

# M&G Investment Funds (1)



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<sup>[a]</sup> Collectively, these comprise the Authorised Corporate Director's Report.

# Introduction

## COMPANY INFORMATION

### Company

M&G Investment Funds (1)

### Registered Office

Laurence Pountney Hill, London EC4R 0HH, UK

### Authorised Corporate Director (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)

### Directors of the ACD

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

### Investment Manager

for all sub-funds except as noted below

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)

### Investment Manager for the M&G Japan Fund & the M&G Japan Smaller Companies Fund

Eastspring Investments (Singapore) Limited,  
10 Marina Boulevard #32-01, Marina Bay Financial Centre Tower 2,  
Singapore 018983

### Fund managers

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

#### M&G American Fund

Aled Smith

#### M&G Asian Fund

Matthew Vaight

#### M&G European Fund

Charles Anniss

At the start of the review period Greg Aldridge & Charles Anniss were co-fund managers.

#### M&G European Index Tracker Fund

Nigel Booth

#### M&G European Smaller Companies Fund

Charles Anniss

#### M&G Global Basics Fund

Randeep Somel

At the start of the review period Graham French was the fund manager.

#### M&G Global Growth Fund

John William Olsen

At the start of the review period Greg Aldridge was the fund manager.

#### M&G Global Leaders Fund

Aled Smith

### M&G North American Value Fund

Daniel White

At the start of the review period Richard Brody was the fund manager.

### M&G Pan European Fund

John William Olsen

At the start of the review period Greg Aldridge & Charles Anniss were co-fund managers.

The following fund managers are employed by Eastspring Investments (Singapore) Limited which is an associate of M&G Securities Limited.

### M&G Japan Fund

Dean Cashman

### M&G Japan Smaller Companies Fund

Max Godwin

### Registrar

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

### Depository

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

### Independent Auditor

Ernst & Young LLP

Ten George Street, Edinburgh EH2 2DZ, UK

Ernst & Young LLP were appointed as independent auditors on 24 March 2014 following the resignation of PricewaterhouseCoopers LLP.

### 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.

### Regulatory changes affecting sub-funds

UK law has been changed in order to segregate each sub-fund's assets and liabilities. This means that each sub-fund is responsible for meeting its own debts and its assets may not be used to pay the debts of the other sub-funds. As a result of the change in regulation, sub-funds are also permitted to invest in other sub-funds in the same umbrella Open-Ended Investment Company (OEIC) under specific conditions. The Prospectus has been updated to reflect these changes.

M&G is a member of the Investment Management Association and of the Tax Incentivised Savings Association.

The Instrument of Incorporation can be inspected at our offices or at the office of the Depositary.

# Introduction

## FOR EUROPEAN INVESTORS

The Prospectus, Instrument of Incorporation, Key Investor Information Documents as well as the latest Annual or Interim Investment Report and Financial Statements are available free of charge on request from the following addresses:

### Customer Services and Administration for European Clients including the Netherlands, Norway and Finland:

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

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

Telephone: +49 69 1338 6767

Email: [iocs@mandg.co.uk](mailto:iocs@mandg.co.uk)

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

### Austrian Paying and Information Agent:

Raiffeisen Bank International AG,  
Am Stadtpark 9, 1030 Wien, Austria

### Belgian Financial Agent:

RBC Investor Services Belgium, Rogier Tower +10/43  
Rogierplein 11 Place Rogier, 1210 Brussel, Belgium

### Danish Representative Agent:

Nordea Bank Danmark A/S,  
Issuer Services, Postboks 850, 0900 Copenhagen C, Denmark

### French Centralising Agent:

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

### German Paying and Information Agent:

J.P. Morgan AG,  
Junghofstraße 14, 60311 Frankfurt am Main, Germany

### Irish Facilities Agent:

BNY Mellon Fund Services (Ireland) Limited,  
Guild House, Guild Street, IFSC, Dublin 1, Ireland

### Italian Correspondent Banks:

Allfunds Bank, S.A.,  
Via Santa Margherita 7, 20121 Milano, Italy

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

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

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

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

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

### Luxembourg Paying and Information Agent:

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

### Spanish Representative:

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

### Swedish Paying Agent:

Skandinaviska Enskilda Banken AB (publ),  
Sergels Torg 2, 106 40 Stockholm, Sweden

### Swiss Paying Agent:

JP Morgan Chase Bank,  
National Association, Columbus, Zurich Branch,  
Dreikönigstrasse 21, 8002 Zürich, Switzerland

### Swiss Representative:

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

## FOR HONG KONG INVESTORS

The following sub-funds are not authorised in Hong Kong and not available to Hong Kong residents:

M&G Asian Fund

M&G European Fund

M&G European Index Tracker Fund

M&G European Smaller Companies Fund

M&G Global Growth Fund

M&G Japan Fund

M&G Japan Smaller Companies Fund

M&G North American Value Fund

# Introduction

## AUTHORISED CORPORATE DIRECTOR'S REPORT

The Authorised Corporate Director (ACD) presents its annual investment report and audited financial statements for the year ended 31 August 2014.

The sub-funds in this report are all part of an umbrella Open-Ended Investment Company (OEIC), M&G Investment Funds (1). 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 Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000. M&G Investment Funds (1), as an umbrella OEIC, contains 12 sub-funds, each of which 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 FCA:

- M&G American Fund
- M&G Asian Fund
- M&G European Fund
- M&G European Index Tracker Fund
- M&G European Smaller Companies Fund
- M&G Global Basics Fund
- M&G Global Growth Fund
- M&G Global Leaders Fund
- M&G Japan Fund
- M&G Japan Smaller Companies Fund
- M&G North American Value Fund
- M&G Pan European Fund

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 sub-funds may be established by the ACD from time to time with the agreement of the Depositary and approval from the FCA. The sub-funds are operated separately and the assets of each sub-fund managed in accordance with the investment objective and policy applicable to that sub-fund.

The annual investment report and audited financial statements for each sub-fund for the year ended 31 August 2014 are set out in detail in their section of this report (see contents page).

G W MacDowall  
Director of M&G Securities Limited

L J Mumford  
Director of M&G Securities Limited

16 October 2014

# M&G Investment Funds (1)

## AUTHORISED CORPORATE DIRECTOR'S RESPONSIBILITIES

### Statement of the Authorised Corporate Director's responsibilities in respect of the annual investment report and financial statements of the Company

The Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA), requires the Authorised Corporate Director (ACD) to prepare the investment report and financial statements for each financial year which give a true and fair view of the financial position of the Company as at the end of the financial year, and the net revenue and the net capital gains for the year. In preparing the financial statements, the ACD is required to:

- comply with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010, the Instrument of Incorporation, generally accepted accounting principles and applicable accounting standards subject to any material departures which are required to be disclosed and explained in the financial statements;
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation.

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.

## DEPOSITARY'S RESPONSIBILITIES AND REPORT

### Statement of the Depositary's responsibilities in respect of the financial statements of the Company

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

### Report of the Depositary to the shareholders of M&G Investment Funds (1) for the year ended 31 August 2014.

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

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

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

- has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's revenue in accordance with COLL and, where applicable, the OEIC Regulations, the Instrument of Incorporation and Prospectus of the Company, and
- has observed the investment and borrowing powers and restrictions applicable to the Company.

Edinburgh  
16 October 2014

National Westminster Bank Plc  
Trustee and Depositary Services

# M&G Investment Funds (1)

## INDEPENDENT AUDITOR'S REPORT

### Independent auditor's report to the shareholders of M&G Investment Funds (1) ICVC

We have audited the financial statements of M&G Investment Funds (1) ICVC ('the Company') for the year ended 31 August 2014 which comprise the Aggregated Statement of Total Return, Aggregated Statement of Change in Net Assets attributable to shareholders, Aggregated Balance Sheet and the related notes 1 to 12 together with the Statement of Total Return, Statement of Change in Net Assets attributable to shareholders, Balance Sheet, the related notes and the distribution table for each sub-fund. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Respective responsibilities of the Authorised Corporate Director and auditors

As explained more fully in the Authorised Corporate Director's responsibilities statement set out on page 4, the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authorised Corporate Director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company and of its sub-funds as at 31 August 2014 and of the net revenue and the net capital gains on the scheme property of the Company and its sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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

In our opinion:

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

Edinburgh  
16 October 2014

Ernst & Young LLP  
Statutory Auditor

The financial statements are published at [www.mandg.co.uk/reports](http://www.mandg.co.uk/reports), which is a website maintained by M&G Securities Limited and M&G Financial Services Limited (M&G). The maintenance and integrity of the M&G website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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

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

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



# Aggregated Financial Statements (audited)

For the year ended 31 August 2014.

STATEMENT OF TOTAL RETURN					
	Note	2014		2013	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	3		205,632		1,208,135
Revenue	4	157,828		206,550	
Expenses	5	(125,334)		(149,170)	
Finance costs: Interest	12	(1)		(5)	
Net revenue before taxation		32,493		57,375	
Taxation	6	4,605		(15,286)	
Net revenue after taxation			37,098		42,089
<b>Total return before distributions</b>			<b>242,730</b>		<b>1,250,224</b>
Finance costs: Distributions	12		(45,063)		(55,491)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>197,667</b>		<b>1,194,733</b>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS				
	2014		2013	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		8,594,384		8,796,587
Amounts received on issue of shares	1,388,954		1,151,120	
Amounts paid on cancellation of shares	(3,202,350)		(2,587,876)	
		(1,813,396)		(1,436,756)
Stamp Duty Reserve Tax (SDRT)		(236)		(624)
Change in net assets attributable to shareholders from investment activities (see above)		197,667		1,194,733
Retained distributions on Accumulation shares		29,216		40,426
Unclaimed distributions		29		18
Closing net assets attributable to shareholders		7,007,664		8,594,384

BALANCE SHEET				
	as at 31 August 2014 £'000		as at 31 August 2013 £'000	
<b>Assets</b>				
Investment assets	6,900,719		8,524,070	
<b>Debtors</b>				
Amounts due from merged funds	98		98	
Amounts receivable on issues	13,569		11,838	
Currency deals outstanding	16,358		13,603	
Distributions receivable	6		7	
Dividends receivable	21,664		25,612	
Overseas tax recoverable	10,602		10,602	
Prepaid expenses	0		10	
Sales awaiting settlement	28,695		43,857	
VAT recoverable	3		0	
	90,995		105,627	
<b>Cash and bank balances</b>				
Amounts held at futures clearing houses and brokers	1,008		112	
Cash held as bank balances	33,429		25,821	
Cash held on deposit	55,054		10,672	
	89,491		36,605	
<b>Total other assets</b>	<b>180,486</b>		<b>142,232</b>	
<b>Total assets</b>	<b>7,081,205</b>		<b>8,666,302</b>	
<b>Liabilities</b>				
Investment liabilities	(1,095)		(238)	
<b>Creditors</b>				
Amounts payable on cancellations	(32,709)		(26,789)	
Corporation tax payable	(312)		(38)	
Currency deals outstanding	(16,356)		(13,648)	
Expenses payable	(4,742)		(5,200)	
Net distributions payable on Income shares	(13,296)		(12,750)	
Purchases awaiting settlement	(4,916)		(13,221)	
SDRT payable	0		(34)	
	(72,331)		(71,680)	
Bank overdraft	(115)		0	
	(115)		0	
<b>Total other liabilities</b>	<b>(72,446)</b>		<b>(71,680)</b>	
<b>Total liabilities</b>	<b>(73,541)</b>		<b>(71,918)</b>	
<b>Net assets attributable to shareholders</b>	<b>7,007,664</b>		<b>8,594,384</b>	



# Aggregated Financial Statements (audited)

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting policies

#### a) Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010.

#### b) Basis of valuation of investments

All investments are valued at their fair value as at 12 noon on 29 August 2014 being the last business day of the financial year. The fair value of non-derivative investments is bid price; the fair value of exchange traded futures is the cost of closing out the contract at the balance sheet date; the fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles; and for unquoted investments the Authorised Corporate Director (ACD) applies an appropriate valuation technique to estimate fair value.

The fair value for investments traded on the Alternative Investment Market (AIM) whose liquidity cannot be guaranteed, is bid price as this represents the most objective and appropriate method of valuation.

#### c) Exchange rates

Transactions in currencies other than the sub-fund's valuation currency are translated at the rate of exchange ruling on the date of the transaction and where applicable assets and liabilities are translated into the relevant sub-fund's valuation currency at the rate of exchange ruling as at 12 noon on 29 August 2014 being the last business day of the financial year.

#### d) Non-derivative investment gains and losses

Gains and losses, including exchange differences, on the realisation of non-derivative investments and increases and decreases in the valuation of non-derivative investments held at the balance sheet date, including unrealised exchange differences, are treated as capital.

#### e) Other income from non-derivative investments

Dividends from quoted equity shares, including special dividends, non-equity shares and distributions from collective investment schemes are recognised as either revenue or capital depending upon their nature and circumstances when the security is quoted ex-dividend.

Dividends are shown net of irrecoverable tax credits but gross of any withholding taxes, with the taxation consequences shown within the taxation charge.

The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the relevant sub-fund. Any enhancement above the cash dividend is treated as capital.

Bank interest and deposit interest are recognised on an accruals basis and treated as revenue.

#### f) Derivative returns

The treatment of the returns on derivatives depends upon the nature of the transaction. Both motive and circumstances are used to determine whether the returns should be treated as capital or revenue. Where positions are undertaken to protect or enhance capital, and the circumstances support this, the returns are treated as capital; similarly where the motives and circumstances are to generate or protect revenue, and the circumstances support this, the returns are treated as revenue. Where positions generate total returns it will generally be appropriate to apportion such returns between capital and revenue to properly reflect the nature of the transaction.

#### g) Expenses

All expenses (other than those relating to the purchase and sale of investments and Stamp Duty Reserve Tax) are charged against revenue for the year on an accruals basis.

#### h) Apportionment of income and expenses to multiple share classes

With the exception of the ACD's periodic charge and share class hedging fee, which are directly attributable to individual share classes, all income and expenses are apportioned to the relevant sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

#### i) Tax

Tax is accounted for at the appropriate rate of corporation tax with relief for double taxation taken where appropriate. The tax accounting treatment follows the principal amounts involved. Withholding tax reclaims relating to the European Court of Justice ruling in 2012, in relation to the excess withholding tax applied by French tax authorities suffered on dividends in prior accounting periods, are accounted for on an accruals basis.

Deferred tax is provided for in respect of timing differences that have originated but not reversed by the balance sheet date, with the exception of those regarded as permanent differences. Any liability to deferred tax is provided at the average rate of tax expected to apply. A deferred tax asset is recognised to the extent that it is expected to be utilised, based on the likelihood of taxable profits arising in the next twelve month period from which the future reversal of timing differences can be deducted. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

#### j) Distributions

Each sub-fund will distribute all available revenue accounted for in accordance with the above policies adjusted where relevant by the specific distribution policies of the sub-fund as set out in note 1 to each sub-fund's financial statements. Should expenses and taxation together exceed revenue, there will be no distribution and the shortfall will be met from capital.

Income attributable to Income shareholders is paid out on the relevant distribution pay date and income attributable to Accumulation shareholders is retained at the end of each distribution period and represents a reinvestment of income.

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

# Aggregated Financial Statements (audited)

## NOTES TO THE FINANCIAL STATEMENTS

### 2 Risk management policies

The following risk management policies are applicable to all sub-funds with any sub-fund specific policies set out in note 2 to each sub-fund's financial statements. These policies have been consistently applied since the beginning of the financial year (31.08.13: same).

In pursuing the investment objective of each sub-fund, as set out in each sub-fund's Investment objective, policy and approach section, the Authorised Corporate Director accepts market price risk and currency risk in relation to the investment portfolio and, since the objectives are to deliver returns over the long term, transactions with the sole objective of realising short-term returns are generally not undertaken.

Exchange rate fluctuations from overseas investments can affect both capital and revenue values and any short-term exposures to foreign currencies are generally covered by short-dated currency contracts. Where a sub-fund accepts short-term exposure to specific foreign currencies this set out in note 2 to its financial statements.

Assets comprise investments that can be readily realised to meet obligations that may arise on the redemption of shares. The ACD's policy is that the sub-funds should normally be close to fully invested.

### 3 Net capital gains

	2014 £'000	2013 £'000
Non-derivative securities	207,916	1,204,671
Currency (losses) / gains	(906)	1,375
Derivative contracts	137	(10)
Forward currency contracts	(1,022)	2,223
Capital gains tax (India)	(527)	0
Capital gains on USREIT	167	0
Transaction charges	(133)	(124)
<b>Net capital gains</b>	<b>205,632</b>	<b>1,208,135</b>

### 4 Revenue

	2014 £'000	2013 £'000
Bank interest	40	44
Deposit interest	379	153
Interest distributions	56	58
Interest on overseas tax previously withheld at source	2,877	415
Overseas dividends	124,443	177,258
Property income dividends	53	57
Stock dividends	9,549	3,681
UK dividends	20,431	24,884
<b>Total revenue</b>	<b>157,828</b>	<b>206,550</b>

### 5 Expenses

	2014 £'000	2013 £'000
<b>Payable to the Authorised Corporate Director or associate</b>		
Authorised Corporate Director's periodic charge	111,620	133,593
Administration fee	11,440	13,538
Share class hedging fee	16	23
	<b>123,076</b>	<b>147,154</b>
<b>Payable to the Depositary or associate</b>		
Depositary's fee (including VAT)	396	429
Distribution fee	0	1
	<b>396</b>	<b>430</b>
<b>Other expenses</b>		
Audit fee (including VAT)	84	112
Dividend charges	98	17
Regulatory fees	76	62
Safe custody charge	1,339	1,316
Tax fees (including VAT) [a]	299	146
	<b>1,896</b>	<b>1,653</b>
<b>VAT recovered</b>		
Current year	(14)	(15)
Prior year	(20)	(52)
	<b>(34)</b>	<b>(67)</b>
<b>Total expenses</b>	<b>125,334</b>	<b>149,170</b>

[a] Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP and Ernst & Young LLP

### 6 Taxation

	2014 £'000	2013 £'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	274	38
Overseas tax	6,777	17,401
Overseas tax recoverable: exchange rate movements	0	(8)
Overseas tax recovered: previously withheld at source	(11,656)	(2,145)
Current tax charge (note 6b)	(4,605)	15,286
Deferred tax (note 6c)	0	0
<b>Total taxation</b>	<b>(4,605)</b>	<b>15,286</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue before taxation	32,493	57,375
Corporation tax at 20%	6,499	11,474
Effects of:		
UK dividends not taxable	(4,085)	(4,977)
Stock dividends not taxable	(1,911)	(736)
Overseas dividends not taxable	(23,789)	(35,075)
Current year expenses not utilised	23,330	29,368
Prior year expenses not utilised	75	0
Overseas tax	6,777	17,401
Overseas tax recoverable: exchange rate movements	0	(8)
Overseas tax recovered: previously withheld at source	(11,656)	(2,145)
Overseas tax expensed	(119)	(54)
Corporation tax	274	38
<b>Current tax charge (note 6a)</b>	<b>(4,605)</b>	<b>15,286</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

# Aggregated Financial Statements (audited)

## NOTES TO THE FINANCIAL STATEMENTS

### 7 Contingent assets, liabilities and outstanding commitments

#### Contingent assets

The sub-fund has not recognised a contingent asset of £609,681. As a result of the European Court of Justice rulings in November 2012 and High Court judgements in October 2013 in relation to Prudential Assurance Co Ltd v Revenue & Customs Commissioners, the sub-fund can potentially recover UK corporation tax suffered on overseas dividends received before July 2009 (overseas dividends received post 2009 are not taxable). Full recovery of this asset is not certain, however, an estimated accrual is included within the daily price of the sub-fund's shares. The contingent asset will be reflected in the financial statements when receipt of the reclaims becomes virtually certain.

#### Rights issues

There were no contingent liabilities at the balance sheet date (31.08.13: £123,855), details of which are disclosed in the notes to the financial statements of the relevant sub-funds.

### 8 Related parties

The required disclosures are set out in the notes to the financial statements of each of the sub-funds.

### 9 Financial instruments

The required disclosures are set out in the notes to the financial statements of each of the sub-funds.

### 10 Portfolio transaction costs

	2014 £'000	2013 £'000
<b>a) Purchases</b>		
Purchases excluding transaction costs	4,343,880	3,400,373
Commissions	2,648	2,336
Taxes	2,558	1,661
Total transaction costs	5,206	3,997
<b>Total purchases including transaction costs</b>	<b>4,349,086</b>	<b>3,404,370</b>
<b>b) Sales</b>		
Sales excluding transaction costs	6,187,871	4,852,659
Commissions	(4,384)	(3,921)
Taxes	(520)	(308)
Total transaction costs	(4,904)	(4,229)
<b>Total sales net of transaction costs</b>	<b>6,182,967</b>	<b>4,848,430</b>

### 11 Shareholder funds

The required disclosures are set out in the notes to the financial statements of each of the sub-funds.

### 12 Finance costs

	2014 £'000	2013 £'000
<b>Income shares (Sterling)</b>		
Class 'A' - Dividend distributions	12,588	11,809
Class 'I' - Dividend distributions	1,146	1,239
Class 'R' - Dividend distributions	19	12
Class 'X' - Dividend distributions	454	869
<b>Income shares (Euro)</b>		
Class 'A' - Dividend distributions	0	0
Class 'C' - Dividend distributions	0	n/a
<b>Income shares (US dollar)</b>		
Class 'A' - Dividend distributions	0	n/a
Class 'C' - Dividend distributions	0	n/a
<b>Accumulation shares (Sterling)</b>		
Class 'A' - Dividend distributions	13,497	16,284
Class 'I' - Dividend distributions	3,135	1,212
Class 'R' - Dividend distributions	18	8
Class 'X' - Dividend distributions	1,096	2,650
<b>Accumulation shares (Euro)</b>		
Class 'A' - Dividend distributions	5,628	10,138
Class 'A-H' - Dividend distributions	1	0
Class 'B' - Dividend distributions	n/a	1
Class 'C' - Dividend distributions	3,259	7,372
Class 'C-H' - Dividend distributions	495	302
<b>Accumulation shares (US dollar)</b>		
Class 'A' - Dividend distributions	459	430
Class 'C' - Dividend distributions	1,628	2,029
	43,423	54,355
Income deducted on cancellation of shares	5,144	4,214
Income received on issue of shares	(3,504)	(3,078)
<b>Finance costs: Distributions</b>	<b>45,063</b>	<b>55,491</b>
Finance costs: Interest	1	5
<b>Total finance costs</b>	<b>45,064</b>	<b>55,496</b>
Net revenue per statement of total return	37,098	42,089
Expenses offset against capital	16,963	16,302
Tax relief on expenses offset against capital	(16)	0
Stock dividends not distributed	(8,982)	(3,322)
Overseas tax offset against capital	0	14
Undistributed income brought forward	0	80
Undistributed income carried forward	(1)	0
Share class deficits transferred to capital	1	328
<b>Finance costs: Distributions</b>	<b>45,063</b>	<b>55,491</b>

# Aggregated Financial Statements (audited)

## 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

16 October 2014

# M&G American Fund

## INVESTMENT OBJECTIVE, POLICY AND APPROACH

### Investment objective and policy of the M&G American Fund

The Fund's objective is long term capital growth through investment wholly or mainly in securities of North American (including Canadian) issuers. When not wholly invested as above, it may only invest in companies which are listed, registered or trading within North America.

### Investment approach

The M&G American Fund is an equity fund designed to give investors broad exposure to US equities. The fund manager aims to outperform the S&P 500 Composite Index in the long run and deliver competitive returns against the North American peer group. (In the UK, this is the IMA North America sector; in Europe, the Morningstar US Large Cap Blend Equity sector.)

Stock selection is designed to be the key driver of fund performance. It is the core belief of the fund manager that value creation for shareholders – a company's return in excess of the cost of capital – drives share prices over the long term.

The fund manager looks for investment ideas derived from four alpha generating strategies in order to achieve an appropriate level of portfolio diversification. They are: 'quality', 'internal change', 'external change' and 'asset growth'. Stocks are selected on a bottom-up basis and the fund manager's skill lies in understanding valuation, business models from first principles and management ability, particularly with respect to their approach to capital allocation.

Risk management is an integral part of the investment process and the fund aims to add value through efficient portfolio construction. The fund usually holds between 50 and 80 stocks, with a typical holding period of three to five years.

### Risk and reward profile\*



- The above risk number is based on the rate at which the value of the Fund has moved up and down in the past.
- This risk number is based on historical data and may not be a reliable indicator of the future risk profile of the Fund.
- The risk number shown is not guaranteed and may change over time.
- The lowest risk number does not mean risk free.

\* This 'Risk and reward profile' section is based on Sterling Class 'A' shares.

## INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

### As at 1 September 2014, for the year ended 31 August 2014

We made several changes to the portfolio during the review period, but reduced the overall number of holdings to concentrate on our highest conviction ideas. In financials, we sold the position in Citigroup and reduced the fund's holding in Wells Fargo, both on valuation grounds. At the same time, we initiated a position in SLM, in anticipation that it would spin off its education loan portfolio management business. This subsequently happened; the new business is called Navient and is held in the fund.

A number of technology and technology-related media stocks joined the fund as well. Rocket Fuel provides digital advertising services to manage, run and evaluate online campaigns; revenues are growing quickly and the company has high margins. We also bought shares in Avago Technologies, a leading designer of components used in wireless communications and wired infrastructure, and NVIDIA, which designs and manufactures high performance graphics processing units used in gaming computers.

On the other hand, we sold out of financial software provider Intuit and chip manufacturer Intel. In the case of the latter, we were worried about the high levels of capital expenditure that Intel will have to maintain to keep pace with changes in technology.

In healthcare, we sold out of Pfizer and used some of the proceeds to start a new position in Medtronic, a medical device manufacturer. The company has a new chief executive who is realigning the company away from low-margin products towards businesses which have a greater proportion of recurring revenues and more predictable earnings.

Having done very well with General Electric, we sold the position and decided to recycle the money into potentially higher returning industrial names such as Deere & Co, one of the world's largest manufacturers of agricultural machinery. Deere has been quick to realise that its future lay in providing technology solutions for its customers. We also began a position in Acuity Brands, a company that designs and manufactures LED lighting. Acuity should benefit from changes in legislation promoting energy efficiency and the new digital capabilities of lighting systems.

### 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.

# M&G American Fund

## FUND STATISTICS

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd		payment	
Final	01.09.15		31.10.15	
	Final distribution		Ongoing Charges Figure <sup>[b]</sup>	
	Inc 31.10.14 <sup>[a]</sup>	Acc 01.09.14 <sup>[a]</sup>	31.08.14	31.08.13
<b>Sterling</b>	p	p	%	%
Class 'A'	0.0698	0.0899	1.66	1.66
Class 'I'	10.0426	10.1277	0.91	0.91
Class 'R'	0.6774	0.6857	1.16	1.16
Class 'X'	0.3076	0.3315	1.66	1.66
<b>Euro</b>	€	€	%	%
Class 'A'	0.4350	0.4424	1.66	1.66
Class 'A-H'	n/a	0.0693	1.68	1.70
Class 'C'	10.5816	10.5960	0.91	0.91
Class 'C-H'	n/a	10.8745	0.93	0.95
<b>US dollar</b>	\$	\$	%	%
Class 'A'	0.3032	0.3047	1.66	1.66
Class 'C'	10.6995	10.6998	0.91	0.91

<sup>[a]</sup> The date on which the final distribution will be paid to Income shareholders and credited to Accumulation shareholders.

<sup>[b]</sup> The Ongoing Charges Figure is the ratio of the relevant annualised total disclosable costs of each share class from the most recent reporting period to the average net asset value for that share class over the same period.

### FUND PERFORMANCE

#### Performance of share classes

	Net asset value per share as at 31.08.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
<b>Sterling</b>	p	p	p	p	%	%
Class 'A'	1,150.89	1,481.26	1,047.84	1,348.55	+9.83	+9.84
Class 'I'	1,352.17	1,373.57	1,231.00	1,240.87	+9.84	+10.69
Class 'R'	135.20	136.62	123.09	123.76	+9.84	+10.39
Class 'X'	1,149.31	1,459.65	1,046.62	1,328.89	+9.81	+9.84
<b>Euro</b>	€	€	€	€	%	%
Class 'A'	13.2627	13.2670	n/a	11.2411	n/a	+18.02
Class 'A-H'	n/a	14.4787	n/a	12.3420	n/a	+17.31
Class 'C'	14.2729	14.3791	n/a	12.0924	n/a	+18.91
Class 'C-H'	n/a	14.8327	n/a	12.5459	n/a	+18.23
<b>US dollar</b>	\$	\$	\$	\$	%	%
Class 'A'	13.7339	13.7367	n/a	11.6840	n/a	+17.57
Class 'C'	14.4129	14.5195	n/a	12.2577	n/a	+18.45

Past performance is not a guide to future performance.

The value of stockmarket 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.

## PERFORMANCE SINCE LAUNCH

	six months 03.03.14 %	one year 02.09.13 %	five years 01.09.09 % p.a. <sup>[a]</sup>	since launch % p.a. <sup>[a]</sup>
<b>Sterling <sup>[b]</sup></b>				
Class 'A'	+6.7	+11.6	+12.2	+7.8 <sup>[c]</sup>
Class 'I'	+6.3	+11.6	n/a	+16.0 <sup>[d]</sup>
Class 'R'	+6.5	+11.6	n/a	+16.0 <sup>[d]</sup>
Class 'X'	+6.7	+11.6	+12.2	+8.6 <sup>[e]</sup>
<b>Euro <sup>[f]</sup></b>				
Class 'A'	+11.1	+19.8	+14.6	+2.3 <sup>[g]</sup>
Class 'A-H'	+6.0	+18.8	+12.2	+6.5 <sup>[h]</sup>
Class 'C'	+11.6	+20.7	+15.5	+3.0 <sup>[g]</sup>
Class 'C-H'	+6.4	+19.7	n/a	+10.8 <sup>[i]</sup>
<b>US dollar <sup>[f]</sup></b>				
Class 'A'	+6.1	+19.0	+12.7	+4.4 <sup>[j]</sup>
Class 'C'	+6.5	+19.9	+13.6	+5.2 <sup>[j]</sup>

<sup>[a]</sup> Shows the compound rate of return, per annum, over the period.

<sup>[b]</sup> Bid to bid excluding reinvested income.

<sup>[c]</sup> 18 December 1972, the end of the initial offer period of the predecessor unit trust.

<sup>[d]</sup> 3 August 2012, the launch date of the share class.

<sup>[e]</sup> 1 October 2002, the launch date of the share class.

<sup>[f]</sup> Bid to bid with net income reinvested.

<sup>[g]</sup> 28 November 2001, the launch date of the share class.

<sup>[h]</sup> 12 September 2008, the launch date of the share class.

<sup>[i]</sup> 1 October 2010, the launch date of the share class.

<sup>[j]</sup> 9 March 2007, the launch date of the share class.

## SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From To	01.09.13 31.08.14 %	01.09.12 31.08.13 %	01.09.11 31.08.12 %	01.09.10 31.08.11 %	01.09.09 31.08.10 %
<b>Sterling</b>					
Class 'A'	+9.6	+20.9	+16.8	+5.0	+8.2

Source: Morningstar, Inc., bid to bid with net income reinvested.

## PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
<b>Sterling (net)</b>		p	p	p	p
Class 'A'	2009	733.13	470.09	943.34	603.35
	2010	875.06	685.42	1,125.96	881.94
	2011 <sup>[a]</sup>	883.05	675.83	1,136.23	869.80
	2012	889.18	794.65	1,144.36	1,022.70
	2013	1,114.82	885.27	1,434.75	1,139.32
	2014 <sup>[b]</sup>	1,157.94	1,043.92	1,490.88	1,343.49
Class 'I'	2012 <sup>[c]</sup>	1,044.73	990.54	1,046.06	991.80
	2013	1,317.69	1,041.84	1,319.36	1,043.17
	2014 <sup>[b]</sup>	1,364.27	1,230.26	1,382.53	1,240.52
Class 'R'	2012 <sup>[c]</sup>	104.44	99.01	104.55	99.11
	2013	131.49	104.11	131.62	104.21
	2014 <sup>[b]</sup>	136.09	122.89	137.51	123.56
Class 'X'	2009	732.12	469.43	929.57	594.54
	2010	873.87	684.48	1,109.55	869.08
	2011 <sup>[a]</sup>	881.84	675.06	1,119.67	857.12
	2012	888.14	793.73	1,127.68	1,007.79
	2013	1,113.52	884.24	1,413.83	1,122.71
	2014 <sup>[b]</sup>	1,156.60	1,042.70	1,469.13	1,323.90

# M&G American Fund

## FUND STATISTICS

### PRICES (continued)

Calendar year		Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
Euro (net)		€	€	€	€
Class 'A'	2009	n/a	n/a	7.4317	4.8037
	2010	n/a	n/a	9.4206	7.3115
	2011 <sup>[a]</sup>	n/a	n/a	9.6371	7.0734
	2012	n/a	n/a	10.3125	8.7124
	2013	n/a	n/a	12.1058	9.9752
	2014 <sup>[b]</sup>	13.4051 <sup>[d]</sup>	12.4305 <sup>[d]</sup>	13.4222	11.5515
Class 'A-H'	2009	n/a	n/a	8.9946	5.2982
	2010	n/a	n/a	10.3547	8.0446
	2011 <sup>[a]</sup>	n/a	n/a	10.9627	8.2558
	2012	n/a	n/a	10.8831	9.4850
	2013	n/a	n/a	13.7644	10.9240
	2014 <sup>[b]</sup>	n/a	n/a	14.5931	12.9327
Class 'C'	2009	n/a	n/a	7.7767	4.9964
	2010	n/a	n/a	9.9305	7.6518
	2011 <sup>[a]</sup>	n/a	n/a	10.1624	7.4937
	2012	n/a	n/a	11.0067	9.2551
	2013	n/a	n/a	13.0428	10.6772
	2014 <sup>[b]</sup>	14.4387 <sup>[d]</sup>	13.4661 <sup>[d]</sup>	14.5477	12.4664
Class 'C-H'	2010 <sup>[e]</sup>	n/a	n/a	10.3818	9.1418
	2011 <sup>[a]</sup>	n/a	n/a	11.0020	8.3203
	2012	n/a	n/a	10.9920	9.5050
	2013	n/a	n/a	14.0275	11.0430
	2014 <sup>[b]</sup>	n/a	n/a	14.9507	13.1917
US dollar (net)		\$	\$	\$	\$
Class 'A'	2009	n/a	n/a	8.3642	4.7934
	2010	n/a	n/a	9.7052	7.4891
	2011 <sup>[a]</sup>	n/a	n/a	10.2922	7.8042
	2012	n/a	n/a	10.3292	8.9225
	2013	n/a	n/a	13.0556	10.3768
	2014 <sup>[b]</sup>	13.8255 <sup>[d]</sup>	13.0708 <sup>[d]</sup>	13.8430	12.2541
Class 'C'	2009	n/a	n/a	8.5369	4.8630
	2010	n/a	n/a	9.9802	7.6733
	2011 <sup>[a]</sup>	n/a	n/a	10.5952	8.0713
	2012	n/a	n/a	10.7800	9.2450
	2013	n/a	n/a	13.7310	10.8328
	2014 <sup>[b]</sup>	14.5309 <sup>[d]</sup>	13.8094 <sup>[d]</sup>	14.6322	12.8973

<sup>[a]</sup> The Prudential North American Trust merged into the M&G American Fund immediately after 17 June 2011.

<sup>[b]</sup> To 1 September 2014.

<sup>[c]</sup> From 3 August 2012 (the launch date of the share class).

<sup>[d]</sup> From 8 August 2014 (the launch date of the Income shares).

<sup>[e]</sup> From 1 October 2010 (the launch date of the share class).

## INCOME

Dividend income per share		Distributed	Reinvested
Calendar year			
Sterling (net)		p	p
Class 'A'	2009	1.6500	2.1177
	2010	nil	nil
	2011	nil	nil
	2012	nil	nil
	2013	nil	nil
	2014 <sup>[a]</sup>	0.0698	0.0899
Class 'I'	2012	1.2930	1.2930
	2013	8.2708	8.2750
	2014 <sup>[a]</sup>	10.0426	10.1277
Class 'R'	2012	0.1050	0.1050
	2013	0.5418	0.5421
	2014 <sup>[a]</sup>	0.6774	0.6857
Class 'X'	2009	1.6350	2.0707
	2010	nil	nil
	2011	nil	nil
	2012	nil	nil
	2013	nil	nil
	2014 <sup>[a]</sup>	0.3076	0.3315
Euro (net)		€	€
Class 'A'	2009	n/a	1.7140
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	nil
	2013	n/a	nil
	2014 <sup>[a]</sup>	0.4350	0.4424
Class 'A-H'	2009	n/a	1.9620
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	nil
	2013	n/a	nil
	2014 <sup>[a]</sup>	n/a	0.0693
Class 'C'	2009	n/a	6.4600
	2010	n/a	2.6140
	2011	n/a	1.1080
	2012	n/a	5.9718
	2013	n/a	7.9625
	2014 <sup>[a]</sup>	10.5816	10.5960
Class 'C-H'	2011	n/a	1.0490
	2012	n/a	5.7060
	2013	n/a	7.6094
	2014 <sup>[a]</sup>	n/a	10.8745



# M&G American Fund

## FUND STATISTICS

### INCOME (continued)

Dividend income per share		Distributed	Reinvested
Calendar year			
US dollar (net)		¢	¢
Class 'A'	2009	n/a	1.2910
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	nil
	2013	n/a	nil
	2014 <sup>[a]</sup>	0.3032	0.3047
Class 'C'	2009	n/a	7.0830
	2010	n/a	2.5610
	2011	n/a	1.2440
	2012	n/a	5.9040
	2013	n/a	8.0608
	2014 <sup>[a]</sup>	10.6995	10.6998

[a] Up to final: ex-distribution date 1 September 2014; payment date 31 October 2014.

The level of income earned by the fund will fluctuate.

### NET ASSETS

Year ended		Value per share		Number of shares	
		Inc	Acc	Inc	Acc
<b>Sterling</b>		p	p		
Class 'A'	Aug 2012	866.31	1,114.92	16,704,945	39,668,227
	Aug 2013	1,047.84	1,348.55	10,728,945	32,819,827
	Aug 2014	1,150.89	1,481.26	7,657,845	17,456,991
Class 'I'	Aug 2012	1,016.94	1,018.23	1,000	1,000
	Aug 2013	1,231.00	1,240.87	1,462,400	1,290,600
	Aug 2014	1,352.17	1,373.57	2,623,850	5,038,300
Class 'R'	Aug 2012	101.70	101.80	10,000	10,000
	Aug 2013	123.09	123.76	56,500	45,000
	Aug 2014	135.20	136.62	100,500	160,000
Class 'X'	Aug 2012	865.30	1,098.67	1,144,062	5,776,172
	Aug 2013	1,046.62	1,328.89	1,144,062	5,829,072
	Aug 2014	1,149.31	1,459.65	868,962	3,621,472
<b>Euro</b>		€	€		
Class 'A'	Aug 2012	n/a	9.9927	n/a	10,714,037
	Aug 2013	n/a	11.2411	n/a	9,709,237
	Aug 2014	13.2627	13.2670	402	4,854,402
Class 'A-H'	Aug 2012	n/a	10.4412	n/a	1,219,900
	Aug 2013	n/a	12.3420	n/a	1,049,600
	Aug 2014	n/a	14.4787	n/a	899,480
Class 'C'	Aug 2012	n/a	10.6668	n/a	8,020,340
	Aug 2013	n/a	12.0924	n/a	5,411,040
	Aug 2014	14.2729	14.3791	371	4,599,299
Class 'C-H'	Aug 2012	n/a	10.5261	n/a	4,463,700
	Aug 2013	n/a	12.5459	n/a	4,638,600
	Aug 2014	n/a	14.8327	n/a	5,729,580

### NET ASSETS (continued)

Year ended		Value per share		Number of shares	
		Inc	Acc	Inc	Acc
<b>US dollar</b>		\$	\$		
Class 'A'	Aug 2012	n/a	9.8692	n/a	5,936,600
	Aug 2013	n/a	11.6840	n/a	4,847,000
	Aug 2014	13.7339	13.7367	383	3,935,850
Class 'C'	Aug 2012	n/a	10.2766	n/a	8,870,750
	Aug 2013	n/a	12.2577	n/a	10,870,950
	Aug 2014	14.4129	14.5195	362	13,183,532

### Total net asset value of sub-fund

Year ended	£	€ [a]
Aug 2012	955,416,000	1,202,565,000
Aug 2013	1,010,943,000	1,183,704,000
Aug 2014	844,225,000	1,062,122,000

[a] Based on the midday exchange rate on the last business day of each financial year.

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 %
<b>Oil &amp; gas producers</b>		<b>6.22</b>	<b>7.61</b>
278,585 Anadarko Petroleum	18,650	2.21	
172,848 Chevron	13,415	1.59	
120,596 EOG Resources	7,879	0.94	
383,155 Valero Energy	12,509	1.48	
<b>Oil equipment, services &amp; distribution</b>		<b>3.12</b>	<b>2.29</b>
306,992 Halliburton	12,463	1.48	
209,027 Schlumberger	13,883	1.64	
<b>Forestry &amp; paper</b>		<b>1.11</b>	<b>0.89</b>
310,941 West Fraser Timber	9,375	1.11	
<b>Industrial metals &amp; mining</b>		<b>1.19</b>	<b>1.42</b>
145,482 Parker Hannifin	10,059	1.19	
<b>Construction &amp; materials</b>		<b>1.94</b>	<b>0.00</b>
219,953 Acuity Brands	16,401	1.94	
<b>General industrials</b>		<b>3.05</b>	<b>4.99</b>
847,452 General Electric	13,290	1.57	
431,153 ITT	12,499	1.48	
<b>Electronic &amp; electrical equipment</b>		<b>5.66</b>	<b>5.09</b>
277,095 Avago Technologies	12,750	1.51	
951,065 Jabil Circuit	12,289	1.46	
308,295 Motorola Solutions	11,031	1.31	
584,671 Trimble Navigation	11,625	1.38	
<b>Industrial engineering</b>		<b>2.89</b>	<b>0.00</b>
273,486 Deere & Co	13,842	1.64	
277,239 Joy Global	10,540	1.25	
<b>Industrial transportation</b>		<b>2.55</b>	<b>3.34</b>
390,640 Con-Way	11,986	1.42	
588,851 Orbital Sciences	9,568	1.13	
<b>Support services</b>		<b>0.00</b>	<b>1.35</b>

# M&G American Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 %
<b>Automobiles &amp; parts</b>		<b>1.09</b>	<b>1.50</b>
239,877 Harley-Davidson	9,176	1.09	
<b>Beverages</b>		<b>2.13</b>	<b>3.76</b>
477,250 Dr Pepper Snapple	17,974	2.13	
<b>Food producers</b>		<b>3.18</b>	<b>1.91</b>
324,048 Ingredion	15,333	1.82	
294,811 Kellogg	11,505	1.36	
<b>Household goods &amp; home construction</b>		<b>2.31</b>	<b>5.23</b>
194,140 Procter & Gamble	9,715	1.15	
129,506 Snap-on	9,772	1.16	
<b>Leisure goods</b>		<b>0.00</b>	<b>0.70</b>
<b>Healthcare equipment &amp; services</b>		<b>6.44</b>	<b>4.90</b>
3,040,878 Affymetrix	15,541	1.84	
323,203 Covidien	16,894	2.00	
474,273 Haemonetics	10,150	1.20	
311,046 Medtronic	11,833	1.40	
<b>Pharmaceuticals &amp; biotechnology</b>		<b>8.42</b>	<b>7.64</b>
297,583 Amgen	24,870	2.95	
459,172 Eli Lilly	17,467	2.07	
403,402 Mallinckrodt Pharmaceuticals	19,469	2.31	
166,605 United Therapeutics	9,204	1.09	
<b>Food &amp; drug retailers</b>		<b>3.61</b>	<b>2.83</b>
439,326 CVS Caremark	21,034	2.49	
1,635,764 SuperValu	9,494	1.12	
<b>General retailers</b>		<b>2.26</b>	<b>3.46</b>
93,250 Amazon	19,109	2.26	
<b>Media</b>		<b>5.02</b>	<b>3.48</b>
2,372,001 Groupon	9,492	1.12	
1,121,405 News Corporation	11,685	1.38	
1,132,827 Rocket Fuel	10,719	1.27	
505,613 Twenty-First Century Fox	10,543	1.25	
<b>Travel &amp; leisure</b>		<b>2.82</b>	<b>2.17</b>
428,187 American Airlines	10,108	1.20	
910,429 MGM Resorts International	13,646	1.62	
<b>Electricity</b>		<b>2.22</b>	<b>2.43</b>
445,469 Dominion Resources	18,753	2.22	
<b>Gas, water &amp; multi-utilities</b>		<b>1.40</b>	<b>1.09</b>
527,734 Xylem	11,851	1.40	
<b>Banks</b>		<b>5.31</b>	<b>8.42</b>
1,435,866 Bank of America	13,855	1.64	
3,006,175 Huntington Bancshares	17,773	2.11	
427,145 Wells Fargo	13,170	1.56	
<b>Non-life insurance</b>		<b>1.10</b>	<b>1.77</b>
144,547 Ace	9,246	1.10	
<b>Life insurance</b>		<b>2.75</b>	<b>2.22</b>
707,978 MetLife	23,207	2.75	
<b>Real estate investment trusts</b>		<b>2.50</b>	<b>1.20</b>
1,574,289 BioMed Realty Trust	21,139	2.50	

### PORTFOLIO STATEMENT (continued)

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 %
<b>Financial services</b>		<b>6.08</b>	<b>5.03</b>
252,417 Equifax	11,934	1.41	
783,270 Morgan Stanley	16,078	1.90	
1,044,558 Navient	11,155	1.32	
1,185,517 SLM	6,345	0.75	
180,002 Waddell & Reed Financial	5,933	0.70	
<b>Software &amp; computer services</b>		<b>3.42</b>	<b>5.11</b>
1,066,056 Microsoft	28,835	3.42	
<b>Technology hardware &amp; equipment</b>		<b>9.90</b>	<b>5.61</b>
954,177 EMC	16,913	2.00	
1,243,755 NVIDIA	14,534	1.72	
276,243 Qualcomm	12,710	1.51	
249,657 Stanley Black & Decker	13,661	1.62	
298,961 Tech Data	12,032	1.43	
771,638 Tessera	13,645	1.62	
<b>Forward currency contracts for share class hedging</b>		<b>(0.13)</b>	<b>(0.02)</b>
€1,113,221 Bought for CAD1,623,289 (expires 23.09.14)	(17)	0.00	
€97,924,185 Bought for \$130,950,013 (expires 23.09.14)	(1,078)	(0.13)	
\$1,493,918 Bought for €1,117,015 (expires 23.09.14)	12	0.00	
<b>'AAA' rated money market funds <sup>[a]</sup></b>		<b>0.31</b>	<b>2.47</b>
4,366,000 Northern Trust Global Fund - US dollar	2,631	0.31	
<b>Portfolio of investments (notes 1b &amp; 1c on page 7)</b>	<b>843,104</b>	<b>99.87</b>	<b>99.89</b>
<b>Net other assets</b>	<b>1,121</b>	<b>0.13</b>	<b>0.11</b>
<b>Net assets attributable to shareholders</b>	<b>844,225</b>	<b>100.00</b>	<b>100.00</b>

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.

### COUNTERPARTY EXPOSURE

Counterparty	Financial derivative exposure	
	Forward currency contracts £'000	Total as at 31.08.14 £'000
State Street Bank	(1,083)	(1,083)
<b>Total</b>	<b>(1,083)</b>	<b>(1,083)</b>

# M&G American Fund

## PORTFOLIO

### PORTFOLIO TRANSACTIONS

for the year ended 31 August 2014

<b>Largest purchases</b>	<b>£'000</b>
Rocket Fuel	27,047
Acuity Brands	20,230
SLM	18,444
Medtronic	17,793
Con-Way	17,565
Avago Technologies	17,202
NVIDIA	17,179
EMC	16,446
Groupon	16,423
Deere & Co	15,835
Stanley Black & Decker	14,616
Ingredion	14,197
Affymetrix	13,261
Bank of America	13,130
BioMed Realty Trust	11,226
United Therapeutics	9,676
Joy Global	9,642
American Airlines	9,546
Morgan Stanley	8,607
Tech Data	7,997
Northern Trust Global Fund - US dollar <sup>[a]</sup>	330,340
Other purchases	114,550
<b>Total purchases</b>	<b>740,952</b>
<b>Largest sales</b>	<b>£'000</b>
Citigroup	31,813
General Electric	28,241
Pfizer	21,272
Intuit	21,079
eBay	18,623
Intel	17,457
Wells Fargo	16,784
Coca-Cola	15,799
Procter & Gamble	14,634
Trimble Navigation	14,385
Microsoft	14,272
G & K Services	13,719
Qualcomm	13,393
Avago Technologies	13,273
Dr Pepper Snapple	12,907
Abaxis	12,670
Talisman Energy	12,057
CBS 'B'	12,016
Norfolk Southern	12,012
World Acceptance	11,499
Northern Trust Global Fund - US dollar <sup>[a]</sup>	351,616
Other sales	312,174
<b>Total sales</b>	<b>991,695</b>

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

## FINANCIAL STATEMENTS

For the year ended 31 August 2014.

### STATEMENT OF TOTAL RETURN

	Note	2014 £'000	2013 £'000
Income			
Net capital gains	3	84,538	181,897
Revenue	4	16,400	18,464
Expenses	5	(13,739)	(14,808)
Finance costs: Interest	12	0	(1)
Net revenue before taxation		2,661	3,655
Taxation	6	(332)	(2,720)
Net revenue after taxation		2,329	935
<b>Total return before distributions</b>		<b>86,867</b>	<b>182,832</b>
Finance costs: Distributions	12	(2,329)	(1,278)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>84,538</b>	<b>181,554</b>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2014 £'000	2013 £'000
<b>Opening net assets attributable to shareholders</b>	<b>1,010,943</b>	<b>955,416</b>
Amounts received on issue of shares	360,304	270,767
Amounts paid on cancellation of shares	(613,857)	(398,136)
	(253,553)	(127,369)
Change in net assets attributable to shareholders from investment activities (see above)	84,538	181,554
Retained distributions on Accumulation shares	2,296	1,342
Unclaimed distributions	1	0
<b>Closing net assets attributable to shareholders</b>	<b>844,225</b>	<b>1,010,943</b>

# M&G American Fund

## FINANCIAL STATEMENTS

### BALANCE SHEET

	as at 31 August 2014		as at 31 August 2013	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Investment assets		844,199		1,010,010
<b>Debtors</b>				
Amounts receivable on issues	4,219		2,763	
Currency deals outstanding	11,229		352	
Distributions receivable	0		2	
Dividends receivable	1,358		2,035	
Overseas tax recoverable	0		95	
Prepaid expenses	0		1	
Sales awaiting settlement	11,025		0	
		27,831		5,248
<b>Cash and bank balances</b>				
Amounts held at futures clearing houses and brokers	1,002		0	
Cash held as bank balances	1,262		1,809	
		2,264		1,809
<b>Total other assets</b>		<b>30,095</b>		<b>7,057</b>
<b>Total assets</b>		<b>874,294</b>		<b>1,017,067</b>
<b>Liabilities</b>				
Investment liabilities		(1,095)		(218)
<b>Creditors</b>				
Amounts payable on cancellations	(17,131)		(3,402)	
Currency deals outstanding	(11,222)		(354)	
Expenses payable	(349)		(527)	
Net distributions payable on income shares	(272)		(121)	
Purchases awaiting settlement	0		(1,502)	
<b>Total other liabilities</b>		<b>(28,974)</b>		<b>(5,906)</b>
<b>Total liabilities</b>		<b>(30,069)</b>		<b>(6,124)</b>
<b>Net assets attributable to shareholders</b>		<b>844,225</b>		<b>1,010,943</b>

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 Accounting policies

The financial statements have been prepared in accordance with the accounting policies set out in the notes to the aggregated financial statements on page 7. The amount available for distribution is calculated in accordance with note 1j set out in the notes to the aggregated financial statements.

#### 2 Risk management policies

The general risk management policies are set out in note 2 to the aggregated financial statements on page 8. In addition to these policies the sub-fund accepts short-term currency risk in relation to US dollar exposures.

The sub-fund uses forward currency contracts to reduce the currency exposure of holders of hedged share classes to movements in the material currencies to which the portfolio is exposed. This hedging activity does not form part of the investment strategy of the sub-fund but is designed to reduce exchange rate fluctuations between the currency of the hedged share class and other material currencies within the sub-fund's portfolio. Gains or losses arising from these transactions are borne by the shareholders of the respective hedged share classes.

#### 3 Net capital gains

	2014 £'000	2013 £'000
Non-derivative securities	85,450	179,414
Currency (losses) / gains	(33)	264
Forward currency contracts	(1,030)	2,223
Capital gains on USREIT	156	0
Transaction charges	(5)	(4)
<b>Net capital gains</b>	<b>84,538</b>	<b>181,897</b>

#### 4 Revenue

	2014 £'000	2013 £'000
Bank interest	1	4
Interest distributions	6	10
Overseas dividends	16,393	18,450
<b>Total revenue</b>	<b>16,400</b>	<b>18,464</b>

#### 5 Expenses

	2014 £'000	2013 £'000
<b>Payable to the Authorised Corporate Director or associate</b>		
Authorised Corporate Director's periodic charge	12,194	13,233
Administration fee	1,430	1,457
Share class hedging fee	16	23
	13,640	14,713
<b>Payable to the Depositary or associate</b>		
Depositary's fee (including VAT)	53	53
<b>Other expenses</b>		
Audit fee (including VAT)	7	10
Regulatory fees	6	5
Safe custody charge	22	19
Tax fees (including VAT) [a]	17	17
	52	51
<b>VAT recovered</b>		
Current year	0	(3)
Prior year	(6)	(6)
	(6)	(9)
<b>Total expenses</b>	<b>13,739</b>	<b>14,808</b>

[a] Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP and Ernst & Young LLP

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 6 Taxation

	2014 £'000	2013 £'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Overseas tax	332	2,720
Current tax charge (note 6b)	332	2,720
Deferred tax (note 6c)	0	0
<b>Total taxation</b>	<b>332</b>	<b>2,720</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue before taxation	2,661	3,655
Corporation tax at 20%	532	731
Effects of:		
Overseas dividends not taxable	(3,071)	(3,667)
Current year expenses not utilised	2,570	2,936
Overseas tax	332	2,720
Overseas tax expensed	(31)	0
<b>Current tax charge (note 6a)</b>	<b>332</b>	<b>2,720</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

The sub-fund has not recognised a deferred tax asset of £20,030,000 (31.08.13: £17,460,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

#### 7 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (31.08.13: same).

#### 8 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the sub-fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the statement of change in net assets attributable to shareholders and note 12. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in the balance sheet where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's periodic charge, administration fee and share class hedging fee are disclosed in note 5. Amounts due at the year end to the ACD of £411,000 (31.08.13: £494,000) in respect of the ACD's periodic charge, administration fee and share class hedging fee are included within expenses payable as disclosed in the balance sheet.

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 1.81% (31.08.13: 1.13%) of the sub-fund's shares.

#### 9 Financial instruments

The policies applied in the management of financial instruments are set out in note 2.

Short-term debtors and creditors have been included in respect of the currency exposure only when this is applicable (31.08.13: same).

##### Currency exposure

The currency profile of the sub-fund's financial instruments at the balance sheet date was:

	Portfolio of investments		Net other assets / (liabilities)		Total	
	as at 31.08.14 £'000	as at 31.08.13 £'000	as at 31.08.14 £'000	as at 31.08.13 £'000	as at 31.08.14 £'000	as at 31.08.13 £'000
Canadian dollar	8,473	23,940	0	0	8,473	23,940
Euro	77,852	(61,415)	(1,116)	1,373	76,736	(60,042)
US dollar	756,779	1,047,267	14,138	772	770,917	1,048,039
	843,104	1,009,792	13,022	2,145	856,126	1,011,937
Sterling	0	0	(11,901)	(994)	(11,901)	(994)
<b>Total</b>	<b>843,104</b>	<b>1,009,792</b>	<b>1,121</b>	<b>1,151</b>	<b>844,225</b>	<b>1,010,943</b>

##### Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.13: same).

##### Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.13: same).

#### 10 Portfolio transaction costs

	2014 £'000	2013 £'000
<b>a) Purchases</b>		
Purchases excluding transaction costs	740,642	815,774
Commissions	310	350
<b>Total purchases including transaction costs</b>	<b>740,952</b>	<b>816,124</b>
<b>b) Sales</b>		
Sales excluding transaction costs	992,209	935,628
Commissions	(502)	(431)
Taxes	(12)	(14)
<b>Total transaction costs</b>	<b>(514)</b>	<b>(445)</b>
<b>Total sales net of transaction costs</b>	<b>991,695</b>	<b>935,183</b>

#### 11 Shareholder funds

This sub-fund contains Sterling Class 'A' (Net Income and Net Accumulation) shares, Sterling Class 'I' (Net Income and Net Accumulation) shares, Sterling Class 'R' (Net Income and Net Accumulation) shares and Sterling Class 'X' (Net Income and Net Accumulation) shares.

This sub-fund also contains Euro Class 'A' (Net Income and Net Accumulation) shares, Euro Class 'A-H' (Net Accumulation) shares, Euro Class 'C' (Net Income and Net Accumulation) shares and Euro Class 'C-H' (Net Accumulation) shares.

This sub-fund also contains US dollar Class 'A' (Net Income and Net Accumulation) shares and US dollar Class 'C' (Net Income and Net Accumulation) shares.

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 11 Shareholder funds (continued)

The charging structure for each share class, as at 31 August 2014, is set out in the following table (31.08.13: same):

#### CHARGES AND EXPENSES

	Initial charge %	Withdrawal fee %	ACD's annual remuneration %	Share class hedging fee %
<b>Sterling</b>				
Class 'A'	4.00	n/a	1.50	n/a
Class 'I'	1.00	n/a	0.75	n/a
Class 'R'	1.00	n/a	1.00	n/a
Class 'X'	nil	4.50 <sup>[a]</sup>	1.50	n/a
<b>Euro</b>				
Class 'A'	5.25	n/a	1.50	n/a
Class 'A-H'	5.25	n/a	1.50	0.0225 <sup>[b]</sup>
Class 'C'	3.25	n/a	0.75	n/a
Class 'C-H'	3.25	n/a	0.75	0.0225 <sup>[b]</sup>
<b>US dollar</b>				
Class 'A'	5.25	n/a	1.50	n/a
Class 'C'	3.25	n/a	0.75	n/a

<sup>[a]</sup> The withdrawal fee diminishes over a period of five years. Please refer to the Key Investor Information Document (KIID) in conjunction with the Important Information for Investors document.

<sup>[b]</sup> This charge may vary between 0.01% and 0.06%.

With the exception of the Authorised Corporate Director's periodic charge and share class hedging fee which are directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

The net asset values for each share class are set out in the following table:

#### NET ASSET VALUES

	31.08.14		31.08.13	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
<b>Sterling</b>				
Class 'A'	88,133	258,583	112,422	442,591
Class 'I'	35,479	69,205	18,002	16,015
Class 'R'	136	219	70	56
Class 'X'	9,987	52,861	11,974	77,462
<b>Euro</b>				
Class 'A'	4	51,191	n/a	93,213
Class 'A-H'	n/a	10,352	n/a	11,064
Class 'C'	4	52,566	n/a	55,882
Class 'C-H'	n/a	67,550	n/a	49,702
<b>US dollar</b>				
Class 'A'	3	32,584	n/a	36,532
Class 'C'	3	115,365	n/a	85,958

The net asset value per share and the number of shares are given in the net assets table on page 14. The distribution per share is given in the distribution table on page 20. Each share class has the same rights on winding-up.

#### 12 Finance costs

	2014 £'000	2013 £'000
<b>Income shares (Sterling)</b>		
Class 'A' - Final	5	0
Class 'I' - Final	263	121
Class 'R' - Final <sup>[a]</sup>	1	0
Class 'X' - Final	3	0
<b>Income shares (Euro)</b>		
Class 'A' - Final <sup>[b]</sup>	0	n/a
Class 'C' - Final <sup>[c]</sup>	0	n/a
<b>Income shares (US dollar)</b>		
Class 'A' - Final <sup>[d]</sup>	0	n/a
Class 'C' - Final <sup>[e]</sup>	0	n/a
<b>Accumulation shares (Sterling)</b>		
Class 'A' - Final	16	0
Class 'I' - Final	510	107
Class 'R' - Final <sup>[f]</sup>	1	0
Class 'X' - Final	12	0
<b>Accumulation shares (Euro)</b>		
Class 'A' - Final	17	0
Class 'A-H' - Final	1	0
Class 'C' - Final	387	368
Class 'C-H' - Final	495	302
<b>Accumulation shares (US dollar)</b>		
Class 'A' - Final	7	0
Class 'C' - Final	850	565
Finance costs: Dividend distributions	2,568	1,463
Income deducted on cancellation of shares	772	256
Income received on issue of shares	(1,011)	(441)
<b>Finance costs: Distributions</b>	<b>2,329</b>	<b>1,278</b>
Finance costs: Interest	0	1
<b>Total finance costs</b>	<b>2,329</b>	<b>1,279</b>
Net revenue per statement of total return	2,329	935
Overseas tax offset against capital	0	14
Undistributed income brought forward	0	1
Income deficit transferred to capital	0	328
<b>Finance costs: Distributions</b>	<b>2,329</b>	<b>1,278</b>

<sup>[a]</sup> The comparative final distribution for Sterling Class 'R' (Income) shares was £306.

<sup>[b]</sup> The final distribution for Euro Class 'A' (Income) shares was €2.

<sup>[c]</sup> The final distribution for Euro Class 'C' (Income) shares was €39.

<sup>[d]</sup> The final distribution for US dollar Class 'A' (Income) shares was \$1.

<sup>[e]</sup> The final distribution for US dollar Class 'C' (Income) shares was \$39.

<sup>[f]</sup> The comparative final distribution for Sterling Class 'R' (Accumulation) shares was £244.

# M&G American Fund

## FINANCIAL STATEMENTS

DISTRIBUTION TABLE				
Dividend distributions on Accumulation shares	Net income	Equalisation	Distribution payable/paid	
			2014	2013
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A' - Final				
Group 1:	0.0698	-	0.0698	nil
Group 2:	-	0.0698	0.0698	nil
Class 'I' - Final				
Group 1:	10.0426	-	10.0426	8.2708
Group 2:	7.0863	2.9563	10.0426	8.2708
Class 'R' - Final				
Group 1:	0.6774	-	0.6774	0.5418
Group 2:	0.3262	0.3512	0.6774	0.5418
Class 'X' - Final				
Group 1:	0.3076	-	0.3076	nil
Group 2:	-	0.3076	0.3076	nil
<b>Euro</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Class 'A' - Final				
Group 1:	0.4350	-	0.4350	n/a
Group 2:	0.4350	-	0.4350	n/a
Class 'C' - Final				
Group 1:	10.5816	-	10.5816	n/a
Group 2:	10.5816	-	10.5816	n/a
<b>US dollar</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Class 'A' - Final				
Group 1:	0.3032	-	0.3032	n/a
Group 2:	0.3032	-	0.3032	n/a
Class 'C' - Final				
Group 1:	10.6995	-	10.6995	n/a
Group 2:	10.6995	-	10.6995	n/a

## DISTRIBUTION TABLE (continued)

Dividend distributions on Accumulation shares	Net income	Equalisation	Amount reinvested	
			2014	2013
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A' - Final				
Group 1:	0.0899	-	0.0899	nil
Group 2:	-	0.0899	0.0899	nil
Class 'I' - Final				
Group 1:	10.1277	-	10.1277	8.2750
Group 2:	5.3815	4.7462	10.1277	8.2750
Class 'R' - Final				
Group 1:	0.6857	-	0.6857	0.5421
Group 2:	0.2210	0.4647	0.6857	0.5421
Class 'X' - Final				
Group 1:	0.3315	-	0.3315	nil
Group 2:	-	0.3315	0.3315	nil
<b>Euro</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Class 'A' - Final				
Group 1:	0.4424	-	0.4424	nil
Group 2:	-	0.4424	0.4424	nil
Class 'A-H' - Final				
Group 1:	0.0693	-	0.0693	nil
Group 2:	-	0.0693	0.0693	nil
Class 'C' - Final				
Group 1:	10.5960	-	10.5960	7.9625
Group 2:	4.0399	6.5561	10.5960	7.9625
Class 'C-H' - Final				
Group 1:	10.8745	-	10.8745	7.6094
Group 2:	4.3979	6.4766	10.8745	7.6094
<b>US dollar</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Class 'A' - Final				
Group 1:	0.3047	-	0.3047	nil
Group 2:	-	0.3047	0.3047	nil
Class 'C' - Final				
Group 1:	10.6998	-	10.6998	8.0608
Group 2:	3.9118	6.7880	10.6998	8.0608

Final period 01.09.13 - 31.08.14

Group 1: Shares purchased prior to a distribution period.

Group 2: Shares purchased during a distribution period.

Equalisation applies only to shares purchased during the distribution period (Group 2). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes.



# M&G Asian Fund

## INVESTMENT OBJECTIVE, POLICY AND APPROACH

### Investment objective and policy of the M&G Asian Fund

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 is an equity fund invested in publicly listed companies throughout Asia, excluding Japan, regardless of sector or size. The fund can also invest in companies outside Asia that conduct a significant part of their business activities in the region.

The fund manager focuses exclusively on bottom-up stock selection aiming to deliver consistent top-quartile performance in the Asia Pacific ex Japan sector. (In the UK, this is the IMA Asia Pacific ex Japan sector; in Europe, the Morningstar Asia Pacific ex Japan Equity sector.) It is the core belief of the fund manager that value creation for shareholders, not economic growth, drives share prices over the long run. Consequently, investment decisions are determined by the fundamental analysis of individual companies and the fund's country and sector exposure is not influenced by top-down views.

The investment strategy of the fund is to identify companies that are undergoing improvements in their return on capital, either through external change or internal change. The fund also invests in higher returning businesses where the market does not believe these levels of returns are sustainable; we define these as asset growth and quality companies.

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 interests with the strategic value-creating decisions of company management. It also allows him to take advantage of valuation anomalies created by the short-term nature of Asian stockmarkets.

### Risk and reward profile\*



1	2	3	4	5	6	7
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- The above risk number is based on the rate at which the value of the Fund has moved up and down in the past.
- This risk number is based on historical data and may not be a reliable indicator of the future risk profile of the Fund.
- The risk number shown is not guaranteed and may change over time.
- The lowest risk number does not mean risk free.

\* This 'Risk and reward profile' section is based on Sterling Class 'A' shares.

## INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

### As at 1 September 2014, for the year ended 31 August 2014

As value investors, we look for companies whose future returns and growth are mispriced. During the review period, we established a position in E-Mart, South Korea's leading hypermarket chain. In our view, E-Mart is a very efficient operator and the market is underestimating the stability of its earnings, focusing instead on the regulatory headwinds facing the country's retail industry.

South Korean car maker Kia Motors, an affiliate of existing holding Hyundai Motor, was another newcomer. We think investors are overlooking changes that should boost the firm's performance; improvements in operational efficiency and a shift towards higher quality vehicles should lead to higher future returns. Another Korean company, chip maker SK hynix, joined the portfolio too. We were attracted by the company's efficient allocation of capital and position as one of the leading global suppliers of memory chips used in smartphones and tablets.

In China, we bought shares in Greatview Aseptic Packaging, a producer of bacteria-resistant drinks cartons. Greatview has a significant market position in China and is expanding into other markets, notably Europe. We think Greatview is an interesting example of a Chinese company that is building on success in its domestic market to compete globally.

We also invested in China Lesso, a Chinese pipe maker, and property and vehicle insurer PICC Property & Casualty, which should benefit from rising wealth and consumerism in China. Genting Hong Kong, a Singapore-listed group with interests in casinos and cruise ships, and Australian industrial explosives firm Orica were two other newcomers.

We closed positions in several stocks as a result of the stockmarket rally in India, which pushed up their share prices and made them overvalued, in our opinion. They included Idea Cellular, a mobile phone company, Power Grid Corporation of India, a utility business, and state-owned lender Punjab National Bank. We also reduced the stakes in CESC, a power producer, and Crompton Greaves, a manufacturer of power generation equipment, to realise some profits after a period of exceptional outperformance. AZ Electronic Materials, a UK-based speciality chemicals firm, left the portfolio following its acquisition by German company Merck.

**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.

# M&G Asian Fund

## FUND STATISTICS

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd		payment	
Final	01.09.15		31.10.15	
	Final distribution		Ongoing Charges Figure <sup>[b]</sup>	
	Inc 31.10.14 <sup>[a]</sup>	Acc 01.09.14 <sup>[a]</sup>	31.08.14	31.08.13
<b>Sterling</b>	p	p	%	%
Class 'A'	2.0239	3.0067	1.73	1.73
Class 'I'	11.2559	11.4939	0.98	1.02
Class 'R'	0.8254	0.8361	1.23	1.25
Class 'X'	2.1302	3.5741	1.73	1.73
<b>Euro</b>	€	€	%	%
Class 'A'	n/a	5.4918	1.73	1.73
Class 'C'	n/a	31.5392	0.98	0.98
<b>US dollar</b>	\$	\$	%	%
Class 'A'	n/a	2.0414	1.73	1.73
Class 'C'	n/a	23.5170	0.98	0.99

<sup>[a]</sup> The date on which the final distribution will be paid to Income shareholders and credited to Accumulation shareholders.

<sup>[b]</sup> The Ongoing Charges Figure is the ratio of the relevant annualised total disclosable costs of each share class from the most recent reporting period to the average net asset value for that share class over the same period.

### FUND PERFORMANCE

Performance of share classes

	Net asset value per share as at 31.08.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
<b>Sterling</b>	p	p	p	p	%	%
Class 'A'	1,143.61	1,766.15	989.79	1,525.92	+15.54	+15.74
Class 'I'	1,291.96	1,321.64	1,117.49	1,133.38	+15.61	+16.61
Class 'R'	129.04	131.52	111.64	113.06	+15.59	+16.33
Class 'X'	1,142.31	1,749.73	988.76	1,511.70	+15.53	+15.75
<b>Euro</b>	€	€	€	€	%	%
Class 'A'	n/a	33.9692	n/a	27.3147	n/a	+24.36
Class 'C'	n/a	36.9495	n/a	29.4840	n/a	+25.32
<b>US dollar</b>	\$	\$	\$	\$	%	%
Class 'A'	n/a	25.9122	n/a	20.9159	n/a	+23.89
Class 'C'	n/a	27.0289	n/a	21.6550	n/a	+24.82

Past performance is not a guide to future performance.

The value of stockmarket 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.

## PERFORMANCE SINCE LAUNCH

	six months 03.03.14 %	one year 02.09.13 %	five years 01.09.09 % p.a. <sup>[a]</sup>	since launch % p.a. <sup>[a]</sup>
<b>Sterling <sup>[b]</sup></b>				
Class 'A'	+17.8	+16.4	+10.1	+8.1 <sup>[c]</sup>
Class 'I'	+17.4	+16.4	n/a	+13.5 <sup>[d]</sup>
Class 'R'	+17.5	+16.4	n/a	+13.5 <sup>[d]</sup>
Class 'X'	+17.8	+16.3	+10.1	+13.9 <sup>[e]</sup>
<b>Euro <sup>[f]</sup></b>				
Class 'A'	+22.8	+25.0	+12.9	+10.2 <sup>[g]</sup>
Class 'C'	+23.2	+25.9	+13.7	+10.9 <sup>[g]</sup>
<b>US dollar <sup>[f]</sup></b>				
Class 'A'	+17.2	+24.2	+11.0	+18.3 <sup>[h]</sup>
Class 'C'	+17.6	+25.1	+11.8	+19.2 <sup>[h]</sup>

<sup>[a]</sup> Shows the compound rate of return, per annum, over the period.

<sup>[b]</sup> Bid to bid excluding reinvested income.

<sup>[c]</sup> 14 September 1973, the end of the initial offer period of the predecessor unit trust.

<sup>[d]</sup> 3 August 2012, the launch date of the share class.

<sup>[e]</sup> 1 October 2002, the launch date of the share class.

<sup>[f]</sup> Bid to bid with net income reinvested.

<sup>[g]</sup> 28 November 2001, the launch date of the share class.

<sup>[h]</sup> 19 December 2008, the launch date of the share class.

## SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From To	01.09.13 31.08.14 %	01.09.12 31.08.13 %	01.09.11 31.08.12 %	01.09.10 31.08.11 %	01.09.09 31.08.10 %
<b>Sterling</b>					
Class 'A'	+15.6	+14.5	-1.5	+5.6	+19.9

Source: Morningstar, Inc., bid to bid with net income reinvested.

# M&G Asian Fund

## FUND STATISTICS

PRICES					
	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
Sterling (net)					
Class 'A'		p	p	p	p
	2009	796.39	442.44	1208.79	665.58
	2010	1,001.81	747.21	1,527.81	1,134.14
	2011	1,017.47	768.05	1,551.71	1,173.65
	2012	997.89	837.16	1,533.40	1,279.26
	2013	1,136.62	954.50	1,746.56	1,466.69
	2014 <sup>[a]</sup>	1,156.59	955.40	1,783.02	1,472.90
Class 'I'	2012 <sup>[b]</sup>	1,129.75	976.63	1,133.11	979.53
	2013	1,288.74	1,084.61	1,292.59	1,087.85
	2014 <sup>[a]</sup>	1,315.56	1,082.01	1,334.07	1,097.33
Class 'R'	2012 <sup>[b]</sup>	112.91	97.67	113.21	97.93
	2013	128.77	108.30	129.10	108.57
	2014 <sup>[a]</sup>	131.10	107.98	132.76	109.36
Class 'X'	2009	795.71	442.10	1,197.45	659.40
	2010	1,000.94	746.57	1,513.47	1,123.50
	2011	1,016.59	767.26	1,537.13	1,162.62
	2012	996.92	836.60	1,518.98	1,267.23
	2013	1,135.51	953.62	1,730.16	1,453.02
	2014 <sup>[a]</sup>	1,155.38	954.40	1,766.40	1,459.17
Euro (net)					
Class 'A'		€	€	€	€
	2009	n/a	n/a	20.5175	11.4052
	2010	n/a	n/a	27.3060	19.8874
	2011	n/a	n/a	28.1225	20.7867
	2012	n/a	n/a	28.7876	23.3995
	2013	n/a	n/a	31.0598	26.3789
	2014 <sup>[a]</sup>	n/a	n/a	34.3835	27.2478
Class 'C'	2009	n/a	n/a	21.5467	11.9074
	2010	n/a	n/a	28.8890	20.9020
	2011	n/a	n/a	29.7614	22.1192
	2012	n/a	n/a	30.9071	24.9454
	2013	n/a	n/a	33.4563	28.4340
	2014 <sup>[a]</sup>	n/a	n/a	37.3977	29.5112
US dollar (net)					
Class 'A'		\$	\$	\$	\$
	2009	n/a	n/a	17.0903	8.3167
	2010	n/a	n/a	20.9141	15.1476
	2011	n/a	n/a	22.2251	16.0549
	2012	n/a	n/a	21.8500	17.6085
	2013	n/a	n/a	23.4382	19.9996
	2014 <sup>[a]</sup>	n/a	n/a	26.1395	21.3824
Class 'C'	2009	n/a	n/a	17.2115	8.3267
	2010	n/a	n/a	21.2198	15.3007
	2011	n/a	n/a	22.6523	16.3863
	2012	n/a	n/a	22.5077	18.0544
	2013	n/a	n/a	24.2915	20.6773
	2014 <sup>[a]</sup>	n/a	n/a	27.2633	22.2094

<sup>[a]</sup> To 1 September 2014.

<sup>[b]</sup> From 3 August 2012 (the launch date of the share class).

## INCOME

Dividend income per share		Distributed	Reinvested
	Calendar year		
Sterling (net)		p	p
Class 'A'	2009	6.3750	9.5902
	2010	4.0740	6.1837
	2011	1.7780	2.6400
	2012	4.9170	7.7860
	2013	3.2531	3.9056
	2014 <sup>[a]</sup>	2.0239	3.0067
Class 'I'	2012	2.9550	2.9550
	2013	12.4785	12.6898
	2014 <sup>[a]</sup>	11.2559	11.4939
Class 'R'	2012	0.2660	0.2660
	2013	1.1335	1.1477
	2014 <sup>[a]</sup>	0.8254	0.8361
Class 'X'	2009	6.3620	9.4890
	2010	4.0820	6.1429
	2011	1.9220	2.8640
	2012	4.8680	7.8640
	2013	3.3702	5.2202
	2014 <sup>[a]</sup>	2.1302	3.5741
Euro (net)		€	€
Class 'A'	2009	n/a	16.7790
	2010	n/a	13.0740
	2011	n/a	4.4600
	2012	n/a	16.8830
	2013	n/a	10.5665
	2014 <sup>[a]</sup>	n/a	5.4918
Class 'C'	2009	n/a	26.8580
	2010	n/a	29.8930
	2011	n/a	24.9560
	2012	n/a	35.9910
	2013	n/a	32.7831
	2014 <sup>[a]</sup>	n/a	31.5392
US dollar (net)		\$	\$
Class 'A'	2009	n/a	8.8550
	2010	n/a	11.1880
	2011	n/a	10.6850
	2012	n/a	12.1760
	2013	n/a	8.5121
	2014 <sup>[a]</sup>	n/a	2.0414
Class 'C'	2009	n/a	14.6580
	2010	n/a	20.9400
	2011	n/a	19.9240
	2012	n/a	25.2170
	2013	n/a	23.8828
	2014 <sup>[a]</sup>	n/a	23.5170

<sup>[a]</sup> Up to final: ex-distribution date 1 September 2014;  
payment date 31 October 2014.

The level of income earned by the fund will fluctuate.

# M&G Asian Fund

## FUND STATISTICS

NET ASSETS					
	Year ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
<b>Sterling</b>					
Class 'A'	Aug 2012	p	p		
	Aug 2013				
	Aug 2014				
Class 'I'	Aug 2012				
	Aug 2013				
	Aug 2014				
Class 'R'	Aug 2012				
	Aug 2013				
	Aug 2014				
Class 'X'	Aug 2012				
	Aug 2013				
	Aug 2014				
<b>Euro</b>					
Class 'A'	Aug 2012	€	€		
	Aug 2013				
	Aug 2014				
Class 'C'	Aug 2012				
	Aug 2013				
	Aug 2014				
<b>US dollar</b>					
Class 'A'	Aug 2012	\$	\$		
	Aug 2013				
	Aug 2014				
Class 'C'	Aug 2012				
	Aug 2013				
	Aug 2014				
<b>Total net asset value of sub-fund</b>					
	Year ended	£		€ [a]	
	Aug 2012				
	Aug 2013				
	Aug 2014				

[a] Based on the midday exchange rate on the last business day of each financial year.

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 %
<b>United Kingdom</b>			
832,000 Prudential	12,027	1.88	
3,560,000 Salamander Energy	3,747	0.59	
<b>Australia</b>			
2,336,691 ALS	9,790	1.53	11.16
3,237,000 BlueScope Steel	10,025	1.57	9.14
4,465,000 Downer EDI	12,220	1.91	
2,390,000 Iluka Resources	11,965	1.87	
1,720,000 Mesoblast	4,862	0.76	
3,960,000 Nufarm	9,611	1.50	
1,045,000 Orica	12,057	1.89	
5,025,000 Rex Minerals	863	0.13	
<b>China</b>			
26,090,000 AMVIG Holdings	6,513	1.02	21.49
13,658,000 China Lesso	4,716	0.74	20.40
8,644,600 China Resources Power	15,697	2.46	
14,120,000 China Unicom	15,175	2.37	
13,539,000 CNOOC	16,340	2.56	
12,059,000 Dongfeng Motor	13,447	2.10	
15,557,000 Greatview Aseptic Packaging	7,247	1.13	
5,120,000 Hang Lung Properties	10,133	1.59	
1,085,000 HollySys Automation Technologies	14,242	2.23	
688,000 Mindray Medical International ADR	12,941	2.02	
13,506,000 PICC Property & Casualty	13,465	2.11	
28,300,000 Shanghai Electric Group 'H'	7,416	1.16	
<b>Hong Kong</b>			
3,574,000 Esprit	3,491	0.55	13.57
36,072,000 Fufeng Group	8,584	1.34	15.08
2,211,457 HSBC Holdings	14,377	2.25	
2,543,500 Hutchison Whampoa	19,957	3.12	
37,811,006 PCCW	14,466	2.26	
1,108,486 Standard Chartered	13,551	2.12	
3,821,000 Techtronic Industries	7,012	1.10	
5,940,938 The Hongkong and Shanghai Hotels	5,294	0.83	
<b>India</b>			
3,035,000 Axis Bank	11,963	1.87	8.68
1,873,251 CESC	12,884	2.02	10.47
2,050,000 Crompton Greaves	3,978	0.62	
1,261,184 Genpact	13,188	2.06	
2,540,000 Indiabulls Housing Finance	9,570	1.50	
1,326,196 McLeod Russel India	3,879	0.61	
<b>Philippines</b>			
159,999,950 Energy Development	15,902	2.49	2.49
<b>Singapore</b>			
20,577,000 CSE Global	6,806	1.06	8.48
1,941,118 DBS Group Holdings	16,777	2.63	8.78
40,786,000 Genting Hong Kong	9,095	1.42	
488,279 Jardine Matheson	17,724	2.77	
345,348 United Overseas Bank	3,823	0.60	

# M&G Asian Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 %
<b>South Korea</b>		<b>18.58</b>	<b>15.01</b>
91,500 E-Mart	13,270	2.08	
542,000 Hana Financial Group	13,692	2.14	
142,000 Hyundai Motor	19,666	3.08	
357,848 Kia Motors	12,996	2.03	
39,400 Samsung Electronic	28,876	4.52	
547,000 Shinhan Financial Group	17,037	2.66	
489,766 SK hynix	13,202	2.07	
<b>Taiwan</b>		<b>7.84</b>	<b>8.18</b>
12,199,564 Compal Electronics	6,543	1.02	
2,546,000 Delta Electronics	10,780	1.69	
7,814,178 Taiwan Semiconductor Manufacturing	19,537	3.06	
6,641,000 TECO Electric & Machinery	5,035	0.79	
5,466,000 Yungtay Engineering	8,156	1.28	
<b>Thailand</b>		<b>2.35</b>	<b>1.50</b>
33,995,300 Krung Thai Bank	15,010	2.35	
<b>Brazil</b>		<b>0.00</b>	<b>2.00</b>
<b>Eire ('AAA' rated money market funds) <sup>[a]</sup></b>		<b>1.57</b>	<b>0.02</b>
16,628,000 Northern Trust Global Fund - US dollar	10,021	1.57	
<b>Portfolio of investments (notes 1b &amp; 1c on page 7)</b>	<b>630,641</b>	<b>98.68</b>	<b>98.70</b>
<b>Net other assets</b>	<b>8,451</b>	<b>1.32</b>	<b>1.30</b>
<b>Net assets attributable to shareholders</b>	<b>639,092</b>	<b>100.00</b>	<b>100.00</b>

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

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

## PORTFOLIO TRANSACTIONS

for the year ended 31 August 2014

<b>Largest purchases</b>	<b>£'000</b>
E-Mart	12,435
Orica	12,376
PICC Property & Casualty	12,280
Kia Motors	11,755
SK hynix	10,574
Standard Chartered	10,028
Genting Hong Kong	10,016
Nufarm	9,975
Hyundai Motor	9,141
Fufeng Group	8,459
Jardine Matheson	6,866
Greatview Aseptic Packaging	5,810
Mindray Medical International ADR	5,763
Yungtay Engineering	5,468
Iluka Resources	5,244
Samsung Electronic	5,008
DBS Group Holdings	5,004
TECO Electric & Machinery	4,825
China Resources Power	4,805
Krung Thai Bank	4,686
Northern Trust Global Fund - US dollar <sup>[a]</sup>	140,529
<b>Other purchases</b>	<b>64,662</b>
<b>Total purchases</b>	<b>365,709</b>
<b>Largest sales</b>	<b>£'000</b>
AZ Electronic Materials	19,138
Naver Corporation	9,514
Idea Cellular	8,633
Vale ADR	8,404
Petra Foods	7,783
Yingde Gases	7,732
Delta Electronics	7,081
CESC	6,402
Crompton Greaves	5,727
Axis Bank	5,173
Punjab National Bank	5,101
Shui On Land	4,808
Power Grid Corporation of India	4,466
HollySys Automation Technologies	4,152
Esprit	3,984
Hutchison Whampoa	3,932
Bank of India	3,655
United Overseas Bank	3,494
Prudential	3,390
Techtronic Industries	3,288
Northern Trust Global Fund - US dollar <sup>[a]</sup>	130,385
<b>Other sales</b>	<b>24,194</b>
<b>Total sales</b>	<b>280,436</b>

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

# M&G Asian Fund

## FINANCIAL STATEMENTS

For the year ended 31 August 2014.

### STATEMENT OF TOTAL RETURN

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	3		72,432		53,936
Revenue	4	12,819		12,795	
Expenses	5	(7,885)		(8,153)	
Finance costs: Interest	12	(1)		0	
Net revenue before taxation		4,933		4,642	
Taxation	6	(478)		(662)	
Net revenue after taxation			4,455		3,980
<b>Total return before distributions</b>			<b>76,887</b>		<b>57,916</b>
Finance costs: Distributions	12		(2,142)		(2,694)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>74,745</b>		<b>55,222</b>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

		2014		2013	
		£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders			478,042		467,697
Amounts received on issue of shares	218,285			147,361	
Amounts paid on cancellation of shares	(134,069)			(194,161)	
			84,216		(46,800)
Stamp Duty Reserve Tax (SDRT)			(27)		(46)
Change in net assets attributable to shareholders from investment activities (see above)			74,745		55,222
Retained distributions on Accumulation shares			2,115		1,969
Unclaimed distributions			1		0
<b>Closing net assets attributable to shareholders</b>			<b>639,092</b>		<b>478,042</b>

## BALANCE SHEET

	as at 31 August 2014		as at 31 August 2013	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Investment assets		630,641		471,814
Debtors				
Amounts receivable on issues	7,320		791	
Currency deals outstanding	730		65	
Dividends receivable	1,529		1,408	
Prepaid expenses	0		1	
Sales awaiting settlement	123		3,349	
		9,702		5,614
Cash and bank balances				
Cash held as bank balances	4,281		3,078	
		4,281		3,078
<b>Total other assets</b>		<b>13,983</b>		<b>8,692</b>
<b>Total assets</b>		<b>644,624</b>		<b>480,506</b>
<b>Liabilities</b>				
Creditors				
Amounts payable on cancellations	(445)		(359)	
Currency deals outstanding	(732)		(65)	
Expenses payable	(510)		(369)	
Net distributions payable on Income shares	(349)		(544)	
Purchases awaiting settlement	(3,496)		(1,125)	
SDRT payable	0		(2)	
<b>Total liabilities</b>		<b>(5,532)</b>		<b>(2,464)</b>
<b>Net assets attributable to shareholders</b>		<b>639,092</b>		<b>478,042</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting policies

The financial statements have been prepared in accordance with the accounting policies set out in the notes to the aggregated financial statements on page 7. The amount available for distribution is calculated in accordance with note 1j set out in the notes to the aggregated financial statements, reduced by the value of stock dividends as it is the policy of the sub-fund not to distribute these.

### 2 Risk management policies

The general risk management policies are set out in note 2 to the aggregated financial statements on page 8. The Authorised Corporate Director accepts that the market price risk in respect of the Asian stocks held in the investment portfolio may be more volatile and have wider than average price fluctuations.

### 3 Net capital gains

	2014	2013
	£'000	£'000
Non-derivative securities	73,554	53,986
Currency losses	(561)	(37)
Capital gains tax (India)	(527)	0
Transaction charges	(34)	(13)
<b>Net capital gains</b>	<b>72,432</b>	<b>53,936</b>

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 4 Revenue

	2014 £'000	2013 £'000
Bank interest	2	1
Interest distributions	4	6
Overseas dividends	9,928	10,184
Stock dividends	2,313	1,288
UK dividends	572	1,316
<b>Total revenue</b>	<b>12,819</b>	<b>12,795</b>

#### 5 Expenses

	2014 £'000	2013 £'000
<b>Payable to the Authorised Corporate Director or associate</b>		
Authorised Corporate Director's periodic charge	6,716	6,957
Administration fee	779	784
	7,495	7,741
<b>Payable to the Depositary or associate</b>		
Depositary's fee (including VAT)	36	36
<b>Other expenses</b>		
Audit fee (including VAT)	7	9
Dividend charges	20	0
Regulatory fees	6	7
Safe custody charge	315	350
Tax fees (including VAT) <sup>[a]</sup>	8	15
	356	381
<b>VAT recovered</b>		
Current year	(1)	(2)
Prior year	(1)	(3)
	(2)	(5)
<b>Total expenses</b>	<b>7,885</b>	<b>8,153</b>

<sup>[a]</sup> Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP and Ernst & Young LLP.

#### 6 Taxation

	2014 £'000	2013 £'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Overseas tax	478	662
Current tax charge (note 6b)	478	662
Deferred tax (note 6c)	0	0
<b>Total taxation</b>	<b>478</b>	<b>662</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue before taxation	4,933	4,642
Corporation tax at 20%	987	928
Effects of:		
UK dividends not taxable	(114)	(263)
Stock dividends not taxable	(463)	(258)
Overseas dividends not taxable	(1,887)	(2,009)
Current year expenses not utilised	1,492	1,602
Overseas tax expensed	(15)	0
Overseas tax	478	662
<b>Current tax charge (note 6a)</b>	<b>478</b>	<b>662</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

The sub-fund has not recognised a deferred tax asset of £7,191,000 (31.08.13: £5,699,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

#### 7 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (31.08.13: same).

#### 8 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the sub-fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the statement of change in net assets attributable to shareholders and note 12. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in the balance sheet where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's periodic charge and administration fee are disclosed in note 5. Amounts due at the year end to the ACD of £319,000 (31.08.13: £229,000) in respect of the ACD's periodic charge and administration fee are included within expenses payable as disclosed in the balance sheet.

During the year, there were transactions in Prudential plc, a related party of M&G Securities Limited with a total value of £4,565,000 (2013: £7,159,000).

At the balance sheet date, the sub-fund held shares in related parties of M&G Securities Limited with a value of £12,027,000 (31.08.13: £11,035,000).

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 31.26% (31.08.13: 35.73%) of the sub-fund's shares.



## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 9 Financial instruments

The policies applied in the management of financial instruments are set out in note 2.

Short-term debtors and creditors have been included in respect of the currency exposure only when this is applicable (31.08.13: same).

#### Currency exposure

The currency profile of the sub-fund's financial instruments at the balance sheet date was:

	Portfolio of investments		Net other (liabilities) / assets		Total	
	as at 31.08.14	as at 31.08.13	as at 31.08.14	as at 31.08.13	as at 31.08.14	as at 31.08.13
	£'000	£'000	£'000	£'000	£'000	£'000
Australian dollar	71,393	43,707	(335)	307	71,058	44,014
Euro	0	0	6,737	365	6,737	365
Hong Kong dollar	196,880	148,460	367	1,681	197,247	150,141
Indian rupee	42,275	38,721	4	(50)	42,279	38,671
Philippine peso	15,902	12,258	5	1	15,907	12,259
Singapore dollar	27,406	31,260	420	425	27,826	31,685
South Korean won	118,739	71,735	8	1,196	118,747	72,931
Taiwan dollar	50,051	39,048	1,895	1,685	51,946	40,733
Thailand baht	15,010	7,162	0	0	15,010	7,162
US dollar	77,212	52,884	4	1,481	77,216	54,365
	614,868	445,235	9,105	7,091	623,973	452,326
Sterling	15,773	26,579	(654)	(863)	15,119	25,716
<b>Total</b>	<b>630,641</b>	<b>471,814</b>	<b>8,451</b>	<b>6,228</b>	<b>639,092</b>	<b>478,042</b>

#### Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.13: same).

#### Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.13: same).

#### 10 Portfolio transaction costs

	2014 £'000	2013 £'000
<b>a) Purchases</b>		
Purchases excluding transaction costs	365,302	275,033
Commissions	305	204
Taxes	102	95
Total transaction costs	407	299
<b>Total purchases including transaction costs</b>	<b>365,709</b>	<b>275,332</b>
<b>b) Sales</b>		
Sales excluding transaction costs	280,777	318,031
Commissions	(184)	(271)
Taxes	(157)	(173)
Total transaction costs	(341)	(444)
<b>Total sales net of transaction costs</b>	<b>280,436</b>	<b>317,587</b>

#### 11 Shareholder funds

This sub-fund contains Sterling Class 'A' (Net Income and Net Accumulation) shares, Sterling Class 'I' (Net Income and Net Accumulation) shares, Sterling Class 'R' (Net Income and Net Accumulation) shares and Sterling Class 'X' (Net Income and Net Accumulation) shares.

This sub-fund also contains Euro Class 'A' (Net Accumulation) shares and Euro Class 'C' (Net Accumulation) shares.

This sub-fund also contains US dollar Class 'A' (Net Accumulation) shares and US dollar Class 'C' (Net Accumulation) shares.

The charging structure for each share class, as at 31 August 2014, is set out in the following table (31.08.13: same):

#### CHARGES AND EXPENSES

	Initial charge %	Withdrawal fee %	ACD's annual remuneration %
<b>Sterling</b>			
Class 'A'	4.00	n/a	1.50
Class 'I'	1.00	n/a	0.75
Class 'R'	1.00	n/a	1.00
Class 'X'	nil	4.50 <sup>[a]</sup>	1.50
<b>Euro</b>			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75
<b>US dollar</b>			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75

<sup>[a]</sup> The withdrawal fee diminishes over a period of five years. Please refer to the Key Investor Information Document (KIID) in conjunction with the Important Information for Investors document.

With the exception of the Authorised Corporate Director's periodic charge, which is directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

The net asset values for each share class are set out in the following table:

#### NET ASSET VALUES

	31.08.14		31.08.13	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
<b>Sterling</b>				
Class 'A'	161,702	113,130	146,797	91,545
Class 'I'	4,312	22,497	1,789	3,570
Class 'R'	194	96	124	83
Class 'X'	12,646	6,731	11,863	6,567
<b>Euro</b>				
Class 'A'	n/a	126,951	n/a	82,311
Class 'C'	n/a	151,156	n/a	102,324
<b>US dollar</b>				
Class 'A'	n/a	16,112	n/a	18,293
Class 'C'	n/a	23,565	n/a	12,776

The net asset value per share and the number of shares are given in the net assets table on page 24. The distribution per share is given in the distribution table on page 29. Each share class has the same rights on winding-up.

# M&G Asian Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 12 Finance costs

	2014 £'000	2013 £'000
<b>Income shares (Sterling)</b>		
Class 'A' - Final	286	483
Class 'I' - Final	38	20
Class 'R' - Final	1	1
Class 'X' - Final	24	40
<b>Accumulation shares (Sterling)</b>		
Class 'A' - Final	192	234
Class 'I' - Final	195	40
Class 'R' - Final	1	1
Class 'X' - Final	14	23
<b>Accumulation shares (Euro)</b>		
Class 'A' - Final	205	318
Class 'C' - Final	1,290	1,138
<b>Accumulation shares (US dollar)</b>		
Class 'A' - Final	13	74
Class 'C' - Final	205	141
Finance costs: Dividend distributions	2,464	2,513
Income deducted on cancellation of shares	125	332
Income received on issue of shares	(447)	(151)
<b>Finance costs: Distributions</b>	<b>2,142</b>	<b>2,694</b>
Finance costs: Interest	1	0
<b>Total finance costs</b>	<b>2,143</b>	<b>2,694</b>
Net revenue per statement of total return	4,455	3,980
Stock dividends not distributed	(2,313)	(1,288)
Undistributed income brought forward	0	2
<b>Finance costs: Distributions</b>	<b>2,142</b>	<b>2,694</b>

### DISTRIBUTION TABLE

Dividend distributions on Income shares	Net income	Equalisation	Distribution payable/paid	
			2014	2013
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A' - Final				
Group 1:	2.0239	-	2.0239	3.2531
Group 2:	1.9728	0.0511	2.0239	3.2531
Class 'I' - Final				
Group 1:	11.2559	-	11.2559	12.4785
Group 2:	6.4691	4.7868	11.2559	12.4785
Class 'R' - Final				
Group 1:	0.8254	-	0.8254	1.1335
Group 2:	0.5831	0.2423	0.8254	1.1335
Class 'X' - Final				
Group 1:	2.1302	-	2.1302	3.3702
Group 2:	1.9478	0.1824	2.1302	3.3702
<b>Dividend distributions on Accumulation shares</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Amount reinvested</b>	
			2014	2013
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A' - Final				
Group 1:	3.0067	-	3.0067	3.9056
Group 2:	2.9230	0.0837	3.0067	3.9056
Class 'I' - Final				
Group 1:	11.4939	-	11.4939	12.6898
Group 2:	6.5178	4.9761	11.4939	12.6898
Class 'R' - Final				
Group 1:	0.8361	-	0.8361	1.1477
Group 2:	0.8361	-	0.8361	1.1477
Class 'X' - Final				
Group 1:	3.5741	-	3.5741	5.2202
Group 2:	3.5023	0.0718	3.5741	5.2202
<b>Euro</b>	<b>¢</b>	<b>¢</b>	<b>¢</b>	<b>¢</b>
Class 'A' - Final				
Group 1:	5.4918	-	5.4918	10.5665
Group 2:	5.1102	0.3816	5.4918	10.5665
Class 'C' - Final				
Group 1:	31.5392	-	31.5392	32.7831
Group 2:	18.5514	12.9878	31.5392	32.7831
<b>US dollar</b>	<b>¢</b>	<b>¢</b>	<b>¢</b>	<b>¢</b>
Class 'A' - Final				
Group 1:	2.0414	-	2.0414	8.5121
Group 2:	1.8718	0.1696	2.0414	8.5121
Class 'C' - Final				
Group 1:	23.5170	-	23.5170	23.8828
Group 2:	16.6550	6.8620	23.5170	23.8828

Final period 01.09.13 - 31.08.14

Group 1: Shares purchased prior to a distribution period.

Group 2: Shares purchased during a distribution period.

Equalisation applies only to shares purchased during the distribution period (Group 2). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes.

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# M&G European Fund

## INVESTMENT OBJECTIVE, POLICY AND APPROACH

### Investment objective and policy of the M&G European Fund

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.

### Investment approach

The M&G European Fund is a concentrated portfolio of between 40 and 60 holdings. It seeks to capitalise on compelling investment opportunities from across the European investment universe. The fund manager adopts a bottom-up approach to stock selection, based upon a strong foundation of detailed fundamental research.

Consistent with the manager's investment philosophy, the portfolio has a growth bias. However, the manager does not define growth in the traditional sense that focuses on rapid growth in earnings or sales. Instead, his innovative approach to growth rests upon the identification of companies with world-class scarce assets that are not easily replicable, and which give such companies an edge over international competitors to drive profitability, grow their businesses and create long-term value.

By virtue of their scarce assets, these companies can compete effectively on the world stage, and generate sustainable returns above the cost of capital through time. By reinvesting in the business at attractive rates of return, the fundamental value of these companies should grow over time, thereby rewarding long-term investors.

Accordingly, the fund manager is prepared to be a long-term investor in companies with scarce assets whose long-term potential is not fully recognised by the market, in the expectation that the true intrinsic value of these assets will be recognised by other market participants over time.

The fund manager regards meeting a company's management team as an important element of the research process, allowing him to gauge his conviction in the company's abilities and assets. The fund manager also works closely with the portfolio construction and risk team to ensure that the primary driver of the portfolio's risk is stock selection, and that unintended risks are minimised. Investors can therefore expect a long-term, bottom-up stock-selection investment approach with moderate turnover.

### Risk and reward profile\*



- The above risk number is based on the rate at which the value of the Fund has moved up and down in the past.
- This risk number is based on historical data and may not be a reliable indicator of the future risk profile of the Fund.

- The risk number shown is not guaranteed and may change over time.

- The lowest risk number does not mean risk free.

\* This 'Risk and reward profile' section is based on Sterling Class 'A' shares.

## INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

### As at 1 September 2014, for the year ended 31 August 2014

We made a number of purchases over the period under review, all of which we believe have business models that are well-protected from competition, and positive change dynamics that should allow them to grow their fundamental value over time.

We bought shares in two Spain-listed companies, international IT services and solutions provider Indra Sistemas and oil & gas engineering firm Técnicas Reunidas. Indra Sistemas has been expanding globally, which we think is set to continue, and we believe that its people, technology, strong market positions and aftermarkets make it very difficult to compete with. Técnicas also operates globally, with expertise and know-how in very niche areas in the energy sector. Also related to energy, we added a holding in Norwegian seismic surveyor TGS-NOPEC Geophysical, which provides geophysical data for the oil & gas industry.

Other additions included Swedish copper and zinc miner Boliden, Ireland-listed building materials company Kingspan, Dutch financial group ING and Swedish credit management services and solutions business Intrum Justitia.

Conversely, we sold a number of holdings that we thought had become too expensive, or where the investment case for the stock had changed materially. An example of the former was Dutch shopping centre developer Eurocommercial Properties. We like the business, and believe it to be one of the best run property companies in Europe. However, it underwent a period of very strong performance and began to look more fully valued than we were comfortable with. It was a similar case for Swedish air compressor and mining equipment manufacturer Atlas Copco, as well as Amadeus IT Holdings, the global leader in IT outsourcing for airlines, both of which left the portfolio on valuation grounds.

Elsewhere, we sold our shares in Swedish communications equipment producer Ericsson and French specialist steel pipe maker Vallourec. For Ericsson, we had grown sceptical of the long-term growth trajectory of the business, and became frustrated by what had developed into unpredictable earnings streams. In the case of Vallourec, we lost faith in the company's ability to effectively manage the business's operations.

### Charles Anniss Fund manager

An employee of M&G Limited which is an associate of M&G Securities Limited. On 1 July 2014, Charles Anniss took over sole management of the M&G European Fund, having previously co-managed the fund with Greg Aldridge.

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

# M&G European Fund

## FUND STATISTICS

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd		payment	
Final	01.09.15		31.10.15	
	Final distribution		Ongoing Charges Figure <sup>[b]</sup>	
	Inc 31.10.14 <sup>[a]</sup>	Acc 01.09.14 <sup>[a]</sup>	31.08.14	31.08.13
<b>Sterling</b>	p	p	%	%
Class 'A'	27.0446	39.0372	1.70	1.69
Class 'I'	34.8712	35.5087	0.95	0.94
Class 'R'	3.1698	3.2132	1.20	1.19
Class 'X'	26.8675	39.0550	1.70	1.69
<b>Euro</b>	€	€	%	%
Class 'A'	n/a	24.9339	1.70	1.70
Class 'C'	n/a	37.3347	0.95	0.94

<sup>[a]</sup> The date on which the final distribution will be paid to Income shareholders and credited to Accumulation shareholders.

<sup>[b]</sup> The Ongoing Charges Figure is the ratio of the relevant annualised total disclosable costs of each share class from the most recent reporting period to the average net asset value for that share class over the same period.

### FUND PERFORMANCE

#### Performance of share classes

	Net asset value per share as at 31.08.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
<b>Sterling</b>	p	p	p	p	%	%
Class 'A'	1,437.64	2,123.67	1,406.82	2,039.89	+2.19	+4.11
Class 'I'	1,303.34	1,358.63	1,275.67	1,295.29	+2.17	+4.89
Class 'R'	130.40	135.22	127.65	129.24	+2.15	+4.63
Class 'X'	1,423.71	2,101.31	1,393.27	2,018.41	+2.18	+4.11
<b>Euro</b>	€	€	€	€	%	%
Class 'A'	n/a	12.9303	n/a	11.5600	n/a	+11.85
Class 'C'	n/a	14.2733	n/a	12.6646	n/a	+12.70

Past performance is not a guide to future performance.

The value of stockmarket 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.

## PERFORMANCE SINCE LAUNCH

	six months 03.03.14 %	one year 02.09.13 %	five years 01.09.09 % p.a. <sup>[a]</sup>	since launch % p.a. <sup>[a]</sup>
<b>Sterling <sup>[b]</sup></b>				
Class 'A'	-1.7	+2.0	+5.2	+8.1 <sup>[c]</sup>
Class 'I'	-2.1	+2.0	n/a	+13.8 <sup>[d]</sup>
Class 'R'	-1.9	+2.0	n/a	+13.8 <sup>[d]</sup>
Class 'X'	-1.7	+2.0	+5.3	+7.9 <sup>[e]</sup>
<b>Euro <sup>[f]</sup></b>				
Class 'A'	+3.5	+10.7	+8.5	+2.0 <sup>[g]</sup>
Class 'C'	+3.9	+11.5	+9.3	+2.8 <sup>[g]</sup>

<sup>[a]</sup> Shows the compound rate of return, per annum, over the period.

<sup>[b]</sup> Bid to bid excluding reinvested income.

<sup>[c]</sup> 24 July 1972, the end of the initial offer period of the predecessor unit trust.

<sup>[d]</sup> 3 August 2012, the launch date of the share class.

<sup>[e]</sup> 1 October 2002, the launch date of the share class.

<sup>[f]</sup> Bid to bid with net income reinvested.

<sup>[g]</sup> 26 November 2001, the launch date of the share class.

### SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From To	01.09.13 31.08.14 %	01.09.12 31.08.13 %	01.09.11 31.08.12 %	01.09.10 31.08.11 %	01.09.09 31.08.10 %
<b>Sterling</b>					
Class 'A'	+3.7	+26.9	+2.0	+8.8	-9.1

Source: Morningstar, Inc., bid to bid with net income reinvested.

# M&G European Fund

## FUND STATISTICS

PRICES					
		Income shares		Accumulation shares	
Calendar year		Highest	Lowest	Highest	Lowest
Sterling (net)		p	p	p	p
Class 'A'	2009	1,293.20	823.33	1,810.75	1,143.77
	2010	1,285.34	1,003.99	1,799.74	1,405.79
	2011	1,343.17	964.94	1,898.60	1,377.44
	2012	1,243.94	1,033.06	1,790.15	1,474.69
	2013	1,511.61	1,242.25	2,191.68	1,787.71
	2014 <sup>[a]</sup>	1,549.87	1,390.51	2,247.21	2,016.15
Class 'I'	2012 <sup>[b]</sup>	1,130.50	1,000.00	1,130.98	1,000.00
	2013	1,372.47	1,129.10	1,393.38	1,129.58
	2014 <sup>[a]</sup>	1,413.62	1,269.84	1,435.24	1,289.27
	2012 <sup>[b]</sup>	112.99	100.00	113.01	100.00
Class 'R'	2013	137.28	112.85	138.97	112.87
	2014 <sup>[a]</sup>	141.18	126.77	142.92	128.34
	2012 <sup>[b]</sup>	1,279.04	814.93	1,791.70	1,131.73
Class 'X'	2010	1,271.27	993.00	1,780.81	1,391.00
	2011	1,328.01	953.98	1,878.63	1,362.95
	2012	1,232.01	1,021.33	1,771.32	1,459.18
	2013	1,497.05	1,230.33	2,168.60	1,768.91
	2014 <sup>[a]</sup>	1,534.94	1,377.12	2,223.55	1,994.93
Euro (net)		€	€	€	€
Class 'A'	2009	n/a	n/a	9.4000	6.1191
	2010	n/a	n/a	9.8549	8.1585
	2011	n/a	n/a	10.3654	7.7044
	2012	n/a	n/a	10.6037	8.8510
	2013	n/a	n/a	12.4591	10.6407
	2014 <sup>[a]</sup>	n/a	n/a	13.4613	11.9772
Class 'C'	2009	n/a	n/a	10.0065	6.4563
	2010	n/a	n/a	10.5831	8.7232
	2011	n/a	n/a	11.1602	8.3184
	2012	n/a	n/a	11.5567	9.5780
	2013	n/a	n/a	13.6782	11.5999
	2014 <sup>[a]</sup>	n/a	n/a	14.8348	13.1653

<sup>[a]</sup> To 1 September 2014.

<sup>[b]</sup> From 3 August 2012 (the launch date of the share class).

## INCOME

Dividend income per share		Distributed	Reinvested
Calendar year			
Sterling (net)		p	p
Class 'A'	2009	8.8450	12.2875
	2010	10.0920	14.1309
	2011	11.0060	15.4890
	2012	8.9250	12.7754
	2013	10.6476	15.3357
	2014 <sup>[a]</sup>	27.0446	39.0372
Class 'I'	2012	0.4250	0.4250
	2013	19.0756	18.2932
	2014 <sup>[a]</sup>	34.8712	35.5087
Class 'R'	2012	0.0210	0.0210
	2013	1.5518	1.5714
	2014 <sup>[a]</sup>	3.1698	3.2132
Class 'X'	2009	9.5940	13.3236
	2010	10.3360	14.4788
	2011	10.9620	15.3860
	2012	6.9770	12.9092
	2013	10.5983	15.1976
	2014 <sup>[a]</sup>	26.8675	39.0550
Euro (net)		€	€
Class 'A'	2009	n/a	6.9900
	2010	n/a	nil
	2011	n/a	8.4860
	2012	n/a	8.8200
	2013	n/a	12.0041
	2014 <sup>[a]</sup>	n/a	24.9339
Class 'C'	2009	n/a	13.5860
	2010	n/a	16.7070
	2011	n/a	16.8820
	2012	n/a	16.3914
	2013	n/a	18.2411
	2014 <sup>[a]</sup>	n/a	37.3347

<sup>[a]</sup> Up to final: ex-distribution date 1 September 2014;  
payment date 31 October 2014.

The level of income earned by the fund will fluctuate.

# M&G European Fund

## FUND STATISTICS

NET ASSETS					
	Year ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
<b>Sterling</b>					
Class 'A'	Aug 2012	1,120.67	1,612.49	5,178,033	4,422,222
	Aug 2013	1,406.82	2,039.89	7,432,983	3,292,622
	Aug 2014	1,437.64	2,123.67	7,154,663	2,955,457
Class 'I'	Aug 2012	1,015.83	1,016.26	100	100
	Aug 2013	1,275.67	1,295.29	33,300	54,800
	Aug 2014	1,303.34	1,358.63	127,600	135,370
Class 'R'	Aug 2012	101.59	101.61	1,000	1,000
	Aug 2013	127.65	129.24	48,100	15,000
	Aug 2014	130.40	135.22	110,100	30,000
Class 'X'	Aug 2012	1,109.79	1,595.53	94,194	38,242
	Aug 2013	1,393.27	2,018.41	96,869	38,307
	Aug 2014	1,423.71	2,101.31	101,769	36,187
<b>Euro</b>					
Class 'A'	Aug 2012	€ n/a	€ 9.8232	n/a	37,760
	Aug 2013	n/a	11.5600	n/a	56,760
	Aug 2014	n/a	12.9303	n/a	107,710
Class 'C'	Aug 2012	n/a	10.6815	n/a	2,225
	Aug 2013	n/a	12.6646	n/a	4,725
	Aug 2014	n/a	14.2733	n/a	9,505
<b>Total net asset value of sub-fund</b>					
	Year ended	£		€ [a]	
	Aug 2012	131,310,000		165,278,000	
	Aug 2013	175,684,000		205,707,000	
	Aug 2014	172,733,000		217,316,000	

[a] Based on the midday exchange rate on the last business day of each financial year.

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 %
<b>Oil &amp; gas producers</b>		<b>6.96</b>	<b>7.34</b>
246,153 Repsol	3,689	2.14	
187,000 Statoil	3,185	1.84	
129,000 Total	5,150	2.98	
<b>Oil equipment, services &amp; distribution</b>		<b>3.29</b>	<b>0.00</b>
93,000 Técnicas Reunidas	3,082	1.78	
153,000 TGS-NOPEC Geophysical	2,609	1.51	
<b>Chemicals</b>		<b>7.94</b>	<b>6.89</b>
78,000 Bayer	6,324	3.66	
122,000 Symrise	3,932	2.28	
118,500 Umicore	3,458	2.00	
<b>Mining</b>		<b>1.72</b>	<b>0.00</b>
310,000 Boliden	2,972	1.72	
<b>Construction &amp; materials</b>		<b>4.21</b>	<b>1.96</b>
86,000 Holcim (Regd.)	4,152	2.40	
296,000 Kingspan Group (Dublin listing)	3,122	1.81	
<b>Aerospace &amp; defence</b>		<b>1.74</b>	<b>2.23</b>
81,000 Airbus (formerly European Aeronautic Defence and Space)	3,002	1.74	
<b>Industrial engineering</b>		<b>3.34</b>	<b>6.63</b>
79,000 Andritz	2,559	1.48	
61,000 MTU Aero Engines	3,216	1.86	
<b>Support services</b>		<b>3.77</b>	<b>4.77</b>
97,500 DCC	3,459	2.00	
735,000 Prosegur Compania Seguridad	3,061	1.77	
<b>Automobiles &amp; parts</b>		<b>4.54</b>	<b>4.87</b>
64,000 Bayerische Motoren Werke	4,546	2.63	
57,000 Deltec	890	0.52	
117,000 ElringKlinger	2,398	1.39	
<b>Food producers</b>		<b>10.77</b>	<b>11.44</b>
102,500 Chr. Hansen Holding	2,534	1.47	
80,995 Danone	3,436	1.99	
156,000 Nestlé (Regd.)	7,296	4.22	
212,000 Unilever	5,329	3.09	
<b>Leisure goods</b>		<b>2.72</b>	<b>2.89</b>
225,000 Amer Sports	2,729	1.58	
512,000 Gameloft	1,974	1.14	
<b>Personal goods</b>		<b>5.96</b>	<b>4.81</b>
77,000 adidas	3,490	2.02	
27,000 HUGO BOSS	2,294	1.33	
99,620 Pandora	4,512	2.61	
<b>Healthcare equipment &amp; services</b>		<b>4.04</b>	<b>3.49</b>
88,000 Fresenius Medical Care	3,748	2.17	
33,500 Sonova Holding	3,233	1.87	
<b>Pharmaceuticals &amp; biotechnology</b>		<b>7.55</b>	<b>9.24</b>
111,000 Novartis (Regd.)	6,004	3.48	
40,000 Roche Holding 'Genussscheine'	7,022	4.07	
<b>General retailers</b>		<b>1.81</b>	<b>1.40</b>
286,000 TAKKT	3,120	1.81	
<b>Media</b>		<b>3.74</b>	<b>4.47</b>
72,500 GFK	1,814	1.05	
102,782 Publicis Groupe	4,640	2.69	



# M&G European Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 %
<b>Banks</b>		<b>4.88</b>	<b>4.71</b>
147,000 Société Générale	4,507	2.61	
138,500 Svenska Handelsbanken 'A'	3,932	2.27	
<b>Non-life insurance</b>		<b>6.00</b>	<b>5.11</b>
150,000 Vienna Insurance Group	4,352	2.52	
33,000 Zurich Insurance	6,012	3.48	
<b>Life insurance</b>		<b>4.13</b>	<b>1.64</b>
640,000 ING Groep	5,339	3.09	
528,000 Storebrand	1,803	1.04	
<b>Real estate investment &amp; services</b>		<b>1.13</b>	<b>1.09</b>
242,000 Hufvudstaden	1,957	1.13	
<b>Real estate investment trusts</b>		<b>0.00</b>	<b>1.34</b>
<b>Financial services</b>		<b>4.56</b>	<b>2.17</b>
335,000 GAM Holding (Regd.)	3,931	2.28	
210,000 Intrum Justitia	3,931	2.28	
<b>Software &amp; computer services</b>		<b>5.51</b>	<b>4.65</b>
268,000 Indra Sistemas	2,441	1.41	
99,000 SAP	4,665	2.70	
75,000 Wincor Nixdorf	2,417	1.40	
<b>Technology hardware &amp; equipment</b>		<b>0.00</b>	<b>2.32</b>
<b>'AAA' rated money market funds <sup>[a]</sup></b>		<b>0.00</b>	<b>2.89</b>
Portfolio of investments (notes 1b & 1c on page 7)	173,268	100.31	98.35
Net other (liabilities) / assets	(535)	(0.31)	1.65
Net assets attributable to shareholders	172,733	100.00	100.00

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

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

## PORTFOLIO TRANSACTIONS

for the year ended 31 August 2014

	£'000
<b>Largest purchases</b>	
ING Groep	5,321
Intrum Justitia	3,628
Kingspan Group (Dublin listing)	3,086
Boliden	2,786
TGS-NOPEC Geophysical	2,747
Técnicas Reunidas	2,706
Indra Sistemas	2,616
Asya Katilim Bankasi	1,773
adidas	1,222
Vienna Insurance Group	1,132
Publicis Groupe	1,035
TAKKT	861
Gameloft	815
Andritz	674
SAP	617
ElringKlinger	539
Amer Sports	500
Holcim (Regd.)	427
Bayer	422
Repsol	360
Northern Trust Global Fund - Euro <sup>[a]</sup>	20,504
Other purchases	464
<b>Total purchases</b>	<b>54,235</b>
<b>Largest sales</b>	
Novartis (Regd.)	4,044
Ericsson 'B'	3,739
Vallourec	3,227
Amadeus IT Holdings	3,033
Eurocommercial Properties	2,836
Nestlé (Regd.)	2,474
Total	1,512
Atlas Copco 'A'	1,277
Airbus (formerly European Aeronautic Defence and Space)	1,042
Storebrand	1,011
Wincor Nixdorf	1,004
Roche Holding 'Genussscheine'	958
Asya Katilim Bankasi	905
Publicis Groupe	724
GFK	676
Repsol	627
Prosegur Compania Seguridad	621
Amer Sports	572
Bayerische Motoren Werke	538
Unilever	399
Northern Trust Global Fund - Euro <sup>[a]</sup>	25,462
Other sales	942
<b>Total sales</b>	<b>57,623</b>

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

# M&G European Fund

## FINANCIAL STATEMENTS

For the year ended 31 August 2014.

### STATEMENT OF TOTAL RETURN

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	3		3,797		33,427
Revenue	4	5,471		4,496	
Expenses	5	(3,041)		(2,656)	
Net revenue before taxation		2,430		1,840	
Taxation	6	1,049		(253)	
Net revenue after taxation			3,479		1,587
<b>Total return before distributions</b>			<b>7,276</b>		<b>35,014</b>
Finance costs: Distributions	12		(3,303)		(1,303)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>3,973</b>		<b>33,711</b>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

		2014		2013	
		£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>			<b>175,684</b>		<b>131,310</b>
Amounts received on issue of shares	5,017			44,650	
Amounts paid on cancellation of shares	(13,182)			(34,516)	
			(8,165)		10,134
Change in net assets attributable to shareholders from investment activities (see above)			3,973		33,711
Retained distributions on Accumulation shares		1,241		528	
Unclaimed distributions		0		1	
<b>Closing net assets attributable to shareholders</b>			<b>172,733</b>		<b>175,684</b>

## BALANCE SHEET

	as at		as at	
	31 August 2014	£'000	31 August 2013	£'000
<b>Assets</b>				
Investment assets		173,268		172,778
Debtors				
Amounts receivable on issues	0		85	
Currency deals outstanding	200		0	
Dividends receivable	41		42	
Overseas tax recoverable	722		828	
Prepaid expenses	0		1	
Sales awaiting settlement	0		253	
		963		1,209
Cash and bank balances				
Cash held as bank balances	1,069		3,194	
		1,069		3,194
<b>Total other assets</b>		<b>2,032</b>		<b>4,403</b>
<b>Total assets</b>		<b>175,300</b>		<b>177,181</b>
<b>Liabilities</b>				
Creditors				
Amounts payable on cancellations	(226)		(347)	
Currency deals outstanding	(200)		0	
Expenses payable	(131)		(123)	
Net distributions payable on Income shares	(2,010)		(809)	
Purchases awaiting settlement	0		(218)	
<b>Total liabilities</b>		<b>(2,567)</b>		<b>(1,497)</b>
<b>Net assets attributable to shareholders</b>		<b>172,733</b>		<b>175,684</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting policies

The financial statements have been prepared in accordance with the accounting policies set out in the notes to the aggregated financial statements on page 7. The amount available for distribution is calculated in accordance with note 1j set out in the notes to the aggregated financial statements, reduced by the value of stock dividends as it is the policy of the sub-fund not to distribute these.

### 2 Risk management policies

The general risk management policies are set out in note 2 to the aggregated financial statements on page 8. In addition to these policies the sub-fund accepts short-term currency risk in relation to euro exposures.

### 3 Net capital gains

	2014	2013
	£'000	£'000
Non-derivative securities	3,878	33,397
Currency (losses) / gains	(78)	34
Transaction charges	(3)	(4)
<b>Net capital gains</b>	<b>3,797</b>	<b>33,427</b>

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 4 Revenue

	2014 £'000	2013 £'000
Bank interest	1	1
Interest distributions	1	0
Interest on overseas tax previously withheld at source	441	31
Overseas dividends	4,852	4,179
Stock dividends	176	285
<b>Total revenue</b>	<b>5,471</b>	<b>4,496</b>

#### 5 Expenses

	2014 £'000	2013 £'000
<b>Payable to the Authorised Corporate Director or associate</b>		
Authorised Corporate Director's periodic charge	2,690	2,359
Administration fee	271	237
	2,961	2,596
<b>Payable to the Depositary or associate</b>		
Depositary's fee (including VAT)	15	14
<b>Other expenses</b>		
Audit fee (including VAT)	7	9
Regulatory fees	6	5
Safe custody charge	26	24
Tax fees (including VAT) <sup>[a]</sup>	26	8
	65	46
<b>Total expenses</b>	<b>3,041</b>	<b>2,656</b>

[a] Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP and Ernst & Young LLP.

#### 6 Taxation

	2014 £'000	2013 £'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Overseas tax	430	385
Overseas tax recovered: previously withheld at source	(1,479)	(132)
Current tax charge (note 6b)	(1,049)	253
Deferred tax (note 6c)	0	0
<b>Total taxation</b>	<b>(1,049)</b>	<b>253</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue before taxation	2,430	1,840
Corporation tax at 20%	486	368
Effects of:		
Stock dividends not taxable	(35)	(57)
Overseas dividends not taxable	(971)	(836)
Current year expenses not utilised	520	525
Overseas tax	430	385
Overseas tax recovered: previously withheld at source	(1,479)	(132)
<b>Current tax charge (note 6a)</b>	<b>(1,049)</b>	<b>253</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

The sub-fund has not recognised a deferred tax asset of £2,393,000 (31.08.13: £1,873,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

#### 7 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (31.08.13: same).

#### 8 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the sub-fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the statement of change in net assets attributable to shareholders and note 12. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in the balance sheet where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's periodic charge and administration fee are disclosed in note 5. Amounts due at the year end to the ACD of £101,000 (31.08.13: £98,000) in respect of the ACD's periodic charge and administration fee are included within expenses payable as disclosed in the balance sheet.

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 49.42% (31.08.13: 49.08%) of the sub-fund's shares.

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 9 Financial instruments

The policies applied in the management of financial instruments are set out in note 2.

Short-term debtors and creditors have been included in respect of the currency exposure only when this is applicable (31.08.13: same).

##### Currency exposure

The currency profile of the sub-fund's financial instruments at the balance sheet date was:

	Portfolio of investments		Net other assets / (liabilities)		Total	
	as at 31.08.14 £'000	as at 31.08.13 £'000	as at 31.08.14 £'000	as at 31.08.13 £'000	as at 31.08.14 £'000	as at 31.08.13 £'000
Danish krone	7,046	4,438	0	0	7,046	4,438
Euro	104,725	108,880	1,180	3,412	105,905	112,292
Norwegian krone	7,596	5,754	50	53	7,646	5,807
Swedish krona	12,792	11,168	0	16	12,792	11,184
Swiss franc	37,650	40,036	320	416	37,970	40,452
	169,809	170,276	1,550	3,897	171,359	174,173
Sterling	3,459	2,502	(2,085)	(991)	1,374	1,511
<b>Total</b>	<b>173,268</b>	<b>172,778</b>	<b>(535)</b>	<b>2,906</b>	<b>172,733</b>	<b>175,684</b>

##### Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.13: same).

##### Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.13: same).

#### 10 Portfolio transaction costs

	2014 £'000	2013 £'000
<b>a) Purchases</b>		
Purchases excluding transaction costs	54,172	66,030
Commissions	31	26
Taxes	32	19
Total transaction costs	63	45
<b>Total purchases including transaction costs</b>	<b>54,235</b>	<b>66,075</b>
<b>b) Sales</b>		
Sales excluding transaction costs	57,656	57,848
Commissions	(33)	(23)
<b>Total sales net of transaction costs</b>	<b>57,623</b>	<b>57,825</b>

#### 11 Shareholder funds

This sub-fund contains Sterling Class 'A' (Net Income and Net Accumulation) shares, Sterling Class 'I' (Net Income and Net Accumulation) shares, Sterling Class 'R' (Net Income and Net Accumulation) shares and Sterling Class 'X' (Net Income and Net Accumulation) shares.

This sub-fund also contains Euro Class 'A' (Net Accumulation) shares and Euro Class 'C' (Net Accumulation) shares.

The charging structure for each share class, as at 31 August 2014, is set out in the following table (31.08.13: same):

##### CHARGES AND EXPENSES

	Initial charge %	Withdrawal fee %	ACD's annual remuneration %
<b>Sterling</b>			
Class 'A'	4.00	n/a	1.50
Class 'I'	1.00	n/a	0.75
Class 'R'	1.00	n/a	1.00
Class 'X'	nil	4.50 [a]	1.50
<b>Euro</b>			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75

[a] The withdrawal fee diminishes over a period of five years. Please refer to the Key Investor Information Document (KIID) in conjunction with the Important Information for Investors document.

With the exception of the Authorised Corporate Director's periodic charge, which is directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

The net asset values for each share class are set out in the following table:

##### NET ASSET VALUES

	31.08.14		31.08.13	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
<b>Sterling</b>				
Class 'A'	102,858	62,764	104,569	67,166
Class 'I'	1,663	1,839	425	710
Class 'R'	144	41	61	19
Class 'X'	1,449	760	1,350	773
<b>Euro</b>				
Class 'A'	n/a	1,107	n/a	560
Class 'C'	n/a	108	n/a	51

The net asset value per share and the number of shares are given in the net assets table on page 34. The distribution per share is given in the distribution table on page 39. Each share class has the same rights on winding-up.

# M&G European Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 12 Finance costs

	2014 £'000	2013 £'000
<b>Income shares (Sterling)</b>		
Class 'A' - Final	1,935	792
Class 'I' - Final	45	6
Class 'R' - Final	3	1
Class 'X' - Final	27	10
<b>Accumulation shares (Sterling)</b>		
Class 'A' - Final	1,154	505
Class 'I' - Final	48	10
Class 'R' - Final <sup>[a]</sup>	1	0
Class 'X' - Final	14	6
<b>Accumulation shares (Euro)</b>		
Class 'A' - Final	21	6
Class 'C' - Final	3	1
Finance costs: Dividend distributions	3,251	1,337
Income deducted on cancellation of shares	93	78
Income received on issue of shares	(41)	(112)
<b>Finance costs: Distributions</b>	<b>3,303</b>	<b>1,303</b>
Finance costs: Interest	0	0
<b>Total finance costs</b>	<b>3,303</b>	<b>1,303</b>
Net revenue per statement of total return	3,479	1,587
Stock dividends not distributed	(176)	(285)
Undistributed income brought forward	0	1
Undistributed income carried forward	0	0
<b>Finance costs: Distributions</b>	<b>3,303</b>	<b>1,303</b>

<sup>[a]</sup> The comparative final distribution for Sterling Class 'R' (Accumulation) shares was £236.

### DISTRIBUTION TABLE

Dividend distributions on Income shares	Net income	Equalisation	Distribution paid/payable	
			2014	2013
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A' - Final				
Group 1:	27.0446	-	27.0446	10.6476
Group 2:	21.0614	5.9832	27.0446	10.6476
Class 'I' - Final				
Group 1:	34.8712	-	34.8712	19.0756
Group 2:	21.9046	12.9666	34.8712	19.0756
Class 'R' - Final				
Group 1:	3.1698	-	3.1698	1.5518
Group 2:	1.9035	1.2663	3.1698	1.5518
Class 'X' - Final				
Group 1:	26.8675	-	26.8675	10.5983
Group 2:	22.0512	4.8163	26.8675	10.5983
<b>Dividend distributions on Accumulation shares</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Amount reinvested</b>	
			2014	2013
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A' - Final				
Group 1:	39.0372	-	39.0372	15.3357
Group 2:	31.1738	7.8634	39.0372	15.3357
Class 'I' - Final				
Group 1:	35.5087	-	35.5087	18.2932
Group 2:	12.4060	23.1027	35.5087	18.2932
Class 'R' - Final				
Group 1:	3.2132	-	3.2132	1.5714
Group 2:	3.2132	-	3.2132	1.5714
Class 'X' - Final				
Group 1:	39.0550	-	39.0550	15.1976
Group 2:	35.4906	3.5644	39.0550	15.1976
<b>Euro</b>	<b>¢</b>	<b>¢</b>	<b>¢</b>	<b>¢</b>
Class 'A' - Final				
Group 1:	24.9339	-	24.9339	12.0041
Group 2:	21.4855	3.4484	24.9339	12.0041
Class 'C' - Final				
Group 1:	37.3347	-	37.3347	18.2411
Group 2:	27.5548	9.7799	37.3347	18.2411

Final period 01.09.13 - 31.08.14

Group 1: Shares purchased prior to a distribution period.

Group 2: Shares purchased during a distribution period.

Equalisation applies only to shares purchased during the distribution period (Group 2). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes.

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# M&G European Index Tracker Fund

## INVESTMENT OBJECTIVE, POLICY AND APPROACH

### Investment objective and policy of the M&G European Index Tracker Fund

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.

\* The shares in the M&G European Index Tracker Fund are not in any way sponsored, endorsed, sold or promoted by FTSE International Limited ('FTSE') or by the London Stock Exchange Limited (the 'Exchange') or by The Financial Times Limited ('FT') and neither FTSE nor Exchange nor FT makes any warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the FTSE World Europe ex UK Index ('the Index') and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The Index is compiled and calculated by FTSE. However, neither FTSE nor Exchange nor FT shall be liable (whether in negligence or otherwise) to any person for any error in the Index and neither FTSE or Exchange or FT shall be under any obligation to advise any person of any error therein.

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### Risk and reward profile\*



1	2	3	4	5	6	7
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- The above risk number is based on the rate at which the value of the Fund has moved up and down in the past.
  - This risk number is based on historical data and may not be a reliable indicator of the future risk profile of the Fund.
  - The risk number shown is not guaranteed and may change over time.
  - The lowest risk number does not mean risk free.
- \* This 'Risk and reward profile' section is based on Sterling Class 'A' shares. Please note that over the review period the risk number changed once. From 31 August 2013 to 30 April 2014 the risk number was 7.

## INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

### As at 1 September 2014, for the year ended 31 August 2014

A number of holdings left the portfolio as a result of merger and acquisition activity. For example, the position in Netherlands-based coffee firm D.E. Master Blenders left the fund in connection with its takeover by Germany's Joh. A Benckiser. Similarly, German auto firm Volkswagen bought the remaining portion of Swedish truck manufacturer Scania that it did not already hold and we disposed of our holding in the stock. Italian firm Fiat Industrial merged with CNH Global to form CNH Industrial, which is held in the fund. Meanwhile, Irish pharmaceutical business Elan exited the portfolio in association with its acquisition by US drugs firm Perrigo.

Other significant sales were made reflecting either cash raising activity to finance outflows or in relation to a reduction in their weighting in the index. Notable reductions were made to the holdings in Swiss food company Nestle, Swiss pharmaceutical firms Novartis and Roche, French oil and gas concern Total and Dutch brewer Heineken.

Certain stocks were removed from the index, making them ineligible for inclusion in the portfolio and we therefore sold our holdings. Examples of such positions include Italian bank Banca Monte dei Paschi di Siena, German steel firm Salzgitter and French mining company Eramet.

Meanwhile, some stocks joined the index and subsequently the portfolio. New entrants included Danish wind turbine firm Vestas Wind Systems, Spanish banking conglomerate Bankia and German media company Sky Deutschland.

Finally, we increased our holding in Spanish electricity concern Red Electrica in order to bring the stock closer to the weighting in the index. We also increased our position in Deutsche Bank following a rights issue, which is where the firm gives existing shareholders the right to buy additional shares in the company.

### 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.



# M&G European Index Tracker Fund

## FUND STATISTICS

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.09.15	31.10.15

	Final distribution		Ongoing Charges Figure <sup>[b]</sup>	
	Inc 31.10.14 <sup>[a]</sup>	Acc 01.09.14 <sup>[a]</sup>	31.08.14	31.08.13
<b>Sterling</b>	p	p	%	%
Class 'A'	1.6890	2.2013	0.72	0.72
<b>Euro</b>	¢	¢	%	%
Class 'A'	n/a	40.9376	0.72	0.72

<sup>[a]</sup> The date on which the final distribution will be paid to Income shareholders and credited to Accumulation shareholders.

<sup>[b]</sup> The Ongoing Charges Figure is the ratio of the relevant annualised total disclosable costs of each share class from the most recent reporting period to the average net asset value for that share class over the same period.

### FUND PERFORMANCE

#### Performance of share classes

	Net asset value per share as at 31.08.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
<b>Sterling</b>	p	p	p	p	%	%
Class 'A'	64.65	86.48	60.40	78.73	+7.04	+9.84
<b>Euro</b>	€	€	€	€	%	%
Class 'A'	n/a	16.0788	n/a	13.6242	n/a	+18.02

Past performance is not a guide to future performance.

The value of stockmarket 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 tracking difference between the fund's investment return and that of the FTSE World Europe ex UK Index for the 12 month period ending 31 August 2014 was +0.40%. The investment returns are calculated gross of fees using end of day pricing in order to be comparable with the index.

The historic tracking error of the investment return of the fund relative to the FTSE World Europe ex UK Index for the period ending 31 August 2014 was 0.21%, 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.

Both the above differences relative to the index are due to the fact that we use a technique called 'stratified sampling' rather than 'full replication'. Additionally interest payments due from historic withholding tax refunds contributed to the difference.

## PERFORMANCE SINCE LAUNCH

	six months 03.03.14 %	one year 02.09.13 %	five years 01.09.09 % p.a. <sup>[a]</sup>	since launch % p.a. <sup>[a]</sup>
<b>Sterling <sup>[b]</sup></b>				
Class 'A'	-0.4	+7.0	+4.6	+1.8 <sup>[c]</sup>
<b>Euro <sup>[d]</sup></b>				
Class 'A'	+6.2	+17.1	+9.6	+3.8 <sup>[e]</sup>

<sup>[a]</sup> Shows the compound rate of return, per annum, over the period.

<sup>[b]</sup> Bid to bid excluding reinvested income.

<sup>[c]</sup> 31 January 2000, the end of the initial offer period of the predecessor unit trust.

<sup>[d]</sup> Bid to bid with net income reinvested.

<sup>[e]</sup> 28 November 2001, the launch date of the share class.

## SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From To	01.09.13 31.08.14 %	01.09.12 31.08.13 %	01.09.11 31.08.12 %	01.09.10 31.08.11 %	01.09.09 31.08.10 %
<b>Sterling</b>					
Class 'A'	+9.6	+27.2	+1.3	+3.4	-4.4

Source: Morningstar, Inc., bid to bid with net income reinvested.

## PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
<b>Sterling (net)</b>		p	p	p	p
Class 'A'	2009	58.80	35.14	69.10	40.34
	2010	59.41	49.12	71.37	57.73
	2011	63.67	42.79	76.60	53.03
	2012	54.61	44.28	69.56	54.89
	2013	66.56	54.77	86.77	69.76
	2014 <sup>[a]</sup>	69.96	62.69	91.21	81.74
<b>Euro (net)</b>		€	€	€	€
Class 'A'	2009	n/a	n/a	11.1260	6.5694
	2010	n/a	n/a	12.2005	10.0440
	2011	n/a	n/a	12.7111	8.9870
	2012	n/a	n/a	12.6054	10.0834
	2013	n/a	n/a	15.0924	12.5798
	2014 <sup>[a]</sup>	n/a	n/a	16.6985	14.5889

<sup>[a]</sup> To 1 September 2014.

# M&G European Index Tracker Fund

## FUND STATISTICS

### INCOME

Dividend income per share			
	Calendar year	Distributed	Reinvested
<b>Sterling (net)</b>			
		p	p
Class 'A'	2009	1.2320	1.4142
	2010	1.2160	1.4291
	2011	1.5000	1.8046
	2012	1.3530	1.6800
	2013	1.4094	1.7889
	2014 <sup>[a]</sup>	1.6890	2.2013
<b>Euro (net)</b>			
		€	€
Class 'A'	2009	n/a	23.7800
	2010	n/a	25.6120
	2011	n/a	30.0850
	2012	n/a	31.2210
	2013	n/a	30.9619
	2014 <sup>[a]</sup>	n/a	40.9376

<sup>[a]</sup> Up to final: ex-distribution date 1 September 2014;  
payment date 31 October 2014.

The level of income earned by the fund will fluctuate.

### NET ASSETS

	Year ended	Value per share Inc	Value per share Acc	Number of shares Inc	Number of shares Acc
<b>Sterling</b>					
		p	p		
Class 'A'	Aug 2012	49.03	62.46	45,138,890	46,862,176
	Aug 2013	60.40	78.73	45,607,890	45,069,676
	Aug 2014	64.65	86.48	44,476,700	40,443,676
<b>Euro</b>					
		€	€		
Class 'A'	Aug 2012	n/a	11.6180	n/a	267,445
	Aug 2013	n/a	13.6242	n/a	223,845
	Aug 2014	n/a	16.0788	n/a	202,287

Total net asset value of sub-fund		
Year ended	£	€ <sup>[a]</sup>
Aug 2012	53,870,000	67,805,000
Aug 2013	65,637,000	76,854,000
Aug 2014	66,312,000	83,427,000

<sup>[a]</sup> Based on the midday exchange rate on the last business day of each financial year.

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 <sup>[a]</sup> %
<b>Austria</b>		<b>0.52</b>	<b>0.75</b>
1,500 Andritz	48	0.07	
1,000 Buwog-Bauen Und Wohnen Gesellschaft	12	0.02	
6,032 Erste Group	92	0.14	
20,000 Immofinanz	38	0.06	
2,712 OMV	63	0.10	

### PORTFOLIO STATEMENT (continued)

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 <sup>[a]</sup> %
<b>Austria (continued)</b>			
1,050 Raiffeisen International Bank	16	0.02	
1,927 VERBUND	23	0.03	
2,069 voestalpine	53	0.08	
<b>Belgium</b>		<b>2.73</b>	<b>2.53</b>
4,365 Ageas <sup>[b]</sup>	89	0.13	
14,737 Anheuser-Busch InBev	988	1.49	
5,872 Anheuser-Busch InBev VVPR Strip <sup>[b]</sup>	0	0.00	
3,500 Belgacom	75	0.11	
2,229 Delhaize Group <sup>[b]</sup>	94	0.14	
2,919 GDF Suez VVPR Strip <sup>[b]</sup>	0	0.00	
1,536 Groupe Bruxelles Lambert	91	0.14	
286 Groupe Bruxelles Lambert VVPR Strip <sup>[b]</sup>	0	0.00	
4,590 KBC Group	158	0.24	
940 Solvay	90	0.14	
1,000 Telenet Group	35	0.05	
2,100 UCB	124	0.19	
2,200 Umicore	64	0.10	
<b>Czech Republic</b>		<b>0.17</b>	<b>0.15</b>
3,500 CEZ	62	0.10	
350 Komerční banka	48	0.07	
<b>Denmark</b>		<b>3.26</b>	<b>2.67</b>
185 AP Moller-Maersk	281	0.42	
2,230 Carlsberg 'B'	123	0.19	
2,090 Coloplast	105	0.16	
15,271 Danske Bank	260	0.39	
3,500 DSV	65	0.10	
700 FLSmidth	23	0.03	
35,855 Novo-Nordisk 'B'	991	1.50	
5,000 Novozymes 'B' Shares	141	0.21	
1,084 Pandora	49	0.07	
9,000 TDC	47	0.07	
3,000 Vestas Wind Systems	77	0.12	
<b>Eire</b>		<b>0.44</b>	<b>0.52</b>
375,112 Bank of Ireland	91	0.14	
16,490 Irish Bank Resolution Corporation <sup>[b]</sup>	0	0.00	
2,500 Kerry Group	112	0.17	
15,600 Ryanair Holdings	88	0.13	
<b>Finland</b>		<b>1.99</b>	<b>1.82</b>
8,225 Fortum	125	0.19	
6,524 Kone	166	0.25	
3,100 Metso	74	0.11	
3,000 Neste Oil	36	0.06	
68,265 Nokia	339	0.51	
2,500 Nokian Renkaat	49	0.07	
8,975 Sampo	267	0.40	
12,900 Stora Enso	67	0.10	
9,800 UPM-Kymmene	88	0.13	
3,100 Valmet	20	0.03	
2,947 Wartsila	90	0.14	
<b>France</b>		<b>20.73</b>	<b>20.90</b>
3,438 Accor	101	0.15	
940 Aéroports de Paris	75	0.11	
1,500 Air Liquide	116	0.17	
4,757 Air Liquide (prime de fidélité 2012)	368	0.55	
43,531 Alcatel-Lucent	90	0.14	
4,124 Alstom	88	0.13	
1,000 Arkema	45	0.07	
1,561 Atos	72	0.11	
34,274 AXA	512	0.77	
650 BIC	53	0.08	
17,681 BNP Paribas	724	1.09	

# M&G European Index Tracker Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 <sup>[a]</sup> %
<b>France (continued)</b>			
3,422 Bouygues	76	0.11	
4,150 Bureau Veritas	60	0.09	
3,150 Cap Gemini	136	0.21	
11,636 Carrefour	242	0.36	
846 Casino Guichard Perrachon	61	0.09	
3,480 CGC	19	0.03	
1,012 Christian Dior	109	0.16	
3,895 CNP Assurances	47	0.07	
7,866 Compagnie de Saint Gobain	242	0.36	
10,698 Crédit Agricole	96	0.14	
10,000 Crédit Agricole (prime de fidélité 2014)	89	0.13	
9,969 Danone	423	0.64	
1,830 Dassault Systemes	73	0.11	
3,748 Edenred	67	0.10	
1,399 EDF	27	0.04	
3,522 EDF (prime de fidélité 2014)	69	0.10	
800 Eiffage	31	0.05	
3,592 Essilor International	230	0.35	
946 Eurazeo	44	0.07	
3,000 Eutelsat Communications	60	0.09	
500 Fonciere Des Regions	30	0.05	
24,798 GDF Suez	368	0.55	
650 Gecina	56	0.08	
10,000 Groupe Eurotunnel	78	0.12	
180 Hermes International	38	0.06	
250 Iliad	33	0.05	
1,442 Kering	185	0.28	
2,546 Klepierre	73	0.11	
350 Lafarge	16	0.02	
3,116 Lafarge (prime de fidélité 2010)	146	0.22	
2,500 Lagardère	41	0.06	
4,800 Legrand	158	0.24	
4,416 L'Oréal (prime de fidélité 2012)	446	0.67	
4,495 LVMH	471	0.71	
3,435 Michelin	230	0.35	
16,743 Natixis	70	0.11	
33,906 Orange	310	0.47	
3,870 Pernod Ricard	273	0.41	
7,574 Peugeot	65	0.10	
4,722 Peugeot SA Warrant 24/07/17	6	0.01	
3,007 Publicis Groupe	136	0.21	
3,224 Renault	153	0.23	
3,142 Rexel	38	0.06	
4,400 Safran	173	0.26	
21,131 Sanofi	1,396	2.11	
10,212 Schneider Electric	519	0.78	
3,000 SCOR	55	0.08	
6,200 SES FDR	137	0.21	
12,875 Société Générale	395	0.60	
329 Sodexo	19	0.03	
1,500 Sodexo (prime de fidélité 2016)	89	0.13	
13,200 STMicroelectronics	67	0.10	
5,228 Suez Environnement	58	0.09	
2,052 Technip	114	0.17	
3,863 TF1	35	0.05	
2,000 Thales	68	0.10	

### PORTFOLIO STATEMENT (continued)

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 <sup>[a]</sup> %
<b>France (continued)</b>			
36,791 Total	1,469	2.22	
1,795 Unibail-Rodamco	290	0.44	
1,200 Valeo	88	0.13	
2,064 Vallourec	55	0.08	
8,404 Veolia Environnement	92	0.14	
8,743 Vinci	344	0.52	
23,229 Vivendi	367	0.55	
3,500 Zodiac Aerospace	69	0.10	
		<b>19.39</b>	<b>19.16</b>
<b>Germany</b>			
3,860 adidas	175	0.26	
8,270 Allianz	856	1.29	
17,077 BASF	1,063	1.60	
15,271 Bayer	1,238	1.87	
6,159 Bayerische Motoren Werke	437	0.66	
1,927 Beiersdorf	103	0.16	
600 Bilfinger	27	0.04	
3,000 Brenntag	95	0.14	
2,000 Celesio	41	0.06	
15,076 Commerzbank	138	0.21	
1,680 Continental	218	0.33	
17,757 Daimler	882	1.33	
25,043 Deutsche Bank	517	0.78	
3,733 Deutsche Börse	161	0.24	
4,300 Deutsche Lufthansa	45	0.07	
17,041 Deutsche Post	337	0.51	
57,584 Deutsche Telekom	523	0.79	
2,500 Deutsche Wohnen	34	0.05	
33,442 E.ON	369	0.56	
600 Fraport	25	0.04	
7,362 Fresenius	218	0.33	
4,126 Fresenius Medical Care	176	0.27	
1,400 FUCHS PETROLUB	35	0.05	
3,600 Gea Group	98	0.15	
700 Hannover Re	35	0.05	
2,667 HeidelbergCement	122	0.18	
5,164 Henkel	329	0.50	
800 Hochtief	38	0.06	
600 HUGO BOSS	51	0.08	
18,912 Infineon Technologies	133	0.20	
4,272 K+S	81	0.12	
450 Kabel Deutschland	38	0.06	
1,990 LANXESS	74	0.11	
3,502 Linde	419	0.63	
650 MAN	47	0.07	
2,400 Merck	126	0.19	
2,792 Metro	58	0.09	
600 MTU Aero Engines	32	0.05	
2,881 Munich Re	350	0.53	
1,546 OSRAM	39	0.06	
3,125 Porsche Pref.	173	0.26	
3,000 ProSiebenSat.1 Media	73	0.11	
51 PUMA	8	0.01	
9,045 RWE	214	0.32	
16,692 SAP	787	1.19	
14,651 Siemens	1,110	1.67	
10,000 Sky Deutschland	53	0.08	
1,600 Software	25	0.04	
1,000 Südzucker	11	0.02	
7,346 ThyssenKrupp	123	0.19	
3,878 TUI	34	0.05	
2,149 Volkswagen	292	0.44	
1,188 Volkswagen Pref.	162	0.24	

# M&G European Index Tracker Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 <sup>[a]</sup> %
<b>Greece</b>		<b>0.22</b>	<b>0.07</b>
6,057 Hellenic Telecommunications	53	0.08	
20,000 National Bank of Greece	43	0.07	
35,107 Piraeus Bank	43	0.07	
<b>Hungary</b>		<b>0.16</b>	<b>0.21</b>
2,850 Gedeon Richter	28	0.04	
800 MOL Hungarian Oil and Gas	24	0.04	
4,800 OTP Bank	50	0.08	
<b>Italy</b>		<b>5.37</b>	<b>4.86</b>
24,634 Assicurazioni Generali	305	0.46	
7,753 Atlantia	119	0.18	
6,174 Banco Popolare	58	0.09	
16,336 CNH Industrial	87	0.13	
118,499 Enel	381	0.57	
25,000 Enel Green Power	42	0.06	
45,866 Eni	687	1.04	
1,500 EXOR	36	0.05	
18,800 Fiat	113	0.17	
7,989 Finmeccanica	46	0.07	
203,408 Intesa Sanpaolo	368	0.55	
2,900 Luxottica Group	94	0.14	
18,811 Mediaset	47	0.07	
11,025 Mediobanca	59	0.09	
3,800 Prysmian	47	0.07	
4,608 Saipem	66	0.10	
38,693 Snam	136	0.21	
193,625 Telecom Italia	135	0.20	
111,731 Telecom Italia (Savings shares)	62	0.09	
9,191 Tenaris	122	0.18	
28,622 Terna	89	0.13	
18,916 UBI Banca	90	0.14	
81,738 UniCredit	384	0.58	
<b>Netherlands</b>		<b>6.54</b>	<b>6.89</b>
36,091 Aegon	172	0.26	
12,542 Ahold	130	0.20	
9,440 Airbus (formerly European Aeronautic Defence and Space)	350	0.53	
4,590 Akzo Nobel	195	0.29	
18,101 ArcelorMittal	158	0.24	
6,078 ASML Holding	351	0.53	
1,070 Boskalis	37	0.06	
2,184 Corio	71	0.11	
3,534 DSM	143	0.22	
1,539 Fugro	34	0.05	
1,500 Germalto	89	0.13	
5,362 Heineken	246	0.37	
300 Heineken Holding	12	0.02	
68,718 ING Groep	573	0.86	
60,598 KPN	120	0.18	
18,366 Philips (formerly Philips Electronics)	338	0.51	
4,400 QIAGEN	64	0.10	
2,248 Randstad Holding	66	0.10	
13,118 Reed Elsevier	180	0.27	
3,300 SBM Offshore	30	0.05	
9,909 TNT Express	45	0.07	
29,026 Unilever	730	1.10	
1,000 Vopak	31	0.05	
6,549 Wolters Kluwer	109	0.16	
1,800 Ziggo	52	0.08	

### PORTFOLIO STATEMENT (continued)

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 <sup>[a]</sup> %
<b>Norway</b>		<b>1.93</b>	<b>1.85</b>
2,800 Aker Solutions	26	0.04	
21,611 DnB	243	0.37	
4,500 Gjensidige Forsikring	56	0.08	
17,941 Norsk Hydro	64	0.10	
17,030 Orkla	93	0.14	
1,200 Schibsted	37	0.06	
6,227 Seadrill	138	0.21	
17,794 Statoil	303	0.46	
5,500 Subsea 7	55	0.08	
12,100 Telenor	170	0.26	
2,891 Yara International	88	0.13	
<b>Poland</b>		<b>0.92</b>	<b>0.91</b>
2,958 Bank Pekao	100	0.15	
1,500 Jastrzebska Spolka Weglowa	10	0.02	
2,800 KGHM Polska Miedz	70	0.11	
270 mBank	24	0.04	
16,000 PGE Polska Grupa	66	0.10	
7,000 PKN Orlen	52	0.08	
17,750 PKO Bank Polski	129	0.19	
1,150 PZU	102	0.15	
27,621 TAURON Polska Energia	26	0.04	
13,000 Telekomunikacja Polska	26	0.04	
<b>Portugal</b>		<b>0.36</b>	<b>0.35</b>
41,120 EDP - Energias de Portugal	119	0.18	
5,700 Galp Energia 'B'	61	0.09	
4,700 Jerónimo Martins	39	0.06	
13,358 Portugal Telecom	17	0.03	
<b>Spain</b>		<b>8.01</b>	<b>6.50</b>
9,276 Abertis Infraestructuras	118	0.18	
780 Acciona	38	0.06	
1,746 Acerinox	16	0.02	
3,091 ACS Actividades	78	0.12	
6,300 Amadeus IT Holdings	142	0.21	
58,102 Banco de Sabadell	111	0.17	
25,266 Banco Popular Español	95	0.14	
223,020 Banco Santander	1,348	2.03	
60,000 Bankia	70	0.11	
14,970 Bankinter	75	0.11	
108,021 BBVA	792	1.19	
28,265 Caixabank	102	0.15	
14,383 Distribuidora Internacional de Alimentación (DIA)	73	0.11	
6,000 EDP Renováveis	26	0.04	
3,000 Enagas	60	0.09	
2,000 Endesa	45	0.07	
7,330 Ferrovial	90	0.14	
6,264 Gas Natural	116	0.18	
3,150 Grifols 'A'	89	0.13	
197 Grifols 'B'	5	0.01	
88,148 Iberdrola	393	0.59	
20,310 Inditex	357	0.54	
18,101 Mapfre	41	0.06	
1,350 Red Electrica	68	0.10	
17,323 Repsol	260	0.39	
73,653 Telefónica	706	1.07	
<b>Sweden</b>		<b>6.77</b>	<b>7.27</b>
3,000 Alfa Laval	41	0.06	
5,708 Assa Abloy 'B'	174	0.26	
18,043 Atlas Copco 'A'	318	0.48	
7,000 Boliden	67	0.10	
4,323 Electrolux 'B'	66	0.10	
6,500 Elekta 'B'	45	0.07	

# M&G European Index Tracker Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 <sup>[a]</sup> %
<b>Sweden (continued)</b>			
56,126 Ericsson 'B'	424	0.64	
4,300 Getinge 'B'	68	0.10	
17,709 Hennes & Mauritz 'B'	455	0.69	
4,500 Hexagon 'B'	89	0.13	
8,772 Husqvarna 'B'	40	0.06	
5,988 Industrivarden 'A'	71	0.11	
8,935 Investor 'B'	200	0.30	
4,000 Kinnevik Investment 'B'	99	0.15	
3,500 Lundin Petroleum	39	0.06	
58,898 Nordea Bank	463	0.70	
3,500 Ratos 'B'	17	0.03	
21,220 Sandvik	160	0.24	
8,180 Securitas 'B'	54	0.08	
25,851 Skandinaviska Enskilda 'A'	205	0.31	
6,820 Skanska 'B'	85	0.13	
8,300 SKF 'B'	116	0.17	
10,914 Svenska Cellulosa 'B'	159	0.24	
8,635 Svenska Handelsbanken 'A'	245	0.37	
18,685 Swedbank 'A'	288	0.43	
3,900 Swedish Match	79	0.12	
5,100 Tele2 'B'	38	0.06	
40,812 TeliaSonera	180	0.27	
28,667 Volvo 'B'	208	0.31	
<b>Switzerland</b>			
		<b>20.24</b>	<b>20.45</b>
42,757 ABB (Regd.)	586	0.88	
1,700 Actelion (Regd.)	126	0.19	
2,752 Adecco (Regd.)	126	0.19	
1,700 ARYZTA	94	0.14	
1,000 Baloise Holdings (Regd.)	79	0.12	
4,500 Clariant (Regd.)	48	0.07	
9,141 Compagnie Financière Richemont (Regd.)	526	0.79	
28,879 Credit Suisse Group (Regd.)	491	0.74	
150 EMS-Chemie Holdings	39	0.06	
50 Galenica	29	0.04	
4,800 GAM Holding (Regd.)	56	0.09	
783 Geberit	161	0.24	
161 Givaudan	161	0.24	
4,473 Holcim (Regd.)	216	0.33	
4,545 Julius Baer Gruppe (Regd.)	125	0.19	
1,062 Kuehne & Nagel	86	0.13	
3 Lindt & Sprüngli	113	0.17	
1,069 Lonza Group (Regd.)	73	0.11	
58,155 Nestlé (Regd.)	2,720	4.10	
41,956 Novartis (Regd.)	2,269	3.42	
676 Pargesa Holdings (Bearer)	35	0.05	
250 Partners Group (Regd.)	40	0.06	
748 PSP Swiss Property	41	0.06	
12,717 Roche Holding 'Genussscheine'	2,232	3.37	
1,280 Schindler Holding	112	0.17	
111 SGS (Regd.)	149	0.22	
20 Sika	46	0.07	
900 Sonova Holding	87	0.13	
300 Sulzer (Regd.)	24	0.04	
729 Swatch Group (Bearer)	239	0.36	
613 Swiss Life Holdings (Regd.)	93	0.14	
1,210 Swiss Prime Site	58	0.09	
6,301 Swiss Re	311	0.47	
384 Swisscom (Regd.)	135	0.20	

### PORTFOLIO STATEMENT (continued)

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 <sup>[a]</sup> %
<b>Switzerland (continued)</b>			
1,735 Syngenta (Regd.)	379	0.57	
6,200 Transocean	144	0.22	
64,820 UBS (Regd.)	699	1.05	
2,665 Zurich Insurance	486	0.73	
<b>Turkey</b>			
		<b>1.03</b>	<b>1.02</b>
38,000 Akbank	89	0.13	
5,000 Anadolu Efes	40	0.06	
4,400 BIM Birlesik Magazalar	62	0.09	
21,597 ENKA	33	0.05	
26,183 Eregli Demir Celik Fabrikalari	31	0.05	
11,000 Halkbank	50	0.08	
12,250 Koç Holding	39	0.06	
10,000 Sabanci Holdings	28	0.04	
2,500 Tüpraş	36	0.05	
15,000 Türk Telekom	26	0.04	
16,000 Turkcell Iletisim	57	0.09	
14,050 Turkish Airlines	27	0.04	
38,000 Türkiye Garanti Bankası	92	0.14	
35,000 Türkiye İş Bankası	56	0.08	
15,000 Türkiye Vakıflar Bankası	21	0.03	
<b>Futures contracts</b>			
		<b>0.00</b>	<b>(0.03)</b>
3 DowJones EURO STOXX 50 Index Futures Sep 2014	1	0.00	
<b>Eire ('AAA' rated money market funds) <sup>[c]</sup></b>			
		<b>0.04</b>	<b>0.06</b>
28,000 Northern Trust Global Fund - Sterling	28	0.04	
<b>Portfolio of investments (notes 1b &amp; 1c on page 7)</b>	<b>66,859</b>	<b>100.82</b>	<b>98.91</b>
<b>Net other (liabilities) / assets</b>	<b>(547)</b>	<b>(0.82)</b>	<b>1.09</b>
<b>Net assets attributable to shareholders</b>	<b>66,312</b>	<b>100.00</b>	<b>100.00</b>

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

<sup>[a]</sup> The comparative weightings have been re-analysed to reflect changes to the country classifications.

<sup>[b]</sup> Delisted.

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

### COUNTERPARTY EXPOSURE

Counterparty	Financial derivative exposure	
	Futures £'000	Total as at 31.08.14 £'000
Royal Bank of Scotland	1	1
<b>Total</b>	<b>1</b>	<b>1</b>

# M&G European Index Tracker Fund

## PORTFOLIO

### PORTFOLIO TRANSACTIONS

for the year ended 31 August 2014

<b>Largest purchases</b>	<b>£'000</b>
Deutsche Bank	98
ProSiebenSat.1 Media	82
Kabel Deutschland (ASD 30.09.13 Vodafone)	76
Banco Popolare	75
Bankia	73
Vestas Wind Systems	63
Nordea Bank	57
Sky Deutschland	57
Piraeus Bank	54
Pandora	42
Schibsted	40
FUCHS PETROLUB	37
National Bank of Greece	36
EXOR	35
Kabel Deutschland	35
Vopak	35
BBVA	34
Deutsche Wohnen	33
Peugeot	32
ASML Holding	30
Northern Trust Global Fund - Sterling <sup>[a]</sup>	3,964
Other purchases	433
<b>Total purchases</b>	<b>5,421</b>
<b>Largest sales</b>	<b>£'000</b>
Nestlé (Regd.)	176
Roche Holding 'Genussscheine'	140
Kabel Deutschland (ASD 30.09.13 Vodafone)	136
Novartis (Regd.)	133
D.E MASTER BLENTERS 1753	121
Scania 'B'	118
Elan	109
Total	83
Kabel Deutschland	76
Heineken	72
Daimler	70
Novo-Nordisk 'B'	69
Danone	68
BNP Paribas	66
Siemens	64
Coca-Cola Hellenic Bottling Company	61
Ahold	59
Bayer	53
UBS (Regd.)	52
Swiss Re	47
Northern Trust Global Fund - Sterling <sup>[a]</sup>	3,974
Other sales	2,288
<b>Total sales</b>	<b>8,035</b>

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

## FINANCIAL STATEMENTS

For the year ended 31 August 2014.

### STATEMENT OF TOTAL RETURN

	Note	2014 £'000	2013 £'000
Income			
Net capital gains	3	4,623	12,367
Revenue	4	2,115	2,007
Expenses	5	(495)	(441)
Net revenue before taxation		1,620	1,566
Taxation	6	135	(66)
Net revenue after taxation		1,755	1,500
<b>Total return before distributions</b>		<b>6,378</b>	<b>13,867</b>
Finance costs: Distributions	12	(1,755)	(1,504)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>4,623</b>	<b>12,363</b>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2014 £'000	2013 £'000
<b>Opening net assets attributable to shareholders</b>	<b>65,637</b>	<b>53,870</b>
Amounts received on issue of shares	3,144	6,157
Amounts paid on cancellation of shares	(8,048)	(7,618)
	(4,904)	(1,461)
Change in net assets attributable to shareholders from investment activities (see above)	4,623	12,363
Retained distributions on Accumulation shares	956	865
<b>Closing net assets attributable to shareholders</b>	<b>66,312</b>	<b>65,637</b>

# M&G European Index Tracker Fund

## FINANCIAL STATEMENTS

### BALANCE SHEET

	as at 31 August 2014		as at 31 August 2013	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Investment assets		66,859		64,941
<b>Debtors</b>				
Amounts receivable on issues	83		138	
Dividends receivable	15		22	
Overseas tax recoverable	397		322	
Prepaid expenses	0		1	
		495		483
<b>Cash and bank balances</b>				
Amounts held at futures clearing houses and brokers	6		112	
Cash held as bank balances	115		836	
		121		948
<b>Total other assets</b>		<b>616</b>		<b>1,431</b>
<b>Total assets</b>		<b>67,475</b>		<b>66,372</b>
<b>Liabilities</b>				
Investment liabilities		0		(20)
<b>Creditors</b>				
Amounts payable on cancellations	(61)		0	
Corporation tax payable	(312)		(38)	
Expenses payable	(39)		(34)	
Net distributions payable on Income shares	(751)		(643)	
<b>Total other liabilities</b>		<b>(1,163)</b>		<b>(715)</b>
<b>Total liabilities</b>		<b>(1,163)</b>		<b>(735)</b>
<b>Net assets attributable to shareholders</b>		<b>66,312</b>		<b>65,637</b>

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 Accounting policies

The financial statements have been prepared in accordance with the accounting policies set out in the notes to the aggregated financial statements on page 7. The amount available for distribution is calculated in accordance with note 1j set out in the notes to the aggregated financial statements, reduced by the value of stock dividends as it is the policy of the sub-fund not to distribute these.

#### 2 Risk management policies

The general risk management policies are set out in note 2 to the aggregated financial statements on page 8. In addition to these policies the sub-fund accepts short-term currency risk in relation to euro exposures.

The Authorised Corporate Director accepts that the market price risk in respect of the capital value of investments held in the investment portfolio will depend on the performance of the FTSE World Europe ex UK Index and the success of the sub-fund in tracking that index.

#### 3 Net capital gains

	2014 £'000	2013 £'000
Non-derivative securities	4,541	12,253
Currency (losses) / gains	(49)	131
Derivative contracts	137	(10)
Transaction charges	(6)	(7)
<b>Net capital gains</b>	<b>4,623</b>	<b>12,367</b>

#### 4 Revenue

	2014 £'000	2013 £'000
Bank interest	1	1
Interest on overseas tax previously withheld at source	119	30
Overseas dividends	1,905	1,871
Stock dividends	90	105
<b>Total revenue</b>	<b>2,115</b>	<b>2,007</b>

#### 5 Expenses

	2014 £'000	2013 £'000
<b>Payable to the Authorised Corporate Director or associate</b>		
Authorised Corporate Director's periodic charge	346	312
Administration fee	104	93
	450	405
<b>Payable to the Depositary or associate</b>		
Depositary's fee (including VAT)	6	6
<b>Other expenses</b>		
Audit fee (including VAT)	7	9
Regulatory fees	6	4
Safe custody charge	13	11
Tax fees (including VAT) [a]	13	6
	39	30
<b>Total expenses</b>	<b>495</b>	<b>441</b>

[a] Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP and Ernst & Young LLP.



# M&G European Index Tracker Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 6 Taxation

	2014 £'000	2013 £'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	274	38
Overseas tax	18	187
Overseas tax recovered: previously withheld at source	(427)	(159)
Current tax charge (note 6b)	(135)	66
Deferred tax (note 6c)	0	0
<b>Total taxation</b>	<b>(135)</b>	<b>66</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue before taxation	1,620	1,566
Corporation tax at 20%	324	313
Effects of:		
Stock dividends not taxable	(18)	(21)
Overseas dividends not taxable	(378)	(372)
Current year expenses not utilised	72	80
Overseas tax	18	187
Overseas tax recovered: previously withheld at source	(427)	(159)
Corporation tax	274	38
<b>Current tax charge (note 6a)</b>	<b>(135)</b>	<b>66</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

The sub-fund has not recognised a deferred tax asset of £342,000 (31.08.13: £270,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

#### 7 Contingent assets, liabilities and outstanding commitments

The sub-fund has not recognised a contingent asset of £609,681. As a result of the European Court of Justice rulings in November 2012 and High Court judgements in October 2013 in relation to Prudential Assurance Co Ltd v Revenue & Customs Commissioners, the sub-fund can potentially recover UK corporation tax suffered on overseas dividends received before July 2009 (overseas dividends received post 2009 are not taxable). Full recovery of this asset is not certain, however, an estimated accrual is included within the daily price of the sub-fund's shares. The contingent asset will be reflected in the financial statements when receipt of the claims becomes virtually certain.

#### 8 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the sub-fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the statement of change in net assets attributable to shareholders and note 12. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in the balance sheet where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's periodic charge and administration fee are disclosed in note 5. Amounts due at the year end to the ACD of £15,000 (31.08.13: £14,000) in respect of the ACD's periodic charge and administration fee are included within expenses payable as disclosed in the balance sheet.

At the balance sheet date, there were no shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary (31.08.13: same).

#### 9 Financial instruments

The policies applied in the management of financial instruments are set out in note 2.

Short-term debtors and creditors have been included in respect of the currency exposure only when this is applicable (31.08.13: same).

#### Currency exposure

The currency profile of the sub-fund's financial instruments at the balance sheet date was:

	Portfolio of investments		Net other assets / (liabilities)		Total	
	as at 31.08.14 £'000	as at 31.08.13 £'000	as at 31.08.14 £'000	as at 31.08.13 £'000	as at 31.08.14 £'000	as at 31.08.13 £'000
Czech koruna	110	101	0	0	110	101
Danish krone	2,162	1,750	1	0	2,163	1,750
Euro	43,965	42,198	360	1,328	44,325	43,526
Hungarian forint	102	138	0	0	102	138
Norwegian krone	1,273	1,223	9	15	1,282	1,238
Polish zloty	605	596	3	11	608	607
Swedish krona	4,493	4,786	1	7	4,494	4,793
Swiss franc	13,434	13,371	155	155	13,589	13,526
Turkish lira	687	658	0	0	687	658
US dollar	0	0	2	3	2	3
	66,831	64,821	531	1,519	67,362	66,340
Sterling	28	100	(1,078)	(803)	(1,050)	(703)
<b>Total</b>	<b>66,859</b>	<b>64,921</b>	<b>(547)</b>	<b>716</b>	<b>66,312</b>	<b>65,637</b>

#### Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.13: same).

#### Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.13: same).

# M&G European Index Tracker Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 10 Portfolio transaction costs

	2014 £'000	2013 £'000
<b>a) Purchases</b>		
Purchases excluding transaction costs	5,420	7,977
Commissions	1	2
Taxes	0	2
Total transaction costs	1	4
<b>Total purchases including transaction costs</b>	<b>5,421</b>	<b>7,981</b>
<b>b) Sales</b>		
Sales excluding transaction costs	8,036	9,173
Commissions	(1)	(3)
<b>Total sales net of transaction costs</b>	<b>8,035</b>	<b>9,170</b>

#### 11 Shareholder funds

This sub-fund contains Sterling Class 'A' (Net Income and Net Accumulation) shares.

This sub-fund also contains Euro Class 'A' (Net Accumulation) shares.

The charging structure for each share class, as at 31 August 2014, is set out in the following table (31.08.13: same):

#### CHARGES AND EXPENSES

	Initial charge %	Withdrawal fee %	ACD's annual remuneration %
<b>Sterling</b>			
Class 'A'	nil	n/a	0.50
<b>Euro</b>			
Class 'A'	nil	n/a	0.50

With the exception of the Authorised Corporate Director's periodic charge, which is directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

The net asset values for each share class are set out in the following table:

#### NET ASSET VALUES

	31.08.14		31.08.13	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
<b>Sterling</b>				
Class 'A'	28,753	34,974	27,549	35,483
<b>Euro</b>				
Class 'A'	n/a	2,585	n/a	2,605

The net asset value per share and the number of shares are given in the net assets table on page 43. The distribution per share is given in the distribution table below. Each share class has the same rights on winding-up.

#### 12 Finance costs

	2014 £'000	2013 £'000
<b>Income shares (Sterling)</b>		
Class 'A' - Final	751	643
<b>Accumulation shares (Sterling)</b>		
Class 'A' - Final	890	806
<b>Accumulation shares (Euro)</b>		
Class 'A' - Final	66	59
Finance costs: Dividend distributions	1,707	1,508
Income deducted on cancellation of shares	60	26
Income received on issue of shares	(12)	(30)
<b>Finance costs: Distributions</b>	<b>1,755</b>	<b>1,504</b>
Net revenue per statement of total return	1,755	1,500
Undistributed income brought forward	0	4
<b>Finance costs: Distributions</b>	<b>1,755</b>	<b>1,504</b>

#### DISTRIBUTION TABLE

	Net income	Equal- isation	Distribution payable/paid	
Dividend distributions on Income shares			2014	2013
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A' - Final				
Group 1:	1.6890	-	1.6890	1.4094
Group 2:	1.1631	0.5259	1.6890	1.4094
<b>Dividend distributions on Accumulation shares</b>	<b>Net income</b>	<b>Equal- isation</b>	<b>Amount reinvested</b>	<b>2014</b>
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A' - Final				
Group 1:	2.2013	-	2.2013	1.7889
Group 2:	1.7348	0.4665	2.2013	1.7889
<b>Euro</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Class 'A' - Final				
Group 1:	40.9376	-	40.9376	30.9619
Group 2:	35.5979	5.3397	40.9376	30.9619

Final period 01.09.13 - 31.08.14

Group 1: Shares purchased prior to a distribution period.

Group 2: Shares purchased during a distribution period.

Equalisation applies only to shares purchased during the distribution period (Group 2). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes.

# M&G European Smaller Companies Fund

## INVESTMENT OBJECTIVE, POLICY AND APPROACH

### Investment objective and policy of the M&G European Smaller Companies Fund

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 aims to select attractive investment opportunities from a diverse universe of smaller companies that is often less well covered and understood than a universe of larger companies. The fund manager picks stocks on a purely bottom-up basis, resulting in a concentrated portfolio of high conviction positions.

Key to the fund's investment strategy is the identification of companies with world-class scarce assets and resources that are not easily replicable. Scarce assets give such companies an edge over competitors, enabling them to generate sustainable returns above the cost of capital through time. In combination with reinvesting in the business at attractive rates of return, taking advantage of external growth opportunities, the fundamental value of these companies grows over time. In the fund manager's view, investing in such growing companies at attractive valuations rewards long-term investors.

Investment ideas are generated through the systematic use of screening tools such as cashflow return on investment analysis, augmented by the fund manager's broad knowledge of firms in the smaller companies' universe. He is also supported by the wider M&G Equities team and internal research analysts, all of whom offer invaluable opportunities for idea-generation and discussion.

The manager aims to hold a concentrated portfolio of around 40 to 60 stocks in the fund, where every holding is of a material size. The fund manager is "benchmark aware", ensuring that the risk taken in the fund relative to the index benchmark is understood, although no reference is made to the benchmark in the stock selection process.

### Risk and reward profile\*



- The above risk number is based on the rate at which the value of the Fund has moved up and down in the past.
- This risk number is based on historical data and may not be a reliable indicator of the future risk profile of the Fund.

- The risk number shown is not guaranteed and may change over time.

- The lowest risk number does not mean risk free.

\* This 'Risk and reward profile' section is based on Sterling Class 'A' shares.

## INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

### As at 1 September 2014, for the year ended 31 August 2014

We invested in a number of companies over the period under review, all of which we believe have business models that are well protected from competition and have the ability to grow their value over time.

We have been looking at companies more closely tied to the economic cycle, while also concentrating on the smaller end of our investment universe. In this light, new purchases included COMET, a high-quality, niche technology and electronics developer, Jungheinrich, a forklift truck and logistics systems manufacturer, and TGS-NOPEC Geophysical, a specialist seismic surveyor operating in the oil services industry.

We also took part in several new issues (where a company's shares are sold to the public for the first time), including the European leader in bathroom ceramics Sanitec and drinks manufacturer and distributor Stock Spirits. We take a very cautious, selective approach to new issues, and will only participate if it is clearly in the fund's favour to do so with respect to the quality and valuation of the business. Other new holdings included Austria-listed construction company PORR, Germany-listed corporate restructuring specialist Mutares and N Brown, a catalogue retailer operating in a niche area of 'plus-sized' clothing.

Elsewhere, Veripos, the global leader for provision of high-precision positioning systems for the offshore oil & gas industry, left the portfolio following a bidding war to buy the company. On valuation grounds, we sold our shares in Irish-listed international food and nutritional ingredients company Glanbia and Dutch shopping centre developer Eurocommercial Properties.

We also exited our position in Asya Katılım Bankası, a Turkish bank that operates in a niche sub-sector of Islamic banking. We liked the business due to its strong market position and excellent management team. Unfortunately, political tensions in Turkey, including a corruption scandal, led to widespread sell-offs across swathes of the Turkish market. The bank began to suffer significant deposit outflows, and it looked increasingly unlikely that it would be able to reach its targets in this environment.

**Charles Anniss**  
Fund manager

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

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

# M&G European Smaller Companies Fund

## FUND STATISTICS

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd		payment	
Final	01.09.15		31.10.15	
	Final distribution		Ongoing Charges Figure <sup>[b]</sup>	
	Inc 31.10.14 <sup>[a]</sup>	Acc 01.09.14 <sup>[a]</sup>	31.08.14	31.08.13
<b>Sterling</b>	p	p	%	%
Class 'A'	1.2936	1.3048	1.70	1.70
Class 'I'	18.6624	19.3712	0.95	0.96
Class 'R'	1.4497	1.4629	1.21	1.21
Class 'X'	1.2595	1.3022	1.70	1.70
<b>Euro</b>	¢	¢	%	%
Class 'A'	n/a	19.1228	1.71	1.71
Class 'C'	n/a	35.5481	0.96	0.96
<b>US dollar</b>	¢	¢	%	%
Class 'A'	n/a	4.0180	1.87 <sup>[c]</sup>	n/a
Class 'C'	n/a	12.3140	0.99 <sup>[c]</sup>	n/a

<sup>[a]</sup> The date on which the final distribution will be paid to Income shareholders and credited to Accumulation shareholders.

<sup>[b]</sup> The Ongoing Charges Figure is the ratio of the relevant annualised total disclosable costs of each share class from the most recent reporting period to the average net asset value for that share class over the same period.

<sup>[c]</sup> The Ongoing Charges Figure shown here is an estimate of the charges, as the share class has not been in existence for a full financial year.

### FUND PERFORMANCE

#### Performance of share classes

	Net asset value per share as at 31.08.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
<b>Sterling</b>	p	p	p	p	%	%
Class 'A'	259.74	270.10	250.82	259.53	+3.56	+4.07
Class 'I'	1,407.64	1,442.01	1,362.60	1,376.43	+3.31	+4.76
Class 'R'	140.64	143.49	136.09	137.43	+3.34	+4.41
Class 'X'	256.91	266.83	248.08	256.49	+3.56	+4.03
<b>Euro</b>	€	€	€	€	%	%
Class 'A'	n/a	24.9033	n/a	22.2725	n/a	+11.81
Class 'C'	n/a	27.3343	n/a	24.3024	n/a	+12.48
<b>US dollar</b>	\$	\$	\$	\$	%	%
Class 'A'	n/a	10.2365	n/a	n/a	n/a	n/a
Class 'C'	n/a	10.2412	n/a	n/a	n/a	n/a

Past performance is not a guide to future performance.

The value of stockmarket 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.

## PERFORMANCE SINCE LAUNCH

	six months 03.03.14 %	one year 02.09.13 %	five years 01.09.09 % p.a. <sup>[a]</sup>	since launch % p.a. <sup>[a]</sup>
<b>Sterling <sup>[b]</sup></b>				
Class 'A'	-6.1	+2.2	+11.2	+9.9 <sup>[c]</sup>
Class 'I'	-6.5	+2.2	n/a	+17.7 <sup>[d]</sup>
Class 'R'	-6.4	+2.2	n/a	+17.7 <sup>[d]</sup>
Class 'X'	-6.2	+2.2	+11.2	+13.5 <sup>[e]</sup>
<b>Euro <sup>[f]</sup></b>				
Class 'A'	-1.9	+10.1	+14.0	+7.4 <sup>[g]</sup>
Class 'C'	-1.5	+10.9	+14.8	+8.2 <sup>[g]</sup>
<b>US dollar <sup>[f]</sup></b>				
Class 'A'	n/a	n/a	n/a	+2.1 <sup>[h]</sup>
Class 'C'	n/a	n/a	n/a	+2.2 <sup>[h]</sup>

<sup>[a]</sup> Shows the compound rate of return, per annum, over the period.

<sup>[b]</sup> Bid to bid excluding reinvested income.

<sup>[c]</sup> 30 September 1996, the end of the initial offer period of the predecessor unit trust.

<sup>[d]</sup> 3 August 2012, the launch date of the share class.

<sup>[e]</sup> 1 October 2002, the launch date of the share class.

<sup>[f]</sup> Bid to bid with net income reinvested.

<sup>[g]</sup> 28 November 2001, the launch date of the share class.

<sup>[h]</sup> 8 August 2014, the launch date of the share class. Not annualised.

### SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From To	01.09.13 31.08.14 %	01.09.12 31.08.13 %	01.09.11 31.08.12 %	01.09.10 31.08.11 %	01.09.09 31.08.10 %
<b>Sterling</b>					
Class 'A'	+3.1	+34.8	+5.2	+11.5	+3.9

Source: Morningstar, Inc., bid to bid with net income reinvested.

# M&G European Smaller Companies Fund

## FUND STATISTICS

PRICES					
		Income shares		Accumulation shares	
	Calendar year	Highest	Lowest	Highest	Lowest
Sterling (net)					
Class 'A'		p	p	p	p
	2009	179.18	110.58	183.38	112.27
	2010	209.48	154.02	214.39	157.63
	2011	218.64	157.36	223.77	161.20
	2012	214.33	170.00	220.87	174.15
	2013	271.68	216.33	281.11	222.93
	2014 <sup>[a]</sup>	287.86	251.77	297.85	260.52
Class 'I'	2012 <sup>[b]</sup>	1,165.22	1,000.00	1,164.56	1,000.00
	2013	1,477.10	1,176.32	1,493.31	1,175.59
	2014 <sup>[a]</sup>	1,570.21	1,375.07	1,587.44	1,390.27
Class 'R'	2012 <sup>[b]</sup>	116.36	100.00	116.36	100.00
	2013	147.39	117.46	148.84	117.46
	2014 <sup>[a]</sup>	156.51	137.00	158.05	138.36
Class 'X'	2009	177.27	109.39	181.16	110.91
	2010	207.24	152.37	211.79	155.72
	2011	216.31	155.65	221.06	159.25
	2012	211.98	168.16	218.19	172.04
	2013	268.70	213.95	277.71	220.23
	2014 <sup>[a]</sup>	284.71	249.02	294.25	257.37
Euro (net)					
Class 'A'		€	€	€	€
	2009	n/a	n/a	14.4788	9.1113
	2010	n/a	n/a	18.2234	13.5702
	2011	n/a	n/a	18.5884	13.7789
	2012	n/a	n/a	19.8063	15.4193
	2013	n/a	n/a	24.7293	19.8963
	2014 <sup>[a]</sup>	n/a	n/a	26.9364	23.9553
Class 'C'	2009	n/a	n/a	15.3275	9.6038
	2010	n/a	n/a	19.4622	14.4288
	2011	n/a	n/a	19.8569	14.8002
	2012	n/a	n/a	21.4704	16.5933
	2013	n/a	n/a	27.0079	21.5817
	2014 <sup>[a]</sup>	n/a	n/a	29.5154	26.2824
US dollar (net)					
Class 'A'		\$	\$	\$	\$
	2014 <sup>[a]</sup> <sup>[c]</sup>	n/a	n/a	10.3816	10.0000
Class 'C'	2014 <sup>[a]</sup> <sup>[c]</sup>	n/a	n/a	10.3859	10.0000

<sup>[a]</sup> To 1 September 2014.

<sup>[b]</sup> From 3 August 2012 (the launch date of the share class).

<sup>[c]</sup> From 8 August 2014 (the launch date of the share class).

## INCOME

Dividend income per share		Distributed	Reinvested
Calendar year			
Sterling (net)		p	p
Class 'A'	2009	1.2210	1.2397
	2010	nil	nil
	2011	0.1880	0.1840
	2012	1.0968	1.1504
	2013	1.0421	1.0654
	2014 <sup>[a]</sup>	1.2936	1.3048
Class 'I'	2012	0.0950	0.0950
	2013	15.9735	15.2781
	2014 <sup>[a]</sup>	18.6624	19.3712
Class 'R'	2012	nil	nil
	2013	1.3634	1.4043
	2014 <sup>[a]</sup>	1.4497	1.4629
Class 'X'	2009	1.1990	1.2157
	2010	nil	nil
	2011	0.2160	0.2080
	2012	1.1180	1.1546
	2013	1.0150	1.1611
	2014 <sup>[a]</sup>	1.2595	1.3022
Euro (net)		€	€
Class 'A'	2009	n/a	11.3690
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	14.0380
	2013	n/a	4.4869
	2014 <sup>[a]</sup>	n/a	19.1228
Class 'C'	2009	n/a	20.0070
	2010	n/a	11.7180
	2011	n/a	nil
	2012	n/a	nil
	2013	n/a	27.0020
	2014 <sup>[a]</sup>	n/a	35.5481
US dollar (net)		\$	\$
Class 'A'	2014 <sup>[a]</sup>	n/a	4.0180
Class 'C'	2014 <sup>[a]</sup>	n/a	12.3140

<sup>[a]</sup> Up to final: ex-distribution date 1 September 2014;  
payment date 31 October 2014.

The level of income earned by the fund will fluctuate.

# M&G European Smaller Companies Fund

## FUND STATISTICS

NET ASSETS					
	Year ended	Value per share Inc	Value per share Acc	Number of shares Inc	Number of shares Acc
<b>Sterling</b>					
Class 'A'	Aug 2012	188.59	194.34	26,910,396	8,835,936
	Aug 2013	250.82	259.53	25,609,396	8,151,036
	Aug 2014	259.74	270.10	24,425,796	7,447,536
Class 'I'	Aug 2012	1,021.97	1,022.07	100	100
	Aug 2013	1,362.60	1,376.43	46,840	29,880
	Aug 2014	1,407.64	1,442.01	108,705	148,530
Class 'R'	Aug 2012	102.16	102.16	1,000	1,000
	Aug 2013	136.09	137.43	52,000	100,000
	Aug 2014	140.64	143.49	52,000	100,000
Class 'X'	Aug 2012	186.51	191.99	963,312	602,640
	Aug 2013	248.08	256.49	917,812	730,840
	Aug 2014	256.91	266.83	1,076,912	742,840
<b>Euro</b>					
		€	€		
Class 'A'	Aug 2012	n/a	17.9231	n/a	95,880
	Aug 2013	n/a	22.2725	n/a	129,980
	Aug 2014	n/a	24.9033	n/a	1,414,484
Class 'C'	Aug 2012	n/a	19.3854	n/a	1,035
	Aug 2013	n/a	24.3024	n/a	28,035
	Aug 2014	n/a	27.3343	n/a	81,315
<b>US dollar</b>					
		\$	\$		
Class 'A'	Aug 2014	n/a	10.2365	n/a	500
Class 'C'	Aug 2014	n/a	10.2412	n/a	500
<b>Total net asset value of sub-fund</b>					
	Year ended	£	€ [a]		
	Aug 2012	72,260,000	90,952,000		
	Aug 2013	93,850,000	109,888,000		
	Aug 2014	121,967,000	153,447,000		

[a] Based on the midday exchange rate on the last business day of each financial year.

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 %
<b>Oil &amp; gas producers</b>		<b>0.86</b>	<b>1.27</b>
452,500 Ophir Energy	1,047	0.86	
<b>Oil equipment, services &amp; distribution</b>		<b>6.84</b>	<b>4.93</b>
115,500 OW Bunker	1,903	1.56	
28,000 Schoeller-Bleckmann	1,776	1.46	
70,500 Técnicas Reunidas	2,336	1.92	
136,000 TGS-NOPEC Geophysical	2,319	1.90	
<b>Chemicals</b>		<b>1.63</b>	<b>3.03</b>
131,000 Frutarom Industries	1,982	1.63	
<b>Construction &amp; materials</b>		<b>3.27</b>	<b>0.00</b>
239,000 Kingspan Group	2,521	2.07	
39,444 PORR	1,467	1.20	
<b>Aerospace &amp; defence</b>		<b>2.42</b>	<b>0.00</b>
214,000 Kongsberg Gruppen	2,950	2.42	
<b>General industrials</b>		<b>1.48</b>	<b>2.12</b>
30,768 Mutares	1,811	1.48	
<b>Electronic &amp; electrical equipment</b>		<b>6.55</b>	<b>3.92</b>
4,700 COMET Holding	1,862	1.53	
62,000 EVS Broadcast Equipment	1,607	1.32	
36,000 Ingenico	2,089	1.71	
125,000 Spectris	2,424	1.99	
<b>Industrial engineering</b>		<b>9.35</b>	<b>8.27</b>
61,000 Andritz	1,976	1.62	
396,000 Bufab Holding	1,965	1.61	
582,000 Deutz	2,082	1.71	
75,000 Jungheinrich Pref. (non-voting)	2,785	2.28	
4,400 KSB Cum. Pref	1,611	1.32	
56,000 Kapsch TrafficCom	987	0.81	
<b>Industrial transportation</b>		<b>0.00</b>	<b>3.24</b>
<b>Support services</b>		<b>5.23</b>	<b>5.98</b>
125,000 CTS EVENTIM	2,104	1.73	
83,500 DCC	2,963	2.43	
610,000 Proffice	1,301	1.07	
<b>Automobiles &amp; parts</b>		<b>8.50</b>	<b>8.61</b>
52,500 Delticom	820	0.67	
105,000 ElringKlinger	2,152	1.76	
32,000 LISI	2,962	2.43	
1,048,000 Piaggio	1,933	1.58	
300,000 SAF-HOLLAND	2,510	2.06	
<b>Beverages</b>		<b>2.12</b>	<b>0.00</b>
870,000 Stock Spirits	2,586	2.12	
<b>Food producers</b>		<b>1.62</b>	<b>5.14</b>
80,000 Christian Hansen Holding	1,978	1.62	
<b>Household goods &amp; home construction</b>		<b>1.05</b>	<b>0.00</b>
193,000 Sanitec	1,284	1.05	
<b>Leisure goods</b>		<b>5.15</b>	<b>5.73</b>
206,000 Amer Sports	2,499	2.05	
308,489 Bang & Olufsen 'B'	2,122	1.74	
431,000 Gameloft	1,661	1.36	
<b>Personal goods</b>		<b>4.61</b>	<b>3.15</b>
23,000 HUGO BOSS	1,954	1.60	
81,000 Pandora	3,668	3.01	
<b>Healthcare equipment &amp; services</b>		<b>5.51</b>	<b>7.63</b>
11,500 Eurofins Scientific	1,911	1.57	
56,000 Gerresheimer	2,445	2.00	
24,500 Sonova Holding	2,364	1.94	

# M&G European Smaller Companies Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 %
<b>Food &amp; drug retailers</b>		<b>2.72</b>	<b>2.82</b>
963,000 UDG Healthcare (formerly United Drug)	3,313	2.72	
<b>General retailers</b>		<b>3.94</b>	<b>2.09</b>
379,292 N Brown	1,650	1.35	
290,000 TAKKT	3,164	2.59	
<b>Media</b>		<b>1.01</b>	<b>1.52</b>
49,000 GFK	1,226	1.01	
<b>Travel &amp; leisure</b>		<b>0.77</b>	<b>1.87</b>
1,058,000 bwin.party digital entertainment	934	0.77	
<b>Mobile telecommunications</b>		<b>1.10</b>	<b>1.30</b>
83,000 Freenet	1,344	1.10	
<b>Gas, water &amp; multi-utilities</b>		<b>2.02</b>	<b>2.04</b>
67,975 Rubis	2,459	2.02	
<b>Banks</b>		<b>0.00</b>	<b>0.57</b>
<b>Non-life insurance</b>		<b>3.42</b>	<b>3.98</b>
124,000 FBD Holdings	1,479	1.21	
93,000 Vienna Insurance	2,698	2.21	
<b>Real estate investment &amp; services</b>		<b>0.00</b>	<b>1.27</b>
<b>Real estate investment trusts</b>		<b>1.21</b>	<b>2.96</b>
215,000 Shaftesbury	1,470	1.21	
<b>Financial services</b>		<b>9.40</b>	<b>8.73</b>
203,000 GAM Holding (Regd.)	2,382	1.95	
400,000 IG Group Holdings	2,432	1.99	
200,000 Intrum Justitia	3,743	3.07	
775,000 Jupiter Fund Management	2,917	2.39	
<b>Software &amp; computer services</b>		<b>5.88</b>	<b>3.03</b>
64,000 ESI	1,218	1.00	
84,500 Fidessa	1,879	1.54	
205,500 Indra Sistemas	1,872	1.53	
38,125 Sopra	2,215	1.81	
<b>AIM quoted</b>		<b>1.57</b>	<b>0.79</b>
630,000 3Legs Resources	135	0.11	
222,000 EMIS	1,586	1.30	
160,000 Providence Resources	194	0.16	
<b>'AAA' rated money market funds <sup>[a]</sup></b>		<b>1.58</b>	<b>3.95</b>
1,924,000 Northern Trust Global Fund - Sterling	1,924	1.58	
<b>Portfolio of investments (notes 1b &amp; 1c on page 7)</b>	<b>122,951</b>	<b>100.81</b>	<b>99.94</b>
<b>Net other (liabilities) / assets</b>	<b>(984)</b>	<b>(0.81)</b>	<b>0.06</b>
<b>Net assets attributable to shareholders</b>	<b>121,967</b>	<b>100.00</b>	<b>100.00</b>

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

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

## PORTFOLIO TRANSACTIONS

for the year ended 31 August 2014

<b>Largest purchases</b>	<b>£'000</b>
Jungheinrich Pref. (non-voting)	3,021
Kongsberg Gruppen	2,685
Kingspan	2,527
TGS-NOPEC Geophysical	2,443
Spectris	2,359
Stock Spirits	2,186
OW Bunker	2,101
Técnicas Reunidas	2,100
Mutares	2,076
Indra Sistemas	2,054
Groupe Steria	1,944
Bufab Holding	1,820
N Brown	1,652
PORR	1,552
TAKKT	1,408
EMIS	1,344
COMET Holding	1,341
Sanitec	1,233
LISI	1,054
Vienna Insurance	990
Northern Trust Global Fund - Sterling <sup>[a]</sup>	33,251
<b>Other purchases</b>	<b>20,156</b>
<b>Total purchases</b>	<b>91,297</b>
<b>Largest sales</b>	<b>£'000</b>
AZ Electronic Materials	3,054
Eurocommerical Properties	2,692
Dürr	2,459
DSV	2,408
Addtech	2,400
Medica	1,995
Glanbia	1,958
Technip	1,735
Veripos	1,662
GSW Immobilien	1,202
Experian	1,011
Club Méditerranée	1,003
LANXESS	811
Asya Katılım Bankası	748
Deutz	638
Amer Sports	558
FBD Holdings	396
SAF-HOLLAND	289
Eurofins Scientific	245
Freenet	244
Northern Trust Global Fund - Sterling <sup>[a]</sup>	35,037
<b>Other sales</b>	<b>1,378</b>
<b>Total sales</b>	<b>63,923</b>

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



# M&G European Smaller Companies Fund

## FINANCIAL STATEMENTS

For the year ended 31 August 2014.

### STATEMENT OF TOTAL RETURN

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	3		1,685		23,622
Revenue	4	2,602		2,116	
Expenses	5	(1,944)		(1,470)	
Net revenue before taxation		658		646	
Taxation	6	158		(76)	
Net revenue after taxation			816		570
<b>Total return before distributions</b>			<b>2,501</b>		<b>24,192</b>
Finance costs: Distributions	12		(713)		(399)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>1,788</b>		<b>23,793</b>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

		2014		2013	
		£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>			<b>93,850</b>		<b>72,260</b>
Amounts received on issue of shares	35,434			8,806	
Amounts paid on cancellation of shares	(9,475)			(11,120)	
			25,959		(2,314)
Stamp Duty Reserve Tax			(5)		(2)
Change in net assets attributable to shareholders from investment activities (see above)			1,788		23,793
Retained distributions on Accumulation shares			375		113
<b>Closing net assets attributable to shareholders</b>			<b>121,967</b>		<b>93,850</b>

## BALANCE SHEET

	as at 31 August 2014		as at 31 August 2013	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Investment assets		122,951		93,798
<b>Debtors</b>				
Amounts receivable on issues	54		219	
Currency deals outstanding	110		121	
Distributions receivable	1		1	
Dividends receivable	11		95	
Overseas tax recoverable	206		155	
Prepaid expenses	0		1	
Sales awaiting settlement	0		232	
		382		824
Cash and bank balances				
Cash held as bank balances	6		25	
		6		25
<b>Total other assets</b>		<b>388</b>		<b>849</b>
<b>Total assets</b>		<b>123,339</b>		<b>94,647</b>
<b>Liabilities</b>				
<b>Creditors</b>				
Amounts payable on cancellations	(390)		(30)	
Currency deals outstanding	(110)		(121)	
Expenses payable	(99)		(73)	
Net distributions payable on Income shares	(351)		(284)	
Purchases awaiting settlement	(422)		(289)	
<b>Total liabilities</b>		<b>(1,372)</b>		<b>(797)</b>
<b>Net assets attributable to shareholders</b>		<b>121,967</b>		<b>93,850</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting policies

The financial statements have been prepared in accordance with the accounting policies set out in the notes to the aggregated financial statements on page 7. The amount available for distribution is calculated in accordance with note 1j set out in the notes to the aggregated financial statements, reduced by the value of stock dividends as it is the policy of the sub-fund not to distribute these.

### 2 Risk management policies

The general risk management policies are set out in note 2 to the aggregated financial statements on page 8. In addition to these policies the sub-fund accepts short term currency risk in relation to euro exposures.

The Authorised Corporate Director accepts that the market price risk in respect of securities issued by smaller companies and those traded on the Alternative Investment Market (AIM) held in the investment portfolio may be more volatile and have wider than average price fluctuations. Furthermore, their liquidity cannot be guaranteed.

# M&G European Smaller Companies Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Net capital gains

	2014 £'000	2013 £'000
Non-derivative securities	1,779	23,627
Forward currency contracts	8	0
Currency losses	(94)	(1)
Transaction charges	(8)	(4)
<b>Net capital gains</b>	<b>1,685</b>	<b>23,622</b>

#### 4 Revenue

	2014 £'000	2013 £'000
Interest distributions	10	6
Interest on overseas tax previously withheld at source	85	9
Overseas dividends	2,049	1,618
Property income dividends	21	20
Stock dividends	103	173
UK dividends	334	290
<b>Total revenue</b>	<b>2,602</b>	<b>2,116</b>

#### 5 Expenses

	2014 £'000	2013 £'000
<b>Payable to the Authorised Corporate Director or associate</b>		
Authorised Corporate Director's periodic charge	1,719	1,296
Administration fee	175	130
	1,894	1,426
<b>Payable to the Depositary or associate</b>		
Depositary's fee (including VAT)	10	8
<b>Other expenses</b>		
Audit fee (including VAT)	7	9
Regulatory fees	6	5
Safe custody charge	16	14
Tax fees (including VAT) [a]	11	8
	40	36
<b>Total expenses</b>	<b>1,944</b>	<b>1,470</b>

[a] Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP and Ernst & Young LLP.

#### 6 Taxation

	2014 £'000	2013 £'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Overseas tax	130	121
Overseas tax recovered: previously withheld at source	(288)	(45)
Current tax charge (note 6b)	(158)	76
Deferred tax (note 6c)	0	0
<b>Total taxation</b>	<b>(158)</b>	<b>76</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue before taxation	658	646
Corporation tax at 20%	132	129
Effects of:		
UK dividends not taxable	(67)	(58)
Stock dividends not taxable	(21)	(35)
Overseas dividends not taxable	(410)	(324)
Current year expenses not utilised	366	288
Overseas tax	130	121
Overseas tax recovered: previously withheld at source	(288)	(45)
<b>Current tax charge (note 6a)</b>	<b>(158)</b>	<b>76</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

The sub-fund has not recognised a deferred tax asset of £1,450,000 (31.08.13: £1,083,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

#### 7 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (31.08.13: same).

#### 8 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the sub-fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the statement of change in net assets attributable to shareholders and note 12. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in the balance sheet where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's periodic charge and administration fee are disclosed in note 5. Amounts due at the year end to the ACD of £71,000 (31.08.13: £51,000) in respect of the ACD's periodic charge and administration fee are included within expenses payable as disclosed in the balance sheet.

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 28.17% (31.08.13: 28.01%) of the sub-fund's shares.

# M&G European Smaller Companies Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 9 Financial instruments

The policies applied in the management of financial instruments are set out in note 2.

Short-term debtors and creditors have been included in respect of the currency exposure only when this is applicable (31.08.13: same).

#### Currency exposure

The currency profile of the sub-fund's financial instruments at the balance sheet date was:

	Portfolio of investments		Net other assets / (liabilities)		Total	
	as at 31.08.14 £'000	as at 31.08.13 £'000	as at 31.08.14 £'000	as at 31.08.13 £'000	as at 31.08.14 £'000	as at 31.08.13 £'000
Danish krone	9,672	6,094	0	(242)	9,672	5,852
Euro	63,672	55,069	19	432	63,691	55,501
Israeli shekel	1,982	1,311	0	0	1,982	1,311
Norwegian krone	5,269	1,055	30	0	5,299	1,055
Swedish krona	8,294	5,635	0	69	8,294	5,704
Swiss franc	6,608	3,422	6	0	6,614	3,422
Turkish lira	0	536	0	0	0	536
US dollar	0	0	0	17	0	17
	95,497	73,122	55	276	95,552	73,398
Sterling	27,454	20,676	(1,039)	(224)	26,415	20,452
<b>Total</b>	<b>122,951</b>	<b>93,798</b>	<b>(984)</b>	<b>52</b>	<b>121,967</b>	<b>93,850</b>

#### Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.13: same).

#### Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.13: same).

#### 10 Portfolio transaction costs

	2014 £'000	2013 £'000
<b>a) Purchases</b>		
Purchases excluding transaction costs	91,179	36,606
Commissions	35	20
Taxes	83	9
Total transaction costs	118	29
<b>Total purchases including transaction costs</b>	<b>91,297</b>	<b>36,635</b>
<b>b) Sales</b>		
Sales excluding transaction costs	63,945	39,111
Commissions	(22)	(21)
<b>Total sales net of transaction costs</b>	<b>63,923</b>	<b>39,090</b>

#### 11 Shareholder funds

This sub-fund contains Sterling Class 'A' (Net Income and Net Accumulation) shares, Sterling Class 'I' (Net Income and Net Accumulation) shares, Sterling Class 'R' (Net Income and Net Accumulation) shares and Sterling Class 'X' (Net Income and Net Accumulation) shares.

This sub-fund also contains Euro Class 'A' (Net Accumulation) shares and Euro Class 'C' (Net Accumulation) shares.

This sub-fund also contains US dollar Class 'A' (Net Accumulation) shares and US dollar Class 'C' (Net Accumulation) shares.

The charging structure for each share class, as at 31 August 2014, is set out in the following table (31.08.13: same):

#### CHARGES AND EXPENSES

	Initial charge %	Withdrawal fee %	ACD's annual remuneration %
<b>Sterling</b>			
Class 'A'	4.00	n/a	1.50
Class 'I'	1.00	n/a	0.75
Class 'R'	1.00	n/a	1.00
Class 'X'	nil	4.50 <sup>[a]</sup>	1.50
<b>Euro</b>			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75
<b>US dollar</b>			
Class 'A' <sup>[b]</sup>	5.25	n/a	1.50
Class 'C' <sup>[b]</sup>	3.25	n/a	0.75

<sup>[a]</sup> The withdrawal fee diminishes over a period of five years. Please refer to the Key Investor Information Document (KIID) in conjunction with the Important Information for Investors document.

<sup>[b]</sup> With effect from 8 August 2014, the launch date of the US dollar Class 'A' and US dollar Class 'C' share classes.

With the exception of the Authorised Corporate Director's periodic charge, which is directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

The net asset values for each share class are set out in the following table:

#### NET ASSET VALUES

	31.08.14		31.08.13	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
<b>Sterling</b>				
Class 'A'	63,443	20,116	64,233	21,154
Class 'I'	1,530	2,142	638	411
Class 'R'	73	143	71	137
Class 'X'	2,766	1,982	2,277	1,875
<b>Euro</b>				
Class 'A'	n/a	27,999	n/a	2,472
Class 'C'	n/a	1,767	n/a	582
<b>US dollar</b>				
Class 'A'	n/a	3	n/a	n/a
Class 'C'	n/a	3	n/a	n/a

# M&G European Smaller Companies Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 11 Shareholder funds (continued)

The net asset value per share and the number of shares are given in the net assets table on page 54. The distribution per share is given in the distribution table opposite. Each share class has the same rights on winding-up.

#### 12 Finance costs

	2014 £'000	2013 £'000
<b>Income shares (Sterling)</b>		
Class 'A' - Final	316	267
Class 'I' - Final	20	7
Class 'R' - Final	1	1
Class 'X' - Final	14	9
<b>Accumulation shares (Sterling)</b>		
Class 'A' - Final	97	87
Class 'I' - Final	29	5
Class 'R' - Final	1	1
Class 'X' - Final	10	8
<b>Accumulation shares (Euro)</b>		
Class 'A' - Final	215	5
Class 'C' - Final	23	7
<b>Accumulation shares (US dollar)</b>		
Class 'A' - Final <sup>[a]</sup>	0	n/a
Class 'C' - Final <sup>[b]</sup>	0	n/a
Finance costs: Dividend distributions	726	397
Income deducted on cancellation of shares	30	8
Income received on issue of shares	(43)	(6)
<b>Finance costs: Distributions</b>	<b>713</b>	<b>399</b>
Net revenue per statement of total return	816	570
Stock dividends not distributed	(103)	(173)
Undistributed income brought forward	0	2
<b>Finance costs: Distributions</b>	<b>713</b>	<b>399</b>

<sup>[a]</sup> The final distribution for US dollar Class 'A' (Accumulation) shares was \$20.

<sup>[b]</sup> The final distribution for US dollar Class 'C' (Accumulation) shares was \$62.

### DISTRIBUTION TABLE

Dividend distributions on Income shares	Net income	Equalisation	Distribution payable/paid	
			2014	2013
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A' - Final				
Group 1:	1.2936	-	1.2936	1.0421
Group 2:	1.0226	0.2710	1.2936	1.0421
Class 'I' - Final				
Group 1:	18.6624	-	18.6624	15.9735
Group 2:	16.4246	2.2378	18.6624	15.9735
Class 'R' - Final				
Group 1:	1.4497	-	1.4497	1.3634
Group 2:	0.6839	0.7658	1.4497	1.3634
Class 'X' - Final				
Group 1:	1.2595	-	1.2595	1.0150
Group 2:	0.6106	0.6489	1.2595	1.0150
<b>Dividend distributions on Accumulation shares</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Amount reinvested</b>	
			2014	2013
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A' - Final				
Group 1:	1.3048	-	1.3048	1.0654
Group 2:	1.1086	0.1962	1.3048	1.0654
Class 'I' - Final				
Group 1:	19.3712	-	19.3712	15.2781
Group 2:	11.6593	7.7119	19.3712	15.2781
Class 'R' - Final				
Group 1:	1.4629	-	1.4629	1.4043
Group 2:	1.4629	-	1.4629	1.4043
Class 'X' - Final				
Group 1:	1.3022	-	1.3022	1.1611
Group 2:	1.1757	0.1265	1.3022	1.1611
<b>Euro</b>	<b>¢</b>	<b>¢</b>	<b>¢</b>	<b>¢</b>
Class 'A' - Final				
Group 1:	19.1228	-	19.1228	4.4869
Group 2:	16.1682	2.9546	19.1228	4.4869
Class 'C' - Final				
Group 1:	35.5481	-	35.5481	27.0020
Group 2:	17.6012	17.9469	35.5481	27.0020
<b>US dollar</b>	<b>¢</b>	<b>¢</b>	<b>¢</b>	<b>¢</b>
Class 'A' - Final				
Group 1:	4.0180	-	4.0180	n/a
Group 2:	4.0180	-	4.0180	n/a
Class 'C' - Final				
Group 1:	12.3140	-	12.3140	n/a
Group 2:	12.3140	-	12.3140	n/a

Final period 01.09.13 - 31.08.14

Group 1: Shares purchased prior to a distribution period.

Group 2: Shares purchased during a distribution period.

Equalisation applies only to shares purchased during the distribution period (Group 2). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes.

# M&G European Smaller Companies Fund

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# M&G Global Basics Fund

## INVESTMENT OBJECTIVE, POLICY AND APPROACH

### Investment objective and policy of the M&G Global Basics Fund

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 approach

The M&G Global Basics Fund invests in companies considered to be the 'building blocks' of the world's economy. A key aspect to the stock selection process involves the assessment of structural trends in the global economy and the identification of those companies that are positioned to benefit.

This approach is illustrated by the M&G Global Basics 'curve of economic development' concept, which represents the changing needs of an economy at different stages of development. As the structural shift in economic power towards emerging markets continues to build momentum, the rising incomes and increasingly sophisticated demands of the consumer combine to create an emerging middle class. As nations 'move up the curve', basic demands for food and shelter are accompanied by increasing appetite for additional goods and services. The fund can gain exposure to such themes by investing in best-in-class international companies with a durable competitive advantage that enables them to capitalise on such trends through their global operations.

Given the fund's unconstrained mandate, the fund manager has the flexibility to move up and down the curve of economic development, based on where he thinks the opportunity and valuation levels are most attractive. This includes examining a company's asset base, competitive position, business model, financial strength and management ability. Meeting company management is key to his approach. The fund manager seeks management teams who are able to execute an intelligent business strategy and whose interests are clearly aligned with those of the firm's shareholders. The fund manager employs a long-term investment horizon in order to capitalise on these themes and is quite prepared to hold companies whose merits are not yet fully recognised by the market.

### Risk and reward profile\*



- The above risk number is based on the rate at which the value of the Fund has moved up and down in the past.
- This risk number is based on historical data and may not be a reliable indicator of the future risk profile of the Fund.

- The risk number shown is not guaranteed and may change over time.

- The lowest risk number does not mean risk free.

\* This 'Risk and reward profile' section is based on Sterling Class 'A' shares.

## INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

### As at 1 September 2014, for the year ended 31 August 2014

In total, there were ten complete exits and 11 new additions to the fund in the period under review, indicating slightly higher-than-usual portfolio activity. The exits were largely those of companies where we no longer held full conviction in the stock's ability to add long-term value to the fund.

One example was German sugar refiner Südzucker, which was sold after many years in the fund as we believed its future prospects and profits would come under increased pressure as the European Union lowers barriers to sugar imports.

Elsewhere, successful merger and acquisition activity was the catalyst for a number of sales that added value. US-listed bentonite clay producer AMCOL International, Australian copper miner Inova Resources and Australian coal and iron ore miner Aquila Resources were all sold after they were bid for at attractive levels.

Capital from these exits was recycled into best-in-class, internationally focused businesses predominantly in the basic materials and industrials sectors. We also reduced our underweight exposure to the attractively valued oil & gas sector with the addition of two engineering companies, US-based National Oilwell Varco and UK-based Weir Group, both of which have since been net contributors to fund performance. Elsewhere, we increased our exposure to the US and took our first foray into the technology sector with the addition of Microsoft, the largest contributor to performance over the reporting period.

We maintain that, despite a change in management behaviour, the value of mining assets is not fully recognised by the wider market. In line with this, we initiated a holding in Australian diversified miner BHP Billiton, based on our conviction in the ability of a new management team to focus on shareholder value. This conviction has since been vindicated by a raft of non-core asset disposals, increased dividends<sup>[a]</sup>, a reduction in debt and plans for a share buyback.

### Randeep Somel Fund manager

An employee of M&G Limited which is an associate of M&G Securities Limited. At the start of the review period Graham French was the fund manager.

<sup>[a]</sup> 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.

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

# M&G Global Basics Fund

## FUND STATISTICS

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd		payment	
Final	01.09.15		31.10.15	
	Final distribution Inc 31.10.14 <sup>[a]</sup>	Acc 01.09.14 <sup>[a]</sup>	Ongoing Charges Figure <sup>[b]</sup> 31.08.14 31.08.13	
<b>Sterling</b>	p	p	%	%
Class 'A'	1.8281	2.7906	1.68	1.66
Class 'I'	11.8910	12.0799	0.93	0.92
Class 'R'	0.9143	0.9291	1.18	1.17
Class 'X'	1.7307	2.4242	1.68	1.66
<b>Euro</b>	¢	¢	%	%
Class 'A'	0.4371	0.4391	1.93	1.92
Class 'C'	27.0938	31.0703	0.92	0.91
<b>US dollar</b>	¢	¢	%	%
Class 'A'	nil	nil	1.93	1.91
Class 'C'	12.1358	13.8558	0.93	0.92

<sup>[a]</sup> The date on which the final distribution will be paid to Income shareholders and credited to Accumulation shareholders.

<sup>[b]</sup> The Ongoing Charges Figure is the ratio of the relevant annualised total disclosable costs of each share class from the most recent reporting period to the average net asset value for that share class over the same period.

### FUND PERFORMANCE

#### Performance of share classes

	Net asset value per share as at 31.08.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
<b>Sterling</b>	p	p	p	p	%	%
Class 'A'	655.77	989.92	663.05	998.21	-1.10	-0.83
Class 'I'	1,089.93	1,118.54	1,102.81	1,119.59	-1.17	-0.09
Class 'R'	109.06	111.30	110.34	111.69	-1.16	-0.35
Class 'X'	657.87	980.19	665.09	988.39	-1.09	-0.83
<b>Euro</b>	€	€	€	€	%	%
Class 'A'	25.4154	25.5461	23.9239	24.0344	+6.23	+6.29
Class 'C'	28.5516	28.8222	n/a	26.8461	n/a	+7.36
<b>US dollar</b>	\$	\$	\$	\$	%	%
Class 'A'	11.9151	11.9476	n/a	11.2834	n/a	+5.89
Class 'C'	12.7222	12.8426	n/a	12.0087	n/a	+6.94

Past performance is not a guide to future performance.

The value of stockmarket 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.

## PERFORMANCE SINCE LAUNCH

	six months 03.03.14 %	one year 02.09.13 %	five years 01.09.09 % p.a. <sup>[a]</sup>	since launch % p.a. <sup>[a]</sup>
<b>Sterling <sup>[b]</sup></b>				
Class 'A'	+3.2	-2.7	+5.9	+6.4 <sup>[c]</sup>
Class 'I'	+2.7	-2.7	n/a	+4.0 <sup>[d]</sup>
Class 'R'	+2.8	-2.7	n/a	+4.1 <sup>[d]</sup>
Class 'X'	+3.2	-2.6	+5.9	+12.1 <sup>[e]</sup>
<b>Euro <sup>[f]</sup></b>				
Class 'A'	+7.4	+4.3	+8.2	+7.6 <sup>[g]</sup>
Class 'C'	+7.9	+5.4	+9.3	+8.6 <sup>[g]</sup>
<b>US dollar <sup>[f]</sup></b>				
Class 'A'	+2.5	+3.7	+6.4	+2.3 <sup>[h]</sup>
Class 'C'	+3.0	+4.7	+7.5	+3.3 <sup>[h]</sup>

<sup>[a]</sup> Shows the compound rate of return, per annum, over the period.

<sup>[b]</sup> Bid to bid excluding reinvested income.

<sup>[c]</sup> 28 February 1973, the end of the initial offer period of the predecessor unit trust.

<sup>[d]</sup> 3 August 2012, the launch date of the share class.

<sup>[e]</sup> 1 October 2002, the launch date of the share class.

<sup>[f]</sup> Bid to bid with net income reinvested.

<sup>[g]</sup> 28 November 2001, the launch date of the share class.

<sup>[h]</sup> 9 March 2007, the launch date of the share class.

## SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From To	01.09.13 31.08.14 %	01.09.12 31.08.13 %	01.09.11 31.08.12 %	01.09.10 31.08.11 %	01.09.09 31.08.10 %
<b>Sterling</b>					
Class 'A'	-1.0	+9.8	-7.9	+16.9	+13.9

Source: Morningstar, Inc., bid to bid with net income reinvested.



# M&G Global Basics Fund

## FUND STATISTICS

### PRICES

		Income shares		Accumulation shares	
Calendar year		Highest	Lowest	Highest	Lowest
Sterling (net)		p	p	p	p
Class 'A'	2009	565.27	340.55	843.38	506.44
	2010	716.90	525.45	1069.61	783.98
	2011	727.53	575.66	1085.48	859.40
	2012	684.86	578.99	1022.42	864.37
	2013	714.80	629.62	1070.38	947.84
	2014 <sup>[a]</sup>	659.82	620.06	993.29	933.43
Class 'I'	2012 <sup>[b]</sup>	1,084.48	1,000.00	1,086.88	1,000.00
	2013	1,193.75	1,049.36	1,196.38	1,061.54
	2014 <sup>[a]</sup>	1,105.45	1,034.48	1,122.29	1,050.24
Class 'R'	2012 <sup>[b]</sup>	108.42	100.00	108.63	100.00
	2013	119.23	104.93	119.46	106.05
	2014 <sup>[a]</sup>	110.34	103.40	111.67	104.65
Class 'X'	2009	566.95	341.59	835.13	501.49
	2010	719.02	527.01	1059.14	776.30
	2011	729.69	577.21	1074.85	850.94
	2012	686.71	580.55	1012.37	855.87
	2013	716.85	631.54	1059.85	938.51
	2014 <sup>[a]</sup>	661.83	621.95	983.52	924.25
Euro (net)		€	€	€	€
Class 'A'	2009	n/a	n/a	19.4363	11.7968
	2010	n/a	n/a	25.8631	18.6574
	2011	n/a	n/a	26.0838	20.7126
	2012	n/a	n/a	24.9836	22.3099
	2013	24.8914 <sup>[c]</sup>	23.0019 <sup>[c]</sup>	25.7385	23.0620
	2014 <sup>[a]</sup>	25.5589	23.0963	25.6258	23.1567
Class 'C'	2009	n/a	n/a	20.9274	12.6022
	2010	n/a	n/a	28.1251	20.1086
	2011	n/a	n/a	28.3768	22.6964
	2012	n/a	n/a	27.4822	24.6009
	2013	n/a	n/a	28.6619	25.8368
	2014 <sup>[a]</sup>	28.9106 <sup>[d]</sup>	27.5680 <sup>[d]</sup>	28.9103	25.9787
US dollar (net)		\$	\$	\$	\$
Class 'A'	2009	n/a	n/a	9.9699	5.2635
	2010	n/a	n/a	12.1197	8.6931
	2011	n/a	n/a	13.0691	9.6804
	2012	n/a	n/a	11.9006	9.8323
	2013	n/a	n/a	11.9527	10.8048
	2014 <sup>[a]</sup>	11.9799 <sup>[d]</sup>	11.6124 <sup>[d]</sup>	12.2266	11.0961
Class 'C'	2009	n/a	n/a	10.2224	5.3566
	2010	n/a	n/a	12.5605	8.9553
	2011	n/a	n/a	13.5885	10.1101
	2012	n/a	n/a	12.4791	10.3366
	2013	n/a	n/a	12.7271	11.4774
	2014 <sup>[a]</sup>	12.8769 <sup>[d]</sup>	12.4751 <sup>[d]</sup>	13.1220	11.8599

<sup>[a]</sup> To 1 September 2014.

<sup>[b]</sup> From 3 August 2012 (the launch date of the share class).

<sup>[c]</sup> From 12 July 2013 (the launch date of the Income shares).

<sup>[d]</sup> From 8 August 2014 (the launch date of the Income shares).

## INCOME

Dividend income per share		Distributed	Reinvested
Calendar year			
Sterling (net)		p	p
Class 'A'	2009	1.5960	2.3750
	2010	nil	nil
	2011	0.4400	0.7000
	2012	1.8150	2.6945
	2013	3.5152	5.2635
	2014 <sup>[a]</sup>	1.8281	2.7906
Class 'I'	2012	2.2430	2.2380
	2013	14.5286	14.5568
	2014 <sup>[a]</sup>	11.8910	12.0799
Class 'R'	2012	0.2000	0.2002
	2013	1.1154	1.2021
	2014 <sup>[a]</sup>	0.9143	0.9291
Class 'X'	2009	1.6500	2.4223
	2010	nil	nil
	2011	0.5870	0.8330
	2012	1.7100	2.6581
	2013	3.5514	5.2123
	2014 <sup>[a]</sup>	1.7307	2.4242
Euro (net)		€	€
Class 'A'	2009	n/a	1.9460
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	0.1015
	2013	6.4761	6.4998
	2014 <sup>[a]</sup>	0.4371	0.4391
Class 'C'	2009	n/a	16.9080
	2010	n/a	10.4660
	2011	n/a	20.0950
	2012	n/a	27.5104
	2013	n/a	34.8378
	2014 <sup>[a]</sup>	27.0938	31.0703
US dollar (net)		\$	\$
Class 'A'	2009	n/a	1.7170
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	0.0151
	2013	n/a	2.4354
	2014 <sup>[a]</sup>	nil	nil
Class 'C'	2009	n/a	8.4540
	2010	n/a	4.6030
	2011	n/a	9.8010
	2012	n/a	12.2801
	2013	n/a	15.5622
	2014 <sup>[a]</sup>	12.1358	13.8558

<sup>[a]</sup> Up to final: ex-distribution date 1 September 2014;  
payment date 31 October 2014.

The level of income earned by the fund will fluctuate.

# M&G Global Basics Fund

## FUND STATISTICS

NET ASSETS					
	Year ended	Value per share Inc	Value per share Acc	Number of shares Inc	Number of shares Acc
<b>Sterling</b>					
Class 'A'	Aug 2012	607.33	909.39	119,925,807	141,687,403
	Aug 2013	663.05	998.21	80,653,407	108,532,803
	Aug 2014	655.77	989.92	51,807,107	68,861,103
Class 'I'	Aug 2012	1,010.20	1,012.43	1,000	3,000
	Aug 2013	1,102.81	1,119.59	6,603,300	6,187,000
	Aug 2014	1,089.93	1,118.54	3,250,200	13,776,700
Class 'R'	Aug 2012	101.02	101.22	10,000	10,000
	Aug 2013	110.34	111.69	368,000	138,500
	Aug 2014	109.06	111.30	233,000	202,500
Class 'X'	Aug 2012	609.08	900.44	21,987,786	46,262,626
	Aug 2013	665.09	988.39	16,516,586	36,099,426
	Aug 2014	657.87	980.19	9,219,986	19,093,926
<b>Euro</b>					
		€	€		
Class 'A'	Aug 2012	n/a	23.5965	n/a	104,073,894
	Aug 2013	23.9239	24.0344	4,500	89,604,894
	Aug 2014	25.4154	25.5461	55,200	65,887,862
Class 'C'	Aug 2012	n/a	26.0923	n/a	16,538,031
	Aug 2013	n/a	26.8461	n/a	9,168,631
	Aug 2014	28.5516	28.8222	181	1,361,281
<b>US dollar</b>					
		\$	\$		
Class 'A'	Aug 2012	n/a	10.5264	n/a	17,397,000
	Aug 2013	n/a	11.2834	n/a	10,543,200
	Aug 2014	11.9151	11.9476	431	6,453,996
Class 'C'	Aug 2012	n/a	11.0937	n/a	8,152,150
	Aug 2013	n/a	12.0087	n/a	7,123,750
	Aug 2014	12.7222	12.8426	401	3,982,100
<b>Total net asset value of sub-fund</b>					
	Year ended	£	€ [a]		
	Aug 2012	5,034,016,000	6,336,225,000		
	Aug 2013	4,408,982,000	5,162,437,000		
	Aug 2014	2,906,695,000	3,656,922,000		

[a] Based on the midday exchange rate on the last business day of each financial year.

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 %
<b>Austria</b>		<b>0.00</b>	<b>3.83</b>
<b>Belgium</b>		<b>2.51</b>	<b>1.93</b>
2,500,000 Umicore	72,957	2.51	
<b>Eire</b>		<b>4.41</b>	<b>5.61</b>
2,850,000 Kerry Group	128,285	4.41	
<b>France</b>		<b>9.32</b>	<b>10.38</b>
2,236,067 Compagnie des Alpes	28,188	0.97	
1,657,211 Danone	70,301	2.42	
1,000,000 Imerys	48,335	1.66	
2,752,297 Publicis Groupe	124,237	4.27	
<b>Germany</b>		<b>8.64</b>	<b>10.60</b>
1,000,000 Bayerische Motoren Werke	71,035	2.44	
1,200,000 Gea Group	32,649	1.12	
4,350,000 Symrise	140,205	4.82	
724,054 Villeroy & Boch Pref. (non-voting)	7,441	0.26	
<b>Italy</b>		<b>0.88</b>	<b>0.00</b>
6,000,000 Prada	25,499	0.88	
<b>Netherlands</b>		<b>0.13</b>	<b>0.00</b>
100,000 Airbus	3,706	0.13	
<b>Russia</b>		<b>0.32</b>	<b>0.74</b>
1,954,000 MD Medical Group GDR	9,427	0.32	
<b>Spain</b>		<b>0.99</b>	<b>0.86</b>
495,366 Baron de Ley	28,684	0.99	
<b>United Kingdom</b>		<b>19.61</b>	<b>15.50</b>
7,250,000 BHP Billiton	137,424	4.73	
8,500,000 BP	40,983	1.41	
45,000,000 G4S	119,160	4.10	
2,500,000 Genus	27,975	0.96	
19,817,205 Hochschild Mining	32,262	1.11	
28,000,000 PZ Cussons	103,320	3.55	
2,500,000 Unilever	66,525	2.29	
1,600,000 Weir Group	42,336	1.46	
<b>Australia</b>		<b>11.65</b>	<b>13.34</b>
12,794,394 Ansell	143,158	4.93	
68,615,942 Australian Zircon [a]	0	0.00	
29,635,207 Galaxy Resources	901	0.03	
63,190,038 gi Dynamics	18,325	0.63	
23,000,000 Iluka Resources	115,140	3.96	
19,000,000 OZ Minerals	45,900	1.58	
38,000,000 Starpharma	15,193	0.52	
<b>Hong Kong</b>		<b>3.07</b>	<b>3.05</b>
100,000,467 The Hongkong and Shanghai Hotels	89,118	3.07	
<b>India</b>		<b>1.18</b>	<b>1.13</b>
12,668,374 Marico	34,438	1.18	
<b>Japan</b>		<b>3.34</b>	<b>4.70</b>
12,000,000 Kirin Holdings	97,016	3.34	
<b>Malaysia</b>		<b>3.25</b>	<b>4.43</b>
74,000,000 AMMB Holdings	94,517	3.25	
<b>Singapore</b>		<b>1.20</b>	<b>0.89</b>
18,000,000 Petra Foods	34,764	1.20	
<b>United Arab Emirates</b>		<b>2.34</b>	<b>3.18</b>
6,000,000 DP World	67,910	2.34	
<b>Canada</b>		<b>1.00</b>	<b>0.65</b>
3,574,631 Dominion Diamond	29,006	1.00	

# M&G Global Basics Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 %
<b>United States</b>		<b>22.82</b>	<b>17.88</b>
800,000 Apache	48,880	1.68	
3,200,000 Elizabeth Arden	32,979	1.13	
400,000 Honeywell International	22,974	0.79	
4,500,000 Microsoft	121,718	4.19	
1,000,000 National Oilwell Varco	51,487	1.77	
2,850,000 The Scotts Miracle-Gro Company 'A'	104,845	3.61	
2,200,000 United Parcel Service 'B'	129,209	4.45	
2,300,000 United Technologies	151,273	5.20	
<b>Portfolio of investments (notes 1b &amp; 1c on page 7)</b>	<b>2,809,685</b>	<b>96.66</b>	<b>98.70</b>
<b>Net other assets</b>	<b>97,010</b>	<b>3.34</b>	<b>1.30</b>
<b>Net assets attributable to shareholders</b>	<b>2,906,695</b>	<b>100.00</b>	<b>100.00</b>

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

[a] Suspended on 1 September 2009.

## PORTFOLIO TRANSACTIONS

for the year ended 31 August 2014

<b>Largest purchases</b>	<b>£'000</b>
BHP Billiton	142,492
Microsoft	112,229
Bayerische Motoren Werke	72,144
National Oilwell Varco	51,818
Apache	46,976
BP	42,405
Weir Group	37,124
Gea Group	31,666
Prada	26,271
Honeywell International	22,524
Unilever	18,674
Iluka Resources	8,729
Umicore	7,017
Airbus	3,595
DP World	2,903
United Parcel Service 'B'	2,800
Publicis Groupe	2,413
Danone	2,140
Hochschild Mining	2,041
gi Dynamics	1,130
Other purchases	3,455
<b>Total purchases</b>	<b>640,546</b>
<b>Largest sales</b>	<b>£'000</b>
Symrise	261,004
Agrana Beteiligung	137,105
Kerry Group	133,406
Unilever	129,110
The Scotts Miracle-Gro Company 'A'	122,630
Ansell	113,444
G4S	109,242
Publicis Groupe	90,498
DP World	89,800
United Technologies	88,504
AMMB Holdings	86,777
United Parcel Service 'B'	86,709
Kirin Holdings	85,130
AMCOL International	76,218
Aquila Resources	65,463
Imerys	58,673
PZ Cussons	52,535
Südzucker	42,141
The Hongkong and Shanghai Hotels	41,222
Iluka Resources	35,429
Other sales	203,650
<b>Total sales</b>	<b>2,108,690</b>

# M&G Global Basics Fund

## FINANCIAL STATEMENTS

For the year ended 31 August 2014.

### STATEMENT OF TOTAL RETURN

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Income					
Net capital (losses) / gains	3		(76,099)		470,146
Revenue	4	67,820		115,866	
Expenses	5	(59,690)		(85,313)	
Finance costs: Interest	12	0		(4)	
Net revenue before taxation		8,130		30,549	
Taxation	6	3,027		(7,451)	
Net revenue after taxation			11,157		23,098
<b>Total return before distributions</b>			<b>(64,942)</b>		<b>493,244</b>
Finance costs: Distributions	12		(6,605)		(22,667)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(71,547)</b>		<b>470,577</b>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

		2014		2013	
		£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>			<b>4,408,982</b>		<b>5,034,016</b>
Amounts received on issue of shares	160,383			332,978	
Amounts paid on cancellation of shares	(1,595,921)			(1,445,148)	
			(1,435,538)		(1,112,170)
Stamp Duty Reserve Tax (SDRT)			(153)		(521)
Change in net assets attributable to shareholders from investment activities (see above)			(71,547)		470,577
Retained distributions on Accumulation shares			4,950		17,080
Unclaimed distributions			1		0
<b>Closing net assets attributable to shareholders</b>			<b>2,906,695</b>		<b>4,408,982</b>

## BALANCE SHEET

	as at 31 August 2014		as at 31 August 2013	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Investment assets		2,809,685		4,351,820
<b>Debtors</b>				
Amounts receivable on issues	48		1,190	
Currency deals outstanding	2,541		9,982	
Dividends receivable	14,128		18,656	
Overseas tax recoverable	6,087		6,332	
Prepaid expenses	0		1	
Sales awaiting settlement	12,943		39,049	
VAT recoverable	3		0	
		35,750		75,210
<b>Cash and bank balances</b>				
Cash held as bank balances	22,528		10,428	
Cash held on deposit	55,054		10,672	
		77,582		21,100
<b>Total other assets</b>		<b>113,332</b>		<b>96,310</b>
<b>Total assets</b>		<b>2,923,017</b>		<b>4,448,130</b>
<b>Liabilities</b>				
<b>Creditors</b>				
Amounts payable on cancellations	(10,115)		(17,874)	
Currency deals outstanding	(2,545)		(10,017)	
Expenses payable	(2,167)		(2,726)	
Net distributions payable on Income shares	(1,495)		(4,385)	
Purchases awaiting settlement	0		(4,117)	
SDRT payable	0		(29)	
<b>Total liabilities</b>		<b>(16,322)</b>		<b>(39,148)</b>
<b>Net assets attributable to shareholders</b>		<b>2,906,695</b>		<b>4,408,982</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting policies

The financial statements have been prepared in accordance with the accounting policies set out in the notes to the aggregated financial statements on page 7. The amount available for distribution is calculated in accordance with note 1j set out in the notes to the aggregated financial statements, reduced by the value of stock dividends as it is the policy of the sub-fund not to distribute these.

### 2 Risk management policies

The general risk management policies are set out in note 2 to the aggregated financial statements on page 8. In addition to these policies the sub-fund accepts short-term currency risk in relation to euro exposures.

# M&G Global Basics Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Net capital (losses) / gains

	2014 £'000	2013 £'000
Non-derivative securities	(76,936)	468,534
Currency gains	868	1,629
Transaction charges	(31)	(17)
<b>Net capital (losses) / gains</b>	<b>(76,099)</b>	<b>470,146</b>

#### 4 Revenue

	2014 £'000	2013 £'000
Bank interest	29	30
Deposit interest	379	153
Interest on overseas tax previously withheld at source	1,120	243
Overseas dividends	47,172	95,755
Stock dividends	4,553	447
UK dividends	14,567	19,238
<b>Total revenue</b>	<b>67,820</b>	<b>115,866</b>

#### 5 Expenses

	2014 £'000	2013 £'000
<b>Payable to the Authorised Corporate Director or associate</b>		
Authorised Corporate Director's periodic charge	53,580	77,023
Administration fee	5,180	7,503
	58,760	84,526
<b>Payable to the Depositary or associate</b>		
Depositary's fee (including VAT)	128	174
<b>Other expenses</b>		
Audit fee (including VAT)	7	10
Dividend charges	55	17
Regulatory fees	8	8
Safe custody charge	659	593
Tax fees (including VAT) [a]	85	16
	814	644
<b>VAT recovered</b>		
Current year	(9)	(6)
Prior year	(3)	(25)
	(12)	(31)
<b>Total expenses</b>	<b>59,690</b>	<b>85,313</b>

[a] Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP and Ernst & Young LLP.

#### 6 Taxation

	2014 £'000	2013 £'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Overseas tax	1,304	8,727
Overseas tax recovered: previously withheld at source	(4,331)	(1,276)
Current tax charge (note 6b)	(3,027)	7,451
Deferred tax (note 6c)	0	0
<b>Total taxation</b>	<b>(3,027)</b>	<b>7,451</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue before taxation	8,130	30,549
Corporation tax at 20%	1,626	6,110
Effects of:		
UK dividends not taxable	(2,913)	(3,848)
Stock dividends not taxable	(911)	(89)
Overseas dividends not taxable	(9,434)	(19,143)
Current year expenses not utilised	11,534	16,970
Prior year adjustment to expenses not utilised	102	0
Overseas tax	1,304	8,727
Overseas tax recovered: previously withheld at source	(4,331)	(1,276)
Overseas tax expensed	(4)	0
<b>Current tax charge (note 6a)</b>	<b>(3,027)</b>	<b>7,451</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

The sub-fund has not recognised a deferred tax asset of £84,217,000 (31.08.13: £72,683,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

#### 7 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (31.08.13: same).

#### 8 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the sub-fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the statement of change in net assets attributable to shareholders and note 12. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in the balance sheet where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's periodic charge and administration fee are disclosed in note 5. Amounts due at the year end to the ACD of £1,772,000 (31.08.13: £2,488,000) in respect of the ACD's periodic charge and administration fee are included within expenses payable as disclosed in the balance sheet.

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 16.32% (31.08.13: 16.19%) of the sub-fund's shares.

# M&G Global Basics Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 9 Financial instruments

The policies applied in the management of financial instruments are set out in note 2.

Short-term debtors and creditors have been included in respect of the currency exposure only when this is applicable (31.08.13: same).

##### Currency exposure

The currency profile of the sub-fund's financial instruments at the balance sheet date was:

	Portfolio of investments		Net other assets		Total	
	as at 31.08.14 £'000	as at 31.08.13 £'000	as at 31.08.14 £'000	as at 31.08.13 £'000	as at 31.08.14 £'000	as at 31.08.13 £'000
Australian dollar	338,617	587,663	3,958	3,724	342,575	591,387
Canadian dollar	29,006	28,823	0	0	29,006	28,823
Euro	756,024	1,463,894	4,149	3,117	760,173	1,467,011
Hong Kong dollar	114,617	134,601	18,425	0	133,042	134,601
Indian rupee	34,438	49,689	381	0	34,819	49,689
Japanese yen	97,016	207,154	1,412	6,810	98,428	213,964
Malaysian ringgit	94,517	195,264	2,391	7,285	96,908	202,549
Singapore dollar	34,765	39,421	1,631	332	36,396	39,753
Swiss franc	0	0	27	197	27	197
US dollar	740,701	821,573	6,153	12,789	746,854	834,362
	2,239,701	3,528,082	38,527	34,254	2,278,228	3,562,336
Sterling	569,984	823,738	58,483	22,908	628,467	846,646
<b>Total</b>	<b>2,809,685</b>	<b>4,351,820</b>	<b>97,010</b>	<b>57,162</b>	<b>2,906,695</b>	<b>4,408,982</b>

##### Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.13: same).

##### Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.13: same).

#### 10 Portfolio transaction costs

	2014 £'000	2013 £'000
<b>a) Purchases</b>		
Purchases excluding transaction costs	638,664	927,695
Commissions	610	1,074
Taxes	1,272	1,140
Total transaction costs	1,882	2,214
<b>Total purchases including transaction costs</b>	<b>640,546</b>	<b>929,909</b>
<b>b) Sales</b>		
Sales excluding transaction costs	2,110,861	2,059,812
Commissions	(2,084)	(2,330)
Taxes	(87)	(42)
Total transaction costs	(2,171)	(2,372)
<b>Total sales net of transaction costs</b>	<b>2,108,690</b>	<b>2,057,440</b>

#### 11 Shareholder funds

This sub-fund contains Sterling Class 'A' (Net Income and Net Accumulation) shares, Sterling Class 'I' (Net Income and Net Accumulation) shares, Sterling Class 'R' (Net Income and Net Accumulation) shares and Sterling Class 'X' (Net Income and Net Accumulation) shares.

This sub-fund also contains Euro Class 'A' (Net Income and Net Accumulation) shares and Euro Class 'C' (Net Income and Net Accumulation) shares.

This sub-fund also contains US dollar Class 'A' (Net Income and Net Accumulation) shares and US dollar Class 'C' (Net Income and Net Accumulation) shares.

The charging structure for each share class, as at 31 August 2014, is set out in the following table (31.08.13: same):

#### CHARGES AND EXPENSES

	Initial charge %	Withdrawal fee %	ACD's annual remuneration %
<b>Sterling</b>			
Class 'A'	4.00	n/a	1.50
Class 'I'	1.00	n/a	0.75
Class 'R'	1.00	n/a	1.00
Class 'X'	nil	4.50 <sup>[a]</sup>	1.50
<b>Euro</b>			
Class 'A'	5.25	n/a	1.75
Class 'C'	3.25	n/a	0.75
<b>US dollar</b>			
Class 'A'	5.25	n/a	1.75
Class 'C'	3.25	n/a	0.75

<sup>[a]</sup> The withdrawal fee diminishes over a period of five years. Please refer to the Key Investor Information Document (KIID) in conjunction with the Important Information for Investors document.

With the exception of the Authorised Corporate Director's periodic charge, which is directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

# M&G Global Basics Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 11 Shareholder funds (continued)

The net asset values for each share class are set out in the following table:

#### NET ASSET VALUES

	31.08.14		31.08.13	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
<b>Sterling</b>				
Class 'A'	339,733	681,673	534,772	1,083,385
Class 'I'	35,425	154,098	72,822	69,269
Class 'R'	254	226	406	154
Class 'X'	60,656	187,156	109,851	356,803
<b>Euro</b>				
Class 'A'	1,115	1,337,868	92	1,839,285
Class 'C'	4	31,186	n/a	210,218
<b>US dollar</b>				
Class 'A'	3	46,473	n/a	76,740
Class 'C'	3	30,822	n/a	55,185

The net asset value per share and the number of shares are given in the net assets table on page 64. The distribution per share is given in the distribution table on page 70. Each share class has the same rights on winding-up.

#### 12 Finance costs

	2014 £'000	2013 £'000
<b>Income shares (Sterling)</b>		
Class 'A' - Final	947	2,835
Class 'I' - Final	386	959
Class 'R' - Final	2	4
Class 'X' - Final	160	587
<b>Income shares (Euro)</b>		
Class 'A' - Final <sup>[a]</sup>	0	0
Class 'C' - Final <sup>[b]</sup>	0	n/a
<b>Income shares (US dollar)</b>		
Class 'A' - Final	0	n/a
Class 'C' - Final <sup>[c]</sup>	0	n/a
<b>Accumulation shares (Sterling)</b>		
Class 'A' - Final	1,922	5,713
Class 'I' - Final	1,664	900
Class 'R' - Final	2	2
Class 'X' - Final	463	1,882
<b>Accumulation shares (Euro)</b>		
Class 'A' - Final	230	4,974
Class 'C' - Final	336	2,728
<b>Accumulation shares (US dollar)</b>		
Class 'A' - Final	0	166
Class 'C' - Final	333	715
Finance costs: Dividend distributions	6,445	21,465
Income deducted on cancellation of shares	540	1,997
Income received on issue of shares	(380)	(795)
<b>Finance costs: Distributions</b>	<b>6,605</b>	<b>22,667</b>
Finance costs: Interest	0	4
<b>Total finance costs</b>	<b>6,605</b>	<b>22,671</b>
Net revenue per statement of total return	11,157	23,098
Stock dividends not distributed	(4,553)	(447)
Undistributed income brought forward	0	16
Income deficit transferred to capital	1	0
<b>Finance costs: Distributions</b>	<b>6,605</b>	<b>22,667</b>

<sup>[a]</sup> The final distribution for Euro Class 'A' (Income) shares was €241 (2013: €290).

<sup>[b]</sup> The final distribution for Euro Class 'C' (Income) shares was €49.

<sup>[c]</sup> The final distribution for US dollar Class 'C' (Income) shares was \$49.



# M&G Global Basics Fund

## FINANCIAL STATEMENTS

DISTRIBUTION TABLE				
Dividend distributions on Accumulation shares	Net income	Equalisation	Distribution payable/paid	
			2014	2013
Sterling	p	p	p	p
Class 'A' - Final				
Group 1:	1.8281	-	1.8281	3.5152
Group 2:	1.4146	0.4135	1.8281	3.5152
Class 'I' - Final				
Group 1:	11.8910	-	11.8910	14.5286
Group 2:	9.0273	2.8637	11.8910	14.5286
Class 'R' - Final				
Group 1:	0.9143	-	0.9143	1.1154
Group 2:	0.5640	0.3503	0.9143	1.1154
Class 'X' - Final				
Group 1:	1.7307	-	1.7307	3.5514
Group 2:	-	1.7307	1.7307	3.5514
<b>Euro</b>	€	€	€	€
Class 'A' - Final				
Group 1:	0.4371	-	0.4371	6.4761
Group 2:	-	0.4371	0.4371	6.4761
Class 'C' - Final				
Group 1:	27.0938	-	27.0938	n/a
Group 2:	27.0938	-	27.0938	n/a
<b>US dollar</b>	\$	\$	\$	\$
Class 'A' - Final				
Group 1:	-	-	-	n/a
Group 2:	-	-	-	n/a
Class 'C' - Final				
Group 1:	12.1358	-	12.1358	n/a
Group 2:	12.1358	-	12.1358	n/a

## DISTRIBUTION TABLE (continued)

Dividend distributions on Accumulation shares	Net income	Equalisation	Amount reinvested	
			2014	2013
Sterling	p	p	p	p
Class 'A' - Final				
Group 1:	2.7906	-	2.7906	5.2635
Group 2:	1.7391	1.0515	2.7906	5.2635
Class 'I' - Final				
Group 1:	12.0799	-	12.0799	14.5568
Group 2:	8.5293	3.5506	12.0799	14.5568
Class 'R' - Final				
Group 1:	0.9291	-	0.9291	1.2021
Group 2:	0.6582	0.2709	0.9291	1.2021
Class 'X' - Final				
Group 1:	2.4242	-	2.4242	5.2123
Group 2:	2.0682	0.3560	2.4242	5.2123
<b>Euro</b>	€	€	€	€
Class 'A' - Final				
Group 1:	0.4391	-	0.4391	6.4998
Group 2:	0.3875	0.0516	0.4391	6.4998
Class 'C' - Final				
Group 1:	31.0703	-	31.0703	34.8378
Group 2:	27.9019	3.1684	31.0703	34.8378
<b>US dollar</b>	\$	\$	\$	\$
Class 'A' - Final				
Group 1:	-	-	-	2.4354
Group 2:	-	-	-	2.4354
Class 'C' - Final				
Group 1:	13.8558	-	13.8558	15.5622
Group 2:	12.0997	1.7561	13.8558	15.5622

Final period 01.09.13 - 31.08.14

Group 1: Shares purchased prior to a distribution period.

Group 2: Shares purchased during a distribution period.

Equalisation applies only to shares purchased during the distribution period (Group 2). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes.

# M&G Global Growth Fund

## INVESTMENT OBJECTIVE, POLICY AND APPROACH

### Investment objective of the M&G Global Growth Fund

The Fund aims to maximise long term total return (the combination of capital growth and income) by investing mainly in a wide range of global equities.

### Investment policy of the M&G Global Growth Fund

The Fund will invest globally (including the UK) in the equities of companies across a wide range of geographies, sectors and market capitalisations. Income is of secondary importance to capital growth when investments are selected.

### Investment approach

The M&G Global Growth Fund is a core global equity fund, investing in a concentrated portfolio of quality companies, with '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.

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 manager keeps the portfolio focused, generally holding between 30 and 40 well-understood stocks, which broadly fall into one of two 'buckets' – 'stable growth' and 'opportunities'. Stable growth companies are those that have a proven track record of producing stable earnings, tending to have very strong market positions or powerful brands, for example. Opportunities companies sit in out-of-favour corners of the market where change is not appreciated or risk is overstated. These tend to be less predictable, but with significant upside potential.

### Risk and reward profile\*



- The above risk number is based on the rate at which the value of the Fund has moved up and down in the past.
- This risk number is based on historical data and may not be a reliable indicator of the future risk profile of the Fund.
- The risk number shown is not guaranteed and may change over time.
- The lowest risk number does not mean risk free.

\* This 'Risk and reward profile' section is based on Sterling Class 'A' shares.

## INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

### As at 1 September 2014, for the year ended 31 August 2014

Portfolio activity over the review period was significantly higher than usual, reflecting a reorganisation of the fund as a result of a change in management at the beginning of July 2014. Many of the fund's holdings were replaced at this point and the portfolio realigned to better fit our investment philosophy. We invest in a focused portfolio of quality companies, with 'economic moats' to protect their profitability. Much as a castle's physical moat helped to protect it from invaders, economic moats help to defend a business from competition and erosion of profitability. Companies with economic moats usually reside in profitable industries and have long-term competitive advantages versus their rivals.

We look for companies where we see an element of change helping to drive their value and, importantly, we invest in businesses where short-term 'disruptions' have provided a clear valuation opportunity – that is, the shares have become what we consider to be cheap.

There are a number of factors which, we believe, can lead to a stock being mispriced, and thus provide an attractive entry point. This could result from a short-term increase in risk perception, where the perceived risk of an investment is dislocated from the real risk it represents. A company may be considered 'boring' or out-of-favour, where the apparent lack of an attractive growth story can divert attention from its true underlying ability to create value. There are cyclical opportunities, as many businesses experience natural periodic pressure on earnings during their business cycle. Companies undergoing transformational changes can also be underestimated, with investors failing to appreciate the potential long-term benefits these changes can create. We wait patiently for these, and other types of disruptions, and will invest when a stock is trading at a discount to what we believe is the intrinsic value of the company.

Stocks in the portfolio broadly fall into one of two 'buckets' – 'stable growth' and 'opportunities'. Stable growth companies are those that have a proven track record of producing stable earnings, generally perceived as the long-term 'winners' by the market. Within the portfolio, this includes companies like software giant Microsoft, healthcare benefits and services provider UnitedHealth Group and Distribuidora Internacional de Alimentación (Dia), a Spain-listed discount supermarket chain with international operations.

Opportunities companies, meanwhile, sit in out-of-favour corners of the market where change is not appreciated or risk is overstated, tending to be less predictable, but with significant upside potential. For the fund, this includes pet supplies and services retail chain Petsmart, specialist travel retailer WHSmith and American International Group (AIG), a US insurance company.

**John William Olsen**  
Fund manager

An employee of M&G Limited which is an associate of M&G Securities Limited. On 1 July 2014, John William Olsen took over management of the M&G Global Growth Fund from Greg Aldridge.

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

# M&G Global Growth Fund

## FUND STATISTICS

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd		payment	
Final	01.09.15		31.10.15	
	Final distribution		Ongoing Charges Figure <sup>[b]</sup>	
	Inc 31.10.14 <sup>[a]</sup>	Acc 01.09.14 <sup>[a]</sup>	31.08.14	31.08.13
<b>Sterling</b>	p	p	%	%
Class 'A'	1.9289	3.6285	1.68	1.67
Class 'I'	18.7566	18.9729	0.93	0.93
Class 'R'	1.5611	1.5733	1.18	1.18
Class 'X'	1.9451	3.2878	1.68	1.67
<b>Euro</b>	€	€	%	%
Class 'A'	4.9010	9.2517	1.93	1.93
Class 'C'	26.7905	31.6244	0.93	0.93
<b>US dollar</b>	\$	\$	%	%
Class 'A'	4.4984	8.7696	1.93	1.92
Class 'C'	24.9945	29.5051	0.93	0.93

<sup>[a]</sup> The date on which the final distribution will be paid to Income shareholders and credited to Accumulation shareholders.

<sup>[b]</sup> The Ongoing Charges Figure is the ratio of the relevant annualised total disclosable costs of each share class from the most recent reporting period to the average net asset value for that share class over the same period.

### FUND PERFORMANCE

Performance of share classes

	Net asset value per share as at 31.08.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
<b>Sterling</b>	p	p	p	p	%	%
Class 'A'	261.38	504.41	256.69	491.72	+1.83	+2.58
Class 'I'	1,248.55	1,284.81	1,226.10	1,243.25	+1.83	+3.34
Class 'R'	124.85	127.83	122.62	123.99	+1.82	+3.10
Class 'X'	261.34	500.18	256.67	487.60	+1.82	+2.58
<b>Euro</b>	€	€	€	€	%	%
Class 'A'	19.2171	19.2661	n/a	17.5235	n/a	+9.94
Class 'C'	21.1695	21.4376	n/a	19.3046	n/a	+11.05
<b>US dollar</b>	\$	\$	\$	\$	%	%
Class 'A'	18.8808	18.9254	n/a	17.2805	n/a	+9.52
Class 'C'	19.7804	20.0288	n/a	18.1055	n/a	+10.62

Past performance is not a guide to future performance.

The value of stockmarket 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.

## PERFORMANCE SINCE LAUNCH

	six months 03.03.14 %	one year 02.09.13 %	five years 01.09.09 % p.a. <sup>[a]</sup>	since launch % p.a. <sup>[a]</sup>
<b>Sterling <sup>[b]</sup></b>				
Class 'A'	+1.6	+2.1	+7.9	+8.9 <sup>[c]</sup>
Class 'I'	+1.2	+2.1	n/a	+11.3 <sup>[d]</sup>
Class 'R'	+1.4	+2.1	n/a	+11.3 <sup>[d]</sup>
Class 'X'	+1.6	+2.1	+7.8	+11.4 <sup>[e]</sup>
<b>Euro <sup>[f]</sup></b>				
Class 'A'	+6.2	+9.9	+10.4	+5.3 <sup>[g]</sup>
Class 'C'	+6.8	+11.0	+11.5	+6.2 <sup>[g]</sup>
<b>US dollar <sup>[e]</sup></b>				
Class 'A'	+1.4	+9.2	+8.5	+11.8 <sup>[h]</sup>
Class 'C'	+1.9	+10.3	+9.6	+12.9 <sup>[h]</sup>

<sup>[a]</sup> Shows the compound rate of return, per annum, over the period.

<sup>[b]</sup> Bid to bid excluding reinvested income.

<sup>[c]</sup> 19 December 1967, the end of the initial offer period of the predecessor unit trust.

<sup>[d]</sup> 3 August 2012, the launch date of the share class.

<sup>[e]</sup> 1 October 2002, the launch date of the share class.

<sup>[f]</sup> Bid to bid with net income reinvested.

<sup>[g]</sup> 28 November 2001, the launch date of the share class.

<sup>[h]</sup> 19 December 2008, the launch date of the share class.

## SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From To	01.09.13 31.08.14 %	01.09.12 31.08.13 %	01.09.11 31.08.12 %	01.09.10 31.08.11 %	01.09.09 31.08.10 %
<b>Sterling</b>					
Class 'A'	+2.0	+21.3	+5.9	+6.0	+6.7

Source: Morningstar, Inc., bid to bid with net income reinvested.

## PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
<b>Sterling (net)</b>		p	p	p	p
Class 'A'	2009 <sup>[a]</sup>	202.08	130.97	381.74	246.18
	2010	228.42	189.40	431.50	357.79
	2011 <sup>[b]</sup>	233.00	182.70	440.14	346.52
	2012	228.89	200.28	436.38	379.88
	2013	275.19	230.45	524.64	439.36
	2014 <sup>[c]</sup>	269.65	250.84	516.55	480.54
Class 'I'	2012 <sup>[d]</sup>	1,095.84	1,000.00	1,097.76	1,000.00
	2013	1,321.38	1,103.43	1,323.69	1,105.36
	2014 <sup>[c]</sup>	1,295.63	1,202.15	1,313.49	1,218.80
Class 'R'	2012 <sup>[d]</sup>	109.51	100.00	109.66	100.00
	2013	131.94	110.27	132.10	110.42
	2014 <sup>[c]</sup>	129.31	120.08	130.75	121.43
Class 'X'	2009 <sup>[a]</sup>	202.13	131.02	378.53	244.12
	2010	228.49	189.46	427.89	354.79
	2011 <sup>[b]</sup>	233.06	182.75	436.46	343.63
	2012	228.89	200.34	432.72	376.70
	2013	275.19	230.45	520.24	435.67
	2014 <sup>[c]</sup>	269.63	250.82	512.22	476.50

# M&G Global Growth Fund

## FUND STATISTICS

### PRICES (continued)

		Income shares		Accumulation shares	
Calendar year		Highest	Lowest	Highest	Lowest
<b>Euro (net)</b>		€	€	€	€
Class 'A'	2009 <sup>[a]</sup>	n/a	n/a	12.9803	8.4474
	2010	n/a	n/a	15.4887	12.6805
	2011 <sup>[b]</sup>	n/a	n/a	15.6403	12.2718
	2012	n/a	n/a	16.3482	14.0704
	2013	n/a	n/a	18.7123	16.4718
	2014 <sup>[c]</sup>	19.3125 <sup>[e]</sup>	18.3149 <sup>[e]</sup>	19.4385	17.5590
Class 'B'	2009 <sup>[a]</sup>	n/a	n/a	9.8040	6.3930
	2010	n/a	n/a	11.6697	9.5750
	2011 <sup>[b]</sup>	n/a	n/a	11.7828	9.2294
	2012	n/a	n/a	12.2621	10.5751
	2013 <sup>[f]</sup>	n/a	n/a	14.0163	12.3529
Class 'C'	2009 <sup>[a]</sup>	n/a	n/a	13.7845	8.8982
	2010	n/a	n/a	16.6138	13.4805
	2011 <sup>[b]</sup>	n/a	n/a	16.7830	13.2604
	2012	n/a	n/a	17.8810	15.2459
	2013	n/a	n/a	20.6627	18.0269
	2014 <sup>[c]</sup>	21.4874 <sup>[e]</sup>	20.3669 <sup>[e]</sup>	21.5807	19.4491
<b>US dollar (net)</b>		\$	\$	\$	\$
Class 'A'	2009 <sup>[a]</sup>	n/a	n/a	13.9565	7.9576
	2010	n/a	n/a	15.2407	12.3093
	2011 <sup>[b]</sup>	n/a	n/a	16.5025	12.1368
	2012	n/a	n/a	16.1225	13.3978
	2013	n/a	n/a	19.1084	16.2073
	2014 <sup>[c]</sup>	18.9626 <sup>[e]</sup>	18.2715 <sup>[e]</sup>	19.6109	17.7582
Class 'C'	2009 <sup>[a]</sup>	n/a	n/a	14.0853	7.9751
	2010	n/a	n/a	15.5514	12.4848
	2011 <sup>[b]</sup>	n/a	n/a	16.8956	12.4764
	2012	n/a	n/a	16.7790	13.8655
	2013	n/a	n/a	20.0858	16.8746
	2014 <sup>[c]</sup>	20.0666 <sup>[e]</sup>	19.3248 <sup>[e]</sup>	20.7077	18.6871

<sup>[a]</sup> The M&G Global Technology Fund merged into the M&G Global Growth Fund immediately after 13 March 2009.

<sup>[b]</sup> The Prudential International Growth Trust merged into the M&G Global Growth Fund immediately after 14 October 2011.

<sup>[c]</sup> To 1 September 2014.

<sup>[d]</sup> From 3 August 2012 (the launch date of the share class).

<sup>[e]</sup> From 8 August 2014 (the launch date of the Income shares).

<sup>[f]</sup> To 7 June 2013 (the closure of the share class).

## INCOME

Dividend income per share		Distributed	Reinvested
Calendar year			
Sterling (net)		p	p
Class 'A'	2009	0.8960	1.6841
	2010	nil	nil
	2011	0.8260	1.6030
	2012	1.1066	2.0482
	2013	1.2350	2.3623
	2014 <sup>[a]</sup>	1.9289	3.6285
Class 'I'	2012	1.7650	1.7650
	2013	14.9213	14.9424
	2014 <sup>[a]</sup>	18.7566	18.9729
Class 'R'	2012	0.1450	0.1450
	2013	1.2224	1.2106
	2014 <sup>[a]</sup>	1.5611	1.5733
Class 'X'	2009	0.9080	1.6918
	2010	nil	nil
	2011	0.8310	1.5790
	2012	1.1654	2.0092
	2013	1.2562	2.3383
	2014 <sup>[a]</sup>	1.9451	3.2878
Euro (net)		€	€
Class 'A'	2009	n/a	4.2750
	2010	n/a	nil
	2011	n/a	2.6740
	2012	n/a	3.4840
	2013	n/a	4.5734
	2014 <sup>[a]</sup>	4.9010	9.2517
Class 'B'	2009	n/a	0.9010
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	nil
	2013	n/a	n/a
Class 'C'	2009	n/a	14.3720
	2010	n/a	10.3390
	2011	n/a	17.4420
	2012	n/a	20.9900
	2013	n/a	23.0130
	2014 <sup>[a]</sup>	26.7905	31.6244
US dollar (net)		\$	\$
Class 'A'	2009	n/a	4.4350
	2010	n/a	1.1970
	2011	n/a	2.9290
	2012	n/a	4.4100
	2013	n/a	4.5412
	2014 <sup>[a]</sup>	4.4984	8.7696
Class 'C'	2009	n/a	11.1690
	2010	n/a	9.4490
	2011	n/a	17.8400
	2012	n/a	18.7050
	2013	n/a	21.5868
	2014 <sup>[a]</sup>	24.9945	29.5051

<sup>[a]</sup> Up to final: ex-distribution date 1 September 2014; payment date 31 October 2014.

The level of income earned by the fund will fluctuate.

# M&G Global Growth Fund

## FUND STATISTICS

NET ASSETS					
	Year ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
<b>Sterling</b>					
Class 'A'	Aug 2012	p	p		
	Aug 2013	213.71	407.45	210,444,702	45,050,978
	Aug 2014	256.69	491.72	191,349,902	41,129,078
	Aug 2014	261.38	504.41	134,333,955	32,779,178
Class 'I'	Aug 2012	1,020.00	1,021.77	100	100
	Aug 2013	1,226.10	1,243.25	289,700	686,500
	Aug 2014	1,248.55	1,284.81	581,904	1,893,131
Class 'R'	Aug 2012	102.00	102.15	1,000	1,000
	Aug 2013	122.62	123.99	78,000	94,000
	Aug 2014	124.85	127.83	88,000	119,896
Class 'X'	Aug 2012	213.71	404.04	3,077,176	2,254,654
	Aug 2013	256.67	487.60	3,244,576	2,439,854
	Aug 2014	261.34	500.18	3,151,838	1,707,583
<b>Euro</b>					
		€	€		
Class 'A'	Aug 2012	n/a	15.6473	n/a	5,830,557
	Aug 2013	n/a	17.5235	n/a	6,377,857
	Aug 2014	19.2171	19.2661	273	4,602,907
Class 'B'	Aug 2012	n/a	11.7414	n/a	3,700
	Aug 2013	n/a	n/a	n/a	n/a
Class 'C'	Aug 2012	n/a	17.0668	n/a	5,765,030
	Aug 2013	n/a	19.3046	n/a	6,125,530
	Aug 2014	21.1695	21.4376	245	984,670
<b>US dollar</b>					
		\$	\$		
Class 'A'	Aug 2012	n/a	14.6647	n/a	153,050
	Aug 2013	n/a	17.2805	n/a	114,450
	Aug 2014	18.8808	18.9254	274	122,432
Class 'C'	Aug 2012	n/a	15.2123	n/a	2,459,000
	Aug 2013	n/a	18.1055	n/a	3,161,200
	Aug 2014	19.7804	20.0288	259	130,548
<b>Total net asset value of sub-fund</b>					
	Year ended	£	€ [a]		
	Aug 2012	824,718,000	1,038,058,000		
	Aug 2013	960,576,000	1,124,730,000		
	Aug 2014	655,345,000	824,492,000		

[a] Based on the midday exchange rate on the last business day of each financial year.

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 %
<b>Oil &amp; gas producers</b>		<b>2.44</b>	<b>5.57</b>
168,730 Chevron	13,096	2.00	
4,499,000 Yingde Gases	2,900	0.44	
<b>Oil equipment, services &amp; distribution</b>		<b>2.16</b>	<b>2.40</b>
274,497 National Oilwell Varco	14,133	2.16	
<b>Chemicals</b>		<b>4.91</b>	<b>3.12</b>
240,088 Bayer	19,465	2.97	
106,259 Linde	12,724	1.94	
<b>Industrial metals &amp; mining</b>		<b>0.00</b>	<b>1.38</b>
<b>Mining</b>		<b>0.00</b>	<b>1.57</b>
<b>Construction &amp; materials</b>		<b>1.89</b>	<b>1.58</b>
257,141 Holcim (Regd.)	12,416	1.89	
<b>Aerospace &amp; defence</b>		<b>0.00</b>	<b>5.97</b>
<b>General industrials</b>		<b>7.57</b>	<b>1.67</b>
476,380 Gea Group	12,961	1.98	
434,156 Graco	20,111	3.07	
565,703 Johnson Controls	16,539	2.52	
<b>Electronic &amp; electrical equipment</b>		<b>3.51</b>	<b>0.42</b>
239,810 Schneider Electric	12,193	1.86	
557,582 Spectris	10,812	1.65	
<b>Industrial engineering</b>		<b>0.00</b>	<b>4.71</b>
<b>Industrial transportation</b>		<b>0.00</b>	<b>1.00</b>
<b>Support services</b>		<b>0.00</b>	<b>1.97</b>
<b>Automobiles &amp; parts</b>		<b>1.99</b>	<b>4.48</b>
1,408,539 Pirelli	13,032	1.99	
<b>Beverages</b>		<b>1.95</b>	<b>0.00</b>
37,628,800 Alliance Global Group	12,795	1.95	
<b>Food producers</b>		<b>4.17</b>	<b>3.31</b>
14,241,347 Chaoda Modern Agriculture [a]	0	0.00	
583,971 Nestlé (Regd.)	27,311	4.17	
<b>Household goods &amp; home construction</b>		<b>3.10</b>	<b>3.42</b>
389,096 Reckitt Benckiser	20,330	3.10	
<b>Tobacco</b>		<b>4.11</b>	<b>0.00</b>
760,053 British American Tobacco	26,967	4.11	
<b>Leisure goods</b>		<b>0.00</b>	<b>1.32</b>
<b>Personal goods</b>		<b>0.00</b>	<b>4.98</b>
<b>Healthcare equipment &amp; services</b>		<b>7.62</b>	<b>4.61</b>
468,839 Baxter International	21,169	3.23	
553,058 UnitedHealth Group	28,779	4.39	

# M&G Global Growth Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 %
<b>Pharmaceuticals &amp; biotechnology</b>		<b>2.07</b>	<b>4.64</b>
431,229 Teva Pharmaceuticals	13,543	2.07	
<b>Food and drug retailers</b>		<b>2.91</b>	<b>0.00</b>
336,378 McDonald's	19,087	2.91	
<b>General retailers</b>		<b>9.36</b>	<b>4.25</b>
2,458,600 Distribuidora Internacional de Alimentación	12,401	1.89	
481,547 Limited Brands	18,501	2.82	
377,810 Petsmart	16,292	2.49	
1,237,829 WHSmith	14,186	2.16	
<b>Media</b>		<b>7.48</b>	<b>2.07</b>
1,718,388 Pearson	19,126	2.92	
643,660 Time Warner	29,854	4.56	
<b>Travel &amp; leisure</b>		<b>2.31</b>	<b>1.96</b>
370,575 Las Vegas Sands	15,109	2.31	
<b>Mobile telecommunications</b>		<b>0.00</b>	<b>1.08</b>
<b>Banks</b>		<b>4.70</b>	<b>6.60</b>
233,768 M&T Bank	17,287	2.64	
1,107,238 Standard Chartered	13,470	2.06	
<b>Non-life insurance</b>		<b>7.04</b>	<b>1.98</b>
621,686 American International Group	20,881	3.19	
1,374,300 Tokio Marine Holding	25,261	3.85	
<b>Life insurance</b>		<b>2.04</b>	<b>0.00</b>
1,606,253 ING Groep	13,399	2.04	
<b>Real estate investment &amp; services</b>		<b>0.00</b>	<b>1.30</b>
<b>Financial services</b>		<b>6.39</b>	<b>3.87</b>
905,340 Bank of New York Mellon	21,274	3.25	
546,962 Discover Financial Services	20,573	3.14	
<b>Software &amp; computer services</b>		<b>8.41</b>	<b>8.67</b>
28,500 Google	9,968	1.52	
10,213 Google 'C' shares	3,504	0.53	
169,699 International Business Machines	19,637	3.00	
812,805 Microsoft	21,985	3.36	
<b>Technology hardware &amp; equipment</b>		<b>0.00</b>	<b>9.00</b>
<b>'AAA' rated money market funds <sup>[b]</sup></b>		<b>1.88</b>	<b>0.83</b>
20,476,000 Northern Trust Global Fund - US dollar	12,341	1.88	
<b>Portfolio of investments (notes 1b &amp; 1c on page 7)</b>	<b>655,412</b>	<b>100.01</b>	<b>99.73</b>
<b>Net other (liabilities) / assets</b>	<b>(67)</b>	<b>(0.01)</b>	<b>0.27</b>
<b>Net assets attributable to shareholders</b>	<b>655,345</b>	<b>100.00</b>	<b>100.00</b>

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

<sup>[a]</sup> Unquoted.

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

## PORTFOLIO TRANSACTIONS

for the year ended 31 August 2014

<b>Largest purchases</b>	<b>£'000</b>
British American Tobacco	27,911
Time Warner	27,361
UnitedHealth Group	27,302
Tokio Marine Holding	27,279
Bayer	20,806
American International Group	20,769
Baxter International	20,755
Discover Financial Services	20,738
Bank of New York Mellon	20,723
Graco	20,610
Pearson	20,582
Microsoft	20,503
Reckitt Benckiser	20,496
McDonald's	20,438
Limited Brands	17,527
Johnson Controls	17,342
Las Vegas Sands	17,335
National Oilwell Varco	17,110
M&T Bank	16,855
Zoetis	16,584
Northern Trust Global Fund - US dollar <sup>[a]</sup>	232,734
Other purchases	201,792
<b>Total purchases</b>	<b>853,552</b>
<b>Largest sales</b>	<b>£'000</b>
Schlumberger	28,087
Equifax	25,652
Roche Holding 'Genussscheine'	24,087
Toyota Motor	23,346
United Technologies	23,089
AZ Electronic Materials	23,000
Société Générale	21,820
Publicis Groupe	21,086
Zurich Insurance	20,697
HSBC Holdings	19,604
Airbus (formerly European Aeronautic Defence and Space)	19,340
Samsung Electronic	19,326
Colgate-Palmolive	18,861
G4S	18,781
Ericsson 'B'	18,549
Dollar General	18,511
3M	18,491
SAP	18,277
Carnival	17,878
Hankook Tire	17,780
Northern Trust Global Fund - US dollar <sup>[a]</sup>	227,991
Other sales	527,053
<b>Total sales</b>	<b>1,171,306</b>

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

# M&G Global Growth Fund

## FINANCIAL STATEMENTS

For the year ended 31 August 2014.

### STATEMENT OF TOTAL RETURN

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	3		14,824		156,215
Revenue	4	21,586		22,144	
Expenses	5	(14,073)		(14,487)	
Net revenue before taxation		7,513		7,657	
Taxation	6	731		(1,235)	
Net revenue after taxation			8,244		6,422
<b>Total return before distributions</b>			<b>23,068</b>		<b>162,637</b>
Finance costs: Distributions	12		(6,407)		(5,307)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>16,661</b>		<b>157,330</b>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

		2014		2013	
		£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>			<b>960,576</b>		<b>824,718</b>
Amounts received on issue of shares	48,396			91,116	
Amounts paid on cancellation of shares	(372,494)			(115,599)	
			(324,098)		(24,483)
Stamp Duty Reserve Tax (SDRT)			(18)		(20)
Change in net assets attributable to shareholders from investment activities (see above)			16,661		157,330
Retained distributions on Accumulation shares			2,222		3,029
Unclaimed distributions			2		2
<b>Closing net assets attributable to shareholders</b>			<b>655,345</b>		<b>960,576</b>

## BALANCE SHEET

	as at 31 August 2014		as at 31 August 2013	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Investment assets		655,412		957,979
Debtors				
Amounts receivable on issues	12			3,873
Currency deals outstanding	814			557
Distributions receivable	1			1
Dividends receivable	2,210			1,455
Overseas tax recoverable	1,670			1,485
Sales awaiting settlement	341			0
		5,048		7,371
Cash and bank balances				
Cash held as bank balances	577			4,353
		577		4,353
<b>Total other assets</b>		<b>5,625</b>		<b>11,724</b>
<b>Total assets</b>		<b>661,037</b>		<b>969,703</b>
<b>Liabilities</b>				
Creditors				
Amounts payable on cancellations	(1,779)			(2,512)
Currency deals outstanding	(814)			(563)
Expenses payable	(336)			(432)
Net distributions payable on Income shares	(2,763)			(2,448)
Purchases awaiting settlement	0			(3,171)
SDRT payable	0			(1)
<b>Total liabilities</b>		<b>(5,692)</b>		<b>(9,127)</b>
<b>Net assets attributable to shareholders</b>		<b>655,345</b>		<b>960,576</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting policies

The financial statements have been prepared in accordance with the accounting policies set out in the notes to the aggregated financial statements on page 7. The amount available for distribution is calculated in accordance with note 1j set out in the notes to the aggregated financial statements, reduced by the value of stock dividends as it is the policy of the sub-fund not to distribute these.

### 2 Risk management policies

The general risk management policies are set out in note 2 to the aggregated financial statements on page 8.

### 3 Net capital gains

	2014 £'000	2013 £'000
Non-derivative securities	15,213	155,994
Currency (losses) / gains	(385)	225
Transaction charges	(4)	(4)
<b>Net capital gains</b>	<b>14,824</b>	<b>156,215</b>



# M&G Global Growth Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 4 Revenue

	2014 £'000	2013 £'000
Bank interest	3	2
Interest distributions	6	16
Interest on overseas tax previously withheld at source	557	33
Overseas dividends	17,053	18,813
Stock dividends	1,837	1,129
UK dividends	2,130	2,151
<b>Total revenue</b>	<b>21,586</b>	<b>22,144</b>

#### 5 Expenses

	2014 £'000	2013 £'000
<b>Payable to the Authorised Corporate Director or associate</b>		
Authorised Corporate Director's periodic charge	12,515	12,899
Administration fee	1,295	1,363
	13,810	14,262
<b>Payable to the Depositary or associate</b>		
Depositary's fee (including VAT)	50	51
<b>Other expenses</b>		
Audit fee (including VAT)	7	10
Regulatory fees	6	8
Safe custody charge	148	143
Tax fees (including VAT) <sup>[a]</sup>	55	22
	216	183
<b>VAT recovered</b>		
Current year	(2)	(2)
Prior year	(1)	(7)
	(3)	(9)
<b>Total expenses</b>	<b>14,073</b>	<b>14,487</b>

<sup>[a]</sup> Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP and Ernst & Young LLP.

#### 6 Taxation

	2014 £'000	2013 £'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Overseas tax	1,687	1,406
Overseas tax recovered: previously withheld at source	(2,418)	(171)
Current tax charge (note 6b)	(731)	1,235
Deferred tax (note 6c)	0	0
<b>Total taxation</b>	<b>(731)</b>	<b>1,235</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue before taxation	7,513	7,657
Corporation tax at 20%	1,503	1,531
Effects of:		
UK dividends not taxable	(426)	(430)
Stock dividends not taxable	(368)	(226)
Overseas dividends not taxable	(2,695)	(3,441)
Current year expenses not utilised	2,044	2,620
Overseas tax	1,687	1,406
Overseas tax recovered: previously withheld at source	(2,418)	(171)
Overseas tax expensed	(58)	(54)
<b>Current tax charge (note 6a)</b>	<b>(731)</b>	<b>1,235</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

The sub-fund has not recognised a deferred tax asset of £11,833,000 (31.08.13: £9,789,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

#### 7 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (31.08.13: same).

#### 8 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the sub-fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the statement of change in net assets attributable to shareholders and note 12. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in the balance sheet where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's periodic charge and administration fee are disclosed in note 5. Amounts due at the year end to the ACD of £385,000 (31.08.13: £499,000) in respect of the ACD's periodic charge and administration fee are included within expenses payable as disclosed in the balance sheet.

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 50.65% (31.08.13: 36.16%) of the sub-fund's shares.

# M&G Global Growth Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 9 Financial instruments

The policies applied in the management of financial instruments are set out in note 2.

Short-term debtors and creditors have been included in respect of the currency exposure only when this is applicable (31.08.13: same).

##### Currency exposure

The currency profile of the sub-fund's financial instruments at the balance sheet date was:

	Portfolio of investments		Net other assets / (liabilities)		Total	
	as at 31.08.14	as at 31.08.13	as at 31.08.14	as at 31.08.13	as at 31.08.14	as at 31.08.13
	£'000	£'000	£'000	£'000	£'000	£'000
Australian dollar	0	11,273	0	180	0	11,453
Brazilian real	0	34,528	0	556	0	35,084
Canadian dollar	0	3,838	0	0	0	3,838
Danish krone	0	9,608	0	0	0	9,608
Euro	96,175	185,279	772	1,811	96,947	187,090
Hong Kong dollar	2,900	64,137	641	314	3,541	64,451
Japanese yen	25,261	65,865	177	280	25,438	66,145
Philippine peso	12,795	0	0	0	12,795	0
South African rand	0	22,404	0	0	0	22,404
South Korean won	0	37,070	5	0	5	37,070
Swedish krona	0	27,226	0	50	0	27,276
Swiss franc	39,727	78,028	839	985	40,566	79,013
US dollar	373,663	351,176	1,008	1,158	374,671	352,334
	550,521	890,432	3,442	5,334	553,963	895,766
Sterling	104,891	67,547	(3,509)	(2,737)	101,382	64,810
<b>Total</b>	<b>655,412</b>	<b>957,979</b>	<b>(67)</b>	<b>2,597</b>	<b>655,345</b>	<b>960,576</b>

##### Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.13: same).

##### Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.13: same).

#### 10 Portfolio transaction costs

	2014 £'000	2013 £'000
<b>a) Purchases</b>		
Purchases excluding transaction costs	852,534	293,018
Commissions	461	92
Taxes	557	132
Total transaction costs	1,018	224
<b>Total purchases including transaction costs</b>	<b>853,552</b>	<b>293,242</b>
<b>b) Sales</b>		
Sales excluding transaction costs	1,172,193	315,133
Commissions	(670)	(142)
Taxes	(217)	(40)
Total transaction costs	(887)	(182)
<b>Total sales net of transaction costs</b>	<b>1,171,306</b>	<b>314,951</b>

#### 11 Shareholder funds

This sub-fund contains Sterling Class 'A' (Net Income and Net Accumulation) shares, Sterling Class 'I' (Net Income and Net Accumulation) shares, Sterling Class 'R' (Net Income and Net Accumulation) shares and Sterling Class 'X' (Net Income and Net Accumulation) shares.

This sub-fund also contains Euro Class 'A' (Net Income and Net Accumulation) shares and Euro Class 'C' (Net Income and Net Accumulation) shares.

This sub-fund also contains US dollar Class 'A' (Net Income and Net Accumulation) shares and US dollar Class 'C' (Net Income and Net Accumulation) shares.

The charging structure for each share class, as at 31 August 2014, is set out in the following table (31.08.13: same):

#### CHARGES AND EXPENSES

	Initial charge %	Withdrawal fee %	ACD's annual remuneration %
<b>Sterling</b>			
Class 'A'	4.00	n/a	1.50
Class 'I'	1.00	n/a	0.75
Class 'R'	1.00	n/a	1.00
Class 'X'	nil	4.50 <sup>[a]</sup>	1.50
<b>Euro</b>			
Class 'A'	5.25	n/a	1.75
Class 'C'	3.25	n/a	0.75
<b>US dollar</b>			
Class 'A'	5.25	n/a	1.75
Class 'C'	3.25	n/a	0.75

<sup>[a]</sup> The withdrawal fee diminishes over a period of five years. Please refer to the Key Investor Information Document (KIID) in conjunction with the Important Information for Investors document.

With the exception of the Authorised Corporate Director's periodic charge, which is directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

# M&G Global Growth Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 11 Shareholder funds (continued)

The net asset values for each share class are set out in the following table:

#### NET ASSET VALUES

	31.08.14		31.08.13	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
<b>Sterling</b>				
Class 'A'	351,121	165,342	491,171	202,241
Class 'I'	7,266	24,323	3,552	8,535
Class 'R'	110	153	96	116
Class 'X'	8,237	8,541	8,328	11,897
<b>Euro</b>				
Class 'A'	4	70,487	n/a	95,451
Class 'C'	4	16,778	n/a	100,992
<b>US dollar</b>				
Class 'A'	3	1,397	n/a	1,276
Class 'C'	3	1,576	n/a	36,921

The net asset value per share and the number of shares are given in the net assets table on page 74. The distribution per share is given in the distribution table on page 80. Each share class has the same rights on winding-up.

#### 12 Finance costs

	2014 £'000	2013 £'000
<b>Income shares (Sterling)</b>		
Class 'A' - Final	2,591	2,363
Class 'I' - Final	109	43
Class 'R' - Final	2	1
Class 'X' - Final	61	41
<b>Income shares (Euro)</b>		
Class 'A' - Final <sup>[a]</sup>	0	n/a
Class 'C' - Final <sup>[b]</sup>	0	n/a
<b>Income shares (US dollar)</b>		
Class 'A' - Final <sup>[c]</sup>	0	n/a
Class 'C' - Final <sup>[d]</sup>	0	n/a
<b>Accumulation shares (Sterling)</b>		
Class 'A' - Final	1,189	972
Class 'I' - Final	359	103
Class 'R' - Final	2	1
Class 'X' - Final	56	57
<b>Accumulation shares (Euro)</b>		
Class 'A' - Final	338	249
Class 'C' - Final	248	1,204
<b>Accumulation shares (US dollar)</b>		
Class 'A' - Final	7	3
Class 'C' - Final	23	440
Finance costs: Dividend distributions	4,985	5,477
Income deducted on cancellation of shares	1,535	186
Income received on issue of shares	(113)	(356)
<b>Finance costs: Distributions</b>	<b>6,407</b>	<b>5,307</b>
Net revenue per statement of total return	8,244	6,422
Stock dividends not distributed	(1,837)	(1,129)
Undistributed income brought forward	0	14
Undistributed income carried forward	0	0
<b>Finance costs: Distributions</b>	<b>6,407</b>	<b>5,307</b>

<sup>[a]</sup> The final distribution for Euro Class 'A' (Income) shares was €13.

<sup>[b]</sup> The final distribution for Euro Class 'C' (Income) shares was €66.

<sup>[c]</sup> The final distribution for US dollar Class 'A' (Income) shares was \$12.

<sup>[d]</sup> The final distribution for US dollar Class 'C' (Income) shares was \$65.

# M&G Global Growth Fund

## FINANCIAL STATEMENTS

DISTRIBUTION TABLE				
Dividend distributions on Accumulation shares	Net income	Equalisation	Distribution payable/paid	
			2014	2013
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A' - Final				
Group 1:	1.9289	-	1.9289	1.2350
Group 2:	1.8343	0.0946	1.9289	1.2350
Class 'I' - Final				
Group 1:	18.7566	-	18.7566	14.9213
Group 2:	11.0197	7.7369	18.7566	14.9213
Class 'R' - Final				
Group 1:	1.5611	-	1.5611	1.2224
Group 2:	1.4856	0.0755	1.5611	1.2224
Class 'X' - Final				
Group 1:	1.9451	-	1.9451	1.2562
Group 2:	1.6577	0.2874	1.9451	1.2562
<b>Euro</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Class 'A' - Final				
Group 1:	4.9010	-	4.9010	n/a
Group 2:	4.9010	-	4.9010	n/a
Class 'C' - Final				
Group 1:	26.7905	-	26.7905	n/a
Group 2:	3.6678	23.1227	26.7905	n/a
<b>US dollar</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Class 'A' - Final				
Group 1:	4.4984	-	4.4984	n/a
Group 2:	2.0670	2.4314	4.4984	n/a
Class 'C' - Final				
Group 1:	24.9945	-	24.9945	n/a
Group 2:	3.4342	21.5603	24.9945	n/a

## DISTRIBUTION TABLE (continued)

Dividend distributions on Accumulation shares	Net income	Equalisation	Amount reinvested	
			2014	2013
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A' - Final				
Group 1:	3.6285	-	3.6285	2.3623
Group 2:	3.3213	0.3072	3.6285	2.3623
Class 'I' - Final				
Group 1:	18.9729	-	18.9729	14.9424
Group 2:	13.0561	5.9168	18.9729	14.9424
Class 'R' - Final				
Group 1:	1.5733	-	1.5733	1.2106
Group 2:	1.5703	0.0030	1.5733	1.2106
Class 'X' - Final				
Group 1:	3.2878	-	3.2878	2.3383
Group 2:	2.9480	0.3398	3.2878	2.3383
<b>Euro</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Class 'A' - Final				
Group 1:	9.2517	-	9.2517	4.5734
Group 2:	8.0888	1.1629	9.2517	4.5734
Class 'C' - Final				
Group 1:	31.6244	-	31.6244	23.0130
Group 2:	29.9476	1.6768	31.6244	23.0130
<b>US dollar</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Class 'A' - Final				
Group 1:	8.7696	-	8.7696	4.5412
Group 2:	5.5925	3.1771	8.7696	4.5412
Class 'C' - Final				
Group 1:	29.5051	-	29.5051	21.5868
Group 2:	28.0294	1.4757	29.5051	21.5868

Final period 01.09.13 - 31.08.14

Group 1: Shares purchased prior to a distribution period.

Group 2: Shares purchased during a distribution period.

Equalisation applies only to shares purchased during the distribution period (Group 2). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes.

# M&G Global Leaders Fund

## INVESTMENT OBJECTIVE, POLICY AND APPROACH

### Investment objective and policy of the M&G Global Leaders Fund

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 M&G Global Leaders Fund is a distinctive global equity fund with a clear investment strategy. The fund manager selects stocks from across the global equities universe that are undergoing positive internal change leading to improvements in return on capital.

The approach has three core tenets: i) management can make a big difference to returns; ii) capital allocation is key – companies must concentrate resources on those business activities where they have a competitive advantage 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; the fund manager tends to avoid imposing top-down views on sector, country or currency selections, but will take into account macroeconomic factors 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 and reward profile\*



- The above risk number is based on the rate at which the value of the Fund has moved up and down in the past.
- This risk number is based on historical data and may not be a reliable indicator of the future risk profile of the Fund.
- The risk number shown is not guaranteed and may change over time.
- The lowest risk number does not mean risk free.

\* This 'Risk and reward profile' section is based on Sterling Class 'A' shares.

## INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

### As at 1 September 2014, for the year ended 31 August 2014

We made several changes to the portfolio during the review period, but reduced the overall number of holdings to concentrate on our highest conviction ideas. In the financial sector, we lowered the fund's exposure to US banks, including the sale of Citigroup on valuation grounds, but increased our position in European financials. The fund's largest holding is Italy's Banca Monte dei Paschi di Siena, which we think is very attractively valued.

A number of technology stocks joined the fund, including FUJIFILM. The market still perceives FUJIFILM as a manufacturer of colour film, but this is now a tiny part of its business. The company has undertaken a number of restructuring initiatives and is now focused on higher value-added products. We also bought shares in NVIDIA, which designs and manufactures high performance graphics processing units used in gaming computers and EMC, a market leader in data storage. On the other hand, we sold out of chip manufacturers Qualcomm and Intel. We were worried about the high levels of capital expenditure that Intel will have to maintain to keep pace with changes in technology.

In healthcare, we sold out of Eli Lilly and used some of the proceeds to start a new position in Toho, a Japanese pharmaceutical wholesale and pharmacy dispensing business. Toho is introducing a new customer delivery system that is expected to increase its profit margins.

Having done very well with General Electric, we decided to recycle the money into potentially higher returning industrial names such as Deere & Co. The US company is one of the largest manufacturers of agricultural machinery and has been quick to realise that its future lay in providing technology solutions for its customers.

We sold Svenska Cellulosa, a Swedish personal care products business, as we believe the company's transformation to a more defensive consumer staples company has taken place. Instead, we initiated a position in food products group Ingredion, which is transforming itself from a commodity agriculture business to a value-added ingredients business.

Two other positions we sold were consumer-related names: on-line retailer eBay and motorcycle manufacturer Harley Davidson. Both stocks have been long-term holdings, but following strong share price appreciation, we felt that their valuations were a lot less attractive.

### 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.

# M&G Global Leaders Fund

## FUND STATISTICS

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Interim	02.03.15	30.04.15
Final	01.09.15	31.10.15

	Final distribution		Ongoing Charges Figure <sup>[b]</sup>	
	Inc 31.10.14 <sup>[a]</sup>	Acc 01.09.14 <sup>[a]</sup>	31.08.14	31.08.13
<b>Sterling</b>	p	p	%	%
Class 'A'	1.8854	4.3373	1.67	1.67
Class 'I'	13.0733	13.3852	0.93	0.93
Class 'R'	1.3030	1.3294	1.18	1.17
Class 'X'	1.8658	4.2801	1.67	1.67
<b>Euro</b>	¢	¢	%	%
Class 'A'	n/a	15.7054	1.92	1.92
Class 'C'	n/a	17.6630	0.92	0.92
<b>US dollar</b>	¢	¢	%	%
Class 'A'	n/a	10.8296	1.92	1.92
Class 'C'	n/a	11.6326	0.92	0.92

<sup>[a]</sup> The date on which the final distribution will be paid to Income shareholders and credited to Accumulation shareholders.

<sup>[b]</sup> The Ongoing Charges Figure is the ratio of the relevant annualised total disclosable costs of each share class from the most recent reporting period to the average net asset value for that share class over the same period.

### FUND PERFORMANCE

#### Performance of share classes

	Net asset value per share as at 31.08.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
<b>Sterling</b>	p	p	p	p	%	%
Class 'A'	188.87	438.75	182.11	416.73	+3.71	+5.28
Class 'I'	1,311.25	1,354.84	1,254.83	1,277.24	+4.50	+6.08
Class 'R'	130.43	134.74	125.13	127.34	+4.24	+5.81
Class 'X'	186.82	433.00	180.13	411.27	+3.71	+5.28
<b>Euro</b>	€	€	€	€	%	%
Class 'A'	n/a	15.8727	n/a	14.0660	n/a	+12.84
Class 'C'	n/a	17.9262	n/a	15.7278	n/a	+13.98
<b>US dollar</b>	\$	\$	\$	\$	%	%
Class 'A'	n/a	10.9468	n/a	9.7382	n/a	+12.41
Class 'C'	n/a	11.7864	n/a	10.3798	n/a	+13.55

Past performance is not a guide to future performance.

The value of stockmarket 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.

## PERFORMANCE SINCE LAUNCH

	six months 03.03.14 %	one year 02.09.13 %	five years 01.09.09 % p.a. <sup>[a]</sup>	since launch % p.a. <sup>[a]</sup>
<b>Sterling <sup>[b]</sup></b>				
Class 'A'	+1.9	+3.9	+6.9	+4.8 <sup>[c]</sup>
Class 'I'	+2.3	+4.7	n/a	+13.8 <sup>[d]</sup>
Class 'R'	+2.2	+4.4	n/a	+13.5 <sup>[d]</sup>
Class 'X'	+1.9	+3.9	+6.9	+8.5 <sup>[e]</sup>
<b>Euro <sup>[f]</sup></b>				
Class 'A'	+7.0	+12.8	+10.8	+3.7 <sup>[g]</sup>
Class 'C'	+7.5	+13.9	+11.9	+4.7 <sup>[g]</sup>
<b>US dollar <sup>[f]</sup></b>				
Class 'A'	+2.1	+12.1	+8.9	+1.2 <sup>[h]</sup>
Class 'C'	+2.6	+13.2	+10.0	+2.2 <sup>[h]</sup>

<sup>[a]</sup> Shows the compound rate of return, per annum, over the period.

<sup>[b]</sup> Bid to bid excluding reinvested income.

<sup>[c]</sup> 31 May 1985, the end of the initial offer period of the predecessor unit trust.

<sup>[d]</sup> 3 August 2012, the launch date of the share class.

<sup>[e]</sup> 1 October 2002, the launch date of the share class.

<sup>[f]</sup> Bid to bid with net income reinvested.

<sup>[g]</sup> 28 November 2001, the launch date of the share class.

<sup>[h]</sup> 9 March 2007, the launch date of the share class.

### SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From To	01.09.13 31.08.14 %	01.09.12 31.08.13 %	01.09.11 31.08.12 %	01.09.10 31.08.11 %	01.09.09 31.08.10 %
<b>Sterling</b>					
Class 'A'	+4.9	+24.1	+6.7	+2.9	+5.3

Source: Morningstar, Inc., bid to bid with net income reinvested.

# M&G Global Leaders Fund

## FUND STATISTICS

PRICES					
	Calendar year	Income shares Highest	Lowest	Accumulation shares Highest	Lowest
Sterling (net)					
Class 'A'		p	p	p	p
	2009	151.15	92.87	323.45	196.46
	2010	171.18	136.81	372.85	294.69
	2011	173.36	132.32	377.61	289.67
	2012	160.39	142.47	356.93	317.05
	2013	196.32	158.32	445.05	356.78
	2014 <sup>[a]</sup>	194.97	180.49	446.18	413.04
Class 'I'					
	2012 <sup>[b]</sup>	1,071.85	1,000.00	1,074.20	1,000.00
	2013	1,351.91	1,085.37	1,363.22	1,088.10
	2014 <sup>[a]</sup>	1,347.32	1,247.76	1,371.36	1,270.01
Class 'R'					
	2012 <sup>[b]</sup>	107.13	100.00	107.34	100.00
	2013	134.84	108.45	135.94	108.64
	2014 <sup>[a]</sup>	134.22	124.28	136.60	126.48
Class 'X'					
	2009	149.50	91.85	319.23	193.90
	2010	169.31	135.32	367.99	290.85
	2011	171.48	130.88	372.68	285.90
	2012	158.65	140.92	352.28	312.92
	2013	194.19	156.58	439.22	352.13
	2014 <sup>[a]</sup>	192.85	178.53	440.33	407.63
Euro (net)					
Class 'A'		€	€	€	€
	2009	n/a	n/a	10.4126	6.4172
	2010	n/a	n/a	12.6941	10.1399
	2011	n/a	n/a	13.0270	9.5970
	2012	n/a	n/a	12.6369	11.2202
	2013	n/a	n/a	15.1352	12.6693
	2014 <sup>[a]</sup>	n/a	n/a	15.9656	14.3649
Class 'C'					
	2009	n/a	n/a	11.2214	6.8601
	2010	n/a	n/a	13.8190	10.9398
	2011	n/a	n/a	14.1888	10.5153
	2012	n/a	n/a	13.9851	12.3395
	2013	n/a	n/a	16.9662	14.0729
	2014 <sup>[a]</sup>	n/a	n/a	18.0293	16.1310
US dollar (net)					
Class 'A'		\$	\$	\$	\$
	2009	n/a	n/a	7.8459	4.2248
	2010	n/a	n/a	8.7409	6.7862
	2011	n/a	n/a	9.2335	6.9010
	2012	n/a	n/a	8.6530	7.5198
	2013	n/a	n/a	10.8673	8.7577
	2014 <sup>[a]</sup>	n/a	n/a	11.3396	10.1506
Class 'C'					
	2009	n/a	n/a	8.0620	4.3070
	2010	n/a	n/a	9.0729	7.0096
	2011	n/a	n/a	9.5980	7.2177
	2012	n/a	n/a	9.1580	7.9181
	2013	n/a	n/a	11.6234	9.2736
	2014 <sup>[a]</sup>	n/a	n/a	12.1901	10.8672

<sup>[a]</sup> To 1 September 2014.

<sup>[b]</sup> From 3 August 2012 (the launch date of the share class).

## INCOME

Dividend income per share

	Calendar year	Interim	Distributed Final	Total	Reinvested
Sterling (net)					
Class 'A'		p	p	p	p
	2009	1.3190	1.5490	2.8680	6.0311
	2010	1.0050	1.5950	2.6000	5.5863
	2011	0.8530	1.5230	2.3760	4.9319
	2012	0.9340	1.9080	2.8420	6.2867
	2013	1.0304	1.7175	2.7479	6.1010
	2014 <sup>[a]</sup>	0.9355	1.8854	2.8209	6.4821
Class 'I'					
	2012	n/a	1.9450	1.9450	1.9450
	2013	7.0389	11.8083	18.8472	19.4391
	2014 <sup>[a]</sup>	6.5297	13.0733	19.6030	20.0459
Class 'R'					
	2012	n/a	0.1900	0.1900	0.1900
	2013	0.7634	1.1790	1.9424	1.9426
	2014 <sup>[a]</sup>	0.6444	1.3030	1.9474	1.9935
Class 'X'					
	2009	1.3090	1.5280	2.8370	5.9528
	2010	0.9950	1.5790	2.5740	5.5184
	2011	0.8430	1.5070	2.3500	5.1302
	2012	0.9250	1.8870	2.8120	6.0038
	2013	1.0082	1.6990	2.7072	6.0197
	2014 <sup>[a]</sup>	0.9249	1.8658	2.7907	6.3924
Euro (net)					
Class 'A'		€	€	€	€
	2009	n/a	n/a	n/a	19.8710
	2010	n/a	n/a	n/a	19.1450
	2011	n/a	n/a	n/a	17.2310
	2012	n/a	n/a	n/a	22.3779
	2013	n/a	n/a	n/a	20.5184
	2014 <sup>[a]</sup>	n/a	n/a	n/a	23.2052
Class 'C'					
	2009	n/a	n/a	n/a	21.2380
	2010	n/a	n/a	n/a	20.8430
	2011	n/a	n/a	n/a	18.8030
	2012	n/a	n/a	n/a	24.0191
	2013	n/a	n/a	n/a	22.8391
	2014 <sup>[a]</sup>	n/a	n/a	n/a	26.0515
US dollar (net)					
Class 'A'		\$	\$	\$	\$
	2009	n/a	n/a	n/a	14.0860
	2010	n/a	n/a	n/a	12.9750
	2011	n/a	n/a	n/a	12.8070
	2012	n/a	n/a	n/a	15.1221
	2013	n/a	n/a	n/a	14.1452
	2014 <sup>[a]</sup>	n/a	n/a	n/a	16.2520
Class 'C'					
	2009	n/a	n/a	n/a	14.4060
	2010	n/a	n/a	n/a	13.3790
	2011	n/a	n/a	n/a	13.3230
	2012	n/a	n/a	n/a	15.4041
	2013	n/a	n/a	n/a	15.0329
	2014 <sup>[a]</sup>	n/a	n/a	n/a	17.3749

<sup>[a]</sup> Up to final: ex-distribution date 1 September 2014;  
payment date 31 October 2014.

The level of income earned by the fund will fluctuate.



# M&G Global Leaders Fund

## FUND STATISTICS

NET ASSETS					
	Year ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
<b>Sterling</b>					
Class 'A'	Aug 2012	149.80	337.05	88,800,466	105,510,701
	Aug 2013	182.11	416.73	44,331,166	106,621,501
	Aug 2014	188.87	438.75	37,705,243	97,094,486
Class 'I'	Aug 2012	1,023.08	1,025.03	100	100
	Aug 2013	1,254.83	1,277.24	148,200	159,000
	Aug 2014	1,311.25	1,354.84	418,067	709,666
Class 'R'	Aug 2012	102.29	102.48	1,000	1,000
	Aug 2013	125.13	127.34	80,000	12,000
	Aug 2014	130.43	134.74	134,205	69,597
Class 'X'	Aug 2012	147.97	333.22	5,319,942	7,004,937
	Aug 2013	180.13	411.27	4,561,942	5,838,737
	Aug 2014	186.82	433.00	4,246,267	4,629,109
<b>Euro</b>					
		€	€		
Class 'A'	Aug 2012	n/a	12.2632	n/a	27,232,541
	Aug 2013	n/a	14.0660	n/a	23,765,341
	Aug 2014	n/a	15.8727	n/a	21,316,274
Class 'C'	Aug 2012	n/a	13.5766	n/a	7,600,855
	Aug 2013	n/a	15.7278	n/a	7,158,055
	Aug 2014	n/a	17.9262	n/a	682,555
<b>US dollar</b>					
		\$	\$		
Class 'A'	Aug 2012	n/a	8.0696	n/a	1,343,300
	Aug 2013	n/a	9.7382	n/a	2,652,200
	Aug 2014	n/a	10.9468	n/a	3,715,525
Class 'C'	Aug 2012	n/a	8.5148	n/a	1,185,500
	Aug 2013	n/a	10.3798	n/a	562,500
	Aug 2014	n/a	11.7864	n/a	404,925
<b>Total net asset value of sub-fund</b>					
	Year ended	£		€ [a]	
	Aug 2012	880,389,000		1,108,130,000	
	Aug 2013	963,362,000		1,127,992,000	
	Aug 2014	846,602,000		1,065,112,000	

[a] Based on the midday exchange rate on the last business day of each financial year.

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 %
<b>Oil &amp; gas producers</b>		<b>3.28</b>	<b>7.32</b>
220,046 Anadarko Petroleum	14,731	1.74	
13,820,158 China Petroleum & Chemical 'H'	8,426	1.00	
4,897,348 Rockhopper Exploration	4,616	0.54	
<b>Oil equipment, services &amp; distribution</b>		<b>3.00</b>	<b>1.30</b>
285,189 Halliburton	11,578	1.37	
1,228,771 Petrofac	13,787	1.63	
<b>Chemicals</b>		<b>2.66</b>	<b>1.10</b>
263,663 Akzo Nobel	11,218	1.33	
118,173 Solvay	11,257	1.33	
<b>Industrial metals &amp; mining</b>		<b>2.31</b>	<b>1.35</b>
173,955 Parker Hannifin	12,027	1.42	
294,995 Voestalpine	7,544	0.89	
<b>Mining</b>		<b>2.17</b>	<b>0.00</b>
2,882,335 Glencore	10,412	1.23	
245,357 Rio Tinto	7,921	0.94	
<b>General industrials</b>		<b>1.52</b>	<b>4.08</b>
443,281 ITT	12,850	1.52	
<b>Electronic &amp; electrical equipment</b>		<b>5.68</b>	<b>7.25</b>
225,585 Barco	9,630	1.14	
769,712 Jabil Circuit	9,946	1.17	
308,063 Motorola Solutions	11,023	1.30	
455,800 Nidec	17,520	2.07	
<b>Industrial engineering</b>		<b>5.08</b>	<b>1.32</b>
2,216,357 Bodycote	15,614	1.84	
297,736 Deere & Co	15,069	1.78	
324,951 Joy Global	12,354	1.46	
<b>Industrial transportation</b>		<b>1.50</b>	<b>2.68</b>
412,912 Con-way	12,669	1.50	
<b>Automobiles &amp; parts</b>		<b>5.09</b>	<b>7.65</b>
627,700 Bridgestone	12,986	1.53	
844,900 NGK SPARK PLUG CO.	14,866	1.76	
320,524 Renault	15,263	1.80	
<b>Beverages</b>		<b>1.07</b>	<b>2.73</b>
3,158,521 Treasury Wine Estates	9,071	1.07	
<b>Food producers</b>		<b>1.72</b>	<b>0.00</b>
307,589 Ingredion	14,554	1.72	
<b>Household goods &amp; home construction</b>		<b>1.36</b>	<b>4.16</b>
152,283 Snap-on	11,491	1.36	
<b>Leisure goods</b>		<b>3.79</b>	<b>2.83</b>
891,957 Amer Sports	10,819	1.28	
750,000 KONAMI	10,470	1.24	
936,600 Sega Sammy Holdings	10,768	1.27	
<b>Personal goods</b>		<b>1.92</b>	<b>1.79</b>
7,798,954 Samsonite International	16,223	1.92	
<b>Healthcare equipment &amp; services</b>		<b>3.35</b>	<b>1.82</b>
1,578,673 Affymetrix	8,068	0.95	
430,466 Haemonetics	9,213	1.09	
292,387 Medtronic	11,123	1.31	
<b>Pharmaceuticals &amp; biotechnology</b>		<b>8.83</b>	<b>9.44</b>
108,253 Amgen	9,047	1.07	
731,532 H. Lundbeck	9,277	1.09	
404,495 Mallinckrodt Pharmaceuticals	19,522	2.31	
211,463 Novartis (Regd.)	11,437	1.35	
63,479 Roche Holding 'Genusscheine'	11,143	1.32	
1,224,400 Toho Holdings	14,289	1.69	

# M&G Global Leaders Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 %
<b>Food &amp; drug retailers</b>		<b>3.76</b>	<b>2.73</b>
258,547 CVS Caremark	12,378	1.46	
524,857 Metro	10,991	1.30	
1,464,128 SuperValu	8,498	1.00	
<b>General retailers</b>		<b>1.23</b>	<b>2.07</b>
50,823 Amazon	10,415	1.23	
<b>Media</b>		<b>5.45</b>	<b>4.82</b>
2,243,216 Groupon	8,977	1.06	
816,826 News Corporation	8,512	1.01	
1,046,878 Rocket Fuel	9,906	1.17	
328,733 Twenty-First Century Fox	6,855	0.81	
751,438 Vivendi	11,883	1.40	
<b>Travel &amp; leisure</b>		<b>3.01</b>	<b>3.65</b>
549,620 American Airlines	12,975	1.53	
835,376 MGM Resorts International	12,521	1.48	
<b>Gas, water &amp; multi-utilities</b>		<b>1.33</b>	<b>0.91</b>
500,156 Xylem	11,231	1.33	
<b>Banks</b>		<b>11.74</b>	<b>9.20</b>
24,634,451 Banca Monte dei Paschi di Siena	22,185	2.62	
3,536,000 Bank of Yokohama	11,759	1.39	
1,177,787 Bankinter	5,898	0.70	
10,752,699 Intesa Sanpaolo	19,470	2.30	
14,257,157 Lloyds Banking Group	10,902	1.29	
3,529,460 Royal Bank of Scotland Group	12,819	1.51	
2,117,910 Sberbank of Russia ADR	10,524	1.24	
237,822 State Bank of India	5,811	0.69	
<b>Non-life insurance</b>		<b>2.12</b>	<b>3.69</b>
3,587,035 AIA Group	11,771	1.39	
2,860,972 Brasil Insurance	6,192	0.73	
<b>Life insurance</b>		<b>1.91</b>	<b>2.21</b>
492,879 MetLife	16,157	1.91	
<b>Real estate investment &amp; services</b>		<b>0.00</b>	<b>1.29</b>
<b>Financial services</b>		<b>2.80</b>	<b>1.53</b>
741,767 Morgan Stanley	15,227	1.80	
795,241 Navient	8,493	1.00	
<b>Software &amp; computer services</b>		<b>2.94</b>	<b>3.88</b>
616,226 Microsoft	16,668	1.97	
433,700 Nomura Research Institute	8,247	0.97	
<b>Technology hardware &amp; equipment</b>		<b>7.58</b>	<b>3.32</b>
751,346 EMC	13,318	1.57	
838,700 FUJIFILM Holdings	15,229	1.80	
1,154,534 NVIDIA	13,492	1.59	
20,307 Samsung Electronic Pref.	12,312	1.45	
559,533 Tessera	9,894	1.17	
<b>'AAA' rated money market funds <sup>[a]</sup></b>		<b>1.16</b>	<b>3.83</b>
16,362,000 Northern Trust Global Fund - US dollar	9,861	1.16	
<b>Portfolio of investments (notes 1b &amp; 1c on page 7)</b>	<b>841,193</b>	<b>99.36</b>	<b>99.95</b>
<b>Net other assets</b>	<b>5,409</b>	<b>0.64</b>	<b>0.05</b>
<b>Net assets attributable to shareholders</b>	<b>846,602</b>	<b>100.00</b>	<b>100.00</b>

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

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

## PORTFOLIO TRANSACTIONS

for the year ended 31 August 2014

<b>Largest purchases</b>	<b>£'000</b>
Banca Monte dei Paschi di Siena	31,626
Rocket Fuel	23,720
FUJIFILM Holdings	17,996
Roche Holding 'Genussscheine'	17,569
UniCredit	16,767
Deere & Co	16,602
Metro	16,238
Medtronic	16,107
SLM	14,189
Groupon	14,188
Toho Holdings	13,934
NVIDIA	13,681
EMC	13,553
Joy Global	13,526
Samsung Electronic Pref.	13,334
Ingredion	13,317
Akzo Nobel	12,845
American Airlines	12,651
Halliburton	12,283
KONAMI	11,572
Northern Trust Global Fund - US dollar <sup>[a]</sup>	256,808
Other purchases	215,438
<b>Total purchases</b>	<b>787,944</b>
<b>Largest sales</b>	<b>£'000</b>
General Electric	26,453
Citigroup	22,765
Harley-Davidson	18,805
Svenska Cellulosa 'B'	18,691
UniCredit	18,444
Valero Energy	16,024
Hitachi	15,776
Intesa Sanpaolo	15,455
Qualcomm	15,252
Dr Pepper Snapple	14,357
Eli Lilly	14,261
Talisman Energy	14,253
eBay	14,026
Toyota Tsusho	13,344
Yokogawa Electric	12,916
Fortune Brands Home & Security	12,783
Intel	12,695
MGM Resorts International	11,715
Repsol	11,486
Deutsche Lufthansa	11,159
Northern Trust Global Fund - US dollar <sup>[a]</sup>	282,519
Other sales	365,869
<b>Total sales</b>	<b>959,048</b>

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

# M&G Global Leaders Fund

## FINANCIAL STATEMENTS

For the year ended 31 August 2014.

### STATEMENT OF TOTAL RETURN

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	3		48,570		187,158
Revenue	4	15,308		18,066	
Expenses	5	(15,742)		(15,277)	
Net (expense) / revenue before taxation		(434)		2,789	
Taxation	6	45		(2,144)	
Net (expense) / revenue after taxation			(389)		645
<b>Total return before distributions</b>			<b>48,181</b>		<b>187,803</b>
Finance costs: Distributions	12		(13,757)		(14,360)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>34,424</b>		<b>173,443</b>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

		2014		2013	
		£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>			<b>963,362</b>		<b>880,389</b>
Amounts received on issue of shares	111,178			72,853	
Amounts paid on cancellation of shares	(273,980)			(176,023)	
			(162,802)		(103,170)
Stamp Duty Reserve Tax (SDRT)			(24)		(10)
Change in net assets attributable to shareholders from investment activities (see above)			34,424		173,443
Retained distributions on Accumulation shares			11,626		12,701
Unclaimed distributions			16		9
<b>Closing net assets attributable to shareholders</b>			<b>846,602</b>		<b>963,362</b>

## BALANCE SHEET

	as at		as at	
	31 August 2014	£'000	31 August 2013	£'000
<b>Assets</b>				
Investment assets		841,193		962,895
Debtors				
Amounts receivable on issues	558		1,046	
Currency deals outstanding	441		802	
Distributions receivable	1		2	
Dividends receivable	736		1,132	
Overseas tax recoverable	815		608	
Sales awaiting settlement	3,645		0	
		6,196		3,590
Cash and bank balances				
Cash held as bank balances	1,998		1,479	
		1,998		1,479
<b>Total other assets</b>		<b>8,194</b>		<b>5,069</b>
<b>Total assets</b>		<b>849,387</b>		<b>967,964</b>
<b>Liabilities</b>				
Creditors				
Amounts payable on cancellations	(885)		(765)	
Currency deals outstanding	(440)		(802)	
Expenses payable	(589)		(582)	
Net distributions payable on Income shares	(847)		(857)	
Purchases awaiting settlement	(24)		(1,595)	
SDRT payable	0		(1)	
<b>Total other liabilities</b>		<b>(2,785)</b>		<b>(4,602)</b>
<b>Net assets attributable to shareholders</b>		<b>846,602</b>		<b>963,362</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting policies

The financial statements have been prepared in accordance with the accounting policies set out in the notes to the aggregated financial statements on page 7. The amount available for distribution is calculated in accordance with note 1j set out in the notes to the aggregated financial statements, increased by the value of the ACD's periodic charge, net of any tax relief available, as it is the policy of the sub-fund to offset this against capital. This will increase the level of distributable income whilst restraining capital performance to an equivalent extent.

### 2 Risk management policies

The general risk management policies are set out in note 2 to the aggregated financial statements on page 8. In addition to these policies the sub-fund accepts short-term currency risk in relation to euro exposures.

### 3 Net capital gains

	2014	2013
	£'000	£'000
Non-derivative securities	49,176	187,940
Currency losses	(598)	(775)
Transaction charges	(8)	(7)
<b>Net capital gains</b>	<b>48,570</b>	<b>187,158</b>

# M&G Global Leaders Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 4 Revenue

	2014 £'000	2013 £'000
Bank interest	1	1
Interest distributions	8	10
Interest on overseas tax previously withheld at source	156	19
Overseas dividends	13,727	17,528
UK dividends	1,416	508
<b>Total revenue</b>	<b>15,308</b>	<b>18,066</b>

#### 5 Expenses

	2014 £'000	2013 £'000
<b>Payable to the Authorised Corporate Director or associate</b>		
Authorised Corporate Director's periodic charge	14,146	13,702
Administration fee	1,384	1,373
	15,530	15,075
<b>Payable to the Depositary or associate</b>		
Depositary's fee (including VAT)	52	52
Distribution fees	0	1
	52	53
<b>Other expenses</b>		
Audit fee (including VAT)	7	10
Dividend charges	23	0
Regulatory fees	8	2
Safe custody charge	101	129
Tax fees (including VAT) <sup>[a]</sup>	26	15
	165	156
<b>VAT recovered</b>		
Current year	0	(1)
Prior year	(5)	(6)
	(5)	(7)
<b>Total expenses</b>	<b>15,742</b>	<b>15,277</b>

<sup>[a]</sup> Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP and Ernst & Young LLP.

#### 6 Taxation

	2014 £'000	2013 £'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Overseas tax	1,395	2,249
Overseas tax recoverable: exchange rate movements	0	(8)
Overseas tax recovered: previously withheld at source	(1,440)	(97)
Current tax charge (note 6b)	(45)	2,144
Deferred tax (note 6c)	0	0
<b>Total taxation</b>	<b>(45)</b>	<b>2,144</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net (expense) / revenue before taxation	(434)	2,789
Corporation tax at 20%	(87)	558
Effects of:		
Tax on special dividends taken to capital	0	16
UK dividends not taxable	(283)	(102)
Overseas dividends not taxable	(2,680)	(3,527)
Overseas tax expensed	(10)	0
Current year expenses not utilised	3,080	3,055
Overseas tax	1,395	2,249
Overseas tax recoverable: exchange rate movements	0	(8)
Overseas tax recovered: previously withheld at source	(1,440)	(97)
Prior year adjustment to expenses not utilised	(20)	0
<b>Current tax charge (note 6a)</b>	<b>(45)</b>	<b>2,144</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

The sub-fund has not recognised a deferred tax asset of £15,462,000 (31.08.13: £12,382,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

#### 7 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (31.08.13: same).

#### 8 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the sub-fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the statement of change in net assets attributable to shareholders and note 12. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in the balance sheet where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's periodic charge and administration fee are disclosed in note 5. Amounts due at the year end to the ACD of £516,000 (31.08.13: £525,000) in respect of the ACD's periodic charge and administration fee are included within expenses payable as disclosed in the balance sheet.

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 29.34% (31.08.13: 29.97%) of the sub-fund's shares.

# M&G Global Leaders Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 9 Financial instruments

The policies applied in the management of financial instruments are set out in note 2.

Short-term debtors and creditors have been included in respect of the currency exposure only when this is applicable (31.08.13: same).

#### Currency exposure

The currency profile of the sub-fund's financial instruments at the balance sheet date was:

	Portfolio of investments		Net other assets / (liabilities)		Total	
	as at 31.08.14 £'000	as at 31.08.13 £'000	as at 31.08.14 £'000	as at 31.08.13 £'000	as at 31.08.14 £'000	as at 31.08.13 £'000
Australian dollar	9,071	12,208	0	0	9,071	12,208
Brazilian real	6,192	6,314	0	(522)	6,192	5,792
Canadian dollar	0	15,724	0	0	0	15,724
Danish krone	9,277	10,497	28	0	9,305	10,497
Euro	136,158	116,544	6,422	385	142,580	116,929
Hong Kong dollar	36,420	54,411	58	81	36,478	54,492
Indian rupee	5,811	5,728	0	0	5,811	5,728
Japanese yen	116,134	122,884	137	102	116,271	122,986
South Korean won	12,312	0	5	0	12,317	0
Swedish krona	0	17,227	0	0	0	17,227
Swiss franc	22,580	20,287	325	259	22,905	20,546
US dollar	411,167	527,250	300	1,526	411,467	528,776
	765,122	909,074	7,275	1,831	772,397	910,905
Sterling	76,071	53,821	(1,866)	(1,364)	74,205	52,457
<b>Total</b>	<b>841,193</b>	<b>962,895</b>	<b>5,409</b>	<b>467</b>	<b>846,602</b>	<b>963,362</b>

#### Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.13: same).

#### Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.13: same).

#### 10 Portfolio transaction costs

	2014 £'000	2013 £'000
<b>a) Purchases</b>		
Purchases excluding transaction costs	787,206	706,590
Commissions	552	402
Taxes	186	219
Total transaction costs	738	621
<b>Total purchases including transaction costs</b>	<b>787,944</b>	<b>707,211</b>
<b>b) Sales</b>		
Sales excluding transaction costs	959,723	815,384
Commissions	(628)	(530)
Taxes	(47)	(37)
Total transaction costs	(675)	(567)
<b>Total sales net of transaction costs</b>	<b>959,048</b>	<b>814,817</b>

#### 11 Shareholder funds

This sub-fund contains Sterling Class 'A' (Net Income and Net Accumulation) shares, Sterling Class 'I' (Net Income and Net Accumulation) shares, Sterling Class 'R' (Net Income and Net Accumulation) shares and Sterling Class 'X' (Net Income and Net Accumulation) shares.

This sub-fund also contains Euro Class 'A' (Net Accumulation) shares and Euro Class 'C' (Net Accumulation) shares.

This sub-fund also contains US dollar Class 'A' (Net Accumulation) shares and US dollar Class 'C' (Net Accumulation) shares.

The charging structure for each share class, as at 31 August 2014, is set out in the following table (31.08.13: same):

#### CHARGES AND EXPENSES

	Initial charge %	Withdrawal fee %	ACD's annual remuneration %
<b>Sterling</b>			
Class 'A'	4.00	n/a	1.50
Class 'I'	1.00	n/a	0.75
Class 'R'	1.00	n/a	1.00
Class 'X'	nil	4.50 <sup>[a]</sup>	1.50
<b>Euro</b>			
Class 'A'	5.25	n/a	1.75
Class 'C'	3.25	n/a	0.75
<b>US dollar</b>			
Class 'A'	5.25	n/a	1.75
Class 'C'	3.25	n/a	0.75

<sup>[a]</sup> The withdrawal fee diminishes over a period of five years. Please refer to the Key Investor Information Document (KIID) in conjunction with the Important Information for Investors document.

With the exception of the Authorised Corporate Director's periodic charge, which is directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

The net asset values for each share class are set out in the following table:

#### NET ASSET VALUES

	31.08.14		31.08.13	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
<b>Sterling</b>				
Class 'A'	71,212	425,998	80,730	444,324
Class 'I'	5,482	9,615	1,860	2,031
Class 'R'	175	94	100	15
Class 'X'	7,933	20,044	8,217	24,013
<b>Euro</b>				
Class 'A'	n/a	268,935	n/a	285,496
Class 'C'	n/a	9,725	n/a	96,149
<b>US dollar</b>				
Class 'A'	n/a	24,513	n/a	16,661
Class 'C'	n/a	2,876	n/a	3,766

The net asset value per share and the number of shares are given in the net assets table on page 84. The distribution per share is given in the distribution table on pages 89 and 90. Each share class has the same rights on winding-up.

# M&G Global Leaders Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 12 Finance costs

	2014 £'000	2013 £'000
<b>Income shares (Sterling)</b>		
Class 'A' - Interim	396	571
- Final	711	761
Class 'I' - Interim	21	2
- Final	55	17
Class 'R' - Interim <sup>[a]</sup>	1	0
- Final	2	1
Class 'X' - Interim	40	52
- Final	79	78
<b>Accumulation shares (Sterling)</b>		
Class 'A' - Interim	2,179	2,290
- Final	4,211	4,152
Class 'I' - Interim	28	1
- Final	95	19
Class 'R' - Interim <sup>[b]</sup>	0	0
- Final <sup>[c]</sup>	1	0
Class 'X' - Interim	116	139
- Final	198	224
<b>Accumulation shares (Euro)</b>		
Class 'A' - Interim	1,421	1,533
- Final	2,661	2,670
Class 'C' - Interim	163	502
- Final	96	896
<b>Accumulation shares (US dollar)</b>		
Class 'A' - Interim	162	29
- Final	243	156
Class 'C' - Interim	24	55
- Final	28	35
Finance costs: Dividend distributions	12,931	14,183
Income deducted on cancellation of shares	1,189	628
Income received on issue of shares	(363)	(451)
<b>Finance costs: Distributions</b>	<b>13,757</b>	<b>14,360</b>
Net (expense) / revenue per statement of total return	(389)	645
Expenses offset against capital	14,146	13,702
Undistributed income brought forward	0	13
<b>Finance costs: Distributions</b>	<b>13,757</b>	<b>14,360</b>

<sup>[a]</sup> The comparative interim distribution for Sterling Class 'R' (Income) shares was £275.

<sup>[b]</sup> The interim distribution for Sterling Class 'R' (Accumulation) shares was £279 (2013: £8).

<sup>[c]</sup> The comparative final distribution for Sterling Class 'R' (Accumulation) shares was £141.

### DISTRIBUTION TABLE

Dividend distributions on Income shares	Net income	Equalisation	Distribution paid/payable	
			2014	2013
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A' - Interim				
Group 1:	0.9355	-	0.9355	1.0304
Group 2:	1.1263	1.0185	0.9355	1.0304
- Final				
Group 1:	1.8854	-	1.8854	1.7175
Group 2:	0.7534	1.1320	1.8854	1.7175
Class 'I' - Interim				
Group 1:	6.5297	-	6.5297	7.0389
Group 2:	2.4243	4.1054	6.5297	7.0389
- Final				
Group 1:	13.0733	-	13.0733	11.8083
Group 2:	5.9641	7.1092	13.0733	11.8083
Class 'R' - Interim				
Group 1:	0.6444	-	0.6444	0.7634
Group 2:	0.0927	0.5517	0.6444	0.7634
- Final				
Group 1:	1.3030	-	1.3030	1.1790
Group 2:	0.6486	0.6544	1.3030	1.1790
Class 'X' - Interim				
Group 1:	0.9249	-	0.9249	1.0082
Group 2:	0.4057	0.5192	0.9249	1.0082
- Final				
Group 1:	1.8658	-	1.8658	1.6990
Group 2:	0.7814	1.0844	1.8658	1.6990
<b>Dividend distributions on Accumulation shares</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Amount reinvested</b>	
			2014	2013
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A' - Interim				
Group 1:	2.1448	-	2.1448	2.2072
Group 2:	1.0363	1.1085	2.1448	2.2072
- Final				
Group 1:	4.3373	-	4.3373	3.8938
Group 2:	2.0559	2.2814	4.3373	3.8938
Class 'I' - Interim				
Group 1:	6.6607	-	6.6607	7.5194
Group 2:	2.5137	4.1470	6.6607	7.5194
- Final				
Group 1:	13.3852	-	13.3852	11.9197
Group 2:	6.0158	7.3694	13.3852	11.9197
Class 'R' - Interim				
Group 1:	0.6641	-	0.6641	0.7680
Group 2:	0.1405	0.5236	0.6641	0.7680
- Final				
Group 1:	1.3294	-	1.3294	1.1746
Group 2:	0.1229	1.2065	1.3294	1.1746
Class 'X' - Interim				
Group 1:	2.1123	-	2.1123	2.1770
Group 2:	0.9999	1.1124	2.1123	2.1770
- Final				
Group 1:	4.2801	-	4.2801	3.8427
Group 2:	1.9930	2.2871	4.2801	3.8427

# M&G Global Leaders Fund

## FINANCIAL STATEMENTS

DISTRIBUTION TABLE (continued)				
Dividend distributions on Accumulation shares	Net income	Equalisation	Amount reinvested	
			2014	2013
<b>Euro</b>	€	€	€	€
Class 'A' - Interim				
Group 1:	7.4998	-	7.4998	7.3654
Group 2:	3.8076	3.6922	7.4998	7.3654
- Final				
Group 1:	15.7054	-	15.7054	13.1530
Group 2:	7.1873	8.5181	15.7054	13.1530
Class 'C' - Interim				
Group 1:	8.3885	-	8.3885	8.1772
Group 2:	2.5624	5.8261	8.3885	8.1772
- Final				
Group 1:	17.6630	-	17.6630	14.6619
Group 2:	11.7355	5.9275	17.6630	14.6619
<b>US dollar</b>	\$	\$	\$	\$
Class 'A' - Interim				
Group 1:	5.4224	-	5.4224	5.0408
Group 2:	2.0273	3.3951	5.4224	5.0408
- Final				
Group 1:	10.8296	-	10.8296	9.1044
Group 2:	7.2707	3.5589	10.8296	9.1044
Class 'C' - Interim				
Group 1:	5.7423	-	5.7423	5.3622
Group 2:	1.9518	3.7905	5.7423	5.3622
- Final				
Group 1:	11.6326	-	11.6326	9.6707
Group 2:	5.1618	6.4708	11.6326	9.6707

Interim period 01.09.13 - 28.02.14

Final period 01.03.14 - 31.08.14

Group 1: Shares purchased prior to a distribution period.

Group 2: Shares purchased during a distribution period.

Equalisation applies only to shares purchased during the distribution period (Group 2). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes.



# M&G Japan Fund

## INVESTMENT OBJECTIVE, POLICY AND APPROACH

### Investment objective and policy of the M&G Japan Fund

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 manager adopts a value approach to investment and the fund owns shares in companies that have cheap valuations relative to the trend returns 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 value 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 value characteristics, 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 and reward profile\*



- The above risk number is based on the rate at which the value of the Fund has moved up and down in the past.
- This risk number is based on historical data and may not be a reliable indicator of the future risk profile of the Fund.

- The risk number shown is not guaranteed and may change over time.

- The lowest risk number does not mean risk free.

\* This 'Risk and reward profile' section is based on Sterling Class 'A' shares.

## INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

### As at 1 September 2014, for the year ended 31 August 2014

Our investment approach tends to be contrarian in nature. Accordingly, outperforming names over the period were used as a funding source to invest further capital into the fund's high-conviction names that have lagged the market.

In line with this, we sold shares in outperforming companies, where valuations look relatively less compelling compared with other high-conviction positions. This included reducing the positions in companies such as technology company NEC, cosmetics manufacturer KOSÉ and Sumisho Computer Systems (SCSK), an IT services provider.

Complete exits from the portfolio included telecommunications company KDDI, electronics manufacturer Panasonic, wholesale pharmaceutical supplier Alfresa, steel manufacturer Tokyo Steel, and Daifuku, a designer and manufacturer of airport baggage handling machines.

We used the funds raised from these sales to add to holdings where we have strong conviction, including banking group Mitsubishi UFJ Financial, glass manufacturer Asahi Glass, and Ricoh, a manufacturer of printers and copiers. We also initiated new positions at attractive levels in Honda, a car manufacturer, and in Mitsubishi, an efficiently run trading giant. Elsewhere, we established a position in T&D Holdings, a financially sound, profitable insurance company that we believe is very attractively valued given the level of sustainable earnings it can generate.

One other addition was Kurita Water Industries, a company offering a 'one-stop-shop' water treatment and purification service. We believe the company is well run with strong capital discipline. It operates in a global environment where demand for fresh water continues to rise and environmental regulations around the world are becoming more stringent, factors that should prove to be long-term tailwinds for Kurita.

### Dean Cashman Fund manager

An employee of Eastspring Investments (Singapore) Limited which is an associate of M&G Securities Limited, by being a subsidiary of Prudential plc.

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

# M&G Japan Fund

## FUND STATISTICS

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd		payment	
Final	01.09.15		31.10.15	
	Final distribution		Ongoing Charges Figure <sup>[b]</sup>	
	Inc 31.10.14 <sup>[a]</sup>	Acc 01.09.14 <sup>[a]</sup>	31.08.14	31.08.13
<b>Sterling</b>	p	p	%	%
Class 'A'	0.0253	0.0271	1.71	1.75
Class 'I'	10.4813	10.5777	0.96	1.01
Class 'R'	0.7634	0.7691	1.22	1.26
Class 'X'	0.0244	0.0253	1.72	1.75
<b>Euro</b>	€	€	%	%
Class 'A'	n/a	0.8138	1.71	1.75
Class 'C'	n/a	10.0944	0.96	1.01

<sup>[a]</sup> The date on which the final distribution will be paid to Income shareholders and credited to Accumulation shareholders.

<sup>[b]</sup> The Ongoing Charges Figure is the ratio of the relevant annualised total disclosable costs of each share class from the most recent reporting period to the average net asset value for that share class over the same period.

### FUND PERFORMANCE

#### Performance of share classes

	Net asset value per share as at 31.08.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
<b>Sterling</b>	p	p	p	p	%	%
Class 'A'	35.42	38.66	33.58	36.62	+5.48	+5.57
Class 'I'	1,395.08	1,418.46	1,321.59	1,333.74	+5.56	+6.35
Class 'R'	139.37	141.15	132.08	133.06	+5.52	+6.08
Class 'X'	34.92	38.13	33.11	36.13	+5.47	+5.54
<b>Euro</b>	€	€	€	€	%	%
Class 'A'	n/a	11.6760	n/a	10.2945	n/a	+13.42
Class 'C'	n/a	12.7646	n/a	11.1702	n/a	+14.27

Past performance is not a guide to future performance.

The value of stockmarket 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.

### PERFORMANCE SINCE LAUNCH

	six months 03.03.14 %	one year 02.09.13 %	five years 01.09.09 % p.a. <sup>[a]</sup>	since launch % p.a. <sup>[a]</sup>
<b>Sterling <sup>[b]</sup></b>				
Class 'A'	+5.6	+5.0	+6.2	+6.3 <sup>[c]</sup>
Class 'I'	+6.0	+5.7	n/a	+17.6 <sup>[d]</sup>
Class 'R'	+5.4	+5.0	n/a	+17.2 <sup>[d]</sup>
Class 'X'	+5.7	+5.0	+6.2	+5.5 <sup>[e]</sup>
<b>Euro <sup>[f]</sup></b>				
Class 'A'	+10.1	+12.7	+8.8	+1.3 <sup>[g]</sup>
Class 'C'	+10.5	+13.6	+9.6	+2.0 <sup>[g]</sup>

<sup>[a]</sup> Shows the compound rate of return, per annum, over the period.

<sup>[b]</sup> Bid to bid excluding reinvested income.

<sup>[c]</sup> 6 April 1971, the end of the initial offer period of the predecessor unit trust.

<sup>[d]</sup> 3 August 2012, the launch date of the share class.

<sup>[e]</sup> 1 October 2002, the launch date of the share class.

<sup>[f]</sup> Bid to bid with net income reinvested.

<sup>[g]</sup> 28 November 2001, the launch date of the share class.

### SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From To	01.09.13 31.08.14 %	01.09.12 31.08.13 %	01.09.11 31.08.12 %	01.09.10 31.08.11 %	01.09.09 31.08.10 %
<b>Sterling</b>					
Class 'A'	+5.5	+35.6	-5.0	+2.4	-0.3

Source: Morningstar, Inc., bid to bid with net income reinvested.

# M&G Japan Fund

## FUND STATISTICS

PRICES					
Calendar year		Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
Sterling (net)					
Class 'A'		p	p	p	p
	2009	26.23	18.27	28.23	19.60
	2010	31.06	24.22	33.43	26.07
	2011 <sup>[a]</sup>	31.15	25.14	33.53	27.06
	2012	29.45	24.39	31.83	26.53
	2013	38.93	27.08	42.34	29.45
	2014 <sup>[b]</sup>	35.80	32.12	39.04	35.03
Class 'I'					
	2012 <sup>[c]</sup>	1,079.67	959.24	1,079.29	959.22
	2013	1,539.52	1,067.80	1,538.92	1,067.43
	2014 <sup>[b]</sup>	1,419.14	1,269.96	1,432.15	1,281.59
Class 'R'					
	2012 <sup>[c]</sup>	107.84	95.89	107.84	95.89
	2013	153.61	106.65	153.64	106.65
	2014 <sup>[b]</sup>	141.50	126.74	142.52	127.65
Class 'X'					
	2009	25.87	18.02	27.85	19.34
	2010	30.62	23.88	32.98	25.71
	2011 <sup>[a]</sup>	30.71	24.79	33.07	26.70
	2012	29.04	24.05	31.40	26.18
	2013	38.38	26.69	41.77	29.05
	2014 <sup>[b]</sup>	35.29	31.66	38.51	34.55
Euro (net)					
Class 'A'		€	€	€	€
	2009	n/a	n/a	7.6896	5.1448
	2010	n/a	n/a	9.4177	7.0555
	2011 <sup>[a]</sup>	n/a	n/a	9.6331	7.4245
	2012	n/a	n/a	9.1416	7.9357
	2013	n/a	n/a	11.8650	8.5938
	2014 <sup>[b]</sup>	n/a	n/a	11.7209	10.1106
Class 'C'					
	2009	n/a	n/a	8.0957	5.3792
	2010	n/a	n/a	10.0146	7.4476
	2011 <sup>[a]</sup>	n/a	n/a	10.2462	7.9339
	2012	n/a	n/a	9.8104	8.5597
	2013	n/a	n/a	12.8475	9.2817
	2014 <sup>[b]</sup>	n/a	n/a	12.8142	11.0160

<sup>[a]</sup> The Prudential Japanese Trust merged into the M&G Japan Fund immediately after 14 October 2011.

<sup>[b]</sup> To 1 September 2014.

<sup>[c]</sup> From 3 August 2012 (the launch date of the share class).

## INCOME

Dividend income per share		Distributed	Reinvested
Calendar year			
Sterling (net)		p	p
Class 'A'	2009	0.0830	0.0891
	2010	nil	nil
	2011	0.1040	0.1119
	2012	0.1640	0.1788
	2013	0.0894	0.0873
	2014 <sup>[a]</sup>	0.0253	0.0271
Class 'I'	2012	nil	nil
	2013	12.6714	12.4061
	2014 <sup>[a]</sup>	10.4813	10.5777
Class 'R'	2012	nil	nil
	2013	0.9609	0.9734
	2014 <sup>[a]</sup>	0.7634	0.7691
Class 'X'	2009	0.0910	0.0976
	2010	0.0070	0.0075
	2011	0.1030	0.1109
	2012	0.1600	0.1746
	2013	0.0877	0.0944
	2014 <sup>[a]</sup>	0.0244	0.0253
Euro (net)		€	€
Class 'A'	2009	n/a	0.9590
	2010	n/a	1.1080
	2011	n/a	3.0730
	2012	n/a	5.3257
	2013	n/a	2.3967
	2014 <sup>[a]</sup>	n/a	0.8138
Class 'C'	2009	n/a	12.1090
	2010	n/a	6.9060
	2011	n/a	9.6640
	2012	n/a	12.7147
	2013	n/a	10.2998
	2014 <sup>[a]</sup>	n/a	10.0944

<sup>[a]</sup> Up to final: ex-distribution date 1 September 2014;  
payment date 31 October 2014.

The level of income earned by the fund will fluctuate.

# M&G Japan Fund

## FUND STATISTICS

NET ASSETS					
	Year ended	Value per share Inc	Acc	Number of shares Inc	Acc
<b>Sterling</b>					
Class 'A'	Aug 2012	24.84	27.01	54,109,627	141,212,978
	Aug 2013	33.58	36.62	37,788,627	75,562,978
	Aug 2014	35.42	38.66	43,197,319	102,323,334
Class 'I'	Aug 2012	976.67	976.67	100	100
	Aug 2013	1,321.59	1,333.74	9,600	16,600
	Aug 2014	1,395.08	1,418.46	46,770	121,862
Class 'R'	Aug 2012	97.67	97.67	1,000	1,000
	Aug 2013	132.08	133.06	11,000	20,000
	Aug 2014	139.37	141.15	16,000	25,000
Class 'X'	Aug 2012	24.48	26.65	2,550,252	4,572,700
	Aug 2013	33.11	36.13	2,860,252	4,382,700
	Aug 2014	34.92	38.13	2,797,376	3,685,813
<b>Euro</b>					
Class 'A'	Aug 2012	n/a	8.1650	n/a	806,146
	Aug 2013	n/a	10.2945	n/a	890,146
	Aug 2014	n/a	11.6760	n/a	689,431
Class 'C'	Aug 2012	n/a	8.7915	n/a	92,350
	Aug 2013	n/a	11.1702	n/a	954,350
	Aug 2014	n/a	12.7646	n/a	1,488,709
<b>Total net asset value of sub-fund</b>					
	Year ended	£	€ [a]		
	Aug 2012	59,306,000	74,647,000		
	Aug 2013	60,211,000	70,501,000		
	Aug 2014	81,179,000	102,132,000		

[a] Based on the midday exchange rate on the last business day of each financial year.

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 %
<b>Chemicals</b>		<b>5.19</b>	<b>4.70</b>
657,000 Kaneka	2,335	2.88	
565,000 Mitsui Chemicals	1,006	1.24	
1,007,000 Showa Denko Group	870	1.07	
<b>Industrial metals &amp; mining</b>		<b>0.00</b>	<b>1.03</b>
<b>Construction &amp; materials</b>		<b>3.17</b>	<b>1.51</b>
789,000 Asahi Glass	2,576	3.17	
<b>General industrials</b>		<b>1.04</b>	<b>0.00</b>
298,000 Rengo	843	1.04	
<b>Electronic &amp; electrical equipment</b>		<b>4.61</b>	<b>4.38</b>
124,500 TDK	3,739	4.61	
<b>Industrial engineering</b>		<b>5.83</b>	<b>4.79</b>
120,800 Kurita Water Industries	1,635	2.01	
1,001,000 Sumitomo Heavy Industries	3,105	3.82	
<b>Industrial transportation</b>		<b>2.44</b>	<b>3.46</b>
900,000 Mitsui O.S.K. Lines	1,983	2.44	

### PORTFOLIO STATEMENT (continued)

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 %
<b>Support services</b>		<b>1.46</b>	<b>1.10</b>
94,900 Mitsubishi	1,183	1.46	
<b>Automobiles &amp; parts</b>		<b>9.56</b>	<b>6.65</b>
158,200 Honda Motor	3,222	3.97	
146,900 NOK	1,913	2.36	
235,000 Yamaha Motor	2,621	3.23	
<b>Household goods &amp; home construction</b>		<b>1.12</b>	<b>1.42</b>
135,200 Sumitomo Forestry	910	1.12	
<b>Leisure goods</b>		<b>6.14</b>	<b>7.06</b>
93,400 Nikon	817	1.01	
361,500 Sony	4,168	5.13	
<b>Personal goods</b>		<b>6.82</b>	<b>7.53</b>
30,500 KOSÉ	801	0.99	
502,000 Onward Holdings	2,020	2.49	
1,832,000 Teijin	2,708	3.34	
<b>Pharmaceuticals &amp; biotechnology</b>		<b>1.10</b>	<b>1.65</b>
83,500 Daiichi Sankyo	890	1.10	
<b>General retailers</b>		<b>4.80</b>	<b>3.61</b>
136,200 Komeri	2,010	2.48	
42,500 Seven & i Holdings	1,028	1.27	
15,700 Shimamura	852	1.05	
<b>Media</b>		<b>1.14</b>	<b>2.66</b>
99,800 Fuji Media Holdings	929	1.14	
<b>Travel &amp; leisure</b>		<b>2.87</b>	<b>2.98</b>
49,800 East Japan Railway	2,333	2.87	
<b>Fixed line telecommunications</b>		<b>3.75</b>	<b>3.25</b>
75,200 Nippon Telegraph & Telephone	3,043	3.75	
<b>Mobile telecommunications</b>		<b>0.00</b>	<b>1.49</b>
<b>Banks</b>		<b>12.80</b>	<b>14.49</b>
1,427,400 Mitsubishi UFJ Financial Group	4,945	6.09	
150,100 Sumitomo Mitsui Financial Group	3,655	4.50	
724,580 Sumitomo Mitsui Trust Holdings	1,792	2.21	
<b>Non-life insurance</b>		<b>3.13</b>	<b>3.64</b>
174,650 NKSJ Holdings	2,544	3.13	
<b>Life insurance</b>		<b>3.91</b>	<b>0.00</b>
424,200 T&D Holdings	3,174	3.91	
<b>Financial services</b>		<b>4.44</b>	<b>5.87</b>
535,000 Nomura Holdings	2,067	2.55	
169,100 Orix	1,539	1.89	
<b>Software &amp; computer services</b>		<b>0.20</b>	<b>4.20</b>
9,300 SCSK	160	0.20	
<b>Technology hardware &amp; equipment</b>		<b>14.42</b>	<b>12.06</b>
176,900 Advantest	1,238	1.52	
1,600,000 NEC	3,432	4.23	
572,000 Ricoh	3,731	4.59	
86,300 Rohm	3,317	4.08	
<b>'AAA' rated money market funds [a]</b>		<b>0.09</b>	<b>0.00</b>
70,000 Northern Trust Global Fund - Sterling	70	0.09	
<b>Portfolio of investments (notes 1b &amp; 1c on page 7)</b>	<b>81,204</b>	<b>100.03</b>	<b>99.53</b>
<b>Net other (liabilities) / assets</b>	<b>(25)</b>	<b>(0.03)</b>	<b>0.47</b>
<b>Net assets attributable to shareholders</b>	<b>81,179</b>	<b>100.00</b>	<b>100.00</b>

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.

# M&G Japan Fund

## PORTFOLIO

### PORTFOLIO TRANSACTIONS

for the year ended 31 August 2014

<b>Largest purchases</b>	<b>£'000</b>
T&D Holdings	3,464
Honda Motor	3,324
Asahi Glass	2,248
Mitsubishi UFJ Financial Group	2,209
Ricoh	2,087
Sumitomo Mitsui Financial Group	1,872
Sony	1,754
Kurita Water Industries	1,727
Mitsubishi	1,356
Onward Holdings	1,350
TDK	1,313
Sumitomo Heavy Industries	1,299
Teijin	1,295
NEC	1,252
Rohm	1,193
Komeri	1,166
Nippon Telegraph & Telephone	1,126
East Japan Railway	1,082
Yamaha Motor	1,078
NKSJ Holdings	1,072
Northern Trust Global Fund - Sterling <sup>[a]</sup>	6,630
Other purchases	10,357
<b>Total purchases</b>	<b>50,254</b>
<b>Largest sales</b>	<b>£'000</b>
SCSK	1,743
NEC	1,517
KOSÉ	1,405
Panasonic	1,320
Yamaha Motor	1,318
NOK	1,199
Daifuku	1,145
Rohm	1,062
KDDI	1,027
TDK	1,010
Sumitomo Mitsui Financial Group	911
Orix	873
Mitsubishi UFJ Financial Group	842
Mitsui O.S.K. Lines	829
OBIC	767
Meitec	681
Fuji Media Holdings	668
Tokyo Steel Manufacturing	658
Ricoh	615
Sony	610
Northern Trust Global Fund - Sterling <sup>[a]</sup>	6,561
Other sales	6,324
<b>Total sales</b>	<b>33,085</b>

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

## FINANCIAL STATEMENTS

For the year ended 31 August 2014.

### STATEMENT OF TOTAL RETURN

	Note	2014 £'000	2013 £'000
Income			
Net capital gains	3	4,063	16,346
Revenue	4	1,243	1,291
Expenses	5	(1,026)	(930)
Net revenue before taxation		217	361
Taxation	6	(114)	(96)
Net revenue after taxation		103	265
<b>Total return before distributions</b>		<b>4,166</b>	<b>16,611</b>
Finance costs: Distributions	12	(103)	(276)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>4,063</b>	<b>16,335</b>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2014 £'000	2013 £'000
<b>Opening net assets attributable to shareholders</b>	<b>60,211</b>	<b>59,306</b>
Amounts received on issue of shares	41,739	43,335
Amounts paid on cancellation of shares	(25,000)	(58,939)
	16,739	(15,604)
Change in net assets attributable to shareholders from investment activities (see above)	4,063	16,335
Retained distributions on Accumulation shares	166	174
<b>Closing net assets attributable to shareholders</b>	<b>81,179</b>	<b>60,211</b>

# M&G Japan Fund

## FINANCIAL STATEMENTS

### BALANCE SHEET

	as at 31 August 2014 £'000		as at 31 August 2013 £'000	
<b>Assets</b>				
Investment assets		81,204		59,926
<b>Debtors</b>				
Amounts receivable on issues	64		1,048	
Currency deals outstanding	203		706	
Dividends receivable	68		32	
Prepaid expenses	0		1	
Sales awaiting settlement	218		0	
		553		1,787
Cash and bank balances				
Cash held as bank balances	182		99	
		182		99
<b>Total other assets</b>		<b>735</b>		<b>1,886</b>
<b>Total assets</b>		<b>81,939</b>		<b>61,812</b>
<b>Liabilities</b>				
<b>Creditors</b>				
Amounts payable on cancellations	(325)		(170)	
Currency deals outstanding	(203)		(708)	
Expenses payable	(68)		(60)	
Net distributions payable on				
Income shares	(17)		(38)	
Purchases awaiting settlement	(119)		(625)	
		(732)		(1,601)
Bank overdrafts	(28)		0	
		(28)		0
<b>Total liabilities</b>		<b>(760)</b>		<b>(1,601)</b>
<b>Net assets attributable to shareholders</b>		<b>81,179</b>		<b>60,211</b>

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 Accounting policies

The financial statements have been prepared in accordance with the accounting policies set out in the notes to the aggregated financial statements on page 7. The amount available for distribution is calculated in accordance with note 1j set out in the notes to the aggregated financial statements.

#### 2 Risk management policies

The general risk management policies are set out in note 2 to the aggregated financial statements on page 8. In addition to these policies the sub-fund accepts short-term currency risk in relation to Japanese yen exposures.

#### 3 Net capital gains

	2014 £'000	2013 £'000
Non-derivative securities	4,109	16,596
Currency losses	(36)	(224)
Transaction charges	(10)	(26)
<b>Net capital gains</b>	<b>4,063</b>	<b>16,346</b>

#### 4 Revenue

	2014 £'000	2013 £'000
Overseas dividends	1,243	1,291
<b>Total revenue</b>	<b>1,243</b>	<b>1,291</b>

#### 5 Expenses

	2014 £'000	2013 £'000
<b>Payable to the Authorised Corporate Director or associate</b>		
Authorised Corporate Director's periodic charge	896	813
Administration fee	99	84
	995	897
<b>Payable to the Depositary or associate</b>		
Depositary's fee (including VAT)	6	5
<b>Other expenses</b>		
Audit fee (including VAT)	7	9
Regulatory fees	6	7
Safe custody charge	7	6
Tax fees (including VAT) [a]	7	8
	27	30
<b>VAT recovered</b>		
Prior year	(2)	(2)
	(2)	(2)
<b>Total expenses</b>	<b>1,026</b>	<b>930</b>

[a] Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP and Ernst & Young LLP.

#### 6 Taxation

	2014 £'000	2013 £'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Overseas tax	114	96
Current tax charge (note 6b)	114	96
Deferred tax (note 6c)	0	0
<b>Total taxation</b>	<b>114</b>	<b>96</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue before taxation	217	361
Corporation tax at 20%	43	72
Effects of:		
Overseas dividends not taxable	(249)	(258)
Current year expenses not utilised	213	186
Prior year adjustments to expenses not utilised	(7)	0
Overseas tax	114	96
<b>Current tax charge (note 6a)</b>	<b>114</b>	<b>96</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

The sub-fund has not recognised a deferred tax asset of £1,966,000 (31.08.13: £1,760,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

#### 7 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (31.08.13: same).

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 8 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the sub-fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the statement of change in net assets attributable to shareholders and note 12. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in the balance sheet where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's periodic charge and administration fee are disclosed in note 5. Amounts due at the year end to the ACD of £43,000 (31.08.13: £31,000) in respect of the ACD's periodic charge and administration fee are included within expenses payable as disclosed in the balance sheet.

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 21.79% (31.08.13: 22.43%) of the sub-fund's shares.

#### 9 Financial instruments

The policies applied in the management of financial instruments are set out in note 2.

Short-term debtors and creditors have been included in respect of the currency exposure only when this is applicable (31.08.13: same).

##### Currency exposure

At the balance sheet date, the sub-fund had a significant foreign currency exposure to Japanese yen of £81,614,000 (31.08.13: £59,982,000).

##### Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.13: same).

##### Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.13: same).

#### 10 Portfolio transaction costs

	2014 £'000	2013 £'000
<b>a) Purchases</b>		
Purchases excluding transaction costs	50,217	50,077
Commissions	37	33
<b>Total purchases including transaction costs</b>	<b>50,254</b>	<b>50,110</b>
<b>b) Sales</b>		
Sales excluding transaction costs	33,109	66,305
Commissions	(24)	(39)
<b>Total sales net of transaction costs</b>	<b>33,085</b>	<b>66,266</b>

#### 11 Shareholder funds

This sub-fund contains Sterling Class 'A' (Net Income and Net Accumulation) shares, Sterling Class 'I' (Net Income and Net Accumulation) shares, Sterling Class 'R' (Net Income and Net Accumulation) shares and Sterling Class 'X' (Net Income and Net Accumulation) shares.

This sub-fund also contains Euro Class 'A' (Net Accumulation) shares and Euro Class 'C' (Net Accumulation) shares.

The charging structure for each share class, as at 31 August 2014, is set out in the following table (31.08.13: same):

#### CHARGES AND EXPENSES

	Initial charge %	Withdrawal fee %	ACD's annual remuneration %
<b>Sterling</b>			
Class 'A'	4.00	n/a	1.50
Class 'I'	1.00	n/a	0.75
Class 'R'	1.00	n/a	1.00
Class 'X'	nil	4.50 <sup>[a]</sup>	1.50
<b>Euro</b>			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75

<sup>[a]</sup> The withdrawal fee diminishes over a period of five years. Please refer to the Key Investor Information Document (KIID) in conjunction with the Important Information for Investors document.

With the exception of the Authorised Corporate Director's periodic charge, which is directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

The net asset values for each share class are set out in the following table:

#### NET ASSET VALUES

	31.08.14		31.08.13	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
<b>Sterling</b>				
Class 'A'	15,300	39,555	12,689	27,672
Class 'I'	653	1,729	127	221
Class 'R'	22	35	15	27
Class 'X'	977	1,406	947	1,583
<b>Euro</b>				
Class 'A'	n/a	6,398	n/a	7,826
Class 'C'	n/a	15,104	n/a	9,104

The net asset value per share and the number of shares are given in the net assets table on page 94. The distribution per share is given in the distribution table on page 98. Each share class has the same rights on winding-up.



## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 12 Finance costs

	2014 £'000	2013 £'000
<b>Income shares (Sterling)</b>		
Class 'A' - Final	11	34
Class 'I' - Final	5	1
Class 'R' - Final <sup>[a]</sup>	0	0
Class 'X' - Final	1	3
<b>Accumulation shares (Sterling)</b>		
Class 'A' - Final	28	66
Class 'I' - Final	13	2
Class 'R' - Final <sup>[b]</sup>	0	0
Class 'X' - Final	1	4
<b>Accumulation shares (Euro)</b>		
Class 'A' - Final	5	18
Class 'C' - Final	119	84
Finance costs: Dividend distributions	183	212
Income deducted on cancellation of shares	89	274
Income received on issue of shares	(169)	(210)
<b>Finance costs: Distributions</b>	<b>103</b>	<b>276</b>
Net revenue per statement of total return	103	265
Undistributed income brought forward	0	11
<b>Finance costs: Distributions</b>	<b>103</b>	<b>276</b>

<sup>[a]</sup> The final distribution for Sterling Class 'R' (Income) shares was £122 (2013: £106).

<sup>[b]</sup> The final distribution for Sterling Class 'R' (Accumulation) shares was £192 (2013: £195).

### DISTRIBUTION TABLE

Dividend distributions on Income shares	Net income	Equalisation	Distribution payable/paid	
			2014	2013
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A' - Final				
Group 1:	0.0253	-	0.0253	0.0894
Group 2:	-	0.0253	0.0253	0.0894
Class 'I' - Final				
Group 1:	10.4813	-	10.4813	12.6714
Group 2:	-	10.4813	10.4813	12.6714
Class 'R' - Final				
Group 1:	0.7634	-	0.7634	0.9609
Group 2:	0.1817	0.5817	0.7634	0.9609
Class 'X' - Final				
Group 1:	0.0244	-	0.0244	0.0877
Group 2:	-	0.0244	0.0244	0.0877
<b>Dividend distributions on Accumulation shares</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Amount reinvested</b>	
			2014	2013
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A' - Final				
Group 1:	0.0271	-	0.0271	0.0873
Group 2:	-	0.0271	0.0271	0.0873
Class 'I' - Final				
Group 1:	10.5777	-	10.5777	12.4061
Group 2:	0.0915	10.4862	10.5777	12.4061
Class 'R' - Final				
Group 1:	0.7691	-	0.7691	0.9734
Group 2:	0.5010	0.2681	0.7691	0.9734
Class 'X' - Final				
Group 1:	0.0253	-	0.0253	0.0944
Group 2:	-	0.0253	0.0253	0.0944
<b>Euro</b>	<b>¢</b>	<b>¢</b>	<b>¢</b>	<b>¢</b>
Class 'A' - Final				
Group 1:	0.8138	-	0.8138	2.3967
Group 2:	-	0.8138	0.8138	2.3967
Class 'C' - Final				
Group 1:	10.0944	-	10.0944	10.2998
Group 2:	-	10.0944	10.0944	10.2998

Final period 01.09.13 - 31.08.14.

Group 1: Shares purchased prior to a distribution period.

Group 2: Shares purchased during a distribution period.

Equalisation applies only to shares purchased during the distribution period (Group 2). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes.

# M&G Japan Smaller Companies Fund

## INVESTMENT OBJECTIVE, POLICY AND APPROACH

### Investment objective and policy of the M&G Japan Smaller Companies Fund

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 manager adopts a value approach to investment and the fund owns shares in companies that have cheap valuations relative to the trend returns 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 value 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 value characteristics, 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 and reward profile\*



1	2	3	4	5	6	7
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- The above risk number is based on the rate at which the value of the Fund has moved up and down in the past.
- This risk number is based on historical data and may not be a reliable indicator of the future risk profile of the Fund.

- The risk number shown is not guaranteed and may change over time.

- The lowest risk number does not mean risk free.

\* This 'Risk and reward profile' section is based on Sterling Class 'A' shares.

## INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

### As at 1 September 2014, for the year ended 31 August 2014

Our investment approach tends to be contrarian in nature. Accordingly, stocks that have outperformed over the 12-month review period were used as a funding source to invest further capital into the fund's high-conviction names that have lagged the market.

In line with this, we sold shares in outperforming companies, where valuations look relatively less attractive relative to other high-conviction positions. This included realising profits and reducing our holdings in companies such as Chugoku Marine Paints, a leading global manufacturer of marine anti-fouling paints; Rohm, a manufacturer of electronic components, and KOSÉ, a cosmetics company. We also closed our positions in stocks such as DTS, which provides IT data systems mainly for financial companies, and Nippon Signal, a manufacturer of railway traffic signals.

With the sales proceeds, we established a range of high-conviction positions, including Rengo, one of two dominant manufacturers of cardboard boxes in Japan, and Hamakyorex, a company providing truck distribution services. The latter was bought opportunistically on share price weakness, with the investment based on our view of the sustainable earnings the business can generate over the longer term.

One other addition was Kurita Water Industries, a company offering a 'one-stop-shop' water treatment and purification service, which includes equipment, chemicals and operation and maintenance services. We believe the company is well run with strong capital discipline. Furthermore, it operates in a global environment where demand for fresh water continues to rise and environmental regulations around the world are getting more stringent.

### Max Godwin

Fund manager

An employee of Eastspring Investments (Singapore) Limited which is an associate of M&G Securities Limited, by being a subsidiary of Prudential plc.

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

# M&G Japan Smaller Companies Fund

## FUND STATISTICS

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd		payment	
Final	01.09.15		31.10.15	
	Final distribution		Ongoing Charges Figure <sup>[b]</sup>	
	Inc 31.10.14 <sup>[a]</sup>	Acc 01.09.14 <sup>[a]</sup>	31.08.14	31.08.13
<b>Sterling</b>	p	p	%	%
Class 'A'	0.2100	0.2265	1.71	1.74
Class 'I'	11.3692	11.5394	0.96	0.99
Class 'R'	0.7882	0.7965	1.21	1.25
Class 'X'	0.2138	0.2183	1.70	1.74
<b>Euro</b>	€	€	%	%
Class 'A'	n/a	1.4696	1.71	1.74
Class 'C'	n/a	15.6669	0.96	0.99

<sup>[a]</sup> The date on which the final distribution will be paid to Income shareholders and credited to Accumulation shareholders.

<sup>[b]</sup> The Ongoing Charges Figure is the ratio of the relevant annualised total disclosable costs of each share class from the most recent reporting period to the average net asset value for that share class over the same period.

### FUND PERFORMANCE

#### Performance of share classes

	Net asset value per share as at 31.08.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
<b>Sterling</b>	p	p	p	p	%	%
Class 'A'	300.61	315.41	264.64	277.49	+13.59	+13.67
Class 'I'	1,470.88	1,499.02	1,294.15	1,309.13	+13.66	+14.51
Class 'R'	147.01	149.10	129.37	130.51	+13.64	+14.24
Class 'X'	298.79	313.02	263.06	275.38	+13.58	+13.67
<b>Euro</b>	€	€	€	€	%	%
Class 'A'	n/a	18.6626	n/a	15.2802	n/a	+22.14
Class 'C'	n/a	20.5060	n/a	16.6638	n/a	+23.06

Past performance is not a guide to future performance.

The value of stockmarket 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.

## PERFORMANCE SINCE LAUNCH

	six months 03.03.14 %	one year 02.09.13 %	five years 01.09.09 % p.a. <sup>[a]</sup>	since launch % p.a. <sup>[a]</sup>
<b>Sterling <sup>[b]</sup></b>				
Class 'A'	+11.6	+13.8	+10.8	+6.3 <sup>[c]</sup>
Class 'I'	+11.3	+13.9	n/a	+20.9 <sup>[d]</sup>
Class 'R'	+11.4	+13.9	n/a	+20.9 <sup>[d]</sup>
Class 'X'	+11.6	+13.8	+10.8	+9.1 <sup>[e]</sup>
<b>Euro <sup>[f]</sup></b>				
Class 'A'	+16.3	+22.2	+14.0	+5.1 <sup>[g]</sup>
Class 'C'	+16.7	+23.1	+14.8	+5.9 <sup>[g]</sup>

<sup>[a]</sup> Shows the compound rate of return, per annum, over the period.

<sup>[b]</sup> Bid to bid excluding reinvested income.

<sup>[c]</sup> 15 May 1984, the end of the initial offer period of the predecessor unit trust.

<sup>[d]</sup> 3 August 2012, the launch date of the share class.

<sup>[e]</sup> 1 October 2002, the launch date of the share class.

<sup>[f]</sup> Bid to bid with net income reinvested.

<sup>[g]</sup> 28 November 2001, the launch date of the share class.

### SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From To	01.09.13 31.08.14 %	01.09.12 31.08.13 %	01.09.11 31.08.12 %	01.09.10 31.08.11 %	01.09.09 31.08.10 %
<b>Sterling</b>					
Class 'A'	+13.6	+32.0	+6.2	+10.1	-0.4

Source: Morningstar, Inc., bid to bid with net income reinvested.

# M&G Japan Smaller Companies Fund

## FUND STATISTICS

PRICES					
Calendar year		Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
Sterling (net)		p	p	p	p
Class 'A'	2009	182.39	114.38	185.62	115.56
	2010	214.49	162.73	219.43	165.61
	2011	216.73	165.42	221.72	169.23
	2012	218.17	189.53	225.77	196.13
	2013	300.83	213.32	314.16	222.77
	2014 <sup>[a]</sup>	303.29	262.43	318.23	275.16
Class 'I'	2012 <sup>[b]</sup>	1,044.21	946.34	1,044.71	946.67
	2013	1,478.08	1,045.35	1,478.90	1,045.93
	2014 <sup>[a]</sup>	1,493.25	1,289.29	1,512.40	1,304.00
Class 'R'	2012 <sup>[b]</sup>	104.32	94.57	104.32	94.57
	2013	147.57	104.43	147.56	104.43
	2014 <sup>[a]</sup>	148.91	128.69	150.42	129.82
Class 'X'	2009	181.30	113.69	184.23	114.69
	2010	213.19	161.75	217.76	164.36
	2011	215.42	164.42	220.04	167.95
	2012	216.86	188.39	224.06	194.64
	2013	299.02	212.04	311.77	221.07
	2014 <sup>[a]</sup>	301.47	260.84	315.82	273.07
Euro (net)		€	€	€	€
Class 'A'	2009	n/a	n/a	9.8965	5.9969
	2010	n/a	n/a	12.1026	8.7765
	2011	n/a	n/a	12.5273	9.1786
	2012	n/a	n/a	13.2476	11.0769
	2013	n/a	n/a	17.4260	12.3839
	2014 <sup>[a]</sup>	n/a	n/a	18.9265	15.6134
Class 'C'	2009	n/a	n/a	10.4837	6.3264
	2010	n/a	n/a	12.9414	9.3170
	2011	n/a	n/a	13.3991	9.8302
	2012	n/a	n/a	14.3223	11.9303
	2013	n/a	n/a	18.9640	13.4479
	2014 <sup>[a]</sup>	n/a	n/a	20.7959	17.1060

<sup>[a]</sup> To 1 September 2014.

<sup>[b]</sup> From 3 August 2012 (the launch date of the share class).

## INCOME

Dividend income per share			
	Calendar year	Distributed	Reinvested
Sterling (net)		p	p
Class 'A'	2009	1.3160	1.3296
	2010	0.9280	0.9444
	2011	2.2350	2.2864
	2012	1.8400	1.9062
	2013	1.0704	1.1223
	2014 <sup>[a]</sup>	0.2100	0.2265
Class 'I'	2012	nil	nil
	2013	14.0639	14.5847
	2014 <sup>[a]</sup>	11.3692	11.5394
Class 'R'	2012	nil	nil
	2013	1.1472	1.1382
	2014 <sup>[a]</sup>	0.7882	0.7965
Class 'X'	2009	1.3160	1.3275
	2010	0.9280	0.9430
	2011	2.2130	2.2605
	2012	1.8310	1.8931
	2013	1.0651	1.0953
	2014 <sup>[a]</sup>	0.2138	0.2183
Euro (net)		€	€
Class 'A'	2009	n/a	7.1340
	2010	n/a	5.1820
	2011	n/a	12.0790
	2012	n/a	11.3239
	2013	n/a	6.1039
	2014 <sup>[a]</sup>	n/a	1.4696
Class 'C'	2009	n/a	13.3530
	2010	n/a	14.1470
	2011	n/a	21.3450
	2012	n/a	nil
	2013	n/a	17.8370
	2014 <sup>[a]</sup>	n/a	15.6669

<sup>[a]</sup> Up to final: ex-distribution date 1 September 2014;  
payment date 31 October 2014.

The level of income earned by the fund will fluctuate.

# M&G Japan Smaller Companies Fund

## FUND STATISTICS

NET ASSETS					
	Year ended	Value per share Inc	Value per share Acc	Number of shares Inc	Number of shares Acc
<b>Sterling</b>					
Class 'A'	Aug 2012	202.54	211.50	4,187,344	7,617,303
	Aug 2013	264.64	277.49	5,037,644	8,998,903
	Aug 2014	300.61	315.41	8,465,202	6,021,641
Class 'I'	Aug 2012	989.65	989.65	100	100
	Aug 2013	1,294.15	1,309.13	7,600	81,215
	Aug 2014	1,470.88	1,499.02	286,455	635,394
Class 'R'	Aug 2012	98.94	98.94	1,000	1,000
	Aug 2013	129.37	130.51	35,000	83,500
	Aug 2014	147.01	149.10	41,500	367,500
Class 'X'	Aug 2012	201.32	209.90	519,806	5,387,346
	Aug 2013	263.06	275.38	574,406	5,934,446
	Aug 2014	298.79	313.02	543,144	4,714,773
<b>Euro</b>					
Class 'A'	Aug 2012	n/a	12.5202	n/a	699,960
	Aug 2013	n/a	15.2802	n/a	1,405,060
	Aug 2014	n/a	18.6626	n/a	1,902,175
Class 'C'	Aug 2012	n/a	13.5520	n/a	160,420
	Aug 2013	n/a	16.6638	n/a	114,920
	Aug 2014	n/a	20.5060	n/a	338,441
<b>Total net asset value of sub-fund</b>					
	Year ended	£	€ [a]		
	Aug 2012	45,640,000	57,446,000		
	Aug 2013	77,443,000	90,677,000		
	Aug 2014	108,902,000	137,010,000		

[a] Based on the midday exchange rate on the last business day of each financial year.

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 %
<b>Chemicals</b>		<b>10.33</b>	<b>7.55</b>
410,000 Chugoku Marine Paints	1,847	1.70	
761,000 Kaneka	2,705	2.48	
3,823,000 Showa Denko Group	3,302	3.03	
285,600 Tocalo	3,401	3.12	
<b>General industrials</b>		<b>5.43</b>	<b>2.45</b>
1,259,000 Rengo	3,562	3.27	
410,500 Tokai Rubber Industries	2,351	2.16	
<b>Electronic &amp; electrical equipment</b>		<b>12.00</b>	<b>16.30</b>
541,000 Denki Kogyo	1,982	1.82	
498,100 ESPEC	2,720	2.50	
250,700 SIIX	2,484	2.28	
135,600 TDK	4,072	3.74	
307,400 Zuken	1,812	1.66	

### PORTFOLIO STATEMENT (continued)

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 %
<b>Industrial engineering</b>		<b>11.94</b>	<b>8.22</b>
191,200 Kurita Water Industries	2,588	2.38	
203,100 Mars Engineering	2,473	2.27	
265,000 MAX	1,853	1.70	
420,600 Nittoku Engineering	2,792	2.56	
1,063,000 Sumitomo Heavy Industries	3,297	3.03	
<b>Industrial transportation</b>		<b>2.33</b>	<b>1.68</b>
1,152,000 Mitsui O.S.K. Lines	2,538	2.33	
<b>Support services</b>		<b>9.83</b>	<b>4.38</b>
119,000 AEON DELIGHT	1,761	1.62	
186,800 Hamakyorex	3,817	3.51	
487,500 Moshi Moshi Hotline	2,900	2.66	
135,400 Nippon Kanzai	2,222	2.04	
<b>Automobiles &amp; parts</b>		<b>6.84</b>	<b>8.67</b>
439,200 Ahresty	1,981	1.82	
232,500 NOK	3,027	2.78	
927,000 Riken	2,435	2.24	
<b>Household goods &amp; home construction</b>		<b>2.07</b>	<b>2.31</b>
335,600 Sumitomo Forestry	2,259	2.07	
<b>Leisure goods</b>		<b>1.98</b>	<b>2.78</b>
238,400 Fields	2,158	1.98	
<b>Personal goods</b>		<b>5.52</b>	<b>6.48</b>
33,100 KOSÉ	869	0.80	
496,000 Onward Holdings	1,996	1.83	
2,130,000 Teijin	3,149	2.89	
<b>General retailers</b>		<b>12.35</b>	<b>13.47</b>
199,200 cocokara fine	3,178	2.92	
75,000 Geo	397	0.37	
184,500 Komeri	2,722	2.50	
322,000 Otsuka Kagu	1,941	1.78	
164,400 PAL	2,693	2.47	
126,300 Saizeriya	1,040	0.96	
27,000 Shimamura	1,465	1.35	
<b>Media</b>		<b>0.00</b>	<b>2.14</b>
<b>Banks</b>		<b>5.52</b>	<b>1.56</b>
618,000 Awa Bank	2,175	2.00	
136,000 Nishi-Nippon City Bank	214	0.20	
510,400 Tokyo Tomin Bank	3,619	3.32	
<b>Financial services</b>		<b>1.14</b>	<b>1.80</b>
354,000 JACCS	1,242	1.14	
<b>Real estate investment &amp; services</b>		<b>2.41</b>	<b>0.00</b>
265,200 Leoplace21	919	0.84	
278,700 Sanyo Housing Nagoya	1,706	1.57	
<b>Software &amp; computer services</b>		<b>5.00</b>	<b>13.33</b>
356,000 CAC	2,741	2.52	
319,700 Future Architect	1,049	0.96	
176,000 NSD	1,659	1.52	
<b>Technology hardware &amp; equipment</b>		<b>3.99</b>	<b>6.42</b>
322,400 Advantest	2,256	2.07	
54,500 Rohm	2,095	1.92	
<b>'AAA' rated money market funds [a]</b>		<b>0.44</b>	<b>0.16</b>
483,000 Northern Trust Global Fund - Sterling	483	0.44	
<b>Portfolio of investments (notes 1b &amp; 1c on page 7)</b>	<b>107,947</b>	<b>99.12</b>	<b>99.70</b>
<b>Net other assets</b>	<b>955</b>	<b>0.88</b>	<b>0.30</b>
<b>Net assets attributable to shareholders</b>	<b>108,902</b>	<b>100.00</b>	<b>100.00</b>

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.

# M&G Japan Smaller Companies Fund

## PORTFOLIO

### PORTFOLIO TRANSACTIONS

for the year ended 31 August 2014

<b>Largest purchases</b>	<b>£'000</b>
Rengo	4,280
Hamakyorex	3,385
cocokara fine	3,327
Tocalo	3,203
Moshi Moshi Hotline	2,890
Kurita Water Industries	2,768
SIX	2,624
PAL	2,501
Mars Engineering	2,294
Tokyo Tomin Bank	2,262
Nittoku Engineering	2,219
Showa Denko Group	2,123
Awa Bank	2,107
Nippon Kanzai	2,003
Zuken	1,944
Onward Holdings	1,812
Komeri	1,766
Mitsui O.S.K. Lines	1,746
Kaneka	1,724
Sanyo Housing Nagoya	1,699
Northern Trust Global Fund - Sterling <sup>[a]</sup>	13,020
Other purchases	28,032
<b>Total purchases</b>	<b>89,729</b>
<b>Largest sales</b>	<b>£'000</b>
DTS	2,837
Nippon Signal	2,610
Chugoku Marine Paints	2,512
Rohm	2,289
KOSÉ	2,286
SCSK	2,043
AEON DELIGHT	2,024
TECMO KOEI	1,862
Koa	1,841
Geo	1,832
Fuji Media Holdings	1,763
Kyoto Kimono Yuzen	1,744
Iriso Electronics	1,691
Daifuku	1,615
Denki Kogyo	1,564
Future Architect	1,515
Nishi-Nippon City Bank	1,487
Sato	1,475
Komeri	1,475
Nippon Kanzai	1,447
Northern Trust Global Fund - Sterling <sup>[a]</sup>	12,663
Other sales	19,914
<b>Total sales</b>	<b>70,489</b>

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

## FINANCIAL STATEMENTS

For the year ended 31 August 2014.

### STATEMENT OF TOTAL RETURN

	Note	2014 £'000	2013 £'000
Income			
Net capital gains	3	11,410	14,651
Revenue	4	1,748	1,392
Expenses	5	(1,457)	(1,049)
Net revenue before taxation		291	343
Taxation	6	(164)	(104)
Net revenue after taxation		127	239
<b>Total return before distributions</b>		<b>11,537</b>	<b>14,890</b>
Finance costs: Distributions	12	(127)	(240)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>11,410</b>	<b>14,650</b>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2014 £'000	2013 £'000
<b>Opening net assets attributable to shareholders</b>	<b>77,443</b>	<b>45,640</b>
Amounts received on issue of shares	58,378	46,563
Amounts paid on cancellation of shares	(38,493)	(29,680)
	19,885	16,883
Change in net assets attributable to shareholders from investment activities (see above)	11,410	14,650
Retained distributions on Accumulation shares	164	270
<b>Closing net assets attributable to shareholders</b>	<b>108,902</b>	<b>77,443</b>

# M&G Japan Smaller Companies Fund

## FINANCIAL STATEMENTS

### BALANCE SHEET

	as at 31 August 2014 £'000		as at 31 August 2013 £'000	
<b>Assets</b>				
Investment assets		107,947		77,214
<b>Debtors</b>				
Amounts receivable on issues	197		284	
Currency deals outstanding	0		102	
Dividends receivable	124		122	
Prepaid expenses	0		1	
Sales awaiting settlement	400		24	
		721		533
Cash and bank balances				
Cash held as bank balances	1,344		33	
		1,344		33
<b>Total other assets</b>		<b>2,065</b>		<b>566</b>
<b>Total assets</b>		<b>110,012</b>		<b>77,780</b>
<b>Liabilities</b>				
<b>Creditors</b>				
Amounts payable on cancellations	(116)		(104)	
Currency deals outstanding	0		(102)	
Expenses payable	(87)		(70)	
Net distributions payable on Income shares	(52)		(61)	
Purchases awaiting settlement	(855)		0	
<b>Total liabilities</b>		<b>(1,110)</b>		<b>(337)</b>
<b>Net assets attributable to shareholders</b>		<b>108,902</b>		<b>77,443</b>

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 Accounting policies

The financial statements have been prepared in accordance with the accounting policies set out in the notes to the aggregated financial statements on page 7. The amount available for distribution is calculated in accordance with note 1j set out in the notes to the aggregated financial statements.

#### 2 Risk management policies

The general risk management policies are set out in note 2 to the aggregated financial statements on page 8. In addition to these policies the sub-fund accepts short-term currency risk in relation to Japanese yen exposures.

The Authorised Corporate Director accepts that the market price risk in respect of securities issued by smaller companies held in the investment portfolio may be more volatile and have wider than average price fluctuations. Furthermore, their liquidity cannot be guaranteed.

#### 3 Net capital gains

	2014 £'000	2013 £'000
Non-derivative securities	11,492	14,711
Currency losses	(68)	(34)
Transaction charges	(14)	(26)
<b>Net capital gains</b>	<b>11,410</b>	<b>14,651</b>

#### 4 Revenue

	2014 £'000	2013 £'000
Interest distributions	1	1
Overseas dividends	1,747	1,391
<b>Total revenue</b>	<b>1,748</b>	<b>1,392</b>

#### 5 Expenses

	2014 £'000	2013 £'000
<b>Payable to the Authorised Corporate Director or associate</b>		
Authorised Corporate Director's periodic charge	1,284	922
Administration fee	137	94
	1,421	1,016
<b>Payable to the Depositary or associate</b>		
Depositary's fee (including VAT)	8	6
<b>Other expenses</b>		
Audit fee (including VAT)	7	9
Regulatory fees	6	5
Safe custody charge	10	7
Tax fees (including VAT) [a]	7	8
	30	29
<b>VAT recovered</b>		
Current year	0	(1)
Prior year	(2)	(1)
	(2)	(2)
<b>Total expenses</b>	<b>1,457</b>	<b>1,049</b>

[a] Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP and Ernst & Young LLP.

#### 6 Taxation

	2014 £'000	2013 £'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Overseas tax	164	104
	164	104
Current tax charge (note 6b)	164	104
Deferred tax (note 6c)	0	0
<b>Total taxation</b>	<b>164</b>	<b>104</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue before taxation	291	343
Corporation tax at 20%	58	69
Effects of:		
Overseas dividends not taxable	(349)	(279)
Current year expenses not utilised	291	210
Overseas tax	164	104
<b>Current tax charge (note 6a)</b>	<b>164</b>	<b>104</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

The sub-fund has not recognised a deferred tax asset of £1,227,000 (31.08.13: £936,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

#### 7 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (31.08.13: same).



# M&G Japan Smaller Companies Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 8 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the sub-fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the statement of change in net assets attributable to shareholders and note 12. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in the balance sheet where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's periodic charge and administration fee are disclosed in note 5. Amounts due at the year end to the ACD of £59,000 (31.08.13: £42,000) in respect of the ACD's periodic charge and administration fee are included within expenses payable as disclosed in the balance sheet.

At the balance sheet date, there were no shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary (31.08.13: same).

#### 9 Financial instruments

The policies applied in the management of financial instruments are set out in note 2.

Short-term debtors and creditors have been included in respect of the currency exposure only when this is applicable (31.08.13: same).

##### Currency exposure

At the balance sheet date, the sub-fund had a significant foreign currency exposure to Japanese yen of £107,500,000 (31.08.13: £77,259,000).

##### Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.13: same).

##### Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.13: same).

#### 10 Portfolio transaction costs

	2014 £'000	2013 £'000
<b>a) Purchases</b>		
Purchases excluding transaction costs	89,644	83,498
Commissions	85	80
<b>Total purchases including transaction costs</b>	<b>89,729</b>	<b>83,578</b>
<b>b) Sales</b>		
Sales excluding transaction costs	70,552	66,892
Commissions	(63)	(67)
<b>Total sales net of transaction costs</b>	<b>70,489</b>	<b>66,825</b>

#### 11 Shareholder funds

This sub-fund contains Sterling Class 'A' (Net Income and Net Accumulation) shares, Sterling Class 'I' (Net Income and Net Accumulation) shares, Sterling Class 'R' (Net Income and Net Accumulation) shares and Sterling Class 'X' (Net Income and Net Accumulation) shares.

This sub-fund also contains Euro Class 'A' (Net Accumulation) shares and Euro Class 'C' (Net Accumulation) shares.

The charging structure for each share class, as at 31 August 2014, is set out in the following table (31.08.13: same):

#### CHARGES AND EXPENSES

	Initial charge %	Withdrawal fee %	ACD's annual remuneration %
<b>Sterling</b>			
Class 'A'	4.00	n/a	1.50
Class 'I'	1.00	n/a	0.75
Class 'R'	1.00	n/a	1.00
Class 'X'	nil	4.50 [a]	1.50
<b>Euro</b>			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75

[a] The withdrawal fee diminishes over a period of five years. Please refer to the Key Investor Information Document (KIID) in conjunction with the Important Information for Investors document.

With the exception of the Authorised Corporate Director's periodic charge, which is directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

The net asset values for each share class are set out in the following table:

#### NET ASSET VALUES

	31.08.14		31.08.13	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
<b>Sterling</b>				
Class 'A'	25,448	18,993	13,332	24,971
Class 'I'	4,213	9,525	98	1,063
Class 'R'	61	548	45	109
Class 'X'	1,623	14,758	1,511	16,342
<b>Euro</b>				
Class 'A'	n/a	28,217	n/a	18,336
Class 'C'	n/a	5,516	n/a	1,636

The net asset value per share and the number of shares are given in the net assets table on page 102. The distribution per share is given in the distribution table on page 106. Each share class has the same rights on winding-up.

# M&G Japan Smaller Companies Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 12 Finance costs

	2014 £'000	2013 £'000
<b>Income shares (Sterling)</b>		
Class 'A' - Final	18	54
Class 'I' - Final	33	1
Class 'R' - Final <sup>[a]</sup>	0	0
Class 'X' - Final	1	6
<b>Accumulation shares (Sterling)</b>		
Class 'A' - Final	14	101
Class 'I' - Final	73	12
Class 'R' - Final	3	1
Class 'X' - Final	10	65
<b>Accumulation shares (Euro)</b>		
Class 'A' - Final	22	73
Class 'C' - Final	42	18
Finance costs: Dividend distributions	216	331
Income deducted on cancellation of shares	107	159
Income received on issue of shares	(196)	(250)
<b>Finance costs: Distributions</b>	<b>127</b>	<b>240</b>
Net revenue per statement of total return	127	239
Undistributed income brought forward	0	1
<b>Finance costs: Distributions</b>	<b>127</b>	<b>240</b>

[a] The final distribution for Sterling Class 'R' (Income) shares was £327 (2013: £402).

### DISTRIBUTION TABLE

Dividend distributions on Income shares	Net income	Equalisation	Distribution payable/paid	
			2014	2013
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A' - Final				
Group 1:	0.2100	-	0.2100	1.0704
Group 2:	-	0.2100	0.2100	1.0704
Class 'I' - Final				
Group 1:	11.3692	-	11.3692	14.0639
Group 2:	0.0758	11.2934	11.3692	14.0639
Class 'R' - Final				
Group 1:	0.7882	-	0.7882	1.1472
Group 2:	0.3188	0.4694	0.7882	1.1472
Class 'X' - Final				
Group 1:	0.2138	-	0.2138	1.0651
Group 2:	-	0.2138	0.2138	1.0651
<b>Dividend distributions on Accumulation shares</b>	<b>Net income</b>	<b>Equalisation</b>	<b>Amount reinvested</b>	
			2014	2013
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A' - Final				
Group 1:	0.2265	-	0.2265	1.1223
Group 2:	-	0.2265	0.2265	1.1223
Class 'I' - Final				
Group 1:	11.5394	-	11.5394	14.5847
Group 2:	0.8159	10.7235	11.5394	14.5847
Class 'R' - Final				
Group 1:	0.7965	-	0.7965	1.1382
Group 2:	0.4162	0.3803	0.7965	1.1382
Class 'X' - Final				
Group 1:	0.2183	-	0.2183	1.0953
Group 2:	-	0.2183	0.2183	1.0953
<b>Euro</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Class 'A' - Final				
Group 1:	1.4696	-	1.4696	6.1039
Group 2:	-	1.4696	1.4696	6.1039
Class 'C' - Final				
Group 1:	15.6669	-	15.6669	17.8370
Group 2:	9.3412	6.3257	15.6669	17.8370

Final period 01.09.13 - 31.08.14

Group 1: Shares purchased prior to a distribution period.

Group 2: Shares purchased during a distribution period.

Equalisation applies only to shares purchased during the distribution period (Group 2). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes.

# M&G North American Value Fund

## INVESTMENT OBJECTIVE, POLICY AND APPROACH

### Investment objective and policy of the M&G North American Value Fund

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 is an actively managed fund with a bottom-up stockpicking approach, driven by the fundamental analysis of individual companies. While value strategies have tended to outperform over time, the fund manager believes an understanding of a company's qualitative aspects – financial strength, business durability and management behaviour – will help him to avoid the shortcomings of a purely quantitative approach.

The fund manager employs a three-stage investment process – screening, fundamental analysis and portfolio construction – to create a diversified portfolio with exposure to a broad range of sectors. The portfolio is designed to have a value bias, and the fund manager invests with a long-term view and a typical holding period of three to five years.

### Risk and reward profile\*



- The above risk number is based on the rate at which the value of the Fund has moved up and down in the past.
- This risk number is based on historical data and may not be a reliable indicator of the future risk profile of the Fund.
- The risk number shown is not guaranteed and may change over time.
- The lowest risk number does not mean risk free.

\* This 'Risk and reward profile' section is based on Sterling Class 'A' shares. Please note that over the review period the risk number changed once. From 31 August 2013 to 25 April 2014 the risk number was 7.

## INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

### As at 1 September 2014, for the year ended 31 August 2014

The portfolio has been rebalanced since the change in management on 1 September 2013. The investment approach though remains unchanged. It is based on the belief that buying attractively valued stocks that are out of favour with investors tends to outperform the market over the long term. Our investment approach is to identify companies that are the least expensive in their respective sectors and then apply in-depth analysis to filter out those stocks whose valuations we do not believe have the potential to recover.

Since the initial rebalancing, we have added a number of new names to the portfolio. Juniper Networks is a network equipment vendor, selling switches and routers mainly to telecommunication and internet service providers. The company is part way through a cost-cutting programme and a return of capital to shareholders; we believe Juniper is very cash generative and has a strong balance sheet.

Best Buy is the world's largest multi-channel consumer electronics retailer, with stores in North America, Mexico and China. The company is looking to substantially improve operating margins, by a combination of enhanced efficiency, a transformation of its stores and working with in-store vendors such as Microsoft and Samsung.

In financials, we initiated a position in US insurer American International Group, which has been restructured since the global financial crisis; it now has a new management team and profits are improving.

Conversely, we disposed of a number of holdings as we felt their valuations had become less compelling. Southwest Airlines was sold as the company had become more expensive along with other airlines over the past year or so, in the belief that there has been a change in the industry, triggered by capacity reductions and better pricing power.

The Travelers Companies, a leading provider of property casualty insurance, left the portfolio too. The insurer has materially increased its profitability; however, we believe a further improvement will be difficult to achieve, as premium growth is slowing and some of the increase in profitability was due to one-off items.

### Daniel White Fund manager

An employee of M&G Limited which is an associate of M&G Securities Limited. At the start of the review period Richard Brody was the fund manager.

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

# M&G North American Value Fund

## FUND STATISTICS

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd		payment	
Final	01.09.15		31.10.15	
	Final distribution		Ongoing Charges Figure <sup>[b]</sup>	
	Inc 31.10.14 <sup>[a]</sup>	Acc 01.09.14 <sup>[a]</sup>	31.08.14	31.08.13
<b>Sterling</b>	p	p	%	%
Class 'A'	0.1840	0.1878	1.67	1.69
Class 'I'	14.0661	14.2478	0.93	0.94
Class 'R'	1.0634	1.0643	1.18	1.20
Class 'X'	0.1476	0.1943	1.68	1.69
<b>Euro</b>	€	€	%	%
Class 'A'	n/a	3.0967	1.68	1.68
Class 'C'	n/a	14.0474	0.93	0.91
<b>US dollar</b>	\$	\$	%	%
Class 'A'	n/a	3.0479	1.67	1.69
Class 'C'	n/a	12.1330	0.93	0.94

<sup>[a]</sup> The date on which the final distribution will be paid to Income shareholders and credited to Accumulation shareholders.

<sup>[b]</sup> The Ongoing Charges Figure is the ratio of the relevant annualised total disclosable costs of each share class from the most recent reporting period to the average net asset value for that share class over the same period.

### FUND PERFORMANCE

#### Performance of share classes

	Net asset value per share as at 31.08.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
<b>Sterling</b>	p	p	p	p	%	%
Class 'A'	81.35	83.14	68.59	69.98	+18.60	+18.81
Class 'I'	1,520.67	1,553.47	1,281.70	1,297.23	+18.64	+19.75
Class 'R'	152.01	154.45	128.14	129.30	+18.63	+19.45
Class 'X'	81.37	83.31	68.59	70.09	+18.63	+18.86
<b>Euro</b>	€	€	€	€	%	%
Class 'A'	n/a	14.1944	n/a	11.1143	n/a	+27.71
Class 'C'	n/a	15.2154	n/a	11.8241	n/a	+28.68
<b>US dollar</b>	\$	\$	\$	\$	%	%
Class 'A'	n/a	12.5099	n/a	9.8331	n/a	+27.22
Class 'C'	n/a	13.2357	n/a	10.3262	n/a	+28.18

Past performance is not a guide to future performance.

The value of stockmarket 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.

### PERFORMANCE SINCE LAUNCH

	six months 03.03.14 %	one year 02.09.13 %	five years 01.09.09 % p.a. <sup>[a]</sup>	since launch % p.a. <sup>[a]</sup>
<b>Sterling <sup>[b]</sup></b>				
Class 'A'	+11.0	+19.8	+14.8	+5.5 <sup>[c]</sup>
Class 'I'	+10.7	+19.9	n/a	+22.6 <sup>[d]</sup>
Class 'R'	+10.8	+19.9	n/a	+22.6 <sup>[d]</sup>
Class 'X'	+11.0	+19.8	+14.8	+5.5 <sup>[c]</sup>
<b>Euro <sup>[e]</sup></b>				
Class 'A'	+15.8	+28.8	+17.5	+4.0 <sup>[c]</sup>
Class 'C'	+16.3	+29.8	+18.4	+4.8 <sup>[c]</sup>
<b>US dollar <sup>[e]</sup></b>				
Class 'A'	+10.6	+28.0	+15.6	+3.1 <sup>[f]</sup>
Class 'C'	+11.0	+29.0	+16.4	+3.9 <sup>[f]</sup>

<sup>[a]</sup> Shows the compound rate of return, per annum, over the period.

<sup>[b]</sup> Bid to bid excluding reinvested income.

<sup>[c]</sup> 1 July 2005, the launch date of the fund.

<sup>[d]</sup> 3 August 2012, the launch date of the share class.

<sup>[e]</sup> Bid to bid with net income reinvested.

<sup>[f]</sup> 9 March 2007, the launch date of the share class.

### SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From To	01.09.13 31.08.14 %	01.09.12 31.08.13 %	01.09.11 31.08.12 %	01.09.10 31.08.11 %	01.09.09 31.08.10 %
<b>Sterling</b>					
Class 'A'	+19.1	+26.4	+16.4	+4.1	+9.6

Source: Morningstar, Inc., bid to bid with net income reinvested.

### PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
<b>Sterling (net)</b>		p	p	p	p
Class 'A'	2009	47.01	24.66	47.67	24.81
	2010	55.02	44.51	55.80	45.14
	2011	56.67	42.47	57.47	43.07
	2012	57.91	50.27	58.73	50.98
	2013	73.65	55.41	75.14	56.34
	2014 <sup>[a]</sup>	81.80	71.18	83.54	72.62
Class 'I'	2012 <sup>[b]</sup>	1,063.09	985.93	1,064.43	987.19
	2013	1,379.65	1,037.67	1,396.45	1,038.98
	2014 <sup>[a]</sup>	1,539.77	1,334.32	1,559.99	1,350.58
Class 'R'	2012 <sup>[b]</sup>	106.27	98.52	106.36	98.61
	2013	137.83	103.65	139.08	103.74
	2014 <sup>[a]</sup>	153.58	133.27	155.11	134.48
Class 'X'	2009	47.00	24.66	47.75	24.85
	2010	55.02	44.51	55.89	45.21
	2011	56.66	42.47	57.56	43.14
	2012	57.91	50.27	58.83	51.06
	2013	73.64	55.40	75.27	56.43
	2014 <sup>[a]</sup>	81.78	71.17	83.66	72.74

# M&G North American Value Fund

## FUND STATISTICS

### PRICES (continued)

Calendar year		Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
Euro (net)		€	€	€	€
Class 'A'	2009	n/a	n/a	7.1543	3.7076
	2010	n/a	n/a	8.8875	6.9805
	2011	n/a	n/a	9.2896	6.6726
	2012	n/a	n/a	9.8428	8.2737
	2013	n/a	n/a	12.1971	9.3977
	2014 <sup>[a]</sup>	n/a	n/a	14.3274	11.8971
Class 'C'	2009	n/a	n/a	7.4025	3.8131
	2010	n/a	n/a	9.2636	7.2287
	2011	n/a	n/a	9.6940	6.9893
	2012	n/a	n/a	10.3864	8.6895
	2013	n/a	n/a	13.0091	9.9464
	2014 <sup>[a]</sup>	n/a	n/a	15.3583	12.6988
US dollar (net)		\$	\$	\$	\$
Class 'A'	2009	n/a	n/a	6.8538	3.1504
	2010	n/a	n/a	7.7885	6.2219
	2011	n/a	n/a	8.4289	6.1313
	2012	n/a	n/a	8.4654	7.2140
	2013	n/a	n/a	11.2180	8.3224
	2014 <sup>[a]</sup>	n/a	n/a	12.6198	10.7431
Class 'C'	2009	n/a	n/a	7.0009	3.1986
	2010	n/a	n/a	8.0147	6.3797
	2011	n/a	n/a	8.6960	6.3451
	2012	n/a	n/a	8.8258	7.4817
	2013	n/a	n/a	11.8094	8.6960
	2014 <sup>[a]</sup>	n/a	n/a	13.3370	11.3179

<sup>[a]</sup> To 1 September 2014.

<sup>[b]</sup> From 3 August 2012 (the launch date of the share class).

## INCOME

Dividend income per share		Distributed	Reinvested
	Calendar year		
<b>Sterling (net)</b>		<b>p</b>	<b>p</b>
Class 'A'	2009	0.3270	0.3290
	2010	nil	nil
	2011	nil	nil
	2012	0.1430	0.1471
	2013	0.2284	0.2321
	2014 <sup>[a]</sup>	0.1840	0.1878
Class 'I'	2012	1.2250	1.2250
	2013	13.8175	13.5665
	2014 <sup>[a]</sup>	14.0661	14.2478
Class 'R'	2012	0.0900	0.0900
	2013	1.0858	1.0543
	2014 <sup>[a]</sup>	1.0634	1.0643
Class 'X'	2009	0.3270	0.3296
	2010	nil	nil
	2011	nil	nil
	2012	0.1440	0.1491
	2013	0.2284	0.2323
	2014 <sup>[a]</sup>	0.1476	0.1943
<b>Euro (net)</b>		<b>¢</b>	<b>¢</b>
Class 'A'	2009	n/a	3.1480
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	2.8167
	2013	n/a	3.6482
	2014 <sup>[a]</sup>	n/a	3.0967
Class 'C'	2009	n/a	9.4190
	2010	n/a	4.4830
	2011	n/a	4.5520
	2012	n/a	10.2347
	2013	n/a	9.4080
	2014 <sup>[a]</sup>	n/a	14.0474
<b>US dollar (net)</b>		<b>¢</b>	<b>¢</b>
Class 'A'	2009	n/a	4.8120
	2010	n/a	nil
	2011	n/a	nil
	2012	n/a	2.4921
	2013	n/a	3.2194
	2014 <sup>[a]</sup>	n/a	3.0479
Class 'C'	2009	n/a	8.9090
	2010	n/a	3.7530
	2011	n/a	4.3150
	2012	n/a	6.7711
	2013	n/a	10.3331
	2014 <sup>[a]</sup>	n/a	12.1330

<sup>[a]</sup> Up to final: ex-distribution date 1 September 2014;  
payment date 31 October 2014.

The level of income earned by the fund will fluctuate.

# M&G North American Value Fund

## FUND STATISTICS

NET ASSETS					
	Year ended	Value per share Inc	Acc	Number of shares Inc	Acc
<b>Sterling</b>					
Class 'A'	Aug 2012	54.48	55.40	5,238,400	39,863,868
	Aug 2013	68.59	69.98	3,895,400	36,612,868
	Aug 2014	81.35	83.14	284,552,090	4,349,465
Class 'I'	Aug 2012	1,017.01	1,018.24	100	100
	Aug 2013	1,281.70	1,297.23	319,200	68,700
	Aug 2014	1,520.67	1,553.47	655,759	544,512
Class 'R'	Aug 2012	101.80	101.71	1,000	1,000
	Aug 2013	128.14	129.30	13,000	111,000
	Aug 2014	152.01	154.45	36,309	136,257
Class 'X'	Aug 2012	54.48	55.49	5,916,500	139,224,500
	Aug 2013	68.59	70.09	5,496,500	92,477,500
	Aug 2014	81.37	83.31	1,557,769	87,410,630
<b>Euro</b>					
		€	€		
Class 'A'	Aug 2012	n/a	9.4579	n/a	84,100
	Aug 2013	n/a	11.1143	n/a	403,800
	Aug 2014	n/a	14.1944	n/a	1,475,816
Class 'C'	Aug 2012	n/a	9.9858	n/a	47,250
	Aug 2013	n/a	11.8241	n/a	1,450
	Aug 2014	n/a	15.2154	n/a	601,898
<b>US dollar</b>					
		\$	\$		
Class 'A'	Aug 2012	n/a	7.9536	n/a	432,300
	Aug 2013	n/a	9.8331	n/a	101,600
	Aug 2014	n/a	12.5099	n/a	1,444,893
Class 'C'	Aug 2012	n/a	8.2893	n/a	634,400
	Aug 2013	n/a	10.3262	n/a	1,173,800
	Aug 2014	n/a	13.2357	n/a	2,263,256
<b>Total net asset value of sub-fund</b>					
	Year ended	£	€ [a]		
	Aug 2012	111,916,000	140,867,000		
	Aug 2013	114,337,000	133,876,000		
	Aug 2014	380,753,000	479,003,000		

[a] Based on the midday exchange rate on the last business day of each financial year.

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 %
<b>Oil &amp; gas producers</b>		<b>10.86</b>	<b>7.61</b>
91,680 Apache	5,602	1.47	
118,691 Chevron	9,212	2.42	
132,808 ConocoPhillips	6,456	1.70	
85,548 Hess	5,166	1.36	
104,056 Occidental Petroleum	6,524	1.71	
166,996 Suncor Energy	4,102	1.08	
130,881 Valero Energy	4,273	1.12	
<b>Oil equipment, services &amp; distribution</b>		<b>1.45</b>	<b>5.91</b>
804,939 McDermott International	3,561	0.94	
121,766 Nabors Industries	1,927	0.51	
<b>Chemicals</b>		<b>0.00</b>	<b>1.04</b>
<b>Forestry &amp; paper</b>		<b>0.94</b>	<b>0.00</b>
158,867 Domtar	3,567	0.94	
<b>Industrial metals &amp; mining</b>		<b>0.00</b>	<b>2.91</b>
<b>Mining</b>		<b>1.33</b>	<b>0.00</b>
206,419 Newmont Mining	3,341	0.88	
200,437 Pan American Silver	1,716	0.45	
<b>Aerospace &amp; defence</b>		<b>0.81</b>	<b>5.84</b>
135,440 Spirit AeroSystems 'A'	3,073	0.81	
<b>Electronic &amp; electrical equipment</b>		<b>2.96</b>	<b>1.27</b>
526,129 AVX	4,341	1.14	
581,283 Celestica	3,828	1.01	
295,233 Fairchild Semiconductor Corporation	3,073	0.81	
<b>Industrial engineering</b>		<b>3.58</b>	<b>3.46</b>
94,829 AGCO	2,756	0.72	
65,478 Caterpillar	4,287	1.13	
52,321 Cummins	4,565	1.20	
75,083 Kennametal	2,021	0.53	
<b>Industrial transportation</b>		<b>1.95</b>	<b>0.00</b>
40,212 FedEx	3,584	0.94	
59,642 Norfolk Southern	3,831	1.01	
<b>Automobiles &amp; parts</b>		<b>2.44</b>	<b>0.97</b>
264,427 General Motors	5,527	1.45	
55,288 Magna International	3,777	0.99	
<b>Beverages</b>		<b>1.24</b>	<b>0.00</b>
106,429 Molson Coors Brewing 'B'	4,721	1.24	
<b>Food producers</b>		<b>2.36</b>	<b>2.15</b>
100,196 Bunge	5,088	1.34	
170,279 Tyson Foods	3,903	1.02	
<b>Household goods &amp; home construction</b>		<b>0.00</b>	<b>1.95</b>
<b>Personal goods</b>		<b>2.11</b>	<b>0.00</b>
60,063 Columbia Sportswear	2,775	0.73	
80,803 Kimberly-Clark	5,266	1.38	

# M&G North American Value Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 %
<b>Tobacco</b>		<b>1.71</b>	<b>2.00</b>
251,874 Altria Group	6,515	1.71	
<b>Healthcare equipment &amp; services</b>		<b>5.06</b>	<b>5.05</b>
122,473 Baxter International	5,530	1.45	
82,788 Hill-Rom Holdings	2,185	0.57	
139,038 Owens & Minor	2,872	0.75	
80,726 Stryker	4,022	1.06	
66,700 WellPoint	4,673	1.23	
<b>Pharmaceuticals &amp; biotechnology</b>		<b>9.44</b>	<b>5.94</b>
225,374 Abbott Laboratories	5,752	1.51	
149,082 Eli Lilly	5,671	1.49	
129,399 Johnson & Johnson	8,031	2.11	
228,643 Merck	8,271	2.17	
464,982 Pfizer	8,231	2.16	
<b>Food &amp; drug retailers</b>		<b>0.32</b>	<b>1.49</b>
33,537 Walgreen	1,222	0.32	
<b>General retailers</b>		<b>6.41</b>	<b>3.80</b>
233,837 Best Buy	4,544	1.19	
152,558 DeVry Education Group	3,886	1.02	
40,304 Dillard's 'A'	2,790	0.73	
138,741 Lowe's	4,393	1.15	
27,821 Signet Jewelers	1,951	0.51	
150,620 Wal-Mart Stores	6,890	1.81	
<b>Media</b>		<b>2.74</b>	<b>4.55</b>
228,108 Comcast 'A'	7,495	1.97	
6,982 Graham Holdings 'B'	2,951	0.77	
<b>Travel &amp; leisure</b>		<b>1.08</b>	<b>0.99</b>
182,853 Carnival	4,106	1.08	
<b>Fixed line telecommunications</b>		<b>3.28</b>	<b>2.01</b>
388,804 AT&T	8,140	2.14	
175,657 Centurylink	4,326	1.14	
<b>Electricity</b>		<b>1.29</b>	<b>1.47</b>
247,578 Exelon	4,925	1.29	
<b>Banks</b>		<b>9.53</b>	<b>10.27</b>
338,822 Capitol Federal Financial	2,508	0.66	
254,592 Citigroup	7,887	2.07	
154,581 FirstMerit	1,597	0.42	
259,872 JPMorgan Chase	9,267	2.43	
313,679 People's United Bank	2,824	0.74	
83,653 PNC Financial Services	4,263	1.12	
257,750 Wells Fargo	7,947	2.09	
<b>Non-life insurance</b>		<b>3.86</b>	<b>6.59</b>
167,775 American International Group	5,635	1.48	
183,135 Loews	4,807	1.26	
191,768 The Hartford Financial Services Group	4,261	1.12	

### PORTFOLIO STATEMENT (continued)

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 %
<b>Life insurance</b>		<b>1.46</b>	<b>2.57</b>
170,063 MetLife	5,575	1.46	
<b>Real estate investment trusts</b>		<b>0.75</b>	<b>0.00</b>
204,406 Kimco Realty	2,864	0.75	
<b>Financial services</b>		<b>1.62</b>	<b>4.89</b>
57,553 Goldman Sachs Group	6,162	1.62	
<b>Software &amp; computer services</b>		<b>6.49</b>	<b>4.13</b>
187,536 Cadence Design Systems	1,975	0.52	
23,803 Google	8,325	2.19	
7,010 Google 'C' shares	2,405	0.63	
443,008 Microsoft	11,983	3.15	
<b>Technology hardware &amp; equipment</b>		<b>9.73</b>	<b>10.70</b>
350,178 Corning	4,341	1.14	
73,219 Harris	3,130	0.82	
312,851 Intel	6,533	1.71	
262,403 Juniper Networks	3,666	0.96	
125,731 Lexmark International	3,796	1.00	
154,547 Qualcomm	7,111	1.87	
67,536 Western Digital	4,155	1.09	
521,408 Xerox	4,324	1.14	
<b>'AAA' rated money market funds <sup>[a]</sup></b>		<b>3.22</b>	<b>0.46</b>
20,326,000 Northern Trust Global Fund - US dollar	12,250	3.22	
<b>Portfolio of investments (notes 1b &amp; 1c on page 7)</b>	<b>380,826</b>	<b>100.02</b>	<b>100.02</b>
<b>Net other liabilities</b>	<b>(73)</b>	<b>(0.02)</b>	<b>(0.02)</b>
<b>Net assets attributable to shareholders</b>	<b>380,753</b>	<b>100.00</b>	<b>100.00</b>

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

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



# M&G North American Value Fund

## PORTFOLIO

### PORTFOLIO TRANSACTIONS

for the year ended 31 August 2014

<b>Largest purchases</b>	<b>£'000</b>
Google	9,499
Microsoft	7,670
Citigroup	7,638
Qualcomm	7,219
Wal-Mart Stores	7,105
Johnson & Johnson	6,867
Chevron	6,829
ConocoPhillips	6,820
JPMorgan Chase	6,233
AT&T	6,017
Pfizer	5,932
MetLife	5,735
Kimberly-Clark	5,620
Eli Lilly	5,464
Goldman Sachs Group	5,436
American International Group	5,411
General Motors	5,395
Merck	5,299
Baxter International	5,280
Abbott Laboratories	5,156
Northern Trust Global Fund - US dollar <sup>[a]</sup>	104,899
Other purchases	228,020
<b>Total purchases</b>	<b>459,544</b>
<b>Largest sales</b>	<b>£'000</b>
The Travelers Companies	6,130
Walgreen	3,623
Southwest Airlines	3,434
Viacom 'B'	2,978
CIGNA	2,975
Lockheed Martin	2,963
Forest Laboratories	2,963
Lincoln National	2,933
Apple	2,864
Morgan Stanley	2,829
Medtronic	2,807
Goldman Sachs Group	2,783
Macy's	2,692
National Oilwell Varco	2,672
Diamond Offshore Drilling	2,555
Textron	2,502
Archer Daniels Midland	2,488
Cabot	2,337
US Bancorp	2,291
Applied Materials	2,252
Northern Trust Global Fund - US dollar <sup>[a]</sup>	92,889
Other sales	76,926
<b>Total sales</b>	<b>228,886</b>

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

## FINANCIAL STATEMENTS

For the year ended 31 August 2014.

### STATEMENT OF TOTAL RETURN

	Note	2014 £'000	2013 £'000
Income			
Net capital gains	3	36,032	22,084
Revenue	4	4,384	2,420
Expenses	5	(3,056)	(1,662)
Net revenue before taxation		1,328	758
Taxation	6	(519)	(361)
Net revenue after taxation		809	397
<b>Total return before distributions</b>		<b>36,841</b>	<b>22,481</b>
Finance costs: Distributions	12	(810)	(407)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>36,031</b>	<b>22,074</b>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	2014 £'000	2013 £'000
<b>Opening net assets attributable to shareholders</b>	<b>114,337</b>	<b>111,916</b>
Amounts received on issue of shares	321,690	67,784
Amounts paid on cancellation of shares	(91,858)	(87,840)
	229,832	(20,056)
Change in net assets attributable to shareholders from investment activities (see above)	36,031	22,074
Retained distributions on Accumulation shares	553	403
<b>Closing net assets attributable to shareholders</b>	<b>380,753</b>	<b>114,337</b>

# M&G North American Value Fund

## FINANCIAL STATEMENTS

### BALANCE SHEET

	as at 31 August 2014 £'000		as at 31 August 2013 £'000	
<b>Assets</b>				
Investment assets		380,826		114,358
<b>Debtors</b>				
Amounts receivable on issues	917		47	
Currency deals outstanding	90		916	
Distributions receivable	1		0	
Dividends receivable	874		245	
Overseas tax recoverable	4		4	
Prepaid expenses	0		1	
Sales awaiting settlement	0		693	
		1,886		1,906
Cash and bank balances				
Cash held as bank balances	0		108	
		0		108
<b>Total other assets</b>		<b>1,886</b>		<b>2,014</b>
<b>Total assets</b>		<b>382,712</b>		<b>116,372</b>
<b>Liabilities</b>				
<b>Creditors</b>				
Amounts payable on cancellations	(930)		(973)	
Currency deals outstanding	(90)		(916)	
Expenses payable	(233)		(80)	
Net distributions payable on Income shares	(619)		(66)	
		(1,872)		(2,035)
Bank overdrafts	(87)		0	
		(87)		0
<b>Total liabilities</b>		<b>(1,959)</b>		<b>(2,035)</b>
<b>Net assets attributable to shareholders</b>		<b>380,753</b>		<b>114,337</b>

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 Accounting policies

The financial statements have been prepared in accordance with the accounting policies set out in the notes to the aggregated financial statements on page 7. The amount available for distribution is calculated in accordance with note 1j set out in the notes to the aggregated financial statements.

#### 2 Risk management policies

The general risk management policies are set out in note 2 to the aggregated financial statements on page 8. In addition to these policies the sub-fund accepts short-term currency risk in relation to US dollar exposures.

#### 3 Net capital gains

	2014 £'000	2013 £'000
Non-derivative securities	35,810	22,030
Currency gains	217	61
Capital gains on USREIT	11	0
Transaction charges	(6)	(7)
<b>Net capital gains</b>	<b>36,032</b>	<b>22,084</b>

#### 4 Revenue

	2014 £'000	2013 £'000
Bank interest	1	1
Interest distributions	3	1
Overseas dividends	4,380	2,418
<b>Total revenue</b>	<b>4,384</b>	<b>2,420</b>

#### 5 Expenses

	2014 £'000	2013 £'000
<b>Payable to the Authorised Corporate Director or associate</b>		
Authorised Corporate Director's periodic charge	2,719	1,477
Administration fee	292	151
	3,011	1,628
<b>Payable to the Depositary or associate</b>		
Depositary's fee (including VAT)	16	9
<b>Other expenses</b>		
Audit fee (including VAT)	7	9
Regulatory fees	6	1
Safe custody charge	2	2
Tax fees (including VAT) [a]	16	15
	31	27
<b>VAT recovered</b>		
Current year	(2)	0
Prior year	0	(2)
	(2)	(2)
<b>Total expenses</b>	<b>3,056</b>	<b>1,662</b>

[a] Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP and Ernst & Young LLP.

#### 6 Taxation

	2014 £'000	2013 £'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Overseas tax	519	361
Current tax charge (note 6b)	519	361
Deferred tax (note 6c)	0	0
<b>Total taxation</b>	<b>519</b>	<b>361</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue before taxation	1,328	758
Corporation tax at 20%	266	151
Effects of:		
Overseas dividends not taxable	(866)	(483)
Current year expenses not utilised	601	332
Overseas tax	521	361
Overseas tax expensed	(1)	0
<b>Current tax charge (note 6a)</b>	<b>521</b>	<b>361</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

The sub-fund has not recognised a deferred tax asset of £1,877,000 (31.08.13: £1,276,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

#### 7 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (31.08.13: same).

# M&G North American Value Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 8 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the sub-fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the statement of change in net assets attributable to shareholders and note 12. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in the balance sheet where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's periodic charge and administration fee are disclosed in note 5. Amounts due at the year end to the ACD of £211,000 (31.08.13: £59,000) in respect of the ACD's periodic charge and administration fee are included within expenses payable as disclosed in the balance sheet.

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 6.35% (31.08.13: 21.02%) of the sub-fund's shares.

#### 9 Financial instruments

The policies applied in the management of financial instruments are set out in note 2.

Short-term debtors and creditors have been included in respect of the currency exposure only when this is applicable (31.08.13: same).

#### Currency exposure

At the balance sheet date, the sub-fund had a significant foreign currency exposure to US dollars of £373,335,000 (31.08.13: £116,168,000).

#### Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.13: same).

#### Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.13: same).

#### 10 Portfolio transaction costs

	2014 £'000	2013 £'000
<b>a) Purchases</b>		
Purchases excluding transaction costs	459,439	73,146
Commissions	105	26
<b>Total purchases including transaction costs</b>	<b>459,544</b>	<b>73,172</b>
<b>b) Sales</b>		
Sales excluding transaction costs	228,932	92,965
Commissions	(46)	(39)
Taxes	0	(2)
<b>Total transaction costs</b>	<b>(46)</b>	<b>(41)</b>
<b>Total sales net of transaction costs</b>	<b>228,886</b>	<b>92,924</b>

#### 11 Shareholder funds

This sub-fund contains Sterling Class 'A' (Net Income and Net Accumulation) shares, Sterling Class 'I' (Net Income and Net Accumulation) shares, Sterling Class 'R' (Net Income and Net Accumulation) shares and Sterling Class 'X' (Net Income and Net Accumulation) shares.

This sub-fund also contains Euro Class 'A' (Net Accumulation) shares and Euro Class 'C' (Net Accumulation) shares.

This sub-fund also contains US dollar Class 'A' (Net Accumulation) shares and US dollar Class 'C' (Net Accumulation) shares.

The charging structure for each share class, as at 31 August 2014, is set out in the following table (31.08.13: same):

#### CHARGES AND EXPENSES

	Initial charge %	Withdrawal fee %	ACD's annual remuneration %
<b>Sterling</b>			
Class 'A'	4.00	n/a	1.50
Class 'I'	1.00	n/a	0.75
Class 'R'	1.00	n/a	1.00
Class 'X'	nil	4.50 <sup>[a]</sup>	1.50
<b>Euro</b>			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75
<b>US dollar</b>			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75

<sup>[a]</sup> The withdrawal fee diminishes over a period of five years. Please refer to the Key Investor Information Document (KIID) in conjunction with the Important Information for Investors document.

With the exception of the Authorised Corporate Director's periodic charge, which is directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

The net asset values for each share class are set out in the following table:

#### NET ASSET VALUES

	31.08.14		31.08.13	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
<b>Sterling</b>				
Class 'A'	231,472	3,616	2,672	25,621
Class 'I'	9,972	8,459	4,091	891
Class 'R'	55	210	17	143
Class 'X'	1,268	72,823	3,770	64,821
<b>Euro</b>				
Class 'A'	n/a	16,651	n/a	3,883
Class 'C'	n/a	7,279	n/a	15
<b>US dollar</b>				
Class 'A'	n/a	10,894	n/a	644
Class 'C'	n/a	18,054	n/a	7,819

The net asset value per share and the number of shares are given in the net assets table on page 110. The distribution per share is given in the distribution table on page 115. Each share class has the same rights on winding-up.

# M&G North American Value Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 12 Finance costs

	2014 £'000	2013 £'000
<b>Income shares (Sterling)</b>		
Class 'A' - Final	524	9
Class 'I' - Final	93	44
Class 'R' - Final <sup>[a]</sup>	0	0
Class 'X' - Final	2	13
<b>Accumulation shares (Sterling)</b>		
Class 'A' - Final	8	85
Class 'I' - Final	78	9
Class 'R' - Final	2	1
Class 'X' - Final	170	215
<b>Accumulation shares (Euro)</b>		
Class 'A' - Final	36	13
Class 'C' - Final <sup>[b]</sup>	67	0
<b>Accumulation shares (US dollar)</b>		
Class 'A' - Final	27	2
Class 'C' - Final	165	78
Finance costs: Dividend distributions	1,172	469
Income deducted on cancellation of shares	185	121
Income received on issue of shares	(547)	(183)
<b>Finance costs: Distributions</b>	<b>810</b>	<b>407</b>
Net revenue per statement of total return	809	397
Overseas tax offset against capital	2	0
Undistributed income brought forward	0	10
Undistributed income carried forward	(1)	0
<b>Finance costs: Distributions</b>	<b>810</b>	<b>407</b>

<sup>[a]</sup> The final distribution for Sterling Class 'R' (Income) shares was £386 (2013: £141).

<sup>[b]</sup> The comparative final distribution for Euro Class 'C' (Accumulation) shares was €136.

### DISTRIBUTION TABLE

Dividend distributions on Income shares	Net income	Equalisation	Distribution payable/paid	
			2014	2013
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A' - Final				
Group 1:	0.1840	-	0.1840	0.2284
Group 2:	0.0953	0.0887	0.1840	0.2284
Class 'I' - Final				
Group 1:	14.0661	-	14.0661	13.8175
Group 2:	6.1142	7.9519	14.0661	13.8175
Class 'R' - Final				
Group 1:	1.0634	-	1.0634	1.0858
Group 2:	0.4148	0.6486	1.0634	1.0858
Class 'X' - Final				
Group 1:	0.1476	-	0.1476	0.2284
Group 2:	0.0729	0.0747	0.1476	0.2284

### DISTRIBUTION TABLE (continued)

Dividend distributions on Accumulation shares	Net income	Equalisation	Amount reinvested	
			2014	2013
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A' - Final				
Group 1:	0.1878	-	0.1878	0.2321
Group 2:	0.1187	0.0691	0.1878	0.2321
Class 'I' - Final				
Group 1:	14.2478	-	14.2478	13.5665
Group 2:	4.7480	9.4998	14.2478	13.5665
Class 'R' - Final				
Group 1:	1.0643	-	1.0643	1.0543
Group 2:	0.2635	0.8008	1.0643	1.0543
Class 'X' - Final				
Group 1:	0.1943	-	0.1943	0.2323
Group 2:	0.0655	0.1288	0.1943	0.2323
<b>Euro</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Class 'A' - Final				
Group 1:	3.0967	-	3.0967	3.6482
Group 2:	1.5998	1.4969	3.0967	3.6482
Class 'C' - Final				
Group 1:	14.0474	-	14.0474	9.4080
Group 2:	3.2565	10.7909	14.0474	9.4080
<b>US dollar</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Class 'A' - Final				
Group 1:	3.0479	-	3.0479	3.2194
Group 2:	1.3862	1.6617	3.0479	3.2194
Class 'C' - Final				
Group 1:	12.1330	-	12.1330	10.3331
Group 2:	4.7131	7.4199	12.1330	10.3331

Final period 01.09.13 - 31.08.14

Group 1: Shares purchased prior to a distribution period.

Group 2: Shares purchased during a distribution period.

Equalisation applies only to shares purchased during the distribution period (Group 2). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes.

# M&G North American Value Fund

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# M&G Pan European Fund

## INVESTMENT OBJECTIVE, POLICY AND APPROACH

### Investment objective and policy of the M&G Pan European Fund

The Fund invests wholly or mainly in European (including UK) companies. The Fund may also invest in companies outside Europe but only when these companies derive the majority of their income from European activity. The objective is to maximise long term total return (the combination of income and growth of capital).

### Investment approach

The M&G Pan European Fund is a concentrated portfolio of quality European companies, with '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.

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 between 25 and 35 well-understood stocks, which broadly fall into one of two 'buckets' – 'stable growth' and 'opportunities'. Stable growth companies are those that have a proven track record of producing stable earnings, tending to have very strong market positions or powerful brands, for example. Opportunities companies sit in out-of-favour corners of the market where change is not appreciated or risk is overstated. These tend to be less predictable, but with significant upside potential.

### Risk and reward profile\*



- The above risk number is based on the rate at which the value of the Fund has moved up and down in the past.
- This risk number is based on historical data and may not be a reliable indicator of the future risk profile of the Fund.
- The risk number shown is not guaranteed and may change over time.
- The lowest risk number does not mean risk free.

\* This 'Risk and reward profile' section is based on Sterling Class 'A' shares.

## INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

### As at 1 September 2014, for the year ended 31 August 2014

Portfolio activity over the review period was significantly higher than usual, reflecting a reorganisation of the fund as a result of a change in management at the beginning of July 2014. Many of the fund's holdings were replaced at this point and the portfolio realigned to better fit our investment philosophy. We invest in a focused portfolio of quality companies, with 'economic moats' to protect their profitability. Much as a castle's physical moat helped to protect it from invaders, economic moats help to defend a business from competition and erosion of profitability. Companies with economic moats usually reside in profitable industries and have long-term competitive advantages versus their rivals.

We look for companies where we see an element of change helping to drive their value and, importantly, we invest in businesses where short-term 'disruptions' have provided a clear valuation opportunity – that is, the shares have become what we consider to be cheap.

Stocks in the portfolio broadly fall into one of two 'buckets' – 'stable growth' and 'opportunities'. Stable growth companies are those that have a proven track record of producing stable earnings, generally perceived as the long-term 'winners' by the market. Notable holdings in this category include German food processing technology and component maker GEA Group, Danish transport and logistics company DSV and Distribuidora Internacional de Alimentación (Dia), an international discount supermarket chain based in Spain.

Opportunities companies, meanwhile, sit in out-of-favour corners of the market where change is not appreciated or risk is overstated, tending to be less predictable, but with significant upside potential. Notable holdings in this category include multinational publishing and education company Pearson, British building supplies retailer Travis Perkins, and Dutch financial institution ING Groep.

### John William Olsen Fund manager

An employee of M&G Limited which is an associate of M&G Securities Limited. At the start of the review period Greg Aldridge and Charles Anniss were the co-fund managers. On 1 July 2014, John William Olsen took over management of the M&G Pan European Fund from Greg Aldridge and Charles Anniss.

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

# M&G Pan European Fund

## FUND STATISTICS

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd		payment	
Interim	02.03.15		30.04.15	
Final	01.09.15		31.10.15	
	Final distribution		Ongoing Charges Figure <sup>[b]</sup>	
	Inc 31.10.14 <sup>[a]</sup>	Acc 01.09.14 <sup>[a]</sup>	31.08.14	31.08.13
<b>Sterling</b>	p	p	%	%
Class 'A'	5.2839	9.7987	1.69	1.68
Class 'I'	40.4612	41.8316	0.95	0.93
Class 'R'	4.0297	4.1666	1.19	1.19
Class 'X'	5.2254	9.6819	1.69	1.68
<b>Euro</b>	¢	¢	%	%
Class 'A'	n/a	48.4106	1.69	1.68
Class 'C'	n/a	53.3682	0.94	0.94
<b>US dollar</b>	¢	¢	%	%
Class 'A'	n/a	25.7680	1.80 <sup>[c]</sup>	n/a
Class 'C'	n/a	26.2120	0.93 <sup>[c]</sup>	n/a

<sup>[a]</sup> The date on which the final distribution will be paid to Income shareholders and credited to Accumulation shareholders.

<sup>[b]</sup> The Ongoing Charges Figure is the ratio of the relevant annualised total disclosable costs of each share class from the most recent reporting period to the average net asset value for that share class over the same period.

<sup>[c]</sup> The Ongoing Charges Figure shown here is an estimate of the charges, as the share class has not been in existence for a full financial year.

### FUND PERFORMANCE

#### Performance of share classes

	Net asset value per share as at 31.08.14		Net asset value per share as at 31.08.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
<b>Sterling</b>	p	p	p	p	%	%
Class 'A'	160.04	306.54	162.62	300.42	-1.59	+2.04
Class 'I'	1,230.22	1,314.27	1,240.66	1,278.60	-0.84	+2.79
Class 'R'	122.37	130.65	123.72	127.41	-1.09	+2.54
Class 'X'	158.31	302.93	160.87	296.89	-1.59	+2.03
<b>Euro</b>	€	€	€	€	%	%
Class 'A'	n/a	15.1749	n/a	13.8420	n/a	+9.63
Class 'C'	n/a	16.7482	n/a	15.1607	n/a	+10.47
<b>US dollar</b>	\$	\$	\$	\$	%	%
Class 'A'	n/a	10.3283	n/a	n/a	n/a	n/a
Class 'C'	n/a	10.3331	n/a	n/a	n/a	n/a

Past performance is not a guide to future performance.

The value of stockmarket 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.

## PERFORMANCE SINCE LAUNCH

	six months 03.03.14 %	one year 02.09.13 %	five years 01.09.09 % p.a. <sup>[a]</sup>	since launch % p.a. <sup>[a]</sup>
<b>Sterling <sup>[b]</sup></b>				
Class 'A'	-5.1	-2.6	+3.4	+5.0 <sup>[c]</sup>
Class 'I'	-4.8	-1.9	n/a	+10.6 <sup>[d]</sup>
Class 'R'	-4.9	-2.1	n/a	+10.3 <sup>[d]</sup>
Class 'X'	-5.1	-2.6	+3.4	+6.9 <sup>[e]</sup>
<b>Euro <sup>[f]</sup></b>				
Class 'A'	+1.4	+7.7	+8.6	+3.3 <sup>[g]</sup>
Class 'C'	+1.8	+8.5	+9.4	+4.1 <sup>[g]</sup>
<b>US dollar <sup>[f]</sup></b>				
Class 'A'	n/a	n/a	n/a	+2.9 <sup>[h]</sup>
Class 'C'	n/a	n/a	n/a	+3.0 <sup>[h]</sup>

<sup>[a]</sup> Shows the compound rate of return, per annum, over the period.

<sup>[b]</sup> Bid to bid excluding reinvested income.

<sup>[c]</sup> 29 September 1989, the end of the initial offer period of the predecessor unit trust.

<sup>[d]</sup> 3 August 2012, the launch date of the share class.

<sup>[e]</sup> 1 October 2002, the launch date of the share class.

<sup>[f]</sup> Bid to bid with net income reinvested.

<sup>[g]</sup> 28 November 2001, the launch date of the share class.

<sup>[h]</sup> 8 August 2014, the launch date of the share class. Not annualised.

### SINGLE YEAR PERFORMANCE (5 YEARS ENDING AUGUST)

From To	01.09.13 31.08.14 %	01.09.12 31.08.13 %	01.09.11 31.08.12 %	01.09.10 31.08.11 %	01.09.09 31.08.10 %
<b>Sterling</b>					
Class 'A'	+1.1	+25.9	+3.3	+4.7	-3.0

Source: Morningstar, Inc., bid to bid with net income reinvested.



# M&G Pan European Fund

## FUND STATISTICS

PRICES					
	Calendar year	Income shares Highest	Lowest	Accumulation shares Highest	Lowest
Sterling (net)					
Class 'A'		p	p	p	p
	2009	159.30	99.73	264.85	163.25
	2010	160.57	126.80	268.28	211.59
	2011 <sup>[a]</sup>	160.58	118.85	275.12	208.30
	2012	148.78	126.62	267.55	223.19
	2013	173.16	149.06	317.53	268.07
	2014 <sup>[b]</sup>	176.40	158.03	327.10	293.04
Class 'I'					
	2012 <sup>[c]</sup>	1,129.21	1,000.00	1,132.20	1,000.00
	2013	1,320.42	1,131.56	1,352.90	1,134.60
	2014 <sup>[b]</sup>	1,353.04	1,214.11	1,400.07	1,255.86
Class 'R'					
	2012 <sup>[c]</sup>	112.83	100.00	113.06	100.00
	2013	131.70	113.06	134.77	113.30
	2014 <sup>[b]</sup>	134.72	120.79	139.26	124.86
Class 'X'					
	2009	157.56	98.64	261.74	161.33
	2010	158.82	125.41	265.14	209.11
	2011 <sup>[a]</sup>	158.83	117.56	271.89	205.86
	2012	147.17	125.25	264.41	220.58
	2013	171.29	147.45	313.80	264.92
	2014 <sup>[b]</sup>	174.49	156.32	323.26	289.60
Euro (net)					
Class 'A'		€	€	€	€
	2009	n/a	n/a	11.1838	7.1359
	2010	n/a	n/a	12.4141	10.1081
	2011 <sup>[a]</sup>	n/a	n/a	12.5050	9.4359
	2012	n/a	n/a	12.8414	10.8511
	2013	n/a	n/a	14.8850	12.7980
	2014 <sup>[b]</sup>	n/a	n/a	15.9316	14.3374
Class 'B'					
	2010 <sup>[d]</sup>	n/a	n/a	11.3425	9.2569
	2011 <sup>[a]</sup>	n/a	n/a	11.4222	8.5878
	2012	n/a	n/a	11.6131	9.8619
	2013 <sup>[e]</sup>	n/a	n/a	12.8915	11.6508
Class 'C'					
	2009	n/a	n/a	11.9011	7.5590
	2010	n/a	n/a	13.3280	10.8147
	2011 <sup>[a]</sup>	n/a	n/a	13.4317	10.1862
	2012	n/a	n/a	13.9943	11.7388
	2013	n/a	n/a	16.3464	13.9984
	2014 <sup>[b]</sup>	n/a	n/a	17.5544	15.7563
US dollar (net)					
Class 'A'		\$	\$	\$	\$
	2014 <sup>[b]</sup> <sup>[f]</sup>	n/a	n/a	10.4040	10.0000
Class 'C'					
	2014 <sup>[b]</sup> <sup>[f]</sup>	n/a	n/a	10.4083	10.0000

<sup>[a]</sup> The Prudential European Trust merged into the M&G Pan European Fund immediately after 17 June 2011.

<sup>[b]</sup> To 1 September 2014.

<sup>[c]</sup> From 3 August 2012 (the launch date of the share class).

<sup>[d]</sup> From 3 June 2010 (the launch date of the share class).

<sup>[e]</sup> To 7 June 2013 (the closure of the share class).

<sup>[f]</sup> From 8 August 2014 (the launch date of the share class).

## INCOME

Dividend income per share

	Calendar year	Interim	Distributed Final	Total	Reinvested
Sterling (net)					
Class 'A'		p	p	p	p
	2009	0.3410	2.1320	2.4730	4.0461
	2010	0.5560	2.3060	2.8620	4.7725
	2011	1.4500	3.0760	4.5260	7.7311
	2012	0.8300	2.6950	3.5250	6.2068
	2013	0.7797	3.6400	4.4197	7.9740
	2014 <sup>[a]</sup>	0.6544	5.2839	5.9383	11.0116
Class 'I'					
	2012	n/a	2.1450	2.1450	2.1450
	2013	5.9437	27.7045	33.6482	34.3970
	2014 <sup>[a]</sup>	5.0238	40.4612	45.4850	47.0025
Class 'R'					
	2012	n/a	0.2100	0.2100	0.2100
	2013	0.6509	2.7651	3.4160	3.4366
	2014 <sup>[a]</sup>	0.5011	4.0297	4.5308	4.6811
Class 'X'					
	2009	0.3390	2.1090	2.4480	4.0019
	2010	0.5500	2.2810	2.8310	4.7169
	2011	1.4350	3.0300	4.4650	7.6204
	2012	0.8200	2.6670	3.4870	6.1645
	2013	0.7708	3.6007	4.3715	7.8800
	2014 <sup>[a]</sup>	0.6513	5.2254	5.8767	10.8802
Euro (net)					
Class 'A'		€	€	€	€
	2009	n/a	n/a	n/a	18.0970
	2010	n/a	n/a	n/a	22.4610
	2011	n/a	n/a	n/a	34.9380
	2012	n/a	n/a	n/a	30.3125
	2013	n/a	n/a	n/a	36.6510
	2014 <sup>[a]</sup>	n/a	n/a	n/a	54.1987
Class 'B'					
	2010	n/a	n/a	n/a	3.7990
	2011	n/a	n/a	n/a	31.7600
	2012	n/a	n/a	n/a	27.5274
	2013	n/a	n/a	n/a	5.7166
Class 'C'					
	2009	n/a	n/a	n/a	19.1970
	2010	n/a	n/a	n/a	23.9890
	2011	n/a	n/a	n/a	37.3960
	2012	n/a	n/a	n/a	33.0153
	2013	n/a	n/a	n/a	39.8848
	2014 <sup>[a]</sup>	n/a	n/a	n/a	59.9135
US dollar (net)					
Class 'A'		€	€	€	€
	2014 <sup>[a]</sup>	n/a	n/a	n/a	25.7680
Class 'C'					
	2014 <sup>[a]</sup>	n/a	n/a	n/a	26.2120

<sup>[a]</sup> Up to final: ex-distribution date 1 September 2014;  
payment date 31 October 2014.

The level of income earned by the fund will fluctuate.

# M&G Pan European Fund

## FUND STATISTICS

NET ASSETS					
	Year ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
<b>Sterling</b>					
Class 'A'	Aug 2012	p	p		
	Aug 2013				
	Aug 2014				
Class 'I'	Aug 2012				
	Aug 2013				
	Aug 2014				
Class 'R'	Aug 2012				
	Aug 2013				
	Aug 2014				
Class 'X'	Aug 2012				
	Aug 2013				
	Aug 2014				
<b>Euro</b>					
Class 'A'	Aug 2012	€	€		
	Aug 2013				
	Aug 2014				
Class 'B'	Aug 2012				
	Aug 2013				
Class 'C'	Aug 2012				
	Aug 2013				
	Aug 2014				
<b>US dollar</b>					
Class 'A'	Aug 2014	\$	\$		
Class 'C'	Aug 2014				
<b>Total net asset value of sub-fund</b>					
	Year ended	£		€ [a]	
	Aug 2012				
	Aug 2013				
	Aug 2014				

[a] Based on the midday exchange rate on the last business day of each financial year.

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 August 2014

Holding	Value £'000	31.08.14 %	31.08.13 %
<b>Oil &amp; gas producers</b>		<b>5.01</b>	<b>7.61</b>
442,641 Statoil	7,538	4.10	
229,903 Tullow Oil	1,682	0.91	
<b>Oil equipment, services &amp; distribution</b>		<b>0.00</b>	<b>1.90</b>
<b>Chemicals</b>		<b>7.24</b>	<b>5.05</b>
96,347 Bayer	7,811	4.25	
45,922 Linde	5,499	2.99	
<b>Mining</b>		<b>0.00</b>	<b>2.04</b>
<b>Construction &amp; materials</b>		<b>2.92</b>	<b>1.95</b>
111,075 Holcim (Regd.)	5,363	2.92	
<b>Aerospace &amp; defence</b>		<b>1.65</b>	<b>3.80</b>
170,032 Ultra Electronics Holdings	3,037	1.65	
<b>General industrials</b>		<b>3.44</b>	<b>0.00</b>
232,776 GEA Group	6,333	3.44	
<b>Electronic &amp; electrical equipment</b>		<b>4.25</b>	<b>0.40</b>
103,667 Schneider Electric	5,271	2.87	
130,757 Spectris	2,535	1.38	
<b>Industrial engineering</b>		<b>2.33</b>	<b>4.35</b>
115,399 Jungheinrich Pref. (non-voting)	4,285	2.33	
<b>Industrial transportation</b>		<b>3.02</b>	<b>0.00</b>
299,820 DSV	5,561	3.02	
<b>Support services</b>		<b>5.72</b>	<b>4.79</b>
197,491 Amadeus IT Holdings	4,442	2.42	
348,462 Travis Perkins	6,074	3.30	
<b>Automobiles &amp; parts</b>		<b>5.53</b>	<b>4.35</b>
64,161 Bayerische Motoren Werke	4,558	2.48	
59,344 Delticom	926	0.50	
506,709 Pirelli	4,688	2.55	
<b>Food producers</b>		<b>5.58</b>	<b>9.50</b>
219,285 Nestlé (Regd.)	10,256	5.58	
<b>Household goods &amp; home construction</b>		<b>3.18</b>	<b>0.00</b>
111,908 Reckitt Benckiser	5,847	3.18	
<b>Leisure goods</b>		<b>0.00</b>	<b>1.63</b>
<b>Personal goods</b>		<b>4.90</b>	<b>4.56</b>
96,412 adidas	4,370	2.38	
102,499 Pandora	4,642	2.52	
<b>Tobacco</b>		<b>5.29</b>	<b>0.00</b>
273,896 British American Tobacco	9,718	5.29	
<b>Healthcare equipment &amp; services</b>		<b>2.17</b>	<b>3.38</b>
93,500 Fresenius Medical Care	3,983	2.17	
<b>Pharmaceuticals &amp; biotechnology</b>		<b>4.08</b>	<b>8.25</b>
508,750 GlaxoSmithKline	7,499	4.08	

# M&G Pan European Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 August 2014

Holding		Value £'000	31.08.14 %	31.08.13 %
	<b>Food &amp; drug retailers</b>		<b>5.05</b>	<b>0.00</b>
1,061,541	Distribuidora Internacional de Alimentación	5,355	2.91	
110,308	Magnit	3,939	2.14	
	<b>General retailers</b>		<b>3.33</b>	<b>2.12</b>
533,648	WHSmith	6,116	3.33	
	<b>Media</b>		<b>3.99</b>	<b>3.67</b>
659,754	Pearson	7,343	3.99	
	<b>Travel &amp; leisure</b>		<b>0.00</b>	<b>3.49</b>
	<b>Banks</b>		<b>9.38</b>	<b>9.02</b>
2,685,709	Barclays	6,011	3.27	
259,700	Standard Chartered	3,159	1.72	
123,573	Svenska Handelsbanken 'A'	3,508	1.91	
971,692	UniCredit	4,568	2.48	
	<b>Non-life insurance</b>		<b>2.87</b>	<b>4.09</b>
808,761	Hiscox	5,273	2.87	
	<b>Life insurance</b>		<b>3.68</b>	<b>1.77</b>
810,906	ING Groep	6,765	3.68	
	<b>Real estate investment trusts</b>		<b>0.00</b>	<b>0.94</b>
	<b>Financial services</b>		<b>0.00</b>	<b>2.07</b>
	<b>Software &amp; computer services</b>		<b>3.24</b>	<b>6.01</b>
126,445	SAP	5,958	3.24	
	<b>Technology hardware &amp; equipment</b>		<b>0.00</b>	<b>2.37</b>
	<b>'AAA' rated money market funds <sup>[a]</sup></b>		<b>3.60</b>	<b>1.55</b>
6,621,000	Northern Trust Global Fund - Sterling	6,621	3.60	
<b>Portfolio of investments (notes 1b &amp; 1c on page 7)</b>		<b>186,534</b>	<b>101.45</b>	<b>100.66</b>
<b>Net other liabilities</b>		<b>(2,675)</b>	<b>(1.45)</b>	<b>(0.66)</b>
<b>Net assets attributable to shareholders</b>		<b>183,859</b>	<b>100.00</b>	<b>100.00</b>

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

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

## PORTFOLIO TRANSACTIONS

for the year ended 31 August 2014

<b>Largest purchases</b>	<b>£'000</b>
British American Tobacco	10,182
Bayer	8,097
GlaxoSmithKline	8,062
Pearson	7,999
ING Groep	6,923
GEA Group	6,196
WHSmith	6,175
Travis Perkins	6,137
Distribuidora Internacional de Alimentación	6,088
Barclays	6,067
DSV	6,021
Hiscox	5,988
Linde	5,980
Reckitt Benckiser	5,967
Schneider Electric	5,944
UniCredit	5,062
Jungheinrich Pref. (non-voting)	5,061
Amadeus IT Holdings	5,048
Pirelli	5,041
Statoil	4,362
Northern Trust Global Fund - Sterling <sup>[a]</sup>	48,939
Other purchases	34,555
<b>Total purchases</b>	<b>209,894</b>
<b>Largest sales</b>	<b>£'000</b>
Novartis (Regd.)	7,589
Roche Holding 'Genussscheine'	6,409
Unilever	6,198
Total	6,035
HSBC Holdings	5,975
Zurich Financial Services Group (Regd.)	5,084
Société Générale	4,833
Publicis Groupe	4,549
Inchcape	4,392
AZ Electronic Materials	4,328
Ericsson 'B'	4,225
Repsol	4,217
Prudential	4,167
European Aeronautic Defence and Space	4,021
Symrise	3,927
GAM Holding (Regd.)	3,870
Wincor Nixdorf	3,756
Danone	3,720
DCC	3,663
Umicore	3,659
Northern Trust Global Fund - Sterling <sup>[a]</sup>	45,179
Other sales	69,955
<b>Total sales</b>	<b>209,751</b>

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

# M&G Pan European Fund

## FINANCIAL STATEMENTS

For the year ended 31 August 2014.

### STATEMENT OF TOTAL RETURN

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Income					
Net capital (losses) / gains	3		(243)		36,286
Revenue	4	6,332		5,493	
Expenses	5	(3,186)		(2,924)	
Net revenue before taxation		3,146		2,569	
Taxation	6	1,067		(118)	
Net revenue after taxation			4,213		2,451
<b>Total return before distributions</b>			<b>3,970</b>		<b>38,737</b>
Finance costs: Distributions	12		(7,012)		(5,056)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(3,042)</b>		<b>33,681</b>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

		2014		2013	
		£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>			<b>185,317</b>		<b>160,049</b>
Amounts received on issue of shares	25,006			18,750	
Amounts paid on cancellation of shares	(25,973)			(29,096)	
			(967)		(10,346)
Stamp Duty Reserve Tax (SDRT)			(9)		(25)
Change in net assets attributable to shareholders from investment activities (see above)			(3,042)		33,681
Retained distributions on Accumulation shares			2,552		1,952
Unclaimed distributions			8		6
<b>Closing net assets attributable to shareholders</b>			<b>183,859</b>		<b>185,317</b>

## BALANCE SHEET

	as at 31 August 2014		as at 31 August 2013	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Investment assets		186,534		186,537
<b>Debtors</b>				
Amounts receivable from the Prudential European Trust	98		98	
Amounts receivable on issues	97		354	
Distributions receivable	2		1	
Dividends receivable	570		368	
Overseas tax recoverable	701		773	
Prepaid expenses	0		1	
Sales awaiting settlement	0		257	
		1,468		1,852
Cash and bank balances				
Cash held as bank balances	67		379	
		67		379
<b>Total other assets</b>		<b>1,535</b>		<b>2,231</b>
<b>Total assets</b>		<b>188,069</b>		<b>188,768</b>
<b>Creditors</b>				
Amounts payable on cancellations	(306)		(253)	
Expenses payable	(134)		(124)	
Net distributions payable on Income shares	(3,770)		(2,494)	
Purchases awaiting settlement	0		(579)	
SDRT payable	0		(1)	
<b>Total liabilities</b>		<b>(4,210)</b>		<b>(3,451)</b>
<b>Net assets attributable to shareholders</b>		<b>183,859</b>		<b>185,317</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting policies

The financial statements have been prepared in accordance with the accounting policies set out in the notes to the aggregated financial statements on page 7. The amount available for distribution is calculated in accordance with note 1j set out in the notes to the aggregated financial statements, increased by the value of the ACD's periodic charge as it is the policy of the sub-fund to offset this against capital. This will increase the level of distributable income whilst restraining capital performance to an equivalent extent.

### 2 Risk management policies

The general risk management policies are set out in note 2 to the aggregated financial statements on page 8. In addition to these policies the sub-fund accepts short-term currency risk in relation to euro exposures.

### 3 Net capital (losses) / gains

	2014 £'000	2013 £'000
Non-derivative securities	(150)	36,189
Currency (losses) / gains	(89)	102
Transaction charges	(4)	(5)
<b>Net capital (losses) / gains</b>	<b>(243)</b>	<b>36,286</b>

# M&G Pan European Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 4 Revenue

	2014 £'000	2013 £'000
Bank interest	1	3
Interest distributions	17	8
Interest on overseas tax previously withheld at source	399	50
Overseas dividends	3,994	3,760
Property income dividends	32	37
Stock dividends	477	254
UK dividends	1,412	1,381
<b>Total revenue</b>	<b>6,332</b>	<b>5,493</b>

#### 5 Expenses

	2014 £'000	2013 £'000
<b>Payable to the Authorised Corporate Director or associate</b>		
Authorised Corporate Director's periodic charge	2,815	2,600
Administration fee	294	269
	3,109	2,869
<b>Payable to the Depositary or associate</b>		
Depositary's fee (including VAT)	16	15
<b>Other expenses</b>		
Audit fee (including VAT)	7	9
Regulatory fees	6	5
Safe custody charge	20	18
Tax fees (including VAT) <sup>[a]</sup>	28	8
	61	40
<b>Total expenses</b>	<b>3,186</b>	<b>2,924</b>

[a] Fees paid to overseas firms affiliated with PricewaterhouseCoopers LLP and Ernst & Young LLP.

#### 6 Taxation

	2014 £'000	2013 £'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Overseas tax	206	383
Overseas tax recovered: previously withheld at source	(1,273)	(265)
Current tax charge (note 6b)	(1,067)	118
Deferred tax (note 6c)	0	0
<b>Total taxation</b>	<b>(1,067)</b>	<b>118</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue before taxation	3,146	2,569
Corporation tax at 20%	629	514
Effects of:		
UK dividends not taxable	(282)	(276)
Stock dividends not taxable	(95)	(50)
Overseas dividends not taxable	(799)	(752)
Current year expenses not utilised	547	564
Overseas tax	206	383
Overseas tax recovered: previously withheld at source	(1,273)	(265)
<b>Current tax charge (note 6a)</b>	<b>(1,067)</b>	<b>118</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

The sub-fund has not recognised a deferred tax asset of £2,995,000 (31.08.13: £2,448,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

#### 7 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (31.08.13: same).

#### 8 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the sub-fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the statement of change in net assets attributable to shareholders and note 12. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in the balance sheet where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's periodic charge and administration fee are disclosed in note 5. Amounts due at the year end to the ACD of £106,000 (31.08.13: £99,000) in respect of the ACD's periodic charge and administration fee are included within expenses payable as disclosed in the balance sheet.

During the year, there were transactions in Prudential plc, a related party of M&G Securities Limited, with a total value of £4,302,000 (2013: £1,248,000).

At the balance sheet date, the sub-fund held shares in related parties of M&G Securities Limited with a value of £0 (31.08.13: £3,283,000).

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 26.02% (31.08.13: 19.74%) of the sub-fund's shares.

# M&G Pan European Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 9 Financial instruments

The policies applied in the management of financial instruments are set out in note 2.

Short-term debtors and creditors have been included in respect of the currency exposure only when this is applicable (31.08.13: same).

#### Currency exposure

The currency profile of the sub-fund's financial instruments at the balance sheet date was:

	Portfolio of investments		Net other assets / (liabilities)		Total	
	as at 31.08.14 £'000	as at 31.08.13 £'000	as at 31.08.14 £'000	as at 31.08.13 £'000	as at 31.08.14 £'000	as at 31.08.13 £'000
Danish krone	10,203	4,577	0	0	10,203	4,577
Euro	74,812	81,124	414	1,371	75,226	82,495
Norwegian krone	7,538	2,897	66	20	7,604	2,917
Swedish krona	3,509	9,283	0	10	3,509	9,293
Swiss franc	15,619	33,004	251	407	15,870	33,411
US dollar	3,939	0	45	118	3,984	118
	115,620	130,885	776	1,926	116,396	132,811
Sterling	70,914	55,652	(3,451)	(3,146)	67,463	52,506
<b>Total</b>	<b>186,534</b>	<b>186,537</b>	<b>(2,675)</b>	<b>(1,220)</b>	<b>183,859</b>	<b>185,317</b>

#### Interest rate profile

The majority of the sub-fund's assets comprise equity shares which neither pay interest nor have a maturity date (31.08.13: same).

#### Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.08.13: same).

#### 10 Portfolio transaction costs

	2014 £'000	2013 £'000
<b>a) Purchases</b>		
Purchases excluding transaction costs	209,461	64,929
Commissions	116	27
Taxes	326	45
Total transaction costs	442	72
<b>Total purchases including transaction costs</b>	<b>209,903</b>	<b>65,001</b>
<b>b) Sales</b>		
Sales excluding transaction costs	209,878	76,377
Commissions	(127)	(25)
<b>Total sales net of transaction costs</b>	<b>209,751</b>	<b>76,352</b>

#### 11 Shareholder funds

This sub-fund contains Sterling Class 'A' (Net Income and Net Accumulation) shares, Sterling Class 'I' (Net Income and Net Accumulation) shares, Sterling Class 'R' (Net Income and Net Accumulation) shares and Sterling Class 'X' (Net Income and Net Accumulation) shares.

This sub-fund also contains Euro Class 'A' (Net Accumulation) shares and Euro Class 'C' (Net Accumulation) shares.

This sub-fund also contains US dollar Class 'A' (Net Accumulation) shares and US dollar Class 'C' (Net Accumulation) shares.

The charging structure for each share class, as at 31 August 2014, is set out in the following table (31.08.13: same):

#### CHARGES AND EXPENSES

	Initial charge %	Withdrawal fee %	ACD's annual remuneration %
<b>Sterling</b>			
Class 'A'	4.00	n/a	1.50
Class 'I'	1.00	n/a	0.75
Class 'R'	1.00	n/a	1.00
Class 'X'	nil	4.50 <sup>[a]</sup>	1.50
<b>Euro</b>			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75
<b>US dollar</b>			
Class 'A' <sup>[b]</sup>	5.25	n/a	1.50
Class 'C' <sup>[b]</sup>	3.25	n/a	0.75

<sup>[a]</sup> The withdrawal fee diminishes over a period of five years. Please refer to the Key Investor Information Document (KIID) in conjunction with the Important Information for Investors document.

<sup>[b]</sup> With effect from 8 August 2014, the launch date of the US dollar Class 'A' and US dollar Class 'C' share classes.

With the exception of the Authorised Corporate Director's periodic charge, which is directly attributable to individual share classes, all income and expenses are apportioned to the sub-fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

# M&G Pan European Fund

## FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

#### 11 Shareholder funds (continued)

The net asset values for each share class are set out in the following table:

#### NET ASSET VALUES

	31.08.14		31.08.13	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
<b>Sterling</b>				
Class 'A'	110,693	44,181	109,518	47,545
Class 'I'	2,229	1,245	681	205
Class 'R'	156	115	135	64
Class 'X'	1,125	894	1,112	991
<b>Euro</b>				
Class 'A'	n/a	9,945	n/a	8,817
Class 'C'	n/a	13,270	n/a	16,249
<b>US dollar</b>				
Class 'A'	n/a	3	n/a	n/a
Class 'C'	n/a	3	n/a	n/a

The net asset value per share and the number of shares are given in the net assets table on page 120. The distribution per share is given in the distribution table on page 126. Each share class has the same rights on winding-up.

#### 12 Finance costs

	2014 £'000	2013 £'000
<b>Income shares (Sterling)</b>		
Class 'A' - Interim	442	546
- Final	3,655	2,451
Class 'I' - Interim	5	3
- Final	73	15
Class 'R' - Interim <sup>[a]</sup>	1	0
- Final	5	3
Class 'X' - Interim	5	5
- Final	37	25
<b>Accumulation shares (Sterling)</b>		
Class 'A' - Interim	185	232
- Final	1,412	1,041
Class 'I' - Interim <sup>[b]</sup>	3	0
- Final	40	4
Class 'R' - Interim <sup>[c]</sup>	0	0
- Final	4	1
Class 'X' - Interim	4	5
- Final	28	22
<b>Accumulation shares (Euro)</b>		
Class 'A' - Interim	74	27
- Final	317	193
Class 'B' - Interim	n/a	1
- Final	n/a	n/a
Class 'C' - Interim	62	71
- Final	423	355
<b>Accumulation shares (US dollar)</b>		
Class 'A' - Interim	n/a	n/a
- Final <sup>[d]</sup>	0	n/a
Class 'C' - Interim	n/a	n/a
- Final <sup>[e]</sup>	0	n/a
Finance costs: Dividend distributions	6,775	5,000
Income deducted on cancellation of shares	419	149
Income received on issue of shares	(182)	(93)
<b>Finance costs: Distributions</b>	<b>7,012</b>	<b>5,056</b>
Net revenue per statement of total return	4,213	2,451
Expenses offset against capital	2,815	2,600
Tax relief on expenses offset against capital	(16)	0
Undistributed income brought forward	0	5
<b>Finance costs: Distributions</b>	<b>7,012</b>	<b>5,056</b>

<sup>[a]</sup> The comparative interim distribution for Sterling Class 'R' (Income) shares was £384.

<sup>[b]</sup> The comparative interim distribution for Sterling Class 'I' (Accumulation) shares was £155.

<sup>[c]</sup> The interim distribution for Sterling Class 'R' (Accumulation) shares was £489 (2013: £228).

<sup>[d]</sup> The final distribution for US dollar Class 'A' (Accumulation) shares was \$131.

<sup>[e]</sup> The final distribution for US dollar Class 'C' (Accumulation) shares was \$131.



# M&G Pan European Fund

## FINANCIAL STATEMENTS

DISTRIBUTION TABLE				
Dividend distributions on Income shares	Net income	Equalisation	Distribution paid/payable	
			2014	2013
Sterling	p	p	p	p
Class 'A' - Interim				
Group 1:	0.6544	-	0.6544	0.7797
Group 2:	0.3215	0.3329	0.6544	0.7797
- Final				
Group 1:	5.2839	-	5.2839	3.6400
Group 2:	2.5208	2.7631	5.2839	3.6400
Class 'I' - Interim				
Group 1:	5.0238	-	5.0238	5.9437
Group 2:	2.7878	2.2360	5.0238	5.9437
- Final				
Group 1:	40.4612	-	40.4612	27.7045
Group 2:	15.4510	25.0102	40.4612	27.7045
Class 'R' - Interim				
Group 1:	0.5011	-	0.5011	0.6509
Group 2:	0.3066	0.1945	0.5011	0.6509
- Final				
Group 1:	4.0297	-	4.0297	2.7651
Group 2:	2.4078	1.6219	4.0297	2.7651
Class 'X' - Interim				
Group 1:	0.6513	-	0.6513	0.7708
Group 2:	0.3974	0.2539	0.6513	0.7708
- Final				
Group 1:	5.2254	-	5.2254	3.6007
Group 2:	2.7612	2.4642	5.2254	3.6007
Dividend distributions on Accumulation shares	Net income	Equalisation	Amount reinvested	
			2014	2013
Sterling	p	p	p	p
Class 'A' - Interim				
Group 1:	1.2129	-	1.2129	1.3968
Group 2:	0.7727	0.4402	1.2129	1.3968
- Final				
Group 1:	9.7987	-	9.7987	6.5772
Group 2:	3.0726	6.7261	9.7987	6.5772
Class 'I' - Interim				
Group 1:	5.1709	-	5.1709	6.4716
Group 2:	3.7849	1.3860	5.1709	6.4716
- Final				
Group 1:	41.8316	-	41.8316	27.9254
Group 2:	17.1267	24.7049	41.8316	27.9254
Class 'R' - Interim				
Group 1:	0.5145	-	0.5145	0.6512
Group 2:	0.2884	0.2261	0.5145	0.6512
- Final				
Group 1:	4.1666	-	4.1666	2.7854
Group 2:	4.1666	-	4.1666	2.7854
Class 'X' - Interim				
Group 1:	1.1983	-	1.1983	1.3801
Group 2:	0.7247	0.4736	1.1983	1.3801
- Final				
Group 1:	9.6819	-	9.6819	6.4999
Group 2:	6.6832	2.9987	9.6819	6.4999

## DISTRIBUTION TABLE (continued)

Dividend distributions on Accumulation shares	Net income	Equalisation	Amount reinvested	
			2014	2013
Euro	€	€	€	€
Class 'A' - Interim				
Group 1:	5.7881	-	5.7881	6.3485
Group 2:	3.2017	2.5864	5.7881	6.3485
- Final				
Group 1:	48.4106	-	48.4106	30.3025
Group 2:	28.3156	20.0950	48.4106	30.3025
Class 'B' - Interim				
Group 1:	n/a	n/a	n/a	5.7166
Group 2:	n/a	n/a	n/a	5.7166
Class 'C' - Interim				
Group 1:	6.5453	-	6.5453	6.7292
Group 2:	1.9527	4.5926	6.5453	6.7292
- Final				
Group 1:	53.3682	-	53.3682	33.1556
Group 2:	6.9447	46.4235	53.3682	33.1556
US dollar	¢	¢	¢	¢
Class 'A' - Final				
Group 1:	25.7680	-	25.7680	n/a
Group 2:	25.7680	-	25.7680	n/a
Class 'C' - Final				
Group 1:	26.2120	-	26.2120	n/a
Group 2:	26.2120	-	26.2120	n/a

Interim period 01.09.13 - 28.02.14

Final period 01.03.14 - 31.08.14

Group 1: Shares purchased prior to a distribution period.

Group 2: Shares purchased during a distribution period.

Equalisation applies only to shares purchased during the distribution period (Group 2). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes.

# Further Information

## LIQUIDITY

The ACD's policy is that the sub-funds should normally be close to fully invested but this is subject to the need to retain liquidity for the purpose of effecting the redemption of shares, and the efficient management of the sub-funds in accordance with their objectives. There may, therefore, be occasions when there will be higher levels of liquidity, for example following the issue of shares or the realisation of investments. Higher liquidity levels may also arise when a sub-fund's asset allocation policy is changed.

## DILUTION

The actual cost of purchasing or selling a sub-fund's investments may deviate from the mid-market price due to dealing costs and these costs can have an adverse effect on the value of the sub-fund, known as 'dilution'. The Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Conduct Authority, allows the cost of dilution to be recovered from investors on the purchase or redemption of shares by means of a dilution adjustment to the dealing price, and this is the policy which has been adopted by the ACD.

Further information on the ACD's dilution adjustment policy is in the Prospectus, which is available free of charge from the ACD, M&G Securities Limited.

## THE EU SAVINGS DIRECTIVE

The percentage of the following M&G sub-funds held in interest-bearing assets (as defined by the UK rules for the EU Savings Directive 2003/48/EC) is as follows:

M&G American Fund	0.58%
M&G Asian Fund	2.22%
M&G European Fund	0.62%
M&G European Index Tracker Fund	0.22%
M&G European Smaller Companies Fund	1.58%
M&G Global Basics Fund	2.67%
M&G Global Growth Fund	1.97%
M&G Global Leaders Fund	1.40%
M&G Japan Fund	0.29%
M&G Japan Smaller Companies Fund	1.68%
M&G North American Value Fund	0.00%
M&G Pan European Fund	3.64%

## OTHER

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.

## PORTFOLIO TURNOVER RATES

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within each sub-fund over the course of a 12 month period. The PTR is calculated by taking the sum of all transactions in securities less the sum of all transactions in the sub-fund's shares and is expressed as a percentage of the sub-fund's average net asset value.

The unaudited PTRs for the sub-funds currently registered in Switzerland are as follows:

	as at 31.08.14	as at 31.08.13
M&G American Fund	1.78%	53.51%
M&G Asian Fund	-34.03%	-1.20%
M&G European Fund	30.77%	-5.24%
M&G European Smaller Companies Fund	47.25%	23.16%
M&G Global Basics Fund	37.83%	24.16%
M&G Global Leaders Fund	101.08%	10.17%
M&G Global Growth Fund	140.45%	92.66%
M&G Japan Fund	24.74%	-0.99%
M&G Japan Smaller Companies Fund	73.21%	84.77%
M&G North American Value Fund	80.93%	-28.38%
M&G Pan European Fund	149.68%	12.41%

# Further Information

## TOTAL EXPENSE RATIOS

The Total Expense Ratio (TER) is shown only for those share classes currently available in Switzerland. The TER shows the relevant annualised operating expenses of each share class from the most recent reporting period as a single percentage of the average net asset value for that share class over the same period.

The unaudited TERs for the sub-funds currently registered in Switzerland are as follows:

Switzerland are as follows.

			Total Expense Ratio	
Share class			31.08.14	31.08.13
			%	%
M&G American Fund	Euro	Class 'A'	1.66	1.66
		Class 'A-H'	1.68	1.70
		Class 'C'	0.91	0.91
		Class 'C-H'	0.93	0.95
	US dollar	Class 'A'	1.66	1.66
		Class 'C'	0.91	0.91
M&G Asian Fund	Euro	Class 'A'	1.73	1.73
		Class 'C'	0.98	0.98
	US dollar	Class 'A'	1.73	1.73
		Class 'C'	0.98	0.99
M&G European Fund	Euro	Class 'A'	1.70	1.70
		Class 'C'	0.95	0.94
M&G European Smaller Companies Fund	Euro	Class 'A'	1.71	1.71
		Class 'C'	0.96	0.96
M&G Global Basics Fund	Euro	Class 'A'	1.93	1.92
		Class 'C'	0.92	0.91
	US dollar	Class 'A'	1.93	1.91
		Class 'C'	0.93	0.92
M&G Global Growth Fund	Euro	Class 'A'	1.93	1.93
		Class 'C'	0.93	0.93
	US dollar	Class 'A'	1.93	1.92
		Class 'C'	0.93	0.93
M&G Global Leaders Fund	Euro	Class 'A'	1.92	1.92
		Class 'C'	0.92	0.92
	US dollar	Class 'A'	1.92	1.92
		Class 'C'	0.92	0.92
M&G Japan Fund	Euro	Class 'A'	1.71	1.75
		Class 'C'	0.96	1.01
M&G Japan Smaller Companies Fund	Euro	Class 'A'	1.71	1.74
		Class 'C'	0.96	0.99
M&G North American Value Fund	Euro	Class 'A'	1.68	1.68
		Class 'C'	0.93	0.91
	US dollar	Class 'A'	1.67	1.69
		Class 'C'	0.93	0.94
M&G Pan European Fund	Euro	Class 'A'	1.69	1.68
		Class 'C'	0.94	0.94

## HONG KONG INVESTOR INFORMATION

The total investment costs as at 31 August 2014 for the following sub-funds are:

Sub-fund	Total investment at cost (£'000)
M&G American Fund	698,141
M&G Global Basics Fund	2,514,566
M&G Global Leaders Fund	757,034
M&G Pan European Fund	184,532

### Soft commission arrangements

For the period 1 September 2013 to 31 August 2014, the Company operated a number of pooled Commission Share Arrangements (CSAs) to receive research services from third party providers of research. The CSA arrangements were entered into on the basis that the execution of transactions on behalf of the sub-funds will be consistent with best execution standards and brokerage rates will be competitively negotiated. The goods and services received include specialist industry, company and consumer research, portfolio and market analysis and computer software used for the delivery of such services. The nature of the goods and services received is such that the benefits provided under the arrangement must be those which assist in the provision of investment services to the sub-funds and may contribute to an improvement in each sub-fund's performance. For the avoidance of doubt, such goods and services do not include travel, accommodations, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employees' salaries or direct money payments.

### Borrowings

For the period 1 September 2013 to 31 August 2014, the Company had access to an overdraft facility (the 'Facility'), established with the State Street Bank and Trust Company, intended to provide for short-term/temporary financing if necessary, subject to certain restrictions, in connection with the management of redemption activity. Each sub-fund is limited to borrowing 10% of its respective net assets. Borrowings pursuant to the Facility are subject to interest at a mutually agreed upon rate and are unsecured.

### Related parties transactions as at 31 August 2014

For the period 1 September 2013 to 31 August 2014, none of the directors of M&G Securities Limited dealt in any of the Hong Kong registered sub-funds (2013: £nil).

M&G Securities Limited is authorised and regulated by the Financial Conduct Authority and provides investment products. The Company's registered office is Laurence Pountney Hill, London EC4R 0HH. Registered in England number 90776.

