (continued)

Pembina Pipeline, the energy infrastructure company, also increased its dividend for the second time this financial year after the completion of its acquisition of competitor Veresen in October. The business raised its dividend by 6% in October, having already increased its quarterly payment by 6% earlier in the year.

Elsewhere, home supplies retailer Home Depot increased its quarterly payment by 16%. In financials, asset manager Blackrock was the standout performer with a 15% raise. American Express, the credit and charge card business, announced a respectable 9% increase in its payment.

Only a small number of the fund's holdings increased their dividends by less than 5%, and there were no dividend cuts during the period under review.

Performance against objective

Between 1 September 2017 (the start of the review period) and 1 March 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 in all share classes were ahead of the S&P 500 Index, a comparative index, which returned 9.2% in US dollars, 3.2% in sterling and 6.5% in euros. The fund therefore met its objective of maximising total return during the review period. The fund has achieved this objective since it was introduced in April 2015 and over a longer timeframe of five years.

The fund did not deliver on the objective of growing the distribution as a result of the possible change in its tax status mentioned previously. Growing distributions has been part of the objective since April 2015 and it is therefore not possible to assess this aspect of the fund's performance over five years, which is the timeline implied by 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 first five months of the period under review saw the US stockmarket reach new highs as the outlook for the country's economy and corporate earnings continued to improve. Stocks were also driven by the passing of the Tax Cuts and Jobs Act in late December, which positively benefited many US corporates, especially those with high levels of domestic earnings. However, in the final days of January, the market began to give back some of its gains, as investor focus shifted to the prospect of faster-than-expected interest rate increases. The context of a strengthening economy driving interest rates higher explains the broad-based outperformance of cyclical over defensives during the period, with technology the strongest sector and utilities the weakest. (Cyclicals are companies which tend to be more sensitive to the economic cycle; defensive stocks are companies that tend to have stable earnings and are less affected by peaks and troughs in the economy.)

Against this background, the fund added most value relative to the S&P 500 through its holdings in defensive sectors. The fund has been underweight in so-called 'bond proxies' (stocks with returns that are perceived as safe and high dividend yields) for the past three years. (If a portfolio is 'underweight' a stock, it holds a smaller portion of that stock than the comparable index or sector.) These stocks underperformed the index by some margin over the review period, leading to meaningful value being added by not owning stocks in these sectors.

In terms of defensive companies the fund does own, stock selection in healthcare added value as managed care organisations UnitedHealth and Anthem, two of the fund's core holdings, bucked the trend in an underperforming sector. The companies reported results that beat the market's expectations in both October and January. With most of their earnings coming from the US, both companies were significant beneficiaries of tax reform. Despite their strong performance, the stocks' valuations remain undemanding and we have confidence in their long-term growth prospects.

The fund's various cyclical holdings added value too. Again, stock-specific performance was combined with support from tax reform as a driver of performance. In financials, against the backdrop of a supportive macroeconomic environment, M&T Bank's improving financial performance drove the share price higher, supported by an ambitious share buy-back scheme. In energy, Helmerich & Payne, an oil & gas services company, saw operational activity increase in an improving energy price environment.

However, there was more to fund performance than just tax reform. Two of the largest contributors to fund performance were in the strong technology sector. MasterCard, the payments business, returned over 30% in US dollars during the period as its earnings continued to exceed the market's expectations. Similarly, strong earnings announcements in October and January drove Microsoft higher, with the technology conglomerate returning 27% in US dollars over the six months.

Despite these stock-specific positives, technology – where the fund has a significant underweight position – was the sector that dragged most on fund performance overall. Not holding the so-called 'FANG' stocks – Facebook, Amazon, Netflix and Google (Alphabet) – was a significant detractor from overall performance. These companies do not pay dividends and as such are uninvestible for us.

Also in technology, Broadcom, a stock that is held in the portfolio, detracted after uncertainty surrounding its possible takeover of rival Qualcomm caused market sentiment to turn against the company.

In healthcare, pharmaceuticals company Allergan led the detractors as ongoing concerns about generic competition caused the market to derate the company during the period. We believe this threat is already more than reflected in the stock's valuation.

Equinix, the data centre business, was weak due to a combination of weaker-than-expected results in February and the fact that the rising interest rate environment caused market sentiment to turn indiscriminately against companies structured as real estate investment trusts. We expect this shift in market sentiment to be a short-term phenomenon, and we anticipate that the market will recognise the greater significance of the company's strong growth prospects over the long term.

Elsewhere, energy infrastructure company Keyera was held back by the company's decision to issue more shares, which dragged the price down.

M&G North American Dividend Fund

Authorised Corporate Director's Report

Investment review

Investment activities

It was a relatively quiet period for portfolio activity with two new purchases and three complete sales, meaning that the number of holdings in the fund decreased to 41.

We initiated a position in Cognizant, one of the world's leading IT services companies. The valuation is undemanding – particularly when compared to many other companies in the sector – and we believe the company's strategic shift from outsourcing to operational consultancy is supportive of long-term profitable growth.

We also started a new holding in Sensient, a leading provider of flavours & fragrances and colours for the food & beverage industry, which we believe is well placed to embark on a growth strategy following a period of restructuring.

We sold the shares in chemicals business LyondellBasell to manage the fund's commodities-related exposure. We also exited the holdings in Rockwell Automation, a provider of industrial automation products, and sports retailer Nike, on valuation grounds. All three holdings were successful investments for the fund.

In terms of scaling, we added to Mondelēz, the food and beverage company that owns the Oreo and Cadbury's brands, on weakness in the first half of the review period. We also took advantage of Equinix's short-sighted derating to add to this holding. We took profits in some of the strongest performers, including M&T Bank and Helmerich & Payne.

Outlook

Despite the reversal in the US stockmarket at the end of January, we continue to believe there is upside potential for selective stockpickers. However, the importance of being selective cannot be emphasised enough. There are many areas of the market where we currently see a wide disparity between valuations and fundamentals, which offers both threats and opportunities. The recent momentum-driven rally of the technology sector has caused valuations to become stretched in this part of the market, in our view. Investors have become increasingly willing to pay up for growth, often without any heed for valuation, which we would argue leaves many fashionable stocks vulnerable to a setback. We strongly believe that a valuation discipline is essential to generate excellent returns over the long term, and we would highlight that the danger of ignoring value is already apparent in some areas of the market today.

Defensive stocks have started to underperform meaningfully as share prices unwind their past excesses. They may have benefited in the past from their status as bond proxies, but their fall from grace is not simply a matter of rising bond yields, in our view. Investors have started to question the stable growth which they took for granted, at a time when competitive pressures are eroding the growth rates they saw in the past. At the same time, the debt burden of many of these companies is starting to look like it may be a problem in an environment of higher interest rates. However, the indiscriminate selling we have seen in defensive sectors since the start of the new year may be beginning to present us with buying opportunities for certain stock-specific ideas that are not subject to these problems.

As we assess the wider market, we continue to see opportunities to invest in good-quality companies where long-term growth is available at attractive valuations. For the past two years those opportunities have been overwhelmingly in our cyclical "assets" category, but increasingly we are finding opportunities arise in more defensive areas. That said, we continue to back our conviction in our energy-related holdings, which we believe offer meaningful upside.

We are encouraged by the approval of US tax reform which has already resulted in meaningful earnings upgrades for some companies. As mentioned above, we have seen this translate into high levels of dividend growth for Six Flags, Union Pacific and Anthem. We consequently see potential for some excess dividend growth in the portfolio over the next 12 to 18 months.

More broadly, although the change in the fund's tax status presents a temporary setback, we are pleased with the dividend growth from our holdings which continues to be robust in an environment where dividends have not always been reliable. As the recent dividend cuts from General Electric and PG&E demonstrate, there are pitfalls to be avoided. Dividends are the ultimate sign of management confidence and the dividend increases we are seeing from the fund's holdings reflects well on the long-term potential and the financial health of the companies we are invested in.

In all, 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 Holding	28.02.18 \$'000	28.02.18 %	31.08.17 [a] %
EQUITIES	790,678	97.91	96.57
Energy equipment & services	18,196	2.25	2.32
235,962 Halliburton	11,234	1.39	
104,635 Helmerich & Payne	6,962	0.86	
Oil, gas & consumable fuels	71,611	8.87	10.23
679,245 Gibson Energy	9,127	1.13	
609,303 Keyera	15,749	1.95	
780,573 Pembina Pipeline	25,781	3.19	
924,695 PrairieSky Royalty	20,954	2.60	
Chemicals	70,733	8.76	7.85
1,060,056 Methanex	62,119	7.69	
118,317 Sensient Technologies	8,614	1.07	
Electrical equipment	11,785	1.46	1.84
161,236 Emerson Electric	11,785	1.46	

M&G North American Dividend Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	28.02.18 \$'000	28.02.18 %	31.08.17 ^[a] %	
Road & rail	18,854	2.33	1.64	
140,973 Union Pacific	18,854	2.33		
Textiles, apparel & luxury goods	0	0.00	1.19	
Hotels, restaurants & leisure	43,364	5.37	6.37	
288,072 Las Vegas Sands	21,038	2.60		
152,655 Six Flags Entertainment	9,918	1.23		
219,341 Starbucks	12,408	1.54		
Specialty retail	23,898	2.96	2.75	
92,070 Home Depot	17,030	2.11		
142,585 L Brands	6,868	0.85		
Beverages	20,505	2.54	2.55	
94,017 Constellation Brands	20,505	2.54		
Food products	29,263	3.62	3.03	
664,929 Mondelez International	29,263	3.62		
Tobacco	13,256	1.64	1.59	
207,160 Altria Group	13,256	1.64		
Health care equipment & supplies	32,550	4.03	4.40	
36,373 Becton Dickinson	8,187	1.01		
299,963 Medtronic	24,363	3.02		
Health care providers & services	81,805	10.13	9.50	
123,273 Anthem	29,224	3.62		
226,212 UnitedHealth Group	52,581	6.51		
Pharmaceuticals	35,042	4.34	5.36	
69,157 Allergan	11,056	1.37		
105,744 Johnson & Johnson	13,917	1.72		
123,276 Zoetis	10,069	1.25		
Banks	67,567	8.37	8.07	
143,546 First Republic Bank San Francisco	13,576	1.68		
117,831 JPMorgan Chase	13,829	1.71		
75,505 M&T Bank	14,513	1.80		
433,107 Wells Fargo	25,649	3.18		
Consumer finance	20,289	2.51	2.24	
203,745 American Express	20,289	2.51		
Capital markets	32,577	4.04	3.41	
20,555 Blackrock	11,362	1.41		
288,992 Intercontinental Exchange	21,215	2.63		
Insurance	4,943	0.61	0.96	
70,639 Arthur J. Gallagher & Co.	4,943	0.61		
IT services	76,848	9.52	7.43	
201,808 Cognizant Technology Solutions	16,645	2.06		
277,846 FIS	27,351	3.39		
186,734 MasterCard	32,852	4.07		
Software	42,729	5.29	4.69	
453,553 Microsoft	42,729	5.29		
Semiconductors & semiconductor equipment	40,959	5.07	4.97	
137,959 Analog Devices	12,727	1.58		
112,121 Broadcom	28,232	3.49		
Equity real estate investment trusts (REITs)	33,904	4.20	4.18	
178,353 Crown Castle International	19,672	2.44		
36,388 Equinix	14,232	1.76		
Portfolio of investments	790,678	97.91	96.57	

Portfolio statement (continued)

as at Holding	28.02.18 \$'000	28.02.18 %	31.08.17 ^[a] %
CASH EQUIVALENTS	13,234	1.64	3.72
'AAA' rated money market funds ^[b]	13,234	1.64	3.72
13,234,000 Northern Trust Global Fund - US dollar	13,234	1.64	
CURRENCY	(428)	(0.05)	0.04
Forward currency contracts for share class hedging	(428)	(0.05)	0.04
CAD159,978 Bought for €103,144 (expires 07.03.18)	(1)	0.00	
€20,054,145 Bought for \$25,017,850 (expires 07.03.18)	(509)	(0.06)	
€1,901,554 Bought for CAD2,917,144 (expires 07.03.18)	40	0.00	
€(2,679,699) Sold for \$3,317,090 (expires 07.03.18)	42	0.01	
Total portfolio	803,484	99.50	100.33
Net other assets / (liabilities)	4,038	0.50	(0.33)
Net assets attributable to shareholders	807,522	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. 31.08.17 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 six months to 28 February 2018

Largest purchases	\$'000
Cognizant Technology Solutions	15,088
Sensient Technologies	8,843
Mondelez International	5,835
Equinix	5,515
First Republic Bank San Francisco	4,585
Union Pacific	3,577
Intercontinental Exchange	3,155
Broadcom	2,400
Altria Group	1,988
American Express	1,630
Other purchases	8,295
Total purchases	60,911
Largest sales	\$'000
Nike	10,969
Las Vegas Sands	10,055
M&T Bank	6,619
Helmerich & Payne	6,369
Rockwell Automation	4,210
UnitedHealth Group	3,731
Arthur J. Gallagher & Co.	3,568
Methanex	3,288
LyondellBasell	2,983
Six Flags Entertainment	2,899
Other sales	33,795
Total sales	88,486

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.

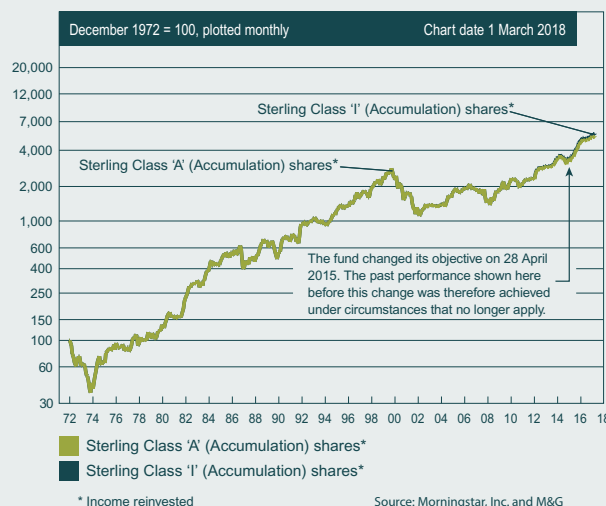
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

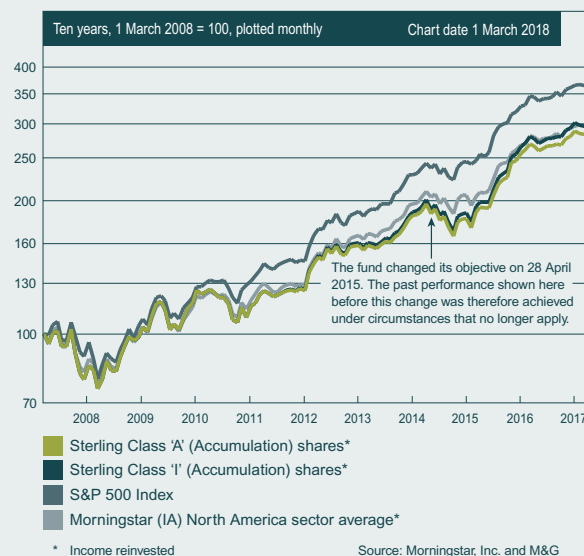
Fund net asset value			
as at	28.02.18 \$'000	31.08.17 \$'000	31.08.16 \$'000
Fund net asset value (NAV)	807,522	748,191	604,031

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				
	Six months 01.09.17 % ^[a]	Three years 02.03.15 % p.a.	Five years 01.03.13 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	+7.8	+6.9	+13.3	+4.4 ^[c]
Class 'A-H'	+9.2	+8.7	+11.0	+7.3 ^[d]
Class 'C'	+8.2	+7.7	+14.2	+5.1 ^[c]
Class 'C-H'	+9.6	+9.4	+11.8	+10.2 ^[e]
Sterling ^[f]				
Class 'A'	+3.7	+14.1	+13.8	+9.1 ^[g]
Class 'I'	+4.1	+15.0	+14.7	+16.8 ^[h]
Class 'R'	+4.0	+14.7	+14.4	+16.5 ^[h]
Class 'X'	+3.7	+14.2	+13.8	+11.9 ^[i]
US dollar ^[b]				
Class 'A'	+10.2	+9.9	+11.8	+6.1 ^[j]
Class 'C'	+10.6	+10.7	+12.7	+6.9 ^[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.

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
	Six months to 28.02.18 %	Year to 31.08.17 %	Year to 31.08.16 %	Average ^[a] %
Direct portfolio transaction costs ^[b]				
Broker commission	0.01	0.04	0.05	0.03
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.01	0.04	0.05	0.03
Dilution adjustments ^[c]	(0.01)	(0.03)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.00	0.01	0.03	0.01
as at				
Indirect portfolio transaction costs				
Average portfolio dealing spread	0.06	0.05	0.03	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 North American Dividend Fund

Financial highlights

Specific share class performance

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

Historic yields for the current period are calculated as at 9 March 2018.

Euro Class 'A' Income share performance

The share class was launched on 8 August 2014.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	1,758.25	1,615.71	1,492.21
Return before operating charges and after direct portfolio transaction costs	187.33	212.05	186.86
Operating charges	(15.56)	(30.39)	(25.58)
Return after operating charges	171.77	181.66	161.28
Distributions	(12.66)	(39.12)	(37.78)
Closing NAV	1,917.36	1,758.25	1,615.71
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.13	0.81	0.80
Dilution adjustments ^[a]	(0.13)	(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	+9.77	+11.24	+10.81
Historic yield	1.91	2.21	2.32
Effect on yield of charges offset against capital	1.66	1.66	1.66
Other information			
Closing NAV (\$'000)	589	642	320
Closing NAV percentage of total fund NAV (%)	0.07	0.09	0.05
Number of shares	25,152	30,780	17,756
Highest share price (Euro ¢)	1,990.86	1,960.26	1,639.36
Lowest share price (Euro ¢)	1,744.19	1,563.45	1,310.70

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	1,853.49	1,666.94	1,502.91
Return before operating charges and after direct portfolio transaction costs	197.30	217.61	189.76
Operating charges	(16.45)	(31.06)	(25.73)
Return after operating charges	180.85	186.55	164.03
Distributions	0.00	(10.41)	(38.47)
Retained distributions	0.00	10.41	38.47
Closing NAV	2,034.34	1,853.49	1,666.94
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.14	0.83	0.81
Dilution adjustments ^[a]	(0.14)	(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	+9.76	+11.19	+10.91
Historic yield ^[c]	0.31	0.56	2.29
Effect on yield of charges offset against capital	0.01	0.01	1.66
Other information			
Closing NAV (\$'000)	47,189	44,674	39,906
Closing NAV percentage of total fund NAV (%)	5.84	5.97	6.61
Number of shares	1,898,592	2,032,663	2,148,603
Highest share price (Euro ¢)	2,105.50	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.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	1,773.26	1,523.34	1,402.73
Return before operating charges and after direct portfolio transaction costs	225.96	277.78	144.53
Operating charges	(16.02)	(27.86)	(23.92)
Return after operating charges	209.94	249.92	120.61
Distributions	0.00	(9.35)	(34.72)
Retained distributions	0.00	9.35	34.72
Closing NAV	1,983.20	1,773.26	1,523.34
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.13	0.74	0.74
Dilution adjustments ^[a]	(0.13)	(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	+11.84	+16.41	+8.60
Historic yield ^[c]	0.29	0.52	2.25
Effect on yield of charges offset against capital	0.01	0.01	1.68
Other information			
Closing NAV (\$'000)	8,517	6,566	7,381
Closing NAV percentage of total fund NAV (%)	1.05	0.88	1.22
Number of shares	351,493	312,271	434,897
Highest share price (Euro ¢)	2,067.03	1,809.06	1,533.06
Lowest share price (Euro ¢)	1,777.35	1,487.27	1,249.66

M&G North American Dividend Fund

Financial highlights

Specific share class performance

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	1,926.87	1,757.37	1,610.87
Return before operating charges and after direct portfolio transaction costs	205.49	230.15	202.64
Operating charges	(9.41)	(17.95)	(15.14)
Return after operating charges	196.08	212.20	187.50
Distributions	(13.89)	(42.70)	(41.00)
Closing NAV	2,109.06	1,926.87	1,757.37
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.14	0.87	0.87
Dilution adjustments ^[a]	(0.14)	(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	+10.18	+12.07	+11.64
Historic yield	1.90	2.20	2.32
Effect on yield of charges offset against capital	0.91	0.91	0.91
Other information			
Closing NAV (\$'000)	602	534	458
Closing NAV percentage of total fund NAV (%)	0.07	0.07	0.08
Number of shares	23,371	23,371	23,371
Highest share price (Euro ¢)	2,188.28	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.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	2,054.69	1,833.85	1,641.04
Return before operating charges and after direct portfolio transaction costs	218.91	239.93	208.33
Operating charges	(10.04)	(19.09)	(15.52)
Return after operating charges	208.87	220.84	192.81
Distributions	(6.60)	(26.72)	(42.12)
Retained distributions	6.60	26.72	42.12
Closing NAV	2,263.56	2,054.69	1,833.85
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.15	0.93	0.89
Dilution adjustments ^[a]	(0.15)	(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	+10.17	+12.04	+11.75
Historic yield ^[c]	1.02	1.29	2.29
Effect on yield of charges offset against capital	0.01	0.01	0.91
Other information			
Closing NAV (\$'000)	10,375	8,948	5,794
Closing NAV percentage of total fund NAV (%)	1.28	1.20	0.96
Number of shares	375,144	367,262	283,574
Highest share price (Euro ¢)	2,341.01	2,252.60	1,833.46
Lowest share price (Euro ¢)	2,038.41	1,775.18	1,453.69

Euro Class 'C-H' Accumulation share performance

The share class was launched on 1 October 2010.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	1,854.52	1,582.97	1,444.69
Return before operating charges and after direct portfolio transaction costs	237.49	287.90	152.00
Operating charges	(9.21)	(16.35)	(13.72)
Return after operating charges	228.28	271.55	138.28
Distributions	(5.89)	(22.78)	(35.90)
Retained distributions	5.89	22.78	35.90
Closing NAV	2,082.80	1,854.52	1,582.97
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.14	0.78	0.77
Dilution adjustments ^[a]	(0.14)	(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	+12.31	+17.15	+9.57
Historic yield ^[c]	0.96	1.21	2.23
Effect on yield of charges offset against capital	0.01	0.01	0.93
Other information			
Closing NAV (\$'000)	15,273	24,964	19,404
Closing NAV percentage of total fund NAV (%)	1.89	3.34	3.21
Number of shares	600,204	1,135,240	1,100,176
Highest share price (Euro ¢)	2,169.49	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	1,769.36	1,497.51	1,195.17
Return before operating charges and after direct portfolio transaction costs	107.24	338.16	356.40
Operating charges	(15.10)	(28.51)	(21.41)
Return after operating charges	92.14	309.65	334.99
Distributions	(12.18)	(37.80)	(32.65)
Closing NAV	1,849.32	1,769.36	1,497.51
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.13	0.76	0.67
Dilution adjustments ^[a]	(0.13)	(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	+5.21	+20.68	+28.03
Historic yield	1.92	2.13	2.18
Effect on yield of charges offset against capital	1.66	1.66	1.66
Other information			
Closing NAV (\$'000)	113,157	110,940	70,190
Closing NAV percentage of total fund NAV (%)	14.01	14.82	11.62
Number of shares	4,420,482	4,869,596	3,567,993
Highest share price (UK p)	1,915.95	1,836.49	1,536.65
Lowest share price (UK p)	1,722.95	1,451.18	1,126.43

M&G North American Dividend Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 18 December 1972.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	2,397.74	1,985.92	1,547.40
Return before operating charges and after direct portfolio transaction costs	145.11	449.53	466.35
Operating charges	(20.50)	(37.71)	(27.83)
Return after operating charges	124.61	411.82	438.52
Distributions	0.00	(12.94)	(42.63)
Retained distributions	0.00	12.94	42.63
Closing NAV	2,522.35	2,397.74	1,985.92
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.17	1.01	0.87
Dilution adjustments ^[a]	(0.17)	(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	+5.20	+20.74	+28.34
Historic yield ^[c]	0.32	0.54	2.15
Effect on yield of charges offset against capital	0.01	0.01	1.66
Other information			
Closing NAV (\$'000)	116,092	110,756	121,867
Closing NAV percentage of total fund NAV (%)	14.39	14.80	20.18
Number of shares	3,325,059	3,587,428	4,671,379
Highest share price (UK p)	2,604.91	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	2,114.95	1,776.58	1,407.32
Return before operating charges and after direct portfolio transaction costs	128.37	402.00	421.80
Operating charges	(9.96)	(18.63)	(13.96)
Return after operating charges	118.41	383.37	407.84
Distributions	(14.59)	(45.00)	(38.58)
Closing NAV	2,218.77	2,114.95	1,776.58
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.15	0.91	0.80
Dilution adjustments ^[a]	(0.15)	(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	+5.60	+21.58	+28.98
Historic yield	1.92	2.12	2.18
Effect on yield of charges offset against capital	0.91	0.91	0.91
Other information			
Closing NAV (\$'000)	113,902	98,924	74,437
Closing NAV percentage of total fund NAV (%)	14.11	13.22	12.32
Number of shares	3,708,709	3,632,653	3,189,496
Highest share price (UK p)	2,296.44	2,187.48	1,822.42
Lowest share price (UK p)	2,060.11	1,722.15	1,330.79

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	2,274.15	1,869.47	1,445.74
Return before operating charges and after direct portfolio transaction costs	137.81	424.33	438.21
Operating charges	(10.72)	(19.65)	(14.48)
Return after operating charges	127.09	404.68	423.73
Distributions	(6.98)	(28.34)	(39.95)
Retained distributions	6.98	28.34	39.95
Closing NAV	2,401.24	2,274.15	1,869.47
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.16	0.96	0.83
Dilution adjustments ^[a]	(0.16)	(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	+5.59	+21.65	+29.31
Historic yield ^[c]	1.02	1.24	2.14
Effect on yield of charges offset against capital	0.01	0.01	0.91
Other information			
Closing NAV (\$'000)	182,877	169,127	149,540
Closing NAV percentage of total fund NAV (%)	22.66	22.60	24.76
Number of shares	5,502,041	5,775,827	6,089,177
Highest share price (UK p)	2,477.40	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	210.24	177.06	140.60
Return before operating charges and after direct portfolio transaction costs	12.78	40.01	42.08
Operating charges	(1.28)	(2.35)	(1.77)
Return after operating charges	11.50	37.66	40.31
Distributions	(1.45)	(4.48)	(3.85)
Closing NAV	220.29	210.24	177.06
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.09	0.08
Dilution adjustments ^[a]	(0.02)	(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	+5.47	+21.27	+28.67
Historic yield	1.92	2.12	2.18
Effect on yield of charges offset against capital	1.16	1.16	1.16
Other information			
Closing NAV (\$'000)	1,231	285	264
Closing NAV percentage of total fund NAV (%)	0.15	0.04	0.04
Number of shares	403,803	105,373	113,526
Highest share price (UK p)	228.08	217.71	181.64
Lowest share price (UK p)	204.78	171.61	132.81

M&G North American Dividend Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	224.50	185.01	143.44
Return before operating charges and after direct portfolio transaction costs	13.63	41.93	43.40
Operating charges	(1.39)	(2.44)	(1.83)
Return after operating charges	12.24	39.49	41.57
Distributions	(0.45)	(2.27)	(3.96)
Retained distributions	0.45	2.27	3.96
Closing NAV	236.74	224.50	185.01
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.09	0.08
Dilution adjustments ^[a]	(0.02)	(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	+5.45	+21.34	+28.98
Historic yield ^[c]	0.79	1.01	2.14
Effect on yield of charges offset against capital	0.01	0.01	1.16
Other information			
Closing NAV (\$'000)	5,631	138	190
Closing NAV percentage of total fund NAV (%)	0.70	0.02	0.03
Number of shares	1,718,262	47,572	78,113
Highest share price (UK p)	244.33	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	1,766.79	1,495.33	1,193.41
Return before operating charges and after direct portfolio transaction costs	107.08	337.50	355.95
Operating charges	(15.07)	(28.30)	(21.43)
Return after operating charges	92.01	309.20	334.52
Distributions	(12.17)	(37.74)	(32.60)
Closing NAV	1,846.63	1,766.79	1,495.33
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.13	0.76	0.67
Dilution adjustments ^[a]	(0.13)	(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	+5.21	+20.68	+28.03
Historic yield	1.92	2.13	2.18
Effect on yield of charges offset against capital	1.66	1.66	1.66
Other information			
Closing NAV (\$'000)	11,818	12,339	12,437
Closing NAV percentage of total fund NAV (%)	1.46	1.65	2.06
Number of shares	462,357	542,391	633,140
Highest share price (UK p)	1,913.16	1,833.82	1,534.42
Lowest share price (UK p)	1,720.44	1,449.07	1,124.79

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	2,362.82	1,956.98	1,524.84
Return before operating charges and after direct portfolio transaction costs	143.01	443.10	459.69
Operating charges	(20.21)	(37.26)	(27.55)
Return after operating charges	122.80	405.84	432.14
Distributions	0.00	(12.77)	(41.98)
Retained distributions	0.00	12.77	41.98
Closing NAV	2,485.62	2,362.82	1,956.98
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.17	1.00	0.87
Dilution adjustments ^[a]	(0.17)	(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	+5.20	+20.74	+28.34
Historic yield ^[c]	0.32	0.54	2.15
Effect on yield of charges offset against capital	0.01	0.01	1.66
Other information			
Closing NAV (\$'000)	46,835	44,083	44,502
Closing NAV percentage of total fund NAV (%)	5.80	5.89	7.37
Number of shares	1,361,237	1,448,962	1,731,070
Highest share price (UK p)	2,566.97	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.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	1,635.72	1,412.31	1,320.31
Return before operating charges and after direct portfolio transaction costs	228.94	281.22	146.96
Operating charges	(14.83)	(23.50)	(22.57)
Return after operating charges	214.11	257.72	124.39
Distributions	(12.00)	(34.31)	(32.39)
Closing NAV	1,837.83	1,635.72	1,412.31
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.12	0.63	0.71
Dilution adjustments ^[a]	(0.12)	(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	+13.09	+18.25	+9.42
Historic yield	1.83	2.08	2.28
Effect on yield of charges offset against capital	1.67	1.66	1.62
Other information			
Closing NAV (\$'000)	1,423	1,245	87
Closing NAV percentage of total fund NAV (%)	0.18	0.17	0.01
Number of shares	77,428	76,102	6,171
Highest share price (US ¢)	1,924.44	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.

M&G North American Dividend Fund

Financial highlights

Specific share class performance

US dollar Class 'A' Accumulation share performance

The share class was launched on 9 March 2007.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	1,725.29	1,458.09	1,330.80
Return before operating charges and after direct portfolio transaction costs	241.31	294.32	149.79
Operating charges	(15.48)	(27.12)	(22.50)
Return after operating charges	225.83	267.20	127.29
Distributions	(0.00)	(9.20)	(33.14)
Retained distributions	0.00	9.20	33.14
Closing NAV	1,951.12	1,725.29	1,458.09
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.13	0.73	0.71
Dilution adjustments ^[a]	(0.13)	(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	+13.09	+18.33	+9.56
Historic yield ^[c]	0.30	0.53	2.26
Effect on yield of charges offset against capital	0.01	0.01	1.66
Other information			
Closing NAV (\$'000)	84,802	76,684	23,540
Closing NAV percentage of total fund NAV (%)	10.50	10.25	3.90
Number of shares	4,346,334	4,444,680	1,614,461
Highest share price (US ¢)	2,036.42	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.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	1,749.74	1,499.33	1,391.14
Return before operating charges and after direct portfolio transaction costs	245.67	302.06	155.38
Operating charges	(9.25)	(14.91)	(12.72)
Return after operating charges	236.42	287.15	142.66
Distributions	(12.85)	(36.74)	(34.47)
Closing NAV	1,973.31	1,749.74	1,499.33
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.14	0.73	0.74
Dilution adjustments ^[a]	(0.14)	(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	0.92	0.90	0.90
Return after operating charges	+13.51	+19.15	+10.25
Historic yield	1.82	2.08	2.28
Effect on yield of charges offset against capital	0.92	0.90	0.90
Other information			
Closing NAV (\$'000)	1,965	20	18
Closing NAV percentage of total fund NAV (%)	0.24	0.00	0.00
Number of shares	99,603	1,171	1,171
Highest share price (US ¢)	2,065.02	1,798.37	1,524.30
Lowest share price (US ¢)	1,758.18	1,464.25	1,232.56

US dollar Class 'C' Accumulation share performance

The share class was launched on 9 March 2007.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	1,865.24	1,564.34	1,417.17
Return before operating charges and after direct portfolio transaction costs	261.21	316.71	160.47
Operating charges	(9.21)	(15.81)	(13.30)
Return after operating charges	252.00	300.90	147.17
Distributions	(6.11)	(22.93)	(35.36)
Retained distributions	6.11	22.93	35.36
Closing NAV	2,117.24	1,865.24	1,564.34
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.14	0.77	0.76
Dilution adjustments ^[a]	(0.14)	(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	+13.51	+19.23	+10.38
Historic yield ^[c]	0.97	1.22	2.25
Effect on yield of charges offset against capital	0.01	0.01	0.91
Other information			
Closing NAV (\$'000)	45,244	37,322	33,696
Closing NAV percentage of total fund NAV (%)	5.60	4.99	5.58
Number of shares	2,136,914	2,000,941	2,154,034
Highest share price (US ¢)	2,208.43	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.

M&G North American Dividend Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2018		2017	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		96,580		89,090
Revenue	8,661		8,506	
Expenses	(5,163)		(4,381)	
Net revenue / (expense) before taxation	3,498		4,125	
Taxation	(2,229)		(1,113)	
Net revenue / (expense) after taxation		1,269		3,012
Total return before distributions		97,849		92,102
Distributions		(2,384)		(3,412)
Change in net assets attributable to shareholders from investment activities		95,465		88,690

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2018		2017	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		748,191		604,031
Amounts received on issue of shares	81,694		149,291	
Amounts paid on cancellation of shares	(118,670)		(115,994)	
		(36,976)		33,297
Dilution adjustments		99		164
Change in net assets attributable to shareholders from investment activities (see above)		95,465		88,690
Retained distributions on Accumulation shares		742		1,733
Unclaimed distributions		1		0
Closing net assets attributable to shareholders		807,522		727,915

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	28 February 2018	31 August 2017
	\$'000	\$'000
Assets		
Fixed assets		
Investments	803,994	750,698
Current assets		
Debtors	2,849	5,577
Cash and bank balances	2,974	11
Total assets	809,817	756,286
Liabilities		
Investment liabilities	(510)	(1)
Creditors		
Distribution payable	(781)	(1,975)
Other creditors	(1,004)	(6,119)
Total liabilities	(2,295)	(8,095)
Net assets attributable to shareholders	807,522	748,191

Notes to the financial statements

Accounting policies

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

Distribution policy

In determining the amount available for 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.

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

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

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 1 March 2018, for the six months ended 28 February 2018

Performance against objective

Between 1 September 2017 (the start of the review period) and 1 March 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.*

Returns from the sterling share classes were more modest than those of the euro and US dollar share classes because of the appreciation of the pound over this period, which dampened the value of the gains in overseas assets for sterling-based investors.

The fund's returns in all share classes were ahead of a comparative index, the S&P 500 Index. Over the six months, returns for the index were 6.5%, 3.2% and 9.2% in euros, sterling and US dollars, respectively.

Over five years and since launch, the fund met its investment objective; it delivered a positive return, reflecting value added through 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

For most of the six months under review, US stockmarkets climbed steadily as investors were encouraged by a healthy economic backdrop, robust corporate performance and President Trump's fiscal policies.

However, at the end of January, with the S&P 500 Index trading at a record high, the relatively calm atmosphere that had prevailed in financial markets for the previous year was shattered. Share prices globally fell sharply amid concerns about higher interest rates in the US. Still, investor confidence quickly recovered, and share prices recouped some of their earlier losses by the end of the period.

M&G North American Value Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

A notable feature of the review period was the ongoing recovery of the US economy. Solid economic growth supported the labour market and the unemployment rate fell to 4.1% by the end of period, the lowest level in 17 years.

In response to the improving economic conditions, the US Federal Reserve (the Fed) announced that it would continue to unwind the measures it introduced after the financial crisis of 2008/9 to stimulate growth. The Fed started to reduce the assets that it had purchased since then. It also raised interest rates again, the fifth time since the crisis.

With the economy on a sound footing and companies delivering healthy profits, the optimistic mood was further enhanced by legislative measures. After nearly a year in office, President Trump achieved his first major piece of legislation by passing a tax reform bill that included tax cuts for corporations and individuals. Investors cheered the measure, which could potentially lead to higher corporate profits and boost consumer spending. The president also outlined his plans for infrastructure investment and tariffs on steel and aluminium imports.

Given the positive economic picture, investors generally favoured companies whose fortunes are closely linked to robust economic growth. In particular, financials performed well as higher interest rates are likely to contribute to higher profits. Consumer discretionary stocks outperformed too, as the buoyant employment market and tax cuts are expected to support consumer spending. E-commerce firm Amazon.com and film streaming services company Netflix were two notable outperformers in this area.

The information technology sector was also one of the best-performing areas. Investors continued to be attracted to companies with appealing growth prospects like semiconductor manufacturers and software companies, which are benefiting from trends such as cloud computing, data storage and the introduction of online technology to everyday objects - the so-called 'internet of things'.

In contrast, investors continued to shun 'defensive' stocks, which are perceived to be resilient during times of market uncertainty because they can deliver consistent growth. The consumer staples and healthcare sectors were notable laggards.

Rising interest rates also dampened enthusiasm for so-called 'bond proxies' that provide steady income payments. As a result, telecommunication services and utilities stocks underperformed significantly.

Over the period, so-called 'value' stocks, which are typically the cheaper, out-of-favour stocks in the market, as represented by the Russell 1000 Value Index, underperformed the S&P 500 Index. Despite this headwind for the fund's 'value' investment approach, fund returns were ahead of the comparative index as a result of successful stock selection in a range of sectors.

Stock selection in healthcare made the biggest contribution to relative performance with the holding in LivaNova, a global medical technology firm, adding value. The company specialises in devices used for cardiac surgery and investors are optimistic that LivaNova's innovative products and strategic investments can deliver future growth.

AbbVie, a US drug company, was another leading contributor. The stock gained during the period on better-than-expected results driven by robust demand for its flagship rheumatoid arthritis drug.

During the review period, oil prices climbed over US\$60 per barrel, their highest level since 2015. This provided support to several of the fund's energy holdings, notably oil & gas explorer ConocoPhillips and Helmerich & Payne, a provider of onshore oil drilling services.

But oil & gas explorer Kosmos Energy was an exception. The stock fell after the company reported disappointing results from exploratory drilling wells. Despite this setback, we believe Kosmos is in a healthy financial position and has some attractive oil exploration prospects.

In information technology, the share price of Hewlett Packard Enterprise, an IT solutions firm, climbed after the company reported better-than-expected results, driven by robust performance in its data storage and networking businesses. Meanwhile, the holding in Micron Technology, a semiconductor firm, added value as the stock gained on robust demand for memory chips.

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 for the Thanksgiving holiday and upbeat consumer confidence. Investors were also encouraged by Target's new strategy to compete with online retailers.

On a negative note, the holding in media company Comcast was a leading detractor. Investors were not impressed by Comcast's decision to launch a multi-billion dollar bid for UK pay-TV company Sky and the share price declined.

In addition, not holding any shares in Amazon.com or Netflix hurt relative performance, as both stocks rallied. Amazon's share price soared to its highest ever level after the company reported record profits, while Netflix announced robust subscriber growth.

Meanwhile, in consumer staples, the holdings in beer company Molson Coors Brewing and drinks bottler Coca-Cola European Partners detracted, as the sector underperformed. 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.

Investment activities

During the review period, we invested in three new holdings from different sectors of the market and sold a number of stocks that had performed well.

We started a position in LifePoint Health, a healthcare company that 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 overreacted and the company is attractively valued.

M&G North American Value Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

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, these are excessive.

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 existing stocks including CenturyLink, an integrated communications firm, pharmaceutical company Merck, and Qorvo, which makes radio frequency solutions used in wireless devices, among others.

These purchases were funded largely by selling the positions in consumer electronics retailer Best Buy, cigarette manufacturer Altria, and investment manager Bank of New York Mellon, on valuation grounds, after a period of good share price performance.

We also disposed of the shares in Micro Focus we received after it acquired the software assets of our holding Hewlett Packard Enterprise. The stake in Owens & Minor, a pharmaceutical logistics firm, was sold as we lost confidence in the business.

In addition, we took some profits by trimming our positions in technology firms Alphabet, the parent company of Google, Micron and Microsoft, as well as healthcare stocks AbbVie and LivaNova, following share price gains.

Outlook

The period under review was both encouraging and unsettling for investors. There is much to be optimistic about currently, with the US economy expanding at a steady pace, companies delivering decent profits and the tailwind from legislative measures such as tax cuts.

On the other hand, US stockmarkets have been on an upwards march for the best part of a decade. The S&P 500 Index has surged past its pre-financial crisis high, to reach record levels. Given this impressive and relatively steady advance, the turmoil and sharp falls we experienced at the end of the review period were a shock.

However, in our view, it was an important reminder that share prices can go down as well as up. Investors might have grown complacent about stockmarket performance recently, but it is likely that turbulence will become more common. With the Fed engaged in the tricky task of withdrawing crisis-era stimulus measures, there will probably be more bumpy periods ahead.

As long-term, value-focused stock pickers, we think this could be a good thing: sudden market movements often lead to overreaction and therefore mispriced opportunities.

We believe the outlook for value investors in the US remains positive. The improving economy and, in particular, rising interest rates could encourage a shift towards cheaper stocks and away from some of the stable, quality companies in areas like consumer staples that have been in favour for most of the past decade. In our view, the wide valuation gap between the cheapest stocks and the most expensive in the market represents a source of opportunities for value-focused investors.

In this environment, we will continue to apply our disciplined, selective investment approach and focus on finding opportunities to invest in stocks that we believe are mispriced by the market.

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 Holding	28.02.18 \$'000	28.02.18 %	31.08.17 ^[a] %
EQUITIES	848,217	96.11	97.43
Energy equipment & services	6,832	0.78	0.62
102,697 Helmerich & Payne	6,832	0.78	
Oil, gas & consumable fuels	71,709	8.13	8.33
161,298 Chevron	18,326	2.08	
76,038 Cobalt International Energy	34	0.00	
199,376 ConocoPhillips	11,131	1.26	
591,884 Euronav	4,883	0.55	
240,899 Hess	11,195	1.27	
1,348,417 Kosmos Energy	7,807	0.89	
124,268 Occidental Petroleum	8,295	0.94	
294,103 Suncor Energy	10,038	1.14	
Construction materials	8,387	0.95	0.71
81,890 Eagle Materials	8,387	0.95	
Containers & packaging	9,574	1.08	1.09
143,627 WestRock	9,574	1.08	
Metals & mining	24,427	2.77	2.28
280,616 Newmont Mining	10,781	1.22	
287,270 Steel Dynamics	13,646	1.55	
Paper & forest products	4,107	0.47	0.61
90,598 Domtar	4,107	0.47	
Aerospace & defence	12,000	1.36	2.05
19,486 Harris	3,098	0.35	
98,147 Spirit AeroSystems	8,902	1.01	
Machinery	18,383	2.08	1.90
103,853 Oshkosh	8,572	0.97	
199,379 SPX FLOW	9,811	1.11	
Commercial services & supplies	6,731	0.76	0.75
535,947 Pitney Bowes	6,731	0.76	

M&G North American Value Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	28.02.18 \$'000	28.02.18 %	31.08.17 ^[a] %	
Professional services	7,130	0.81	1.18	
59,379 ManpowerGroup	7,130	0.81		
Air freight & logistics	12,149	1.38	1.29	
48,871 FedEx	12,149	1.38		
Auto components	10,421	1.18	1.10	
183,473 Magna International	10,421	1.18		
Automobiles	8,392	0.95	0.80	
209,019 General Motors	8,392	0.95		
Textiles, apparel & luxury goods	19,197	2.18	2.02	
142,403 Columbia Sportswear	10,937	1.24		
163,047 Tapestry	8,260	0.94		
Hotels, restaurants & leisure	23,222	2.63	2.27	
164,065 Carnival	11,071	1.25		
618,351 Extended Stay America	12,151	1.38		
Media	28,675	3.25	3.43	
533,310 Comcast	19,540	2.21		
422,007 Gannett	4,364	0.50		
291,449 News Corporation	4,771	0.54		
Multiline retail	11,492	1.30	1.54	
152,088 Target	11,492	1.30		
Specialty retail	4,680	0.53	0.35	
98,462 Foot Locker	4,680	0.53		
Food & staples retailing	15,782	1.79	0.61	
338,408 Kroger	9,228	1.05		
169,963 Weis Markets	6,554	0.74		
Beverages	24,191	2.74	3.29	
294,322 Coca-Cola European Partners	11,231	1.27		
169,234 Molson Coors Brewing	12,960	1.47		
Food products	21,648	2.45	1.91	
181,039 Lamb Weston Holdings	9,850	1.11		
158,270 Tyson Foods	11,798	1.34		
Tobacco	0	0.00	0.44	
Household products	16,974	1.92	1.53	
180,632 Energizer	9,936	1.12		
62,641 Kimberly-Clark	7,038	0.80		
Health care equipment & supplies	12,790	1.45	2.92	
133,195 Abbott Laboratories	8,073	0.92		
53,907 LivaNova	4,717	0.53		
Health care providers & services	22,133	2.51	2.15	
61,135 Anthem	14,493	1.64		
163,410 LifePoint Health	7,640	0.87		
Biotechnology	7,098	0.80	1.58	
60,023 AbbVie	7,098	0.80		
Pharmaceuticals	80,799	9.15	9.01	
145,544 Eli Lilly	11,453	1.30		
200,492 Johnson & Johnson	26,387	2.99		
363,277 Merck & Co.	19,871	2.25		
628,078 Pfizer	23,088	2.61		
Banks	72,269	8.19	7.64	
254,827 Citigroup	19,456	2.21		
225,936 JPMorgan Chase	26,516	3.00		
72,617 PNC Financial Services	11,635	1.32		
247,588 Wells Fargo	14,662	1.66		
Thriffs & mortgage finance	10,541	1.19	0.99	
510,956 Capitol Federal Financial	6,489	0.73		
113,975 Washington Federal	4,052	0.46		

Portfolio statement (continued)

as at Holding	28.02.18 \$'000	28.02.18 %	31.08.17 ^[a] %	
Diversified financial services	8,474	0.96	1.13	
163,600 Voya Financial	8,474	0.96		
Capital markets	25,774	2.92	3.22	
60,379 Affiliated Managers	11,484	1.30		
53,324 Goldman Sachs Group	14,290	1.62		
Insurance	39,895	4.52	4.16	
230,059 American International Group	13,392	1.52		
84,880 BrightHouse Financial	4,720	0.53		
145,496 Loews	7,301	0.83		
196,888 MetLife	9,297	1.05		
96,336 The Hartford Financial Services Group	5,185	0.59		
Internet software & services	16,786	1.90	3.64	
15,026 Alphabet A	16,786	1.90		
IT services	22,776	2.58	2.30	
581,371 Conduent	10,773	1.22		
116,433 DXC Technology	12,003	1.36		
Software	8,356	0.95	1.99	
88,691 Microsoft	8,356	0.95		
Communications equipment	13,558	1.54	1.34	
301,085 Cisco Systems	13,558	1.54		
Technology hardware, storage & peripherals	32,486	3.68	3.91	
839,465 Hewlett-Packard Enterprise	15,790	1.79		
63,913 Western Digital	5,572	0.63		
367,738 Xerox	11,124	1.26		
Electronic equipment, instruments & components	26,482	3.00	2.62	
399,135 AVX	7,045	0.80		
731,960 Celestica	7,950	0.90		
219,681 Corning	6,445	0.73		
271,808 Vishay Intertechnology	5,042	0.57		
Semiconductors & semiconductor equipment	37,134	4.21	3.60	
229,812 Intel	11,470	1.30		
138,166 Mellanox Technologies	9,499	1.08		
147,612 Micron Technology	7,171	0.81		
110,796 Qorvo	8,994	1.02		
Diversified telecommunication services	24,121	2.73	2.69	
357,390 AT&T	13,177	1.49		
605,637 Centurylink	10,944	1.24		
Wireless telecommunication services	5,704	0.65	0.72	
113,774 Telephone and Data Systems	3,049	0.35		
71,814 U.S. Cellular	2,655	0.30		
Electric utilities	14,938	1.69	1.72	
401,023 Exelon	14,938	1.69		
Portfolio of investments	848,217	96.11	97.43	
CASH EQUIVALENTS	34,968	3.96	3.67	
'AAA' rated money market funds ^[b]	34,968	3.96	3.67	
34,968,000 Northern Trust Global Fund - US dollar	34,968	3.96		
Total portfolio	883,185	100.07	101.10	
Net other assets / (liabilities)	(597)	(0.07)	(1.10)	
Net assets attributable to shareholders	882,588	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. 31.08.17 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.

M&G North American Value Fund

Authorised Corporate Director's Report

Investments

Top ten portfolio transactions	
for the six months to 28 February 2018	
Largest purchases	\$'000
Kroger	9,392
LifePoint Health	7,498
Intel	6,154
Merck & Co.	5,744
Suncor Energy	5,208
Foot Locker	4,358
BrightHouse Financial	4,016
Wells Fargo	3,850
Extended Stay America	3,451
Qorvo	3,178
Other purchases	52,483
Total purchases	105,332
Largest sales	\$'000
Alphabet A	18,981
Microsoft	12,132
AbbVie	11,411
LivaNova	10,283
Abbott Laboratories	7,421
Target	7,282
Harris	6,855
Intel	6,251
Micron Technology	5,907
Occidental Petroleum	5,572
Other sales	90,953
Total sales	183,048

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.

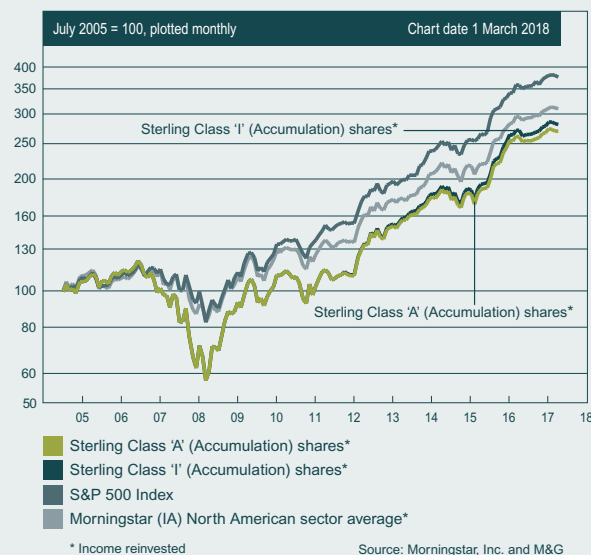
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	28.02.18 \$'000	31.08.17 \$'000	31.08.16 \$'000
Fund net asset value (NAV)	882,588	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

	Six months 01.09.17 % [a]	Three years 02.03.15 % p.a.	Five years 01.03.13 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	+8.3	+6.7	+15.1	+5.9 [c]
Class 'C'	+8.7	+7.5	+16.0	+6.7 [c]
Sterling [d]				
Class 'A'	+4.2	+13.9	+15.6	+8.1 [c]
Class 'I'	+4.6	+14.8	+16.5	+18.6 [e]
Class 'R'	+4.5	+14.5	+16.2	+18.3 [e]
Class 'X'	+4.3	+13.9	+15.7	+8.2 [c]
US dollar [b]				
Class 'A'	+10.8	+9.7	+13.6	+4.8 [f]
Class 'C'	+11.2	+10.5	+14.5	+5.6 [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 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

	Six months to 28.02.18 %	Year to 31.08.17 %	Year to 31.08.16 %	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	28.02.18	31.08.17	31.08.16	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.04	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 9 March 2018.

Euro Class 'A' Accumulation share performance

The share class was launched on 1 July 2005.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	1,900.98	1,766.85	1,581.08
Return before operating charges and after direct portfolio transaction costs	196.61	167.11	213.13
Operating charges	(16.89)	(32.98)	(27.36)
Return after operating charges	179.72	134.13	185.77
Distributions	n/a	(4.76)	(5.32)
Retained distributions	n/a	4.76	5.32
Closing NAV	2,080.70	1,900.98	1,766.85
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.24	0.46	0.50
Dilution adjustments ^[a]	(0.21)	(0.46)	(0.33)
Total direct portfolio transaction costs	0.03	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	+9.45	+7.59	+11.75
Historic yield	0.23	0.25	0.30
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	190,865	190,378	33,375
Closing NAV percentage of total fund NAV (%)	21.63	22.63	6.28
Number of shares	7,508,197	8,445,903	1,695,330
Highest share price (Euro ¢)	2,158.33	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.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	2,084.06	1,922.55	1,707.45
Return before operating charges and after direct portfolio transaction costs	215.71	181.20	231.33
Operating charges	(10.22)	(19.69)	(16.23)
Return after operating charges	205.49	161.51	215.10
Distributions	n/a	(19.99)	(19.13)
Retained distributions	n/a	19.99	19.13
Closing NAV	2,289.55	2,084.06	1,922.55
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.27	0.50	0.55
Dilution adjustments ^[a]	(0.23)	(0.50)	(0.36)
Total direct portfolio transaction costs	0.04	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	+9.86	+8.40	+12.60
Historic yield	0.88	0.96	0.99
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	127,128	108,331	41,167
Closing NAV percentage of total fund NAV (%)	14.40	12.88	7.75
Number of shares	4,544,719	4,383,771	1,921,782
Highest share price (Euro ¢)	2,373.54	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	123.21	107.43	83.33
Return before operating charges and after direct portfolio transaction costs	7.12	20.07	25.94
Operating charges	(1.06)	(2.01)	(1.52)
Return after operating charges	6.06	18.06	24.42
Distributions	n/a	(2.28)	(0.32)
Closing NAV	129.27	123.21	107.43
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	0.03
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.02)
Total direct portfolio transaction costs	0.01	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	+4.92	+16.81	+29.31
Historic yield ^[c]	1.77	1.86	0.30
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (\$'000)	233,156	216,092	244,575
Closing NAV percentage of total fund NAV (%)	26.42	25.68	46.04
Number of shares	130,298,307	136,207,062	173,305,625
Highest share price (UK p)	133.91	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	129.02	110.44	85.41
Return before operating charges and after direct portfolio transaction costs	7.42	20.65	26.58
Operating charges	(1.10)	(2.07)	(1.55)
Return after operating charges	6.32	18.58	25.03
Distributions	n/a	(0.32)	(0.33)
Retained distributions	n/a	0.32	0.33
Closing NAV	135.34	129.02	110.44
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	0.03
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.02)
Total direct portfolio transaction costs	0.01	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	+4.90	+16.82	+29.31
Historic yield	0.24	0.25	0.30
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	2,572	2,664	2,907
Closing NAV percentage of total fund NAV (%)	0.29	0.32	0.55
Number of shares	1,373,132	1,603,509	2,003,966
Highest share price (UK p)	140.20	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	2,321.06	2,008.50	1,557.26
Return before operating charges and after direct portfolio transaction costs	134.23	376.25	487.04
Operating charges	(11.04)	(20.87)	(15.63)
Return after operating charges	123.19	355.38	471.41
Distributions	n/a	(42.82)	(20.17)
Closing NAV	2,444.25	2,321.06	2,008.50
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.29	0.53	0.53
Dilution adjustments ^[a]	(0.25)	(0.53)	(0.35)
Total direct portfolio transaction costs	0.04	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	+5.31	+17.69	+30.27
Historic yield ^[c]	1.76	1.85	1.01
Effect on yield of charges offset against capital	0.90	0.90	0.00
Other information			
Closing NAV (\$'000)	40,693	27,612	23,155
Closing NAV percentage of total fund NAV (%)	4.61	3.28	4.36
Number of shares	1,202,749	923,916	877,584
Highest share price (UK p)	2,530.43	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	2,465.25	2,094.58	1,607.66
Return before operating charges and after direct portfolio transaction costs	142.21	392.68	503.04
Operating charges	(11.66)	(22.01)	(16.12)
Return after operating charges	130.55	370.67	486.92
Distributions	n/a	(23.65)	(20.81)
Retained distributions	n/a	23.65	20.81
Closing NAV	2,595.80	2,465.25	2,094.58
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.31	0.55	0.54
Dilution adjustments ^[a]	(0.26)	(0.55)	(0.36)
Total direct portfolio transaction costs	0.05	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	+5.30	+17.70	+30.29
Historic yield	0.91	0.96	1.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	63,064	51,616	19,351
Closing NAV percentage of total fund NAV (%)	7.15	6.13	3.64
Number of shares	1,755,145	1,626,085	703,278
Highest share price (UK p)	2,687.31	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	231.44	200.78	155.69
Return before operating charges and after direct portfolio transaction costs	13.38	37.58	48.63
Operating charges	(1.40)	(2.64)	(1.99)
Return after operating charges	11.98	34.94	46.64
Distributions	n/a	(4.28)	(1.55)
Closing NAV	243.42	231.44	200.78
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.05	0.05
Dilution adjustments ^[a]	(0.02)	(0.05)	(0.03)
Total direct portfolio transaction costs	0.01	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	+5.18	+17.40	+29.96
Historic yield ^[c]	1.76	1.85	0.77
Effect on yield of charges offset against capital	1.15	1.15	0.00
Other information			
Closing NAV (\$'000)	370	241	225
Closing NAV percentage of total fund NAV (%)	0.04	0.03	0.04
Number of shares	109,936	80,772	85,398
Highest share price (UK p)	252.05	243.18	204.81
Lowest share price (UK p)	223.88	194.14	149.25

M&G North American Value Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	243.26	207.20	159.43
Return before operating charges and after direct portfolio transaction costs	14.06	38.79	49.80
Operating charges	(1.49)	(2.73)	(2.03)
Return after operating charges	12.57	36.06	47.77
Distributions	n/a	(1.76)	(1.58)
Retained distributions	n/a	1.76	1.58
Closing NAV	255.83	243.26	207.20
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.05	0.05
Dilution adjustments ^[a]	(0.03)	(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	+5.17	+17.40	+29.96
Historic yield	0.69	0.73	0.77
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	2,293	321	308
Closing NAV percentage of total fund NAV (%)	0.26	0.04	0.06
Number of shares	647,523	102,542	113,120
Highest share price (UK p)	264.90	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	123.25	107.46	83.35
Return before operating charges and after direct portfolio transaction costs	7.11	20.09	25.95
Operating charges	(1.05)	(2.02)	(1.52)
Return after operating charges	6.06	18.07	24.43
Distributions	n/a	(2.28)	(0.32)
Closing NAV	129.31	123.25	107.46
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	0.03
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.02)
Total direct portfolio transaction costs	0.01	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	+4.92	+16.82	+29.31
Historic yield ^[c]	1.77	1.86	0.30
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (\$'000)	2,092	2,740	2,494
Closing NAV percentage of total fund NAV (%)	0.24	0.33	0.47
Number of shares	1,168,879	1,726,740	1,766,613
Highest share price (UK p)	133.95	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	129.27	110.66	85.58
Return before operating charges and after direct portfolio transaction costs	7.46	20.69	26.64
Operating charges	(1.01)	(2.08)	(1.56)
Return after operating charges	6.45	18.61	25.08
Distributions	n/a	(0.32)	(0.33)
Retained distributions	n/a	0.32	0.33
Closing NAV	135.72	129.27	110.66
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.03
Dilution adjustments ^[a]	(0.01)	(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	+4.99	+16.82	+29.31
Historic yield	0.24	0.25	0.30
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	2,473	180,838	130,588
Closing NAV percentage of total fund NAV (%)	0.28	21.49	24.58
Number of shares	1,316,205	108,644,159	89,831,538
Highest share price (UK p)	140.59	133.68	112.05
Lowest share price (UK p)	125.01	106.98	81.86

US dollar Class 'A' Accumulation share performance

The share class was launched on 9 March 2007.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	1,506.24	1,315.48	1,191.70
Return before operating charges and after direct portfolio transaction costs	205.93	214.52	144.10
Operating charges	(13.49)	(23.76)	(20.32)
Return after operating charges	192.44	190.76	123.78
Distributions	n/a	(3.77)	(3.91)
Retained distributions	n/a	3.77	3.91
Closing NAV	1,698.68	1,506.24	1,315.48
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.19	0.33	0.37
Dilution adjustments ^[a]	(0.17)	(0.33)	(0.25)
Total direct portfolio transaction costs	0.02	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	+12.78	+14.50	+10.39
Historic yield	0.22	0.25	0.30
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	25,450	23,437	15,389
Closing NAV percentage of total fund NAV (%)	2.88	2.79	2.90
Number of shares	1,498,210	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.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	1,629.93	1,412.87	1,270.30
Return before operating charges and after direct portfolio transaction costs	223.23	231.31	154.49
Operating charges	(8.15)	(14.25)	(11.92)
Return after operating charges	215.08	217.06	142.57
Distributions	n/a	(15.64)	(14.04)
Retained distributions	n/a	15.64	14.04
Closing NAV	1,845.01	1,629.93	1,412.87
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.21	0.36	0.40
Dilution adjustments ^[a]	(0.18)	(0.36)	(0.27)
Total direct portfolio transaction costs	0.03	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	+13.20	+15.36	+11.22
Historic yield	0.85	0.96	0.99
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	192,432	37,060	17,671
Closing NAV percentage of total fund NAV (%)	21.80	4.40	3.33
Number of shares	10,429,873	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 six months to 28 February	2018 \$'000	2017 \$'000
Income		
Net capital gains / (losses)	106,447	63,582
Revenue	8,942	6,037
Expenses	(5,781)	(4,152)
Net revenue / (expense) before taxation	3,161	1,885
Taxation	(2,849)	(866)
Net revenue / (expense) after taxation	312	1,019
Total return before equalisation	106,759	64,601
Equalisation	108	118
Change in net assets attributable to shareholders from investment activities	106,867	64,719

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2018 \$'000	2017 \$'000
Opening net assets attributable to shareholders	841,330	531,205
Amounts received on issue of shares	223,033	107,568
Amounts paid on cancellation of shares	(288,763)	(81,887)
	(65,730)	25,681
Dilution adjustments	121	96
Change in net assets attributable to shareholders from investment activities (see above)	106,867	64,719
Closing net assets attributable to shareholders	882,588	621,701

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	28 February 2018 \$'000	31 August 2017 \$'000
Assets		
Fixed assets		
Investments	883,185	850,596
Current assets		
Debtors	1,533	7,551
Cash and bank balances	2,301	0
Total assets	887,019	858,147
Liabilities		
Creditors		
Bank overdrafts	0	(30)
Distribution payable	0	(4,566)
Other creditors	(4,431)	(12,221)
Total liabilities	(4,431)	(16,817)
Net assets attributable to shareholders	882,588	841,330

Notes to the financial statements

Accounting policies

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

Distribution policy

In determining the amount available for distribution to Income shares, the annual 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.

M&G Pan European Select Fund

Authorised Corporate Director's Report

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 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 1 March 2018, for the six months ended 28 February 2018

Performance against objective

Between 1 September 2017 (the start of the review period) and 1 March 2018, the M&G Pan European Select Fund delivered positive total returns (the combination of income and growth of capital) across all of its euro and US dollar share classes, while its sterling share classes declined.* All share classes finished ahead of a comparable index, the MSCI Europe Index. Over the six months, returns from the index were -2.7%, 0.3% and 2.9% 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 across Europe, including the UK, 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

For the six months under review, European stockmarkets delivered positive, albeit relatively muted, returns in euro and US dollar terms, while sterling returns were negative – this was a reflection of relative currency strengths for the period. Markets began the review period on shaky ground, 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 we moved through the period, Europe also experienced a degree of political discord, driven by uncertain German elections and a Catalan independence vote in Spain, both of which unnerved markets to a degree. Investor sentiment was supported, though, 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

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Investment review

Investment performance (continued)

apparently triggered by a pick-up in wage inflation in the US, which led to rising interest rate expectations. The subsequent reaction was extreme, infecting markets globally and giving back those euphoric gains from January.

Overall, European stocks did not keep up with the wider global market, which was led by Japan and the US. Among the larger European constituents, France, Germany and the UK all outpaced the wider European market – the fund's above-index position in Germany was therefore supportive, while below-index positions in France and the UK dragged on returns to a degree. The above-index position in Denmark, an underperforming market for the period, weighed on relative performance as well, however, stock selection within the country was supportive.

Against this background, the energy, materials and information technology sectors all outperformed the wider market, while some of the more defensive sectors (that is, those that have relatively predictable and stable earnings regardless of the state of the overall economy) lagged – these included utilities, telecoms, healthcare and consumer staples.

For the fund, stockpicking within the consumer discretionary, healthcare and energy sectors was particularly supportive, as was the lack of holdings among utilities and telecoms. Conversely, the fund's above-index position in consumer discretionary, namely within retailers, dragged on returns, as this sub-sector experienced a difficult market environment over the review period. Stockpicking among consumer staples companies also weighed on relative performance.

At an individual stock level, the fund's largest contributor was UK-listed retailer WH Smith. Just prior to the start of the review period, the company reported that its travel business, which includes concessions in airports and train stations, had continued to deliver robust sales across all of its channels, reaching the inflection point at which those sales had surpassed the high street. Its high street stores, meanwhile, have delivered cost savings and margin improvements. Investors were cheered by this news, and the company's shares maintained their upward momentum for much of the period under review.

Norwegian oil and gas producer Statoil bolstered returns as well. Sentiment in the company was buoyed over the period by a number of elements, including improvement in the oil price, a large increase in profits for the fourth quarter of 2017 and anticipated growth in its US operations. The company was also awarded 31 new exploration licences on the Norwegian continental shelf, further enlivening investors.

Other supportive holdings included Spanish-listed airline industry IT outsourcing business Amadeus and German industrial gases supplier Linde. In light of ongoing operational success, Amadeus published good results during the review period, maintaining positive growth for the year with all of its business units performing well. This included airline IT, where significant deals with leading airlines helped to strengthen the company's presence in North America, as well as distribution, where bookings continued to outperform the wider industry. Linde, meanwhile, published solid numbers as well, while also receiving approval from 90% of its shareholders for its planned tie-up with rival Praxair – its share price subsequently rose.

On the downside, the fund's largest detractor was Swedish 'fast fashion' retailer H&M. The company experienced a relatively large decline in quarterly sales, as a result of difficult market conditions and reduced footfall to physical stores. In response, H&M reported that it would increase efforts to adjust to changes in the market, including closing more stores and opening fewer new ones. It also said that it would start selling its core budget brand through Chinese online platform Tmall, as well as launching online stores in additional markets, including India.

As mentioned above, stockpicking within the consumer staples sector weighed on relative returns, reflected in the performance of UK-listed Reckitt Benckiser and Anglo-Dutch Unilever, both consumer goods giants.

Reckitt Benckiser's share price fell following the publication of underwhelming results, with the company having faced a number of headwinds over the previous year. These included a cyber-attack temporarily knocking production and distribution, higher commodity prices and tough price competition weighing on margins, and sales for a new product launch falling below expectations. Meanwhile, Unilever's shares declined after the company published sales figures that fell below expectations. This was in light of natural disasters in Mexico and the Caribbean hitting its business. We see this as a short-term issue, and remain confident in the long-term business case for the company, which we believe is a global leader in sustainability.

Investment activities

We run a concentrated portfolio of between 25 and 35 holdings, maintaining a watchlist of around 120 quality 'moated' companies that we would like to own when the timing and price are right (moated companies are those where we feel the business model is well protected from competition). We monitor our watchlist closely, waiting patiently for short-term issues to create buying opportunities.

Given the fund's long-term, low-turnover approach, the period under review was relatively busy for new purchases, with four such opportunities presenting themselves. The first was Georgia's second-largest lender, BGEO. We think the company has a robust 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. We do not feel that investors have realised the inherent value in the bank, and in particular in its investment vehicle, allowing us to purchase the shares at what we believe to be an attractive valuation.

We bought shares in French consumer products company Société 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 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. Short-term underperformance across its business units worried investors, providing our buying opportunity.

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Investment review

Investment activities (continued)

We established 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 R&D 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. We bought the stock after ALK's share price declined, subsequent to the company privately issuing new shares to help fund its break into the US market.

Our other new purchase was 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. The loss of two contracts and some short-term cost pressures weighed on the share price.

Conversely, we closed four positions during the period, starting with German chemical and pharmaceutical company Bayer. We did not believe that the company's proposed acquisition of US agribusiness Monsanto was a good allocation of capital, and preferred to deploy investors' money elsewhere.

To fund the purchase of BGEO, we sold our shares in Danish insurer Topdanmark (which was up by close to 40% since we initiated the position in September 2016). 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 BGEO was a more attractive opportunity. 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.

Finally, we funded the purchase of Société Bic by closing the position in German carmaker BMW.

Outlook

We look for companies that can generate persistent cashflows, and given the climate for much of the review period, this may be considered boring compared to rapidly growing tech companies or deep value stocks. When the market is in a good mood, though, and wants to take on risk, we have to make up our minds – do we want to ride that momentum and see where it takes us, or take advantage of more attractive valuations to move the portfolio back to the 'dull' end

of the market. At the end of 2016, when consumer staples were attracting a lot of attention, due to their perceived safety, we scaled back our positions in the sector, selling into the momentum. Those staples are now looking cheaper, and this means we can add some defensiveness back into the fund, and not have to overpay for it – as always, though, we will do this slowly and incrementally.

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 already expensive tech stocks keep going up. However, that is when you need to be the most disciplined. And the good thing about momentum is that you can scale out of it. In some cases, we have scaled back positions by more than our original holding in a company, just through investment gains.

We have recently, of course, bought shares in some special cases – in particular BGEO. We have taken on risk by doing so, but this is not market or momentum-driven; it is idiosyncratic risk, which actually lends itself to diversification – this ties in with keeping the fund balanced.

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 Holding	28.02.18 €'000	28.02.18 %	31.08.17 ^[a] %
EQUITIES	318,230	94.79	96.13
Oil, gas & consumable fuels	15,431	4.60	3.65
818,164 Statoil	15,431	4.60	
Chemicals	24,174	7.20	6.25
134,548 Akzo Nobel	10,669	3.18	
73,157 Linde	13,505	4.02	
Construction materials	10,338	3.08	3.08
214,509 LafargeHolcim (Regd.)	10,338	3.08	
Electrical equipment	11,335	3.38	3.14
158,970 Schneider Electric	11,335	3.38	
Machinery	14,641	4.36	5.06
163,704 GEA Group	6,355	1.89	
206,231 Jungheinrich Pref. (non-voting)	8,286	2.47	
Commercial services & supplies	14,709	4.38	0.00
212,213 ISS	6,358	1.89	
97,441 Société Bic	8,351	2.49	
Road & rail	16,404	4.89	5.13
254,850 DSV	16,404	4.89	

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Investments

Portfolio statement (continued)			
as at Holding	28.02.18 €'000	28.02.18 %	31.08.17 ^[a] %
Automobiles	0	0.00	1.65
Textiles, apparel & luxury goods	12,787	3.81	3.72
88,051 HUGO BOSS	6,475	1.93	
73,669 Pandora	6,312	1.88	
Media	9,339	2.78	2.51
232,885 CTS EVENTIM	9,339	2.78	
Specialty retail	31,640	9.42	9.66
241,008 Hennes & Mauritz	3,287	0.98	
5,480,863 Pets at Home	10,693	3.18	
767,129 WH Smith	17,660	5.26	
Food products	12,514	3.73	4.49
191,673 Nestlé (Regd.)	12,514	3.73	
Household products	8,428	2.51	2.45
128,497 Reckitt Benckiser	8,428	2.51	
Personal products	9,926	2.96	3.32
230,095 Unilever CVA	9,926	2.96	
Health care providers & services	8,612	2.57	2.72
99,395 Fresenius Medical Care	8,612	2.57	
Pharmaceuticals	41,920	12.48	14.32
34,920 ALK-Abelló	3,395	1.01	
650,139 GlaxoSmithKline	9,658	2.87	
3,017,626 Indivior	13,094	3.90	
368,311 Novo-Nordisk	15,773	4.70	
Banks	36,604	10.90	10.38
2,086,970 AIB Group (formerly Allied Irish Bank)	10,967	3.26	
168,070 BGEO Group	6,406	1.91	
816,508 ING Groep	11,921	3.55	
419,203 UniCredit	7,310	2.18	
Insurance	9,023	2.69	4.84
569,273 Hiscox	9,023	2.69	
IT services	14,748	4.39	4.72
245,876 Amadeus IT Holdings	14,748	4.39	
Software	15,657	4.66	5.04
182,864 SAP	15,657	4.66	
Portfolio of investments	318,230	94.79	96.13
CASH EQUIVALENTS	11,756	3.50	3.70
'AAA' rated money market funds ^[b]	11,756	3.50	3.70
10,376,000 Northern Trust Global Fund - Sterling	11,756	3.50	
Total portfolio	329,986	98.29	99.83
Net other assets / (liabilities)	5,736	1.71	0.17
Net assets attributable to shareholders	335,722	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. 31.08.17 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 six months to 28 February 2018

Largest purchases	€'000
Société Bic	9,312
ISS	6,891
BGEO Group	6,774
ALK-Abelló	3,294
Akzo Nobel	2,867
Pets at Home	1,778
Reckitt Benckiser	1,742
Novo-Nordisk	1,690
AIB Group (formerly Allied Irish Bank)	1,682
Statoil	303
Other purchases	89
Total purchases	36,422
Largest sales	€'000
Topdanmark	8,334
Novo-Nordisk	6,544
Bayerische Motoren Werke	6,289
Standard Chartered	4,976
Bayer	4,935
Jungheinrich Pref. (non-voting)	4,553
Amadeus IT Holdings	4,047
WH Smith	3,646
ING Groep	2,816
DSV	2,649
Other sales	9,517
Total sales	58,306

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.

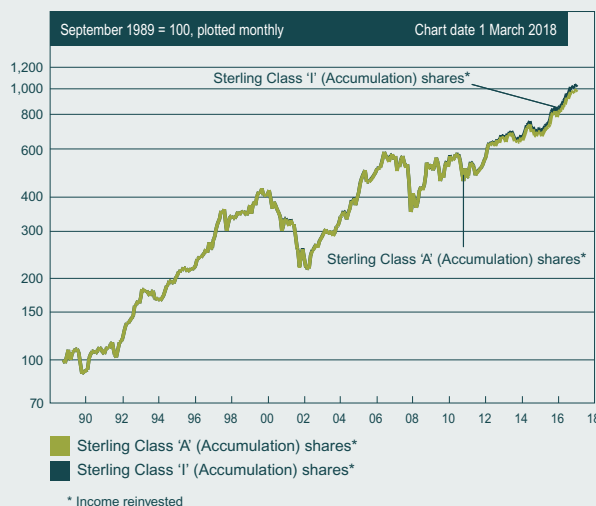
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	28.02.18 €'000	31.08.17 €'000	31.08.16 €'000
Fund net asset value (NAV)	335,722	343,454	191,928

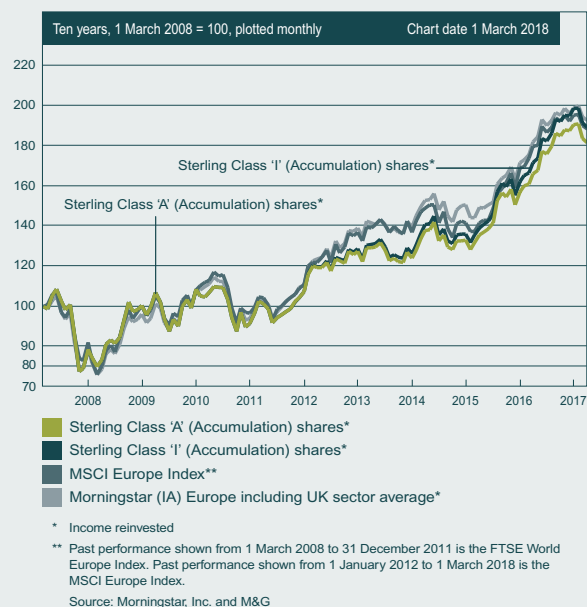
Performance since launch

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

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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				
	Six months 01.09.17 % ^[a]	Three years 02.03.15 % p.a.	Five years 01.03.13 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	+2.1	+3.6	+8.1	+4.3 ^[c]
Class 'B'	+1.9	n/a	n/a	+8.6 ^[d]
Class 'C'	+2.5	+4.4	+8.9	+5.1 ^[c]
Sterling ^[e]				
Class 'A'	-1.7	+10.6	+8.6	+8.2 ^[f]
Class 'I'	-1.4	+11.5	+9.4	+13.0 ^[g]
Class 'R'	-1.5	+11.2	+9.1	+12.7 ^[g]
Class 'X'	-1.7	+10.6	+8.6	+12.6 ^[h]
US dollar ^[b]				
Class 'A'	+4.4	+6.5	n/a	+6.5 ^[i]
Class 'C'	+4.8	+7.3	n/a	+7.3 ^[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				
	Six months to 28.02.18	Year to 31.08.17	Year to 31.08.16	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.02	0.04	0.08	0.04
Taxes	0.06	0.08	0.01	0.05
Costs before dilution adjustments	0.08	0.12	0.09	0.09
Dilution adjustments ^[c]	(0.03)	(0.10)	(0.03)	(0.05)
Total direct portfolio transaction costs	0.05	0.02	0.06	0.04
as at	28.02.18	31.08.17	31.08.16	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.06	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 period are calculated as at 9 March 2018.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	1,961.49	1,791.43	1,712.31
Return before operating charges and after direct portfolio transaction costs	72.60	202.01	107.86
Operating charges	(17.10)	(31.95)	(28.74)
Return after operating charges	55.50	170.06	79.12
Distributions	0.00	(13.71)	(45.62)
Retained distributions	0.00	13.71	45.62
Closing NAV	2,016.99	1,961.49	1,791.43
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.82	2.34	1.54
Dilution adjustments ^[a]	(0.34)	(1.83)	(0.55)
Total direct portfolio transaction costs	0.48	0.51	0.99
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.06
Operating charges	1.68	1.68	1.68
Return after operating charges	+2.83	+9.49	+4.62
Historic yield	0.68	0.70	2.49
Effect on yield of charges offset against capital	0.00	0.00	1.50

Other information			
Closing NAV (€'000)	130,121	121,387	13,136
Closing NAV percentage of total fund NAV (%)	38.76	35.35	6.85
Number of shares	6,451,280	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.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	1,159.70	1,064.43	1,000.00
Return before operating charges and after direct portfolio transaction costs	43.11	118.94	74.39
Operating charges	(13.24)	(23.67)	(9.96)
Return after operating charges	29.87	95.27	64.43
Distributions	0.00	(2.88)	(19.30)
Retained distributions	0.00	2.88	19.30
Closing NAV	1,189.57	1,159.70	1,064.43
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.49	1.33	0.42
Dilution adjustments ^[a]	(0.20)	(1.04)	(0.15)
Total direct portfolio transaction costs	0.29	0.29	0.27
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.06
Operating charges	2.18	2.17	2.17
Return after operating charges	+2.58	+8.95	+6.44
Historic yield	0.24	0.25	2.48
Effect on yield of charges offset against capital	0.00	0.00	2.00
Other information			
Closing NAV (€'000)	589	57	32
Closing NAV percentage of total fund NAV (%)	0.18	0.02	0.02
Number of shares	49,499	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.

	Six months to 28.02.18 Euro ¢	Year to 31.08.17 Euro ¢	Year to 31.08.16 Euro ¢
Change in NAV per share			
Opening NAV	2,214.23	2,007.15	1,904.11
Return before operating charges and after direct portfolio transaction costs	81.86	226.13	120.71
Operating charges	(10.73)	(19.05)	(17.67)
Return after operating charges	71.13	207.08	103.04
Distributions	(0.81)	(31.69)	(50.91)
Retained distributions	0.81	31.69	50.91
Closing NAV	2,285.36	2,214.23	2,007.15
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.93	2.53	1.72
Dilution adjustments ^[a]	(0.39)	(1.97)	(0.62)
Total direct portfolio transaction costs	0.54	0.56	1.10
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.06
Operating charges	0.93	0.93	0.93
Return after operating charges	+3.21	+10.32	+5.41
Historic yield	1.38	1.44	2.48
Effect on yield of charges offset against capital	0.00	0.00	0.75
Other information			
Closing NAV (€'000)	35,160	23,764	20,558
Closing NAV percentage of total fund NAV (%)	10.47	6.92	10.71
Number of shares	1,538,484	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	222.26	191.32	162.23
Return before operating charges and after direct portfolio transaction costs	(1.36)	39.39	36.89
Operating charges	(1.87)	(3.38)	(2.86)
Return after operating charges	(3.23)	36.01	34.03
Distributions	(1.05)	(5.07)	(4.94)
Closing NAV	217.98	222.26	191.32
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.25	0.15
Dilution adjustments ^[a]	(0.04)	(0.19)	(0.05)
Total direct portfolio transaction costs	0.05	0.06	0.10
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.06
Operating charges	1.68	1.68	1.68
Return after operating charges	-1.45	+18.82	+20.98
Historic yield ^[c]	2.38	2.30	2.54
Effect on yield of charges offset against capital	1.65	1.65	1.50
Other information			
Closing NAV (€'000)	83,155	86,655	86,393
Closing NAV percentage of total fund NAV (%)	24.77	25.23	45.01
Number of shares	33,671,346	35,903,665	38,299,702
Highest share price (UK p)	232.36	227.97	200.74
Lowest share price (UK p)	215.14	178.92	151.29

Sterling Class 'A' Accumulation share performance

The share class was launched on 29 September 1989.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	459.06	386.16	318.98
Return before operating charges and after direct portfolio transaction costs	(2.76)	79.74	72.81
Operating charges	(3.85)	(6.84)	(5.63)
Return after operating charges	(6.61)	72.90	67.18
Distributions	0.00	(3.29)	(9.75)
Retained distributions	0.00	3.29	9.75
Closing NAV	452.45	459.06	386.16
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.18	0.50	0.30
Dilution adjustments ^[a]	(0.08)	(0.39)	(0.11)
Total direct portfolio transaction costs	0.10	0.11	0.19
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.06
Operating charges	1.68	1.68	1.68
Return after operating charges	-1.44	+18.88	+21.06
Historic yield	0.72	0.72	2.48
Effect on yield of charges offset against capital	0.00	0.00	1.50
Other information			
Closing NAV (€'000)	51,365	63,483	52,537
Closing NAV percentage of total fund NAV (%)	15.30	18.48	27.37
Number of shares	10,020,290	12,735,111	11,539,174
Highest share price (UK p)	479.99	462.20	395.95
Lowest share price (UK p)	444.43	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	1,749.00	1,494.22	1,257.43
Return before operating charges and after direct portfolio transaction costs	(10.91)	309.25	287.53
Operating charges	(8.15)	(14.64)	(12.27)
Return after operating charges	(19.06)	294.61	275.26
Distributions	(8.25)	(39.83)	(38.47)
Closing NAV	1,721.69	1,749.00	1,494.22
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.71	1.94	1.20
Dilution adjustments ^[a]	(0.30)	(1.51)	(0.43)
Total direct portfolio transaction costs	0.41	0.43	0.77
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.06
Operating charges	0.93	0.93	0.93
Return after operating charges	-1.09	+19.72	+21.89
Historic yield ^[c]	2.37	2.29	2.53
Effect on yield of charges offset against capital	0.90	0.90	0.75
Other information			
Closing NAV (€'000)	12,676	11,861	10,434
Closing NAV percentage of total fund NAV (%)	3.78	3.45	5.44
Number of shares	649,824	624,535	592,296
Highest share price (UK p)	1,833.64	1,793.53	1,567.15
Lowest share price (UK p)	1,698.60	1,399.96	1,176.61

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	2,013.19	1,680.78	1,377.97
Return before operating charges and after direct portfolio transaction costs	(12.25)	348.92	316.27
Operating charges	(9.40)	(16.51)	(13.46)
Return after operating charges	(21.65)	332.41	302.81
Distributions	(0.70)	(28.55)	(42.29)
Retained distributions	0.70	28.55	42.29
Closing NAV	1,991.54	2,013.19	1,680.78
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.81	2.19	1.31
Dilution adjustments ^[a]	(0.34)	(1.71)	(0.47)
Total direct portfolio transaction costs	0.47	0.48	0.84
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.06
Operating charges	0.93	0.93	0.92
Return after operating charges	-1.08	+19.78	+21.98
Historic yield	1.42	1.43	2.48
Effect on yield of charges offset against capital	0.00	0.00	0.75
Other information			
Closing NAV (€'000)	12,401	8,393	6,125
Closing NAV percentage of total fund NAV (%)	3.69	2.44	3.19
Number of shares	549,603	383,917	309,100
Highest share price (UK p)	2,110.92	2,026.56	1,722.82
Lowest share price (UK p)	1,955.45	1,574.61	1,289.70

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	172.33	147.60	124.52
Return before operating charges and after direct portfolio transaction costs	(1.06)	30.50	28.43
Operating charges	(1.03)	(1.84)	(1.54)
Return after operating charges	(2.09)	28.66	26.89
Distributions	(0.81)	(3.93)	(3.81)
Closing NAV	169.43	172.33	147.60
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.19	0.12
Dilution adjustments ^[a]	(0.03)	(0.15)	(0.04)
Total direct portfolio transaction costs	0.04	0.04	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.06
Operating charges	1.18	1.18	1.18
Return after operating charges	-1.21	+19.42	+21.59
Historic yield ^[c]	2.37	2.29	2.54
Effect on yield of charges offset against capital	1.15	1.15	1.00
Other information			
Closing NAV (€'000)	1,353	238	161
Closing NAV percentage of total fund NAV (%)	0.40	0.07	0.08
Number of shares	704,712	126,927	92,645
Highest share price (UK p)	180.49	176.72	154.82
Lowest share price (UK p)	167.17	138.20	116.39

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	198.62	166.24	136.63
Return before operating charges and after direct portfolio transaction costs	(1.19)	34.41	31.30
Operating charges	(1.19)	(2.03)	(1.69)
Return after operating charges	(2.38)	32.38	29.61
Distributions	0.00	(2.36)	(4.20)
Retained distributions	0.00	2.36	4.20
Closing NAV	196.24	198.62	166.24
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.21	0.13
Dilution adjustments ^[a]	(0.03)	(0.17)	(0.05)
Total direct portfolio transaction costs	0.05	0.04	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.06
Operating charges	1.18	1.18	1.17
Return after operating charges	-1.20	+19.48	+21.67
Historic yield	1.20	1.19	2.49
Effect on yield of charges offset against capital	0.00	0.00	1.00
Other information			
Closing NAV (€'000)	3,870	69	126
Closing NAV percentage of total fund NAV (%)	1.15	0.02	0.07
Number of shares	1,740,473	32,120	64,120
Highest share price (UK p)	208.05	199.95	170.42
Lowest share price (UK p)	192.71	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.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	219.84	189.24	160.46
Return before operating charges and after direct portfolio transaction costs	(1.38)	38.96	36.50
Operating charges	(1.84)	(3.34)	(2.83)
Return after operating charges	(3.22)	35.62	33.67
Distributions	(1.03)	(5.02)	(4.89)
Closing NAV	215.59	219.84	189.24
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.24	0.15
Dilution adjustments ^[a]	(0.04)	(0.19)	(0.05)
Total direct portfolio transaction costs	0.05	0.05	0.10
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.06
Operating charges	1.68	1.68	1.68
Return after operating charges	-1.46	+18.82	+20.98
Historic yield ^[c]	2.38	2.30	2.54
Effect on yield of charges offset against capital	1.65	1.65	1.50
Other information			
Closing NAV (€'000)	1,131	1,396	1,401
Closing NAV percentage of total fund NAV (%)	0.34	0.41	0.73
Number of shares	463,153	584,780	627,780
Highest share price (UK p)	229.82	225.48	198.55
Lowest share price (UK p)	212.79	176.96	149.64

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.18 UK p	Year to 31.08.17 UK p	Year to 31.08.16 UK p
Change in NAV per share			
Opening NAV	453.67	381.62	315.23
Return before operating charges and after direct portfolio transaction costs	(2.73)	78.80	71.95
Operating charges	(3.81)	(6.75)	(5.56)
Return after operating charges	(6.54)	72.05	66.39
Distributions	0.00	(3.25)	(9.63)
Retained distributions	0.00	3.25	9.63
Closing NAV	447.13	453.67	381.62
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.18	0.49	0.30
Dilution adjustments ^[a]	(0.08)	(0.39)	(0.11)
Total direct portfolio transaction costs	0.10	0.10	0.19
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.06
Operating charges	1.68	1.68	1.68
Return after operating charges	-1.44	+18.88	+21.06
Historic yield	0.72	0.72	2.48
Effect on yield of charges offset against capital	0.00	0.00	1.50
Other information			
Closing NAV (€'000)	883	928	886
Closing NAV percentage of total fund NAV (%)	0.26	0.27	0.46
Number of shares	174,386	188,287	196,909
Highest share price (UK p)	474.34	456.77	391.29
Lowest share price (UK p)	439.20	356.83	294.03

US dollar Class 'A' Accumulation share performance

The share class was launched on 8 August 2014.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	1,200.68	1,030.40	996.97
Return before operating charges and after direct portfolio transaction costs	82.11	187.41	49.81
Operating charges	(10.66)	(17.13)	(16.38)
Return after operating charges	71.45	170.28	33.43
Distributions	0.00	(9.26)	(26.15)
Retained distributions	0.00	9.26	26.15
Closing NAV	1,272.13	1,200.68	1,030.40
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.51	1.26	0.88
Dilution adjustments ^[a]	(0.21)	(0.98)	(0.32)
Total direct portfolio transaction costs	0.30	0.28	0.56
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.06
Operating charges	1.68	1.68	1.67
Return after operating charges	+5.95	+16.53	+3.35
Historic yield	0.73	0.77	2.48
Effect on yield of charges offset against capital	0.00	0.00	1.50
Other information			
Closing NAV (€'000)	1,314	350	134
Closing NAV percentage of total fund NAV (%)	0.39	0.10	0.07
Number of shares	126,198	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.

	Six months to 28.02.18 US ¢	Year to 31.08.17 US ¢	Year to 31.08.16 US ¢
Change in NAV per share			
Opening NAV	1,228.94	1,046.67	1,005.13
Return before operating charges and after direct portfolio transaction costs	83.46	192.46	50.54
Operating charges	(5.82)	(10.19)	(9.00)
Return after operating charges	77.64	182.27	41.54
Distributions	(0.46)	(17.41)	(26.55)
Retained distributions	0.46	17.41	26.55
Closing NAV	1,306.58	1,228.94	1,046.67
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.51	1.35	0.94
Dilution adjustments ^[a]	(0.21)	(1.05)	(0.34)
Total direct portfolio transaction costs	0.30	0.30	0.60
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.02	0.06
Operating charges	0.92	0.93	0.91
Return after operating charges	+6.32	+17.41	+4.13
Historic yield	1.33	1.42	2.48
Effect on yield of charges offset against capital	0.00	0.00	0.75
Other information			
Closing NAV (€'000)	1,704	24,873	5
Closing NAV percentage of total fund NAV (%)	0.51	7.24	0.00
Number of shares	159,336	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.

M&G Pan European Select Fund

Financial statements and notes

Financial statements

Statement of total return				
for the six months to 28 February	2018		2017	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		10,508		6,812
Revenue	1,668		1,156	
Expenses	(2,566)		(1,595)	
Net revenue / (expense) before taxation	(898)		(439)	
Taxation	(31)		(9)	
Net revenue / (expense) after taxation		(929)		(448)
Total return before distributions		9,579		6,364
Distributions		(485)		(822)
Change in net assets attributable to shareholders from investment activities		9,094		5,542

Statement of change in net assets attributable to shareholders				
for the six months to 28 February	2018		2017	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		343,454		191,928
Amounts received on issue of shares	30,258		121,730	
Amounts paid on cancellation of shares	(47,182)		(25,011)	
		(16,924)		96,719
Dilution adjustments		73		254
Change in net assets attributable to shareholders from investment activities (see above)		9,094		5,542
Retained distributions on Accumulation shares		17		16
Unclaimed distributions		8		8
Closing net assets attributable to shareholders		335,722		294,467

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet		
as at	28 February 2018	31 August 2017
	€'000	€'000
Assets		
Fixed assets		
Investments	329,986	342,878
Current assets		
Debtors	6,215	3,050
Cash and bank balances	368	998
Total assets	336,569	346,926
Creditors		
Distribution payable	(472)	(1,875)
Other creditors	(375)	(1,597)
Total liabilities	(847)	(3,472)
Net assets attributable to shareholders	335,722	343,454

Notes to the financial statements

Accounting policies

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

Distribution policy

In determining the amount available for distribution to Income shares, the annual 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.

M&G Investment Funds (1)

Other regulatory disclosures

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.

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.

Risk/reward ratio: A ratio comparing the expected returns of an investment with the amount of risk undertaken.

Glossary

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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