

M&G Investment Funds (1)

**Interim Long Report and unaudited Financial
Statements for the six months ended
28 February 2021**

Contents

Authorised Corporate Director's Report	1
Directors' statement.....	4
Financial statements and notes	5
Authorised Corporate Director's Reports, including the financial highlights and financial statements and notes for:	
M&G Asian Fund	6
M&G European Index Tracker Fund	27
M&G European Select Fund	56
M&G Global Select Fund	77
M&G Global Themes Fund.....	96
M&G Japan Fund	120
M&G Japan Smaller Companies Fund.....	141
M&G North American Dividend Fund.....	162
M&G North American Value Fund.....	185
M&G Pan European Select Fund	207
M&G Pan European Select Smaller Companies Fund	225
Other regulatory disclosures.....	247
Glossary	248

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (1) presents its Interim Long Report and unaudited Financial Statements for the six months ended 28 February 2021.

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

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

Company information

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

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

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

As at 28 February 2021, none of the funds held shares of the other funds within this OEIC.

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

Fund managers

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

M&G Asian Fund

David Perrett

M&G European Index Tracker Fund

Nigel Booth

M&G European Select Fund

Richard Halle

M&G Global Select Fund

John William Olsen

M&G Global Themes Fund

Alex Araujo

M&G Japan Fund

Carl Vine

M&G Japan Smaller Companies Fund

Carl Vine

M&G North American Dividend Fund

John Weavers

M&G North American Value Fund

Daniel White

M&G Pan European Select Fund

John William Olsen

M&G Pan European Select Smaller Companies Fund

Michael Oliveros

ACD

M&G Securities Limited,
10 Fenchurch Avenue, London EC3M 5AG, UK
Telephone: 0800 390 390 (UK only)

(Authorised and regulated by the Financial Conduct Authority. M&G Securities Limited is a member of the Investment Association and of The Investing and Saving Alliance)

Authorised Corporate Director's Report

Directors of the ACD

C Dobson (non executive director), S A Fitzgerald,
P R Jelfs, M McGrade (non executive director),
L J Mumford

Investment manager

M&G Investment Management Limited,
10 Fenchurch Avenue, London EC3M 5AG, UK
Telephone: +44 (0)20 7626 4588
(Authorised and regulated by the Financial Conduct
Authority)

Registrar

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

Depository

NatWest Trustee & Depositary Services Limited,
House A, Floor 0, 175 Glasgow Road, Gogarburn,
Edinburgh EH12 1HQ, UK
(Authorised and regulated by the Financial Conduct
Authority)

Independent auditor

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

Annual value assessment

An annual assessment report is available which shows the value provided to investors in each of M&G's UK-based funds. The assessment report evaluates whether M&G's charges are justified in the context of the overall service delivered to its investors. The report can be found at www.mandg.co.uk/valueassessment

Important information

On 27 November 2020 the benchmark wording changed for all funds.

On 15 December 2020, the following share class was closed within the M&G European Index Tracker Fund: Euro Class 'A' Accumulation.

On 15 December 2020, the following share classes were closed within the M&G European Select Fund: Euro Class 'A' Accumulation and Euro Class 'C' Accumulation.

On 15 December 2020, the following share classes were closed within the M&G Global Themes Fund: US dollar Class 'A' Income, US dollar Class 'C' Income and US dollar Class 'C' Accumulation.

On 15 December 2020, the following share classes were closed within the M&G Pan European Select Smaller Companies Fund: Euro Class 'A' Accumulation, Euro Class 'C' Accumulation, US dollar Class 'A' Accumulation and US dollar Class 'C' Accumulation.

Investors will benefit from a reduction in the annual charge starting from 15 February 2021. The reduction in annual charge varies across the M&G funds and the detail was communicated in the shareholder letter dated 15 January 2021.

The World Health Organisation declared the COVID-19 outbreak a pandemic on 11 March 2020.

Global financial markets have been reacting to the outbreak. All markets have incurred increased volatility and uncertainty since the onset of the pandemic.

The ACD has also noted the operational risks that are posed to the Company and its service providers due to global and local movement restrictions that have been enacted by various governments.

The COVID-19 pandemic is an unprecedented event and the eventual impact on the global economy and markets will largely depend on the scale and duration of the outbreak. The ACD will continue to monitor this situation.

Investor information

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

Authorised Corporate Director's Report

Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

Customer services and administration for non-UK clients:

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

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

Telephone: +352 2605 9944
Email: csmang@rbc.com

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

German information agent:

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

Swiss paying agent and representative:

Société Générale, Paris, Zurich Branch,
Talacker 50, 8021 Zurich, Switzerland

Authorised Corporate Director's Report

Authorised Corporate Director's Responsibilities

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

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

Directors' statement

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

M&G Securities Limited
13 April 2021

Financial statements and notes

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

Notes to the financial statements

Accounting policies

There are no material events that have been identified that may cast significant doubt on the Company's ability to continue as a going concern until at least 30 April 2022. The ACD believes that the Company has adequate resources to continue in operational existence for the foreseeable future and, following consideration of the impact of COVID-19 they continue to adopt the going concern basis in preparing the financial statements. The ACD has made an assessment each of the funds' ability to continue as a going concern until at least 30 April 2022 and considers liquidity, declines in global capital markets, investor intention, known redemption levels, expense projections, key service provider's operational resilience, and the impact of COVID-19.

The interim financial statements have been prepared on the same basis as the audited financial statements for the year ended 31 August 2020. They are prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014 and amended in June 2017.

At the end of the current reporting period all investments have been measured at their fair value using the prices and the portfolio holdings determined at 12 noon on 26 February 2021, being the last valuation point of the accounting period. For the funds below, as this is materially different from the valuation carried out at close of business on the balance sheet date, a fair value accounting adjustment has been applied.

A fair value accounting adjustment has been applied to the following funds:

- M&G European Index Tracker Fund
- M&G European Select Fund
- M&G Global Themes Fund
- M&G North American Value Fund
- M&G Pan European Select Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the MSCI AC Asia Pacific ex Japan Index over any five-year period.

Investment policy

At least 80% of the fund is invested directly in equity securities and equity-related securities of companies across any sectors and market capitalisations that are incorporated, domiciled, or do most of their business in the Asia Pacific region (excluding Japan).

The fund may also invest in other transferable securities directly and via collective investment schemes (including funds managed by M&G).

The fund may also hold cash and near cash for liquidity purposes.

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

The fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies.

The investment approach identifies shares of Asia Pacific ex Japan companies which, in the fund manager's opinion at the time of investment, are undervalued.

When analysing a company, the fund manager focuses on three key factors: return on capital, valuations and corporate governance.

The fund manager believes that company-specific factors, in particular their profitability (which is measured in terms of return on capital), drive share prices over the long term.

Benchmark up to 26 November 2020

Benchmark: MSCI AC Asia Pacific ex Japan Index.

The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's target benchmark as it best reflects the scope of the fund's investment policy. The target benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

For unhedged share classes, the benchmark is shown in the share class currency.

Benchmark from 27 November 2020

Benchmark: MSCI AC Asia Pacific ex Japan Index.

The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

The fund is actively managed. The fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

For unhedged and hedged share classes, the benchmark is shown in the share class currency.

Authorised Corporate Director's Report

Risk profile

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

Asia (ex Japan) is a region that is regarded as having emerging economies. Hence, the fund's focus on Asia may result in greater volatility compared to a fund that invests mainly in the securities of companies in developed countries. The reasons for this greater volatility include: the financial infrastructure in emerging markets is typically less mature, the regulatory systems and disclosure standards are less developed, and adverse market and political circumstances are more likely to occur in these markets. Diversification across countries, industries and market capitalisation is therefore key in managing liquidity and default risks as well as reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 1 March 2021, for the six months ended 28 February 2021

Performance against objective

Between 1 September 2020 (the start of the review period) and 1 March 2021, the M&G Asian Fund delivered a positive total return (the combination of income and growth of capital) across all its sterling share classes. Fund performance was ahead of the fund's benchmark, the MSCI AC Asia Pacific ex Japan Index, which rose by 19.0% over the same period under review.

Over five years, the fund generated an annualised positive total return across its sterling share classes, but lagged its benchmark, which returned 16.5% pa over this period. Therefore, the fund did not meet the objective over its specified timeframe of five years.

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

Performance review

Stockmarkets in Asia Pacific ex Japan made substantial gains over the six-month review period, outpacing many of the stockmarkets of developed economies.

Share prices surged in early November 2020, following the news of the high efficacy of the Pfizer/BioNTech COVID-19 vaccine – the first of several vaccines to release positive trial results in a short space of time. The announcement of potential vaccines raised hopes that the world would soon be able to return to some sort of normal which should, in turn, lead to a recovery in economic activity and corporate earnings. Shares were also buoyed by monetary support from central banks and fiscal stimulus by governments.

Markets in South Korea and Taiwan were particularly strong, aided by a resurgent technology sector, which was the best-performing sector over the review period; technology stocks represent a significant proportion of listed stocks in both countries.

Authorised Corporate Director's Report

The largest market in the region, China, lagged the regional index, despite a robust economic rebound from the COVID-19 pandemic. Sentiment towards some China-listed stocks was dented by an executive order, issued by former US president Donald Trump, banning all US persons from owning securities issued by specific Chinese companies.

The US Defence Department identified 31 companies which it believes supports the Chinese military. The companies are large state-owned businesses, involved in a broad range of sectors including construction, railways, technology, aerospace and telecommunications.

Other markets that underperformed included Hong Kong and those of several South East Asian countries such as Indonesia, Malaysia, Philippines and Thailand.

Aside from the technology sector, investors favoured the shares of companies in the communication services, financials and materials sectors. Conversely, some defensive sectors including consumer staples, healthcare and utilities were left behind as stockmarkets rallied. (Defensive sectors are ones where company earnings tend to be relatively stable throughout the economic cycle.) The energy and real estate sectors were also weak.

Against this background, the fund outperformed its benchmark, the MSCI AC Asia Pacific ex Japan Index.

Stock selection was strong over the six-month period, with Kakao Games and Pacific Basin Shipping the fund's top contributors.

South Korean video games publisher Kakao Games was listed on the South Korean technology market (KOSDAQ) in September 2020 and we subscribed for shares in its initial public offering (IPO). We were attracted by the company's long-term prospects but were frankly surprised by the ferocity of the share price rally following listing, as domestic retail investors took the company's valuation well beyond a level that fundamentals could justify. We therefore decided to close the position.

Hong Kong-listed Pacific Basin Shipping benefited from the generally more upbeat sentiment regarding economic growth and firmer shipping rates, specifically.

Technology shares featured prominently amongst the fund's top contributors and included South Korea's Samsung Electronics and SK Hynix and Taiwan's Delta Electronics. Investors have been encouraged by robust sales of Samsung's latest smartphones and expectations that an increase in demand for memory chips will lead to higher prices. SK Hynix also benefited from firmer DRAM (Dynamic random-access memory semiconductor) prices.

Delta is a well-managed quality business in our view, which generates stable returns. Management take the long view and the company is investing in new growth opportunities such as electric vehicles, which we believe could be rewarding.

Another top contributor was Amvig Holdings, a company that manufactures and laminates papers for cigarette packaging in China. Its shares surged after Amcor announced it had agreed to sell its 47.6% stake in Amvig to New Prospect Capital for a cash consideration of US \$124 million. The price paid by New Prospect Capital represented a substantial premium to Amvig's undisturbed share price prior to the announcement. We have now exited the position.

In the energy sector, the performance of the fund's holding in Husky Energy was aided by a recovery in the oil price and the perceived benefits of its merger with Cenovus Energy. We first invested in Husky soon after we took over management of the fund and believe the merger will deliver valuable cost savings going forward.

The fund's biggest detractor was Australian biotechnology company Mesoblast. In the middle of December, Mesoblast revealed that the trial of its drug as a potential treatment for COVID-19 (Remestemcel-L) would be wound up because of unexpectedly poor clinical data. Whilst the news was disappointing, we had already scaled back the fund's position in Mesoblast in the summer of 2020 after a period of exceptionally strong performance.

Authorised Corporate Director's Report

In China, the fund's holdings in oil and gas company Sinopec Kantons and electricity generator China Resources Power, cost some performance. Both energy and utility stocks, as well as higher yielding shares, were out of favour during the review period, which created a headwind for these two holdings.

In the middle of 2020, Sinopec Kantons announced it was selling its underperforming gas pipeline business for a premium valuation. This transaction leaves Kantons with a substantially net cash balance sheet, and significant room to grow its core oil jetty and storage business. In our view, the company's valuation is very attractive indeed. The company has a yield of around 7%.

Similarly, we believe China Resources Power is attractively valued and expect the company to generate solid earnings and dividend growth going forward. China Resources Power has a large legacy coal power business, but in recent years has been investing very heavily in wind energy. In 2020, the company added almost 4 GW of onshore wind energy capacity alone. For context, according to RenewableUK, the UK has just under 14 GW of onshore wind resource in total.

Investment activities

We aim to identify significant dislocations between the price and value of a stock that we can exploit and where we believe we have a greater perspective than other investors. Our edge does not come from better forecasting, but rather from the superior pricing of risk.

Our strategy utilises independent, proprietary research to identify and extensively research opportunities across a universe of more than 300 Asia ex-Japan stocks that have been closely followed for many years. We deliberately concentrate our efforts around a predefined universe of companies.

We tend to make longer term investments, although returns may be enhanced by opportunistic positioning where merited by the risk/reward opportunity. The desire is for portfolio returns to be driven by our stockpicking ability, rather than the portfolio's exposure to one or more investment styles. We also pay close attention to the portfolio's below-index positions. The

performance gap between the portfolio and the benchmark index over time is affected not just by what we invest in, but also what we do not.

During the review period, we made three new investments in China (which has the largest country weighting in the portfolio) – Sinopec Engineering, Weichai Power and Huazhu.

Sinopec Engineering is one of China's leading engineering companies. The company has net cash that is greater than its market capitalisation and it offers a very attractive dividend yield. Investors are worried that Sinopec's petrochemical engineering work will dry up. We agree this will eventually happen, but in the meantime, there is a lot of older plant that needs to be made cleaner and more efficient. At the same time, as China sets out to achieve zero net emissions by 2060, it is very hard to argue that its leading engineering company will not participate in the transition. Indeed, Sinopec's new energy order backlog is already growing fast.

Weichai Power is a Chinese truck engine maker and is a market leader in environmentally friendly, next-generation energy technology. It has been a first mover in investing in companies, globally, that are leaders in hydrogen energy technology.

The investment in hotel operator Huazhu was partly funded by the sale of online travel company Trip.com. We believe Huazhu's medium-term growth prospects are superior to those of Trip.com. Meanwhile, Trip.com is in the middle of pivoting its business toward a greater international focus. We believe this transition is likely to prove difficult to execute and may involve additional upfront investment.

Early in the review period, we took advantage of share price weakness to establish a position in Woodside Petroleum. We are attracted by this Australia-based natural gas producer's undemanding valuation and the secular growth story for gas within Asia, as the region migrates from more polluting and emission-heavy forms of energy. We will engage with the company to ensure it reduces the emission intensity of its business over time.

Authorised Corporate Director's Report

Shares in Hong Kong-listed conglomerate Cheung Kong Infrastructure (CKI) de-rated sharply in 2020 amid concerns about a lowering of regulated returns and high yielding stocks falling out of favour more generally. We took advantage of the share price decline to build a position in the stock, which offers an attractive yield. We feel the yield is too generous given the quality of CKI's underlying assets and the fact that we live in a world of record low interest rates. CKI invests in different infrastructure assets across the globe, with a particular focus on electricity transmission.

We carried out extensive analysis and engagement with SATS, a Singapore-based airports service company, before investing. Despite the drop in activity caused by COVID-19, we established that its balance sheet was starting from a very strong position and the company could comfortably control its cashflow during the pandemic. Our analysis also suggested that some of the cost savings the company had achieved during the slow-down should persist in any upturn, resulting in positive operating leverage.

Stocks that left the portfolio included some technology-related names – DRAM manufacturer Wonik IPS and video game publisher Kakao Games (both South Korean companies) and Catcher Technology.

We sold Catcher Technology as the Taiwan-based company is going through material internal change as it exits its previous core business, and we did not feel we were being adequately compensated for the risks surrounding this transition.

We also closed the fund's position in Hong Kong-listed MTR and Metro Pacific, a Philippines-based conglomerate. The latter holding had more than recovered its losses as a result of COVID-19, but still faces an uncertain regulatory environment.

In November, we trimmed the fund's holdings in China Mobile, China Telecom, China Unicom and CGN Power. The China telecom companies, and the parent company of nuclear utility CGN Power were mentioned in a list of 31 companies identified by the US Department of Defence deemed to be linked to the Chinese military. We believed these stocks could be impacted by the

US's potential ban on US persons investing in specific companies and felt it would be prudent to reduce the fund's exposure proactively.

Towards the end of the review period, we exited Tata Motors. Tata's share price had rallied 80% year-to-date and had almost tripled from our original entry point. We also took advantage of share price strength to trim the fund's holding in insurer AIA. The proceeds were invested into China Construction Bank, which has a yield of almost 6% and, ahead of its share price rally in February 2021, Pacific Basin Shipping, a company where we felt the market was overlooking improving operating fundamentals.

Outlook

Markets around the world have continued to recover from their sharp COVID-19-related losses of early-2020. As we noted in our last report (the annual report for the period ending 31 August 2020), the initial market recovery was narrow in nature, led by software stocks, (especially perceived COVID-19 'winners'), specific medical sectors and electric vehicle-related names. During the last six months, as confidence in the recovery has increased with positive vaccine news, market breadth has increased and stock performance has been driven more by stock-specific fundamentals, rather than high level themes.

In our last report, we identified some pockets of excessive optimism and in recent months some of the froth has come out of these parts of the market, which is healthy, although we retain the view there is room for a further price correction in certain stocks. At the same time, more economically sensitive names and financials have started to rally, reducing some of their undervaluation in our view.

Observing the policy stimulus being applied across the globe, including Asia, and at the same talking to our portfolio companies, our sense is the current outlook for economic activity and profits is positive. Demand is recovering and companies, due to earlier caution and COVID-19-related supply-side disruption, currently are operating with very low levels of inventory. At the same time, many companies, especially in more traditional

Authorised Corporate Director's Report

industries, such as shipping, metals or manufacturing, are reluctant to add capacity after a tough few years. This is a backdrop which we believe should lead to a period of steady profit growth over a relatively prolonged period.

Despite the recent strength in markets, we still see plenty of interesting opportunities from a bottom-up perspective. We do not believe we need to compromise on company quality to access attractive valuations, as a number of blue-chip companies or industry leaders across several sectors are priced to deliver positive prospective returns, in our view.

We continue to tilt the portfolio toward these blue chip names at the expense of the pockets of the market, where we have identified excessive optimism. Importantly, there is plenty of opportunity in the former part of the market, and that allows us to build a diversified portfolio of differentiated, esoteric stock ideas.

David Perrett

Fund manager

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

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

Investments

Portfolio statement

Holding		as at 28.02.21 \$'000	as at 28.02.21 %	as at 31.08.20 %
Equities		238,160	100.86	101.22
United States		14,220	6.02	9.96
51,199	Alibaba ADR	12,294	5.21	
32,009	Yum China	1,926	0.81	
Canada		3,546	1.50	1.51
454,275	Cenovus Energy	3,362	1.42	
49,178	Cenovus Energy Warrants	184	0.08	
Australia		23,363	9.90	9.74
159,643	Australia & New Zealand Banking	3,238	1.37	
140,690	BHP	5,356	2.27	
7,952	CSL	1,618	0.69	
479,219	Mesoblast	913	0.39	
210,704	National Australia Bank	4,023	1.70	
421,381	QBE Insurance	3,034	1.29	
394,864	Stockland	1,273	0.54	
131,986	Treasury Wine Estates	1,115	0.47	
146,669	Woodside Petroleum	2,793	1.18	
China		35,898	15.20	11.04
7,418	Baidu ADR	2,181	0.92	
5,734,000	China Construction Bank	4,598	1.95	
12,366	DouYu International ADR	185	0.08	
2,197,000	Far East Horizon	2,360	1.00	
5,671,000	Greatview Aseptic Packaging	2,815	1.19	
190,395	HollySys Automation Technologies	2,886	1.22	
1,237,400	Huatai Securities	1,841	0.78	
45,948	Huazhu ADR	2,670	1.13	
16,377	HUYA ADR	458	0.19	
56,625	JD.com ADR	5,286	2.24	
39,100	Meituan	1,714	0.73	
116,000	Ping An Insurance Group Company of China	1,425	0.60	
4,994,000	Sinopec Engineering	2,659	1.13	
358,500	Vtech	2,967	1.26	
633,000	Weichai Power	1,853	0.78	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 \$'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Hong Kong	64,776	27.43	29.85
431,400 AIA	5,398	2.29	
4,481,000 CGN Power	988	0.42	
193,000 China Mobile	1,335	0.57	
3,388,000 China Resources Power	3,945	1.67	
1,932,000 China Telecom	620	0.26	
1,120,000 China Unicom Hong Kong	711	0.30	
7,791,000 Chongqing Rural Commercial Bank	3,425	1.45	
280,350 CK Hutchison	2,118	0.90	
421,000 CK Infrastructure	2,440	1.03	
7,060,255 COSCO SHIPPING Ports	5,134	2.17	
2,366,600 GF Securities	3,356	1.42	
29,278,000 Pacific Basin Shipping	7,285	3.09	
11,594,000 Sinopec Kantons	4,425	1.87	
417,000 Sun Hung Kai Properties	6,688	2.83	
155,500 Tencent	13,282	5.62	
4,070,500 WH	3,626	1.54	
India	14,564	6.17	7.34
156,550 Housing Development Finance	5,405	2.29	
400,473 ICICI Bank	3,254	1.38	
124,314 Reliance Industries	3,518	1.49	
12,484 Reliance Industries (Rights Issue)	205	0.09	
174,415 Tech Mahindra	2,182	0.92	
Indonesia	2,725	1.15	1.39
6,310,900 Bank Mandiri	2,725	1.15	
Philippines	2,831	1.20	2.25
245,709 GT Capital	2,831	1.20	
Singapore	16,755	7.10	6.45
278,670 DBS	5,583	2.37	
10,728,468 Ezion Warrants 16/04/2023 ^a	0	0.00	
6,223,100 Japfa	4,212	1.78	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 \$'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Singapore (continued)			
6,473,900 NetLink NBN Trust	4,625	1.96	
705,800 SATS	2,335	0.99	
South Korea	31,140	13.19	11.43
110,882 Hana Financial	3,657	1.55	
85,360 KB Financial	3,328	1.41	
4,005 NAVER	1,337	0.57	
225,873 Samsung Electronics	16,586	7.02	
49,660 SK Hynix	6,232	2.64	
Taiwan	22,982	9.73	8.73
330,220 Delta Electronics	3,326	1.41	
229,000 Hon Hai Precision Industry	921	0.39	
908,000 Taiwan Cement	1,369	0.58	
798,178 Taiwan Semiconductor Manufacturing	17,366	7.35	
Thailand	5,360	2.27	1.53
552,400 Bangkok Bank	2,236	0.95	
665,300 Kasikornbank	3,124	1.32	
Portfolio of investments	238,160	100.86	101.22
Cash equivalents	3,488	1.48	0.40
Eire 'AAA' rated money market funds^b	3,488	1.48	0.40
3,488,000 Northern Trust Global Fund - US dollar	3,488	1.48	
Total portfolio	241,648	102.34	101.62
Net other assets / (liabilities)	(5,518)	(2.34)	(1.62)
Net assets attributable to shareholders	236,130	100.00	100.00

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

^a Suspended.

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

Investments

Top ten portfolio transactions for the six months to 28 February 2021

Largest purchases	\$'000
China Construction Bank	4,353
KB Financial	2,795
Sinopec Engineering	2,489
Sun Hung Kai Properties	2,354
CK Infrastructure	2,063
Huazhu ADR	2,005
Woodside Petroleum	1,907
SATS	1,730
Baidu ADR	1,626
Weichai Power	1,528
Other purchases	11,887
Total purchases	34,737

Largest sales	\$'000
AMVIG	3,156
Kakao Games	3,113
Metro Pacific Investments	2,955
Tata Motors	2,850
Wonik IPS	2,717
Shinhan Financial	2,370
Delta Electronics	2,231
MTR	1,930
Trip.com ADR	1,868
China Lesso	1,543
Other sales	19,496
Total sales	44,229

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

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value	28.02.21 \$'000	31.08.20 \$'000	31.08.19 \$'000
Fund net asset value (NAV)	236,130	191,438	197,015

Performance since launch

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

August 1996 = 100, plotted monthly
Chart date 1 March 2021



Source: Morningstar, Inc. and M&G

* Income reinvested

** Prior to 30 June 2011 the benchmark was the MSCI AC Far East Ex Japan Index. Thereafter it is the MSCI AC Asia Pacific ex Japan Index.

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

Financial highlights

Long-term performance by share class

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

Share class	Six months 01.09.20 % ^a	Three years 01.03.18 % pa	Five years 01.03.16 % pa	Since launch % pa
Sterling^b				
Class 'A'	+24.8	+5.7	+12.0	+8.9 ^c
Class 'I'	+25.1	+6.3	+12.7	+9.4 ^d
Class 'R'	+25.0	+6.1	+12.4	+9.1 ^d
Class 'X'	+24.8	+5.7	+12.0	+14.0 ^e

^a Absolute basis.

^b Price to price with income reinvested.

^c 14 September 1973, the end of the initial offer period of the predecessor unit trust.

^d 3 August 2012, the launch date of the share class.

^e 1 October 2002, the launch date of the share class.

Financial highlights

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge. For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.

- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

Operating charges are in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

Portfolio transaction costs

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

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

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

Financial highlights

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

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

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 28.02.21 %	Year to 31.08.20 %	Year to 31.08.19 %	Average ^a %
Broker commission	0.06	0.09	0.05	0.07
Taxes	0.09	0.14	0.09	0.11
Costs before dilution adjustments	0.15	0.23	0.14	0.17
Dilution adjustments ^c	(0.02)	(0.02)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.13	0.21	0.10	0.15
as at Indirect portfolio transaction costs	28.02.21 %	31.08.20 %	31.08.19 %	Average ^a %
Average portfolio dealing spread	0.31	0.22	0.28	0.27

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

Historic yields for the current year are calculated as at 12 March 2021.

Sterling Class 'A' Income share performance

The share class was launched on 14 September 1973.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	1,272.93	1,364.88	1,384.50
Return before operating charges	297.67	(36.69)	46.69
Operating charges	(10.36)	(18.97)	(23.84)
Return after operating charges	287.31	(55.66)	22.85
Distributions	n/a	(36.29)	(42.47)
Closing NAV	1,560.24	1,272.93	1,364.88
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.07	3.00	2.62
Dilution adjustments ^a	(0.11)	(0.20)	(0.74)
Total direct transaction costs	0.96	2.80	1.88
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.13	0.21	0.10
Operating charges ^c	1.44	1.45	1.73
Return after charges	+22.57	-4.08	+1.65
Historic yield	2.25	2.87	2.93
Other information			
Closing NAV (\$'000)	141,159	115,793	120,535
Closing NAV (%)	59.78	60.49	61.18
Number of shares	6,497,152	6,837,704	7,251,747
Highest share price (UK p)	1,616.52	1,469.16	1,504.84
Lowest share price (UK p)	1,257.08	1,046.84	1,254.15

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 14 September 1973.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	2,230.99	2,325.87	2,288.15
Return before operating charges	521.10	(62.57)	76.69
Operating charges	(18.13)	(32.31)	(38.97)
Return after operating charges	502.97	(94.88)	37.72
Distributions	n/a	(30.94)	(31.05)
Retained distributions	n/a	30.94	31.05
Closing NAV	2,733.96	2,230.99	2,325.87
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.87	5.11	4.27
Dilution adjustments ^a	(0.20)	(0.34)	(1.21)
Total direct transaction costs	1.67	4.77	3.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.13	0.21	0.10
Operating charges ^c	1.44	1.45	1.73
Return after charges	+22.54	-4.08	+1.65
Historic yield	1.09	1.40	1.16
Other information			
Closing NAV (\$'000)	20,489	16,313	16,902
Closing NAV (%)	8.68	8.52	8.58
Number of shares	538,190	549,629	596,743
Highest share price (UK p)	2,832.85	2,503.54	2,486.98
Lowest share price (UK p)	2,202.95	1,783.87	2,072.68

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	1,476.96	1,575.67	1,586.60
Return before operating charges	345.56	(42.35)	53.87
Operating charges	(7.93)	(14.35)	(15.90)
Return after operating charges	337.63	(56.70)	37.97
Distributions	n/a	(42.01)	(48.90)
Closing NAV	1,814.59	1,476.96	1,575.67
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.24	3.47	3.01
Dilution adjustments ^a	(0.13)	(0.23)	(0.85)
Total direct transaction costs	1.11	3.24	2.16
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.13	0.21	0.10
Operating charges ^c	0.95	0.95	1.00
Return after charges	+22.86	-3.60	+2.39
Historic yield	2.23	2.86	2.90
Other information			
Closing NAV (\$'000)	15,581	12,379	13,161
Closing NAV (%)	6.60	6.47	6.68
Number of shares	616,638	630,023	685,863
Highest share price (UK p)	1,880.04	1,699.38	1,736.34
Lowest share price (UK p)	1,458.70	1,211.93	1,438.43

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	1,741.45	1,806.50	1,764.31
Return before operating charges	407.18	(48.62)	59.87
Operating charges	(9.33)	(16.43)	(17.68)
Return after operating charges	397.85	(65.05)	42.19
Distributions	n/a	(32.38)	(37.59)
Retained distributions	n/a	32.38	37.59
Closing NAV	2,139.30	1,741.45	1,806.50
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.47	3.97	3.35
Dilution adjustments ^a	(0.15)	(0.26)	(0.95)
Total direct transaction costs	1.32	3.71	2.40
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.13	0.21	0.10
Operating charges ^c	0.95	0.95	1.00
Return after charges	+22.85	-3.60	+2.39
Historic yield	1.46	1.87	1.87
Other information			
Closing NAV (\$'000)	35,755	28,515	27,963
Closing NAV (%)	15.14	14.89	14.19
Number of shares	1,200,252	1,230,845	1,271,080
Highest share price (UK p)	2,216.46	1,948.29	1,930.78
Lowest share price (UK p)	1,719.73	1,389.45	1,599.52

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	146.04	156.20	157.68
Return before operating charges	34.16	(4.20)	5.34
Operating charges	(0.99)	(1.80)	(1.97)
Return after operating charges	33.17	(6.00)	3.37
Distributions	n/a	(4.16)	(4.85)
Closing NAV	179.21	146.04	156.20
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.12	0.34	0.30
Dilution adjustments ^a	(0.01)	(0.02)	(0.08)
Total direct transaction costs	0.11	0.32	0.22
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.13	0.21	0.10
Operating charges ^c	1.20	1.20	1.25
Return after charges	+22.71	-3.84	+2.14
Historic yield	2.24	2.87	2.91
Other information			
Closing NAV (\$'000)	1,222	880	909
Closing NAV (%)	0.52	0.46	0.46
Number of shares	489,707	452,687	477,710
Highest share price (UK p)	185.68	168.30	172.17
Lowest share price (UK p)	144.23	119.97	142.92

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	170.73	177.55	173.83
Return before operating charges	39.91	(4.78)	5.89
Operating charges	(1.16)	(2.04)	(2.17)
Return after operating charges	38.75	(6.82)	3.72
Distributions	n/a	(2.77)	(3.24)
Retained distributions	n/a	2.77	3.24
Closing NAV	209.48	170.73	177.55
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.14	0.39	0.33
Dilution adjustments ^a	(0.02)	(0.03)	(0.09)
Total direct transaction costs	0.12	0.36	0.24
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.13	0.21	0.10
Operating charges ^c	1.20	1.20	1.25
Return after charges	+22.70	-3.84	+2.14
Historic yield	1.28	1.64	1.63
Other information			
Closing NAV (\$'000)	11,088	8,761	8,183
Closing NAV (%)	4.70	4.58	4.15
Number of shares	3,801,206	3,857,130	3,784,734
Highest share price (UK p)	217.05	191.30	189.81
Lowest share price (UK p)	168.60	136.37	157.56

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	1,271.21	1,363.03	1,382.63
Return before operating charges	297.11	(36.64)	46.68
Operating charges	(10.34)	(18.94)	(23.86)
Return after operating charges	286.77	(55.58)	22.82
Distributions	n/a	(36.24)	(42.42)
Closing NAV	1,557.98	1,271.21	1,363.03
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.07	3.00	2.61
Dilution adjustments ^a	(0.11)	(0.20)	(0.74)
Total direct transaction costs	0.96	2.80	1.87
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.13	0.21	0.10
Operating charges ^c	1.44	1.45	1.74
Return after charges	+22.56	-4.08	+1.65
Historic yield	2.25	2.87	2.93
Other information			
Closing NAV (\$'000)	7,701	6,326	6,653
Closing NAV (%)	3.25	3.30	3.38
Number of shares	354,941	374,059	400,812
Highest share price (UK p)	1,614.34	1,467.18	1,502.80
Lowest share price (UK p)	1,255.38	1,045.42	1,252.46

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	2,210.11	2,304.11	2,266.72
Return before operating charges	516.24	(61.91)	76.50
Operating charges	(17.98)	(32.09)	(39.11)
Return after operating charges	498.26	(94.00)	37.39
Distributions	n/a	(30.65)	(30.76)
Retained distributions	n/a	30.65	30.76
Closing NAV	2,708.37	2,210.11	2,304.11
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.86	5.08	4.28
Dilution adjustments ^a	(0.20)	(0.33)	(1.21)
Total direct transaction costs	1.66	4.75	3.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.13	0.21	0.10
Operating charges ^c	1.44	1.45	1.74
Return after charges	+22.54	-4.08	+1.65
Historic yield	1.09	1.40	1.16
Other information			
Closing NAV (\$'000)	3,135	2,471	2,709
Closing NAV (%)	1.33	1.29	1.38
Number of shares	83,133	84,050	96,556
Highest share price (UK p)	2,806.34	2,480.11	2,463.70
Lowest share price (UK p)	2,182.34	1,767.17	2,053.28

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 and 29 February	2021		2020	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains/(losses)		53,476		233
Revenue	2,041		2,485	
Expenses	(1,090)		(1,406)	
Net revenue/(expense) before taxation	951		1,079	
Taxation	(399)		(389)	
Net revenue/(expense) after taxation		552		690
Total return before equalisation		54,028		923
Equalisation		(61)		(18)
Change in net assets attributable to shareholders from investment activities		53,967		905

Statement of change in net assets attributable to shareholders

for the six months to 28 and 29 February	2021		2020	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		191,438		197,015
Amounts received on issue of shares	1,838		1,654	
Amounts paid on cancellation of shares	(11,145)		(5,153)	
		(9,307)		(3,499)
Dilution adjustments		32		16
Change in net assets attributable to shareholders from investment activities (see above)		53,967		905
Closing net assets attributable to shareholders		236,130		194,437

The opening net assets attributable to shareholders for 2021 differs to the closing position in 2020 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Financial statements and notes

Financial statements

Balance sheet

as at	28 February 2021 \$'000	31 August 2020 \$'000
Assets		
Fixed assets		
Investments	238,160	193,796
Current assets		
Debtors	818	679
Cash and bank balances	1,222	794
Cash equivalents	3,488	769
Total assets	243,688	196,038
Liabilities		
Creditors		
Bank overdrafts	0	(356)
Distribution payable	0	(3,859)
Other creditors	(7,558)	(385)
Total liabilities	(7,558)	(4,600)
Net assets attributable to shareholders	236,130	191,438

Financial statements and notes

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

Authorised Corporate Director's Report

Investment objective and policy

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

Investment approach

The M&G European Index Tracker Fund is a European ex UK fund that tracks the performance of the FTSE World Europe ex UK Index* using a technique called stratified sampling. The fund will normally hold the largest 100 stocks in the index as well as a selection of the remaining smaller stocks to ensure that the fund's capitalisation and industry weights are in line with the index weightings.

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

Benchmark up to 26 November 2020

Benchmark: FTSE World Europe ex UK Index.

The fund is passively managed. The index is a constraining benchmark for the fund. The fund aims to track the return of the index. The fund's portfolio holdings are therefore unlikely to significantly deviate from the index's constituent parts.

For unhedged share classes, the benchmark is shown in the share class currency.

Benchmark from 27 November 2020

Benchmark: FTSE World Europe ex UK Index.

The index is a constraining benchmark for the fund. The fund is passively managed and aims to track the return

of the index. The fund's holdings are therefore unlikely to significantly deviate from the benchmark's constituents.

For unhedged and hedged share classes, the benchmark is shown in the share class currency.

Risk profile

The fund is designed to track the performance of the FTSE World Europe ex UK Index, which represents a broad spread of European company shares. Its performance, therefore, reflects the price volatility of the European stockmarket and the performance of individual companies. The fund will typically hold around 350 stocks, including the largest 100 stocks in the index, as well as a selection of the remaining smaller stocks to ensure that the fund's market capitalisation and industry weights are in line with the index. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Authorised Corporate Director's Report

Investment review

As at 1 March 2021, for the six months ended 28 February 2021

Performance against objective

The M&G European Index Tracker Fund is designed to track the FTSE World Europe ex UK Index. Between 1 September 2020 (the start of the review period) and 1 March 2021, the fund's Sterling Class 'A' shares returned 7.8%. Meanwhile, the FTSE World Europe ex UK Index returned 9.8%, in sterling terms.

The fund's Euro Class 'A' shares returned 8.5% to 15 December 2020, the date when this share class was closed, while the FTSE World Europe ex UK Index returned 7.9%, in euro terms, for the same period.

Performance review

There are several factors that can result in the fund underperforming or outperforming the index over specific periods.

Timing – This reflects the fact that the fund is priced at midday while the index is priced at close of business day. The fund's apparent underperformance of the index over the six-month period was mainly due to timing. The market fell in the afternoon of the first business day and gained in the afternoon of the last business day. As a result of the fund's midday pricing, the fund began the period from a higher starting point than the index (and thus benefited less from subsequent market gains) while it did not benefit from the market gains at the end of the period, because it was priced before the market closed.

Fund charges – The fees we charge for managing the fund, as well as the costs incurred when we buy and sell underlying investments, will mean the fund's return after charges is below that of the index (which does not reflect the costs of investing).

Price swings – This is a dilution adjustment within the share price, which aims to protect existing shareholders from a dilution in performance resulting from deals placed to buy or sell shares. This pricing method has the effect of moving the single price up or down from the mid-price.

Tracking difference – This refers to the difference in performance, positive or negative, due to the fund not fully replicating the composition of the index.

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

European stockmarkets rose strongly during the period under review, with a significant rally from November 2020 driving returns. The main catalyst for the improved investor sentiment was news of several successful COVID-19 vaccine trials.

In contrast to the full six months, the European stockmarket was broadly flat in the early stages of the period under review. A resurgence of COVID-19 infections across the region sparked worries about the economic recovery, while uncertainty over the agreement of a post-Brexit trade deal also dampened sentiment.

As the year progressed, optimism about a vaccine-induced global economic recovery in 2021 outweighed concerns about rising numbers of coronavirus infections and further lockdowns. Growing optimism of a trade deal between the European Union and the UK provided further support, as did the outcome of the US presidential election.

In December 2020, the European Central Bank provided further stimulus measures, aimed at supporting the economy during the pandemic. This included extending its pandemic emergency bond purchase scheme by €500 billion to a total of €1,850 billion. After considerable uncertainty, the European Union and the

Authorised Corporate Director's Report

UK agreed terms of a trade deal at the end of the year, avoiding the prospect of a 'no-deal' scenario.

Like many global stockmarkets, European markets had a mixed start to the new year. Initially, investors were optimistic that the roll-out of vaccine programmes would support a global economic recovery, while the prospect of a new stimulus package in the US also lifted sentiment. However, share prices subsequently retreated due to growing concerns about new, more virulent, variants of the virus and the economic impact of further lockdowns. Furthermore, the European Union's inoculation programme has been relatively slow, weighing on sentiment.

In terms of the eurozone economy, activity rebounded in the third quarter of 2020, compared with the preceding three-month period, as restrictions on travel and leisure activities were eased after the initial lockdown. Activity in the fourth quarter fell slightly on the previous quarter, with the decline less than had been expected. While economies were hurt by restrictive measures aimed at controlling the spread of the virus, the restrictions were less severe than earlier in the year. However, with sharply rising rates of the virus and the spread of more contagious variants in recent months, renewed lockdown restrictions are likely to dampen economic activity in the near term.

In other data, annual inflation in the region remained slightly negative for much of the six months, but rebounded in January 2021, compared with the previous month, led by services and industrial goods. Inflation remains below the European Central Bank's target of just under 2%.

With regard to sector performance, industrial metals & mining, automobiles & parts, and travel & leisure featured among the strongest areas, as such economically sensitive sectors appealed to investors with a stronger appetite for risk. Oil stocks also fared well as prospects for the global economy improved, with the oil price picking up from low levels earlier in the pandemic. In contrast, certain defensive stocks, which tend to remain relatively stable regardless of swings in economic cycles, lagged behind. Specific

examples include food producers, tobacco, telecommunications and utilities.

Investment activities

A number of companies joined the index during the period and were subsequently added to the portfolio. Individual examples include German meal kit provider HelloFresh, Dutch speciality chemicals company IMCD, Sweden's Evolution Gaming, which provides business-to-business solutions to gaming operators, and Swiss packaging firm Sig Combibloc.

We also started a new holding in German drug discovery and development company Evotec ahead of its introduction to the index. In other purchases, we added to existing holdings in some companies in order to bring the holdings closer to their weighting in the index. For example, we topped up positions in Knorr Bremse, a German manufacturer of braking systems for rail and commercial vehicles, and German online food delivery company Delivery Hero.

We received a new holding in Siemens Energy in connection with its spin-off from German conglomerate Siemens. We also gained shares in Technip Energies as a result of its demerger from France-based Technip.

In terms of disposals, the most significant sale involved Netherlands-based Unilever NV, with the transaction related to an index event. In November 2020, Unilever unified its Group legal structure under a single parent company, Unilever PLC. As a result, Unilever NV shareholders received Unilever PLC shares and Unilever NV was deleted from the FTSE World Europe ex UK Index. The fund's holding was sold just before the stock's deletion.

Other stocks left the index and the fund's holdings were sold. These included Luxembourg-based satellite and terrestrial telecommunications network provider SES, Dutch dredging and heavy-lift company Boskalis Westminster, French hygiene and facility service firm Elis and Spanish financial services company Banco de Sabadell.

Meanwhile, certain stocks left the index in connection with takeover activity. For example, we received

Authorised Corporate Director's Report

Worldline shares and cash in exchange for the Ingenico shares held in the fund, while shareholders in Peugeot received shares in Fiat Chrysler Automobiles, with the combined entity renamed Stellantis.

Other sales related to cashflow management, with examples including Swiss food and beverage firm Nestlé, ASML, a Dutch supplier to the semiconductor industry, and Swiss pharmaceutical company Roche.

Outlook

Europe and much of the rest of the world remain in the grip of COVID-19, with the emergence of highly contagious variants of the original virus threatening attempts to bring the pandemic under control.

In the near term, renewed restrictions are likely to weigh on the eurozone economy - manufacturing has been relatively resilient but much of the service industry has been hurt as virus-related restrictions continued to affect many businesses. However, optimism regarding prospects for the economic recovery has improved thanks to the rollout of the vaccination programme. Barring the emergence of vaccine-resistant variants and supply constraints, once it gathers pace, Europe's inoculation programme is likely to support economic activity going forward.

Meanwhile, after prolonged uncertainty, the last-minute Brexit deal means eurozone businesses have greater clarity for those trading with the UK.

Nigel Booth

Fund manager

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

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

Investments

Portfolio statement

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Equities	92,062	98.72	99.48
Austria	427	0.46	0.36
950 Andritz	38	0.04	
4,185 Erste Group Bank	113	0.12	
2,214 OMV	88	0.09	
1,956 Raiffeisen Bank International	33	0.04	
1,652 Telekom Austria	10	0.01	
800 Verbund	51	0.06	
1,114 Vienna Insurance	25	0.03	
2,113 Voestalpine	69	0.07	
Belgium	1,840	1.97	1.99
411 Ackermans & van Haaren	55	0.06	
2,708 Ageas	126	0.13	
11,877 Anheuser-Busch InBev	564	0.60	
554 Argenx	154	0.17	
1,707 Bruxelles Lambert	140	0.15	
500 Colruyt	25	0.03	
400 Elia	36	0.04	
670 Galapagos	46	0.05	
3,983 KBC	237	0.25	
2,246 Proximus	36	0.04	
1,008 Solvay	102	0.11	
757 Telenet	25	0.03	
1,751 UCB	144	0.15	
3,078 Umicore	150	0.16	
Czech Republic	90	0.10	0.08
1,745 CEZ	35	0.04	
1,318 Komerční banka	34	0.04	
7,000 Moneta Money Bank	21	0.02	
Denmark	4,446	4.77	4.79
137 A.P. Møller – Mærsk	243	0.26	
2,000 Ambu	77	0.08	
1,474 Carlsberg	193	0.21	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Denmark (continued)			
1,642 Chr. Hansen	117	0.13	
2,158 Coloplast	273	0.29	
9,139 Danske Bank	140	0.15	
1,500 Demant	51	0.05	
2,880 DSV PANALPINA	439	0.47	
894 Genmab	250	0.27	
1,500 GN Store Nord	105	0.11	
2,892 ISS	43	0.05	
23,062 Novo Nordisk	1,358	1.46	
3,120 Novozymes	160	0.17	
2,649 Ørsted	355	0.38	
1,374 Pandora	111	0.12	
2,333 Tryg	61	0.07	
2,998 Vestas Wind Systems	470	0.50	
Finland	2,636	2.83	2.81
2,250 Elisa	111	0.12	
6,514 Fortum	135	0.14	
1,013 Huhtamaki	38	0.04	
4,156 Kesko	87	0.09	
1,800 Kojamo	28	0.03	
5,804 Kone	382	0.41	
7,727 Metso Outotec	72	0.08	
1,797 Neles	18	0.02	
5,850 Nestlé	318	0.34	
81,609 Nokia	269	0.29	
1,479 Nokian Renkaat	44	0.05	
737 Nordea Bank (Helsinki listing)	5	0.01	
46,014 Nordea Bank (Stockholm listing)	345	0.37	
1,554 Orion	53	0.06	
7,378 Sampo	272	0.29	
8,332 Stora Enso	136	0.15	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Finland (continued)			
7,746 UPM-Kymmene	245	0.26	
8,213 Wartsila	78	0.08	
France	20,044	21.49	21.25
3,142 Accor	109	0.12	
443 Aéroports de Paris	47	0.05	
261 Air Liquide	33	0.04	
6,379 Air Liquide (prime de fidélité 2012)	795	0.85	
7,853 Airbus	753	0.81	
3,169 Alstom	131	0.14	
800 Amundi	50	0.05	
1,006 Arkema	92	0.10	
1,477 Atos	95	0.10	
28,101 AXA	584	0.63	
686 BioMérieux	72	0.08	
15,304 BNP Paribas	754	0.81	
14,298 Bolloré	57	0.06	
3,057 Bouygues	103	0.11	
4,650 Bureau Veritas	104	0.11	
2,196 Capgemini	292	0.31	
9,175 Carrefour	133	0.14	
1,028 Casino Guichard Perrachon	27	0.03	
2,656 CNP Assurances	40	0.04	
502 Covivio REIT	35	0.04	
16,664 Crédit Agricole	194	0.21	
8,428 Danone	476	0.51	
34 Dassault Aviation	30	0.03	
1,848 Dassault Systemes	318	0.34	
3,745 Edenred	172	0.18	
4,574 EDF	45	0.05	
3,522 EDF (prime de fidélité 2017)	35	0.04	
1,065 Eiffage	90	0.10	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
France (continued)			
149 ENGIE	2	0.00	
22,798 ENGIE (prime de fidélité regd)	276	0.30	
4,312 EssilorLuxottica	582	0.62	
627 Eurazeo	38	0.04	
800 Euronext	71	0.08	
1,404 Faurecia	60	0.06	
760 Gecina REIT	87	0.09	
6,041 Getlink	82	0.09	
425 Hermes International	392	0.42	
240 Iliad	35	0.04	
903 Imerys	38	0.04	
587 Ipsen	41	0.04	
1,092 Kering	573	0.61	
3,192 Klepierre REIT	62	0.07	
3,124 LafargeHolcim	143	0.15	
3,730 Legrand	268	0.29	
26 L'Oréal	8	0.01	
3,416 L'Oréal (prime de fidélité 2012)	1,034	1.11	
3,546 LVMH	1,862	2.00	
2,486 Michelin	297	0.32	
13,227 Natixis	53	0.06	
25,516 Orange	244	0.26	
693 Orpea	69	0.07	
2,985 Pernod Ricard	470	0.50	
1,180 Plastic Omnium	35	0.04	
3,205 Publicis	156	0.17	
2,277 Renault	85	0.09	
5,263 Rexel	82	0.09	
1,685 Rubis	64	0.07	
4,635 Safran	525	0.56	
7,002 Saint-Gobain	311	0.33	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
France (continued)			
15,507 Sanofi	1,175	1.26	
200 Sartorius Stedim Biotech	72	0.08	
7,516 Schneider Electric	923	0.99	
1,961 SCOR	54	0.06	
321 SEB	48	0.05	
10,589 Société Générale	217	0.23	
1,500 Sodexo (prime de fidélité regd)	119	0.13	
9,108 STMicroelectronics	291	0.31	
5,539 Suez	96	0.10	
1,391 Technip Energies	15	0.02	
6,956 TechnipFMC	47	0.05	
839 Teleperformance	246	0.26	
1,607 Thales	126	0.14	
34,093 TOTAL	1,308	1.40	
1,264 Ubisoft	85	0.09	
3,748 Valeo	110	0.12	
7,794 Veolia Environnement	174	0.19	
6,814 Vinci	586	0.63	
11,402 Vivendi	326	0.35	
621 Wendel	59	0.06	
3,469 Worldline	256	0.27	
Germany	17,832	19.12	19.55
2,736 adidas	788	0.85	
5,927 Allianz	1,183	1.27	
18,662 Aroundtown	112	0.12	
13,250 BASF	895	0.96	
13,915 Bayer	696	0.75	
5,061 Bayerische Motoren Werke	360	0.39	
159 Bayerische Motoren Werke Preference Shares	9	0.01	
300 Bechtle	47	0.05	
1,509 Beiersdorf	124	0.13	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Germany (continued)			
2,285 Brenntag	147	0.16	
350 Carl Zeiss Meditec	44	0.05	
17,101 Commerzbank	93	0.10	
1,614 Continental	192	0.21	
2,443 Covestro	146	0.16	
800 CTS Eventim	45	0.05	
11,523 Daimler	762	0.82	
2,200 Delivery Hero	232	0.25	
28,489 Deutsche Bank	290	0.31	
2,616 Deutsche Börse	355	0.38	
4,178 Deutsche Lufthansa	51	0.05	
13,949 Deutsche Post	570	0.61	
46,782 Deutsche Telekom	701	0.75	
5,012 Deutsche Wohnen	195	0.21	
29,907 E.ON	253	0.27	
2,417 Evonik Industries	67	0.07	
1,500 Evotec	48	0.05	
665 Fraport	35	0.04	
6,291 Fresenius	223	0.24	
3,077 Fresenius Medical Care	176	0.19	
374 FUCHS PETROLUB	13	0.01	
1,397 FUCHS PETROLUB Preference Shares	63	0.07	
2,659 GEA	76	0.08	
937 Hannover Rueck	131	0.14	
2,160 HeidelbergCement	141	0.15	
2,000 HelloFresh	129	0.14	
3,780 Henkel Preference Shares	308	0.33	
228 HOCHTIEF	17	0.02	
18,593 Infineon Technologies	668	0.72	
1,101 KION	77	0.08	
1,000 Knorr-Bremse	106	0.11	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Germany (continued)			
1,244 LANXESS	76	0.08	
1,019 LEG Immobilien	115	0.12	
1,856 Merck	250	0.27	
4,029 METRO	37	0.04	
801 MTU Aero Engines	157	0.17	
1,990 Munich Re	483	0.52	
600 Nemetschek	31	0.03	
2,294 Porsche Automobil Preference Shares	152	0.16	
3,925 ProSiebenSat.1 Media	66	0.07	
1,070 Puma	94	0.10	
3,315 QIAGEN	135	0.14	
70 Rational	50	0.05	
500 Rheinmetall	41	0.04	
570 RTL	27	0.03	
8,772 RWE	275	0.30	
15,945 SAP	1,621	1.74	
525 Sartorius Preference Shares	223	0.24	
1,500 Scout24	94	0.10	
11,007 Siemens	1,407	1.51	
5,703 Siemens Energy	179	0.19	
1,800 Siemens Healthineers	82	0.09	
1,729 Südzucker	22	0.02	
1,842 Symrise	178	0.19	
2,100 TeamViewer	93	0.10	
11,445 Telefónica Germany	25	0.03	
7,236 thyssenkrupp	80	0.09	
1,672 Uniper	48	0.05	
2,146 United Internet	78	0.08	
1,120 Volkswagen	217	0.23	
1,853 Volkswagen Preference Shares	321	0.34	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Germany (continued)			
8,007 Vonovia	422	0.45	
2,167 Zalando	185	0.20	
Greece	185	0.20	0.18
26,395 Alpha Bank	22	0.02	
3,141 FF ^a	0	0.00	
2,568 Hellenic Petroleum	14	0.02	
4,617 Hellenic Telecommunications Organization	59	0.06	
1,807 JUMBO	24	0.03	
12,171 National Bank of Greece	25	0.03	
3,653 OPAP	41	0.04	
Hungary	209	0.22	0.21
5,015 MOL Hungarian Oil & Gas	30	0.03	
3,463 OTP Bank	129	0.14	
2,103 Richter Gedeon	50	0.05	
Ireland	419	0.45	0.55
12,064 AIB	22	0.02	
3,306 Glanbia	35	0.04	
16,490 Irish Bank Resolution ^a	0	0.00	
2,317 Kerry	232	0.25	
2,161 Kingspan	130	0.14	
Italy	4,260	4.57	4.77
1,500 Amplifon	49	0.05	
17,930 Assicurazioni Generali	279	0.30	
7,115 Atlantia	110	0.12	
7,715 Banca Mediolanum	56	0.06	
1,563 Buzzi Unicem	33	0.03	
13,834 CNH Industrial	169	0.18	
400 DiaSorin	65	0.07	
112,838 Enel	880	0.94	
35,310 Eni	333	0.36	
1,658 EXOR	110	0.12	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Italy (continued)			
1,717 Ferrari	277	0.30	
8,187 FinecoBank	119	0.13	
12,000 Hera	35	0.04	
223,912 Intesa Sanpaolo	476	0.51	
6,526 Italgas	32	0.03	
5,096 Leonardo	34	0.04	
7,809 Mediobanca	67	0.07	
2,934 Moncler	150	0.16	
3,000 Nexi	44	0.05	
7,706 Pirelli	37	0.04	
5,000 Poste Italiane	47	0.05	
3,982 Prysmian	106	0.11	
1,519 Recordati Industria Chimica e Farmaceutica	64	0.07	
32,525 Snam	140	0.15	
145,178 Telecom Italia	57	0.06	
119,508 Telecom Italia Savings Shares	53	0.06	
6,165 Tenaris	53	0.06	
22,884 Terna	132	0.14	
29,754 UniCredit	253	0.27	
Luxembourg	125	0.13	0.00
1,700 Eurofins Scientific	125	0.13	
Netherlands	8,410	9.02	8.72
1,400 Aalberts	54	0.06	
6,736 ABN AMRO Bank	64	0.07	
382 Adyen	732	0.78	
25,873 Aegon	102	0.11	
2,788 Akzo Nobel	239	0.26	
9,191 ArcelorMittal	178	0.19	
634 ASM International	142	0.15	
5,673 ASML	2,640	2.83	
1,816 ASR Nederland	63	0.07	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Netherlands (continued)			
5,000 Davide Campari-Milano	47	0.05	
2,506 DSM	342	0.37	
1,281 Heineken	91	0.10	
3,750 Heineken (Amsterdam listing)	306	0.33	
500 IMCD	51	0.05	
55,452 ING	501	0.54	
1,000 JDE Peet's	33	0.03	
15,679 Koninklijke Ahold Delhaize	342	0.37	
50,352 KPN	136	0.15	
4,522 NN	173	0.18	
13,256 Philips	596	0.64	
6,050 Prosus	593	0.64	
2,068 Randstad	115	0.12	
2,000 Signify	72	0.08	
27,917 Stellantis	376	0.40	
2,010 Unibail-Rodamco-Westfield REIT	122	0.13	
1,161 Vopak	46	0.05	
3,869 Wolters Kluwer	254	0.27	
Norway	1,244	1.33	1.31
3,076 Adevinta 'B' Shares	36	0.04	
14,396 DNB	232	0.25	
14,355 Equinor	224	0.24	
2,895 Gjensidige Forsikring	55	0.06	
6,000 Leroy Seafood	40	0.04	
6,327 Mowi	127	0.13	
16,352 Norsk Hydro	75	0.08	
11,741 Orkla	90	0.10	
1,051 Schibsted 'A'	35	0.04	
2,013 Schibsted 'B'	57	0.06	
9,431 Telenor	127	0.13	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Norway (continued)			
1,000 TOMRA Systems	36	0.04	
2,771 Yara International	110	0.12	
Poland	545	0.58	0.57
3,000 Allegro	43	0.05	
2,120 Bank Polska Kasa Opieki	32	0.03	
1,096 CD Projekt	57	0.06	
2,335 KGHM Polska Miedź	98	0.10	
22 LPP	38	0.04	
12,048 PGE Polska Grupa Energetyczna	18	0.02	
35,447 PGNiG	44	0.05	
4,617 PKN Orlen	60	0.06	
12,046 PKO Bank Polski	81	0.09	
8,031 PZU	52	0.06	
480 Santander Bank Polska	22	0.02	
Portugal	310	0.33	0.33
40,008 EDP - Energias de Portugal	190	0.20	
7,816 Galp Energia	72	0.08	
3,706 Jerónimo Martins	48	0.05	
Spain	4,772	5.12	4.95
455 Acciona	61	0.06	
3,151 ACS Actividades de Construcción y Servicios	80	0.09	
982 Aena	138	0.15	
5,929 Amadeus IT	341	0.37	
92,783 Banco Bilbao Vizcaya Argentaria	427	0.46	
243,821 Banco Santander	706	0.76	
21,278 Bankia	35	0.04	
10,644 Bankinter	59	0.06	
47,497 CaixaBank	114	0.12	
5,081 Cellnex Telecom	229	0.24	
3,071 Enagas	53	0.06	
4,860 Endesa	100	0.11	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Spain (continued)			
6,778 Ferrovial	140	0.15	
4,553 Grifols	95	0.10	
86,568 Iberdrola	902	0.97	
15,278 Inditex	417	0.45	
4,000 Inmobiliaria Colonial Socimi REIT	32	0.03	
17,345 Mapfre	27	0.03	
6,730 Merlin Properties REIT	58	0.06	
4,656 Naturgy Energy	96	0.10	
6,497 Red Electrica	90	0.10	
20,195 Repsol	210	0.22	
2,967 Siemens Gamesa Renewable Energy	91	0.10	
71,454 Telefónica	252	0.27	
3,592 Zardoya Otis	19	0.02	
Sweden	6,776	7.27	6.59
4,929 Alfa Laval	126	0.14	
12,963 Assa Abloy	270	0.29	
13,702 Atlas Copco	648	0.69	
4,222 Boliden	138	0.15	
3,900 Castellum	75	0.08	
3,232 Electrolux	63	0.07	
5,000 Elekta	56	0.06	
14,068 Epiroc	248	0.27	
3,000 EQT	69	0.07	
44,116 Ericsson	455	0.49	
8,821 Essity	220	0.24	
1,600 Evolution Gaming	166	0.18	
1,410 Fastighets AB Balder	56	0.06	
12,773 Hennes & Mauritz	250	0.27	
3,693 Hexagon	255	0.27	
6,957 Husqvarna	70	0.08	
1,261 ICA	50	0.05	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Sweden (continued)			
5,107 Industrivarden	149	0.16	
1,571 Investment AB Latour	30	0.03	
8,508 Investor	522	0.56	
3,580 Kinnevik	138	0.15	
1,098 L E Lundbergforetagen	45	0.05	
600 Lifco	47	0.05	
2,765 Lundin Energy	74	0.08	
4,000 Nibe Industrier	104	0.11	
1,500 Saab	33	0.04	
15,783 Sandvik	351	0.38	
4,722 Securitas	60	0.06	
600 Sinch	92	0.10	
21,045 Skandinaviska Enskilda Banken	200	0.21	
5,626 Skanska	113	0.12	
5,877 SKF	133	0.14	
8,611 Svenska Cellulosa	122	0.13	
21,799 Svenska Handelsbanken	190	0.20	
1,500 Sweco	18	0.02	
14,053 Swedbank	204	0.22	
2,223 Swedish Match	132	0.14	
2,900 Swedish Orphan Biovitrum	39	0.04	
7,139 Tele2	75	0.08	
38,719 Telia	130	0.14	
3,888 Trelleborg	82	0.09	
22,595 Volvo	478	0.51	
Switzerland	17,085	18.32	20.08
25,716 ABB	611	0.66	
2,189 Adecco	114	0.12	
6,715 Alcon	382	0.41	
676 Baloise	98	0.10	
330 Banque Cantonale Vaudoise	29	0.03	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Switzerland (continued)			
37 Barry Callebaut	66	0.07	
15,422 Cie Financiere Richemont Warrants	4	0.00	
2,660 Clariant	46	0.05	
35,107 Credit Suisse	419	0.45	
101 EMS-Chemie	74	0.08	
286 Flughafen Zurich	42	0.04	
515 Geberit	251	0.27	
60 Georg Fischer	64	0.07	
132 Givaudan	412	0.44	
480 Helvetia	43	0.05	
3,014 Julius Baer	153	0.16	
701 Kuehne + Nagel International	137	0.15	
4,269 LafargeHolcim	195	0.21	
3 Lindt & Sprüngli	220	0.24	
2,128 Logitech	188	0.20	
1,051 Lonza	549	0.59	
39,518 Nestlé	3,416	3.66	
30,684 Novartis	2,183	2.34	
297 Partners	295	0.32	
738 PSP Swiss Property	73	0.08	
7,170 Richemont	571	0.61	
10,331 Roche	2,801	3.00	
873 Schindler	192	0.21	
88 SGS	208	0.22	
3,000 SIG Combibloc	55	0.06	
1,988 Sika	434	0.47	
774 Sonova	164	0.18	
157 Straumann	157	0.17	
384 Sulzer	36	0.04	
488 Swatch	120	0.13	
463 Swiss Life	191	0.20	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Switzerland (continued)			
1,112 Swiss Prime Site	86	0.09	
3,859 Swiss Re	300	0.32	
359 Swisscom	149	0.16	
830 Temenos	93	0.10	
47,769 UBS	613	0.66	
300 VAT	69	0.07	
696 Vifor Pharma	72	0.08	
2,100 Zurich Insurance	710	0.76	
Turkey	407	0.44	0.39
26,709 Akbank	18	0.02	
7,086 Anadolu Efes Biracilik Ve Malt Sanayii	19	0.02	
8,110 BIM Birlesik Magazalar	59	0.06	
12,653 ENKA	10	0.01	
25,696 Ereğli Demir ve Çelik Fabrikaları	42	0.05	
2,369 Ford Otomotiv Sanayi	46	0.05	
24,329 Hacı Ömer Sabancı	28	0.03	
11,764 Koç	28	0.03	
1,105 Tofaş Türk Otomobil Fabrikası	4	0.01	
2,754 Tüpraş	31	0.03	
2,099 Turk Hava Yollari	3	0.00	
19,783 Turkcell Iletisim Hizmetleri	35	0.04	
34,312 Türkiye Garanti Bankası	34	0.04	
31,496 Türkiye İş Bankası	20	0.02	
26,528 Türkiye Şişe ve Cam Fabrikaları	21	0.02	
18,551 Türkiye Vakıflar Bankası	9	0.01	
Equity derivatives	4	0.00	0.02
Equity futures contracts	4	0.00	0.02
4 Euro Stoxx 50 Index Mar 2021	4	0.00	
Portfolio of investments	92,066	98.72	99.50

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Cash equivalents	0	0.00	0.60
'AAA' rated money market funds ^b	0	0.00	0.60
Total portfolio	92,066	98.72	100.10
Net other assets / (liabilities)	1,193	1.28	(0.10)
Net assets attributable to shareholders	93,259	100.00	100.00

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

^a Delisted.

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

Investments

Top ten portfolio transactions for the six months to 28 February 2021

Largest purchases	€'000
Euro Stoxx 50 Index Dec 2020	2,084
Euro Stoxx 50 Index Mar 2021	703
Worldline	89
HelloFresh	80
Allegro	58
IMCD	52
Evolution Gaming	51
Knorr-Bremse	51
SIG Combibloc	50
VAT	48
Other purchases	503
Total purchases	3,769

Largest sales	€'000
Euro Stoxx 50 Index Dec 2020	2,127
Unilever	1,056
Euro Stoxx 50 Index Sep 2020	631
Euro Stoxx 50 Index Mar 2021	568
Nestlé	347
ASML	129
Roche	120
Ingenico	111
Novo Nordisk	95
Novartis	90
Other sales	3,588
Total sales	8,862

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

Financial highlights

Fund performance

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

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

Index tracking

The tracking difference between the fund's investment return and that of the FTSE World Europe ex UK Index for the 12 month period ending 28 February 2021 was -0.15% (29 February 2020 was -0.17%). The investment returns are calculated gross of fees using end of day pricing in order to be comparable with the index.

The historic tracking error of the investment return of the fund relative to the FTSE World Europe ex UK Index for the period ending 28 February 2021 was 0.24% (29 February 2020 was 0.18%), which falls within the predicted tracking error range of 0.00% to 0.50%. Historic tracking error is a measure of the monthly volatility of the investment returns relative to the index over a 36 month period.

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

Fund level performance

Fund net asset value	28.02.21 €'000	31.08.20 €'000	31.08.19 €'000
Fund net asset value (NAV)	93,259	88,253	90,100

Performance since launch

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

January 2000 = 100, plotted monthly
Chart date 1 March 2021



Source: Morningstar, Inc. and M&G

* Income reinvested

Long-term performance by share class

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period to 15 December 2020 for the non-sterling share classes and 1 March 2021 for sterling share classes. Calculated on a price to price basis with income reinvested.

Share class	From 01.09.20 % ^a	From 01.03.18 % pa	From 01.03.16 % pa	Since launch % pa
Euro^b				
Class 'A'	+8.5	+5.7	+10.5	+3.9 ^c
Sterling^b				
Class 'A'	+7.8	+5.2	+10.0	+5.0 ^d
Class 'I'	+7.9	n/a	n/a	+7.3 ^e

^a Absolute basis.

^b Price to price with income reinvested.

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

^d 31 January 2000, the end of the initial offer period of the predecessor unit trust.

^e 6 December 2019, the launch date of the share class.

Financial highlights

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge. For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

Operating charges are in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

Portfolio transaction costs

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

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

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

Financial highlights

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

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

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 28.02.21 %	Year to 31.08.20 %	Year to 31.08.19 %	Average ^a %
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.00	0.00	0.00	0.00
Dilution adjustments ^c	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00	0.00
as at Indirect portfolio transaction costs	28.02.21 %	31.08.20 %	31.08.19 %	Average ^a %
Average portfolio dealing spread	0.05	0.05	0.04	0.05

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

Historic yields for the current year are calculated as at 12 March 2021.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

The share class closed on 15 December 2020.

Change in NAV per share	Six months to 28.02.21 Euro ¢	Year to 31.08.20 Euro ¢	Year to 31.08.19 Euro ¢
Opening NAV	2,136.63	2,112.21	2,048.64
Return before operating charges	164.75	38.15	77.49
Operating charges	(4.23)	(13.73)	(13.92)
Return after operating charges	160.52	24.42	63.57
Distributions	n/a	(38.61)	(47.91)
Retained distributions	n/a	38.61	47.91
Return to shareholder as a result of share class closure	(2,297.15)	n/a	n/a
Closing NAV	0.00	2,136.63	2,112.21
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.02	0.08	0.09
Dilution adjustments ^a	(0.02)	(0.08)	(0.09)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.65	0.65	0.69
Return after charges	+7.51	+1.16	+3.10
Historic yield	0.00	1.34	2.08
Other information			
Closing NAV (€'000)	0	3,275	3,880
Closing NAV (%)	0.00	3.71	4.31
Number of shares	0	153,223	183,710
Highest share price (Euro ¢)	2,313.26	2,415.12	2,182.13
Lowest share price (Euro ¢)	1,997.24	1,557.47	1,804.22

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 31 January 2000.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	83.14	85.12	84.44
Return before operating charges	6.51	0.52	3.76
Operating charges	(0.22)	(0.41)	(0.55)
Return after operating charges	6.29	0.11	3.21
Distributions	n/a	(2.09)	(2.53)
Closing NAV	89.43	83.14	85.12
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.50	0.50	0.67
Return after charges	+7.57	+0.13	+3.80
Historic yield	2.21	2.03	2.79
Other information			
Closing NAV (€'000)	37,608	34,172	34,903
Closing NAV (%)	40.33	38.72	38.74
Number of shares	36,558,570	36,780,458	37,177,047
Highest share price (UK p)	93.87	89.97	89.99
Lowest share price (UK p)	78.85	62.90	74.46

Sterling Class 'A' Accumulation share performance

The share class was launched on 31 January 2000.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	129.63	129.58	125.03
Return before operating charges	10.13	0.68	5.36
Operating charges	(0.34)	(0.63)	(0.81)
Return after operating charges	9.79	0.05	4.55
Distributions	n/a	(2.53)	(2.95)
Retained distributions	n/a	2.53	2.95
Closing NAV	139.42	129.63	129.58
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.01
Dilution adjustments ^a	0.00	0.00	(0.01)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.50	0.50	0.67
Return after charges	+7.55	+0.04	+3.64
Historic yield	1.72	1.49	2.03
Other information			
Closing NAV (€'000)	49,586	46,320	51,317
Closing NAV (%)	53.17	52.49	56.95
Number of shares	30,916,770	31,973,789	35,904,969
Highest share price (UK p)	146.36	136.94	133.03
Lowest share price (UK p)	122.44	95.73	110.08

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 6 December 2019.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	101.37	100.00	n/a
Return before operating charges	7.10	1.54	n/a
Operating charges	(0.13)	(0.17)	n/a
Return after operating charges	6.97	1.37	n/a
Distributions	n/a	(2.14)	n/a
Retained distributions	n/a	2.14	n/a
Closing NAV	108.34	101.37	n/a
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	n/a
Dilution adjustments ^a	0.00	0.00	n/a
Total direct transaction costs	0.00	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	n/a
Operating charges	0.25	0.25	n/a
Return after charges	+6.88	+1.37	n/a
Historic yield	1.87	1.66	n/a
Other information			
Closing NAV (€'000)	6,065	4,486	n/a
Closing NAV (%)	6.50	5.08	n/a
Number of shares	4,866,840	3,960,039	n/a
Highest share price (UK p)	113.68	106.13	n/a
Lowest share price (UK p)	95.05	74.21	n/a

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 and 29 February	2021		2020	
	€'000	€'000	€'000	€'000
Income				
Net capital gains/(losses)		9,131		(387)
Revenue	462		364	
Expenses	(223)		(238)	
Net revenue/(expense) before taxation	239		126	
Taxation	(16)		(38)	
Net revenue/(expense) after taxation		223		88
Total return before equalisation		9,354		(299)
Equalisation		(4)		0
Change in net assets attributable to shareholders from investment activities		9,350		(299)

Statement of change in net assets attributable to shareholders

for the six months to 28 and 29 February	2021		2020	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		88,253		90,100
Amounts received on issue of shares	2,507		6,253	
Amounts paid on cancellation of shares	(6,856)		(8,862)	
		(4,349)		(2,609)
Dilution adjustments		5		5
Change in net assets attributable to shareholders from investment activities (see above)		9,350		(299)
Closing net assets attributable to shareholders		93,259		87,197

The opening net assets attributable to shareholders for 2021 differs to the closing position in 2020 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Financial statements and notes

Financial statements

Balance sheet

as at	28 February 2021 €'000	31 August 2020 €'000
Assets		
Fixed assets		
Investments	92,066	87,806
Current assets		
Debtors	1,008	782
Cash and bank balances	210	183
Cash equivalents	0	534
Total assets	93,284	89,305
Liabilities		
Creditors		
Bank overdrafts	0	(5)
Overdrawn positions at futures clearing houses and collateral manager	0	(65)
Distribution payable	0	(858)
Other creditors	(25)	(124)
Total liabilities	(25)	(1,052)
Net assets attributable to shareholders	93,259	88,253

Financial statements and notes

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

Authorised Corporate Director's Report

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the FTSE World Europe ex UK Index over any five-year period.

Investment policy

At least 80% of the fund is invested directly in equity securities and equity-related securities of companies across any sectors and market capitalisations that are incorporated, domiciled, listed or do most of their business in Europe (excluding the United Kingdom).

The fund usually holds a concentrated portfolio of fewer than 50 companies.

The fund may also invest in other transferable securities directly and via collective investment schemes (including funds managed by M&G).

The fund may also hold cash and near cash for liquidity purposes.

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

The fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies.

The investment approach seeks to identify European ex UK companies that have sustainable competitive advantages leading to high return on invested capital. Each company's strategy around capital allocation is central to the investment process.

The fund manager focuses on companies which recognise the importance of dividends, which in turn instils capital discipline and ensures that the highest returning growth projects are prioritised.

Rising cashflow, and over time, rising dividends, for the fund's holdings are expected to drive the long-term total return of the fund.

Benchmark up to 26 November 2020

Benchmark: FTSE World Europe ex UK Index.

The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's target benchmark as it best reflects the scope of the fund's investment policy. The target benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

For unhedged share classes, the benchmark is shown in the share class currency.

Benchmark from 27 November 2020

Benchmark: FTSE World Europe ex UK Index.

The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

The fund is actively managed. The fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

For unhedged and hedged share classes, the benchmark is shown in the share class currency.

Risk profile

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

The fund's focus is on European (ex UK) companies with sustainable competitive advantages, which have the opportunity to reinvest their capital at high rates of

Authorised Corporate Director's Report

return, and some of these stocks could potentially experience a degree of illiquidity in times of market distress. The fund is a concentrated portfolio, but is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. The fund also invests in the shares of smaller companies, which can be more unpredictable and difficult to buy and sell. Diversification across countries, industries and market capitalisation is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has changed during this period. From 1 September 2020 to 30 September 2020 the risk number was 5.

Investment review

As at 1 March 2021, for the six months ended 28 February 2021

Performance against objective

Between 1 September 2020 (the start of the review period) and 1 March 2021, the sterling share classes of the M&G European Select Fund delivered a positive total return (the combination of income and growth of capital). The fund's euro share classes also generated a

positive total return between 1 September and their closure date of 15 December 2020.

All share classes produced returns that were behind the benchmark index, the FTSE World Europe ex UK Index, over the respective time periods. The index was up 9.8% in sterling and 13.0% in euros in the review period.

Over five years, which includes a period before Richard Halle's appointment in July 2019, all of the fund's share classes have delivered annualised positive returns, but trailed the benchmark, which rose 11.0% pa in sterling and 8.7% pa in euro terms. Therefore, the fund did not meet its objective to provide a combination of capital growth and income, net of the ongoing charge figure, that is higher than the FTSE World Europe ex UK Index over any five-year period.

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

Performance review

European stockmarkets rose in the six months under review, extending their remarkable recovery from the coronavirus-driven declines in March last year. The positive mood was fuelled primarily by the development of effective coronavirus vaccines, which helped counter concerns about a second wave of infections and new variants of the disease.

In November, company share prices (equities) registered one of their biggest-ever monthly gains as encouraging results from vaccine trials fuelled hopes that the global economy might recover swiftly from the pandemic. The election of Joe Biden as president of the US and the prospect of a \$US1.9 trillion stimulus package provided a further boost to investor sentiment.

Buoyed by progress with vaccine rollouts and optimism about a global economic rebound, equity markets climbed to record highs in mid-February. However, the period ended on an uncertain note. Concerns about elevated stockmarket valuations and a potential rise in inflation dampened investor risk appetite and share prices gave up some of their previous gains.

Authorised Corporate Director's Report

One of the most significant developments during the period was a change in market leadership as investors rotated away from the 'stay at home' internet and technology companies that performed well earlier in the pandemic. Encouraged by the prospect of normalisation, they switched their focus to stocks that had been hardest hit by COVID-19 restrictions and would likely benefit from the reopening of economies.

As a result of this shift, companies in economically sensitive, or cyclical, sectors were the standout performers. Oil & gas stocks rallied as oil prices climbed on expectations that demand would rise as the economy rebounds. Supply cuts by leading oil producers also supported crude prices. Materials climbed as the prices of commodities surged too. Copper reached the highest level in a decade, buoyed by wider demand for all things related to electric vehicles. In consumer services, the travel and leisure sub-sector soared on hopes the travel industry might recover with the end of COVID lockdowns. The improved economic outlook also boosted financial and industrial stocks.

On the other hand, defensive stocks were out of favour in this upbeat environment, with food producers, healthcare and utilities among the weakest areas. (Defensive stocks are generally regarded as stable businesses that can deliver consistent earnings even in challenging economic conditions).

Against this background, the fund's relatively large allocation to the basic materials and oil and gas sectors helped performance versus the benchmark.

In materials, Luxembourg-based stainless steelmaker Aperam was a leading contributor. The company has demonstrated resilience during the pandemic and, in our view, the market is starting to appreciate Aperam's strong cashflow generation and successful execution of its strategic plan.

Finnish paper and pulp producer UPM-Kymmene added value too, as the company's share price recovered from previous coronavirus-driven declines.

As oil prices reached the highest level in a year, our holding in Tenaris, a Luxembourg-based supplier of steel pipes to the energy industry, was another notable contributor.

In financials, Austrian bank Erste Group and Irish lenders Bank of Ireland and AIB rebounded strongly from earlier weakness on hopes economic activity will recover. Bank of Ireland, Ireland's largest bank by assets, reported robust results and said potential losses on COVID-related bad debts were not as high as feared.

Irish low-cost airline Ryanair advanced too, lifted by optimism that coronavirus vaccines would enable people to travel again.

These contributors outweighed weakness among some of our defensive holdings, which struggled in the optimistic environment. In particular, our relatively large weighting in healthcare was costly as Belgian pharmaceutical UCB, French drugmaker Ipsen and Swiss healthcare company Novartis lost ground.

Swiss food and drink company Nestlé and Dutch supermarket operator Ahold Delhaize were notable laggards too. Both stocks had been resilient earlier in the pandemic but they gave back some of these gains during the review period. Ahold reported significant growth in online sales during the pandemic, but investors were concerned about lower profit margins and the stock declined.

In addition, not owning Dutch semiconductor firm ASML hurt returns versus the benchmark, as the stock benefited from robust demand for memory chips.

Investment activities

During the review period, we identified a number of new opportunities across a range of different sectors. In telecommunications, we invested in French firm Orange, which we believe is trading at a very attractive valuation. In our view, Orange could see capital expenditure fall in the next few years as the roll-out of fibre broadband completes and it could potentially sell

Authorised Corporate Director's Report

some of its infrastructure assets. We think investors are underappreciating the possible benefits of these factors.

French food retailer Carrefour also joined the portfolio. The company is currently undergoing a transformation plan to improve performance in its French hypermarkets and develop its online business. In our view, the market is overlooking these changes, which could have a positive impact on performance.

In Germany, we started a position in German automaker BMW. We are encouraged by robust demand for its cars from China and believe the automotive industry continues to be supported by financing measures. We also think that BMW has a good electric vehicle strategy.

Spanish bank CaixaBank and French financial group Société Générale were two other newcomers during the period.

In contrast, we sold a number of holdings following good share price performance, notably French railway equipment firm Alstom, Finnish retailer Kesko and Norwegian foods business Orkla. We also reduced our position in Finnish telecom equipment firm Nokia. The company's shares climbed following multiple deals to provide 5G equipment. The stock then surged in a rally driven by retail investors linked to the Reddit website, so we decided to take some profits.

Outlook

The change in investor sentiment during the review period was dramatic as pessimism about COVID-19 was replaced by optimism about vaccines. This market rotation towards stocks that are considered likely to benefit from a vaccine-driven economic rebound was equally remarkable.

After such a strong recovery from last year's coronavirus-related sell off, there is a possibility that global stockmarkets might experience some temporary setbacks, such as we saw at the end of the review period. However, over the longer term, we believe there are reasons to be positive. The rollout of vaccination programmes should enable more economic activity to

resume, while policymakers, notably in the US, appear focused on helping their economies recover from the pandemic.

We are particularly excited about the opportunities that can be found among the cheaper, unloved stocks in the market. These stocks received some attention during the period as investors switched their focus towards companies that had been shunned earlier in the pandemic. However, we think this reversal could be just the beginning of a longer term shift.

For several years now, the market has been divided between expensive stocks offering reliable growth and profits and cheaper 'risky' stocks, typically in cyclical areas. As the economic outlook improves, we are hopeful that investors will have the confidence to question the elevated valuations of these perceived 'safe' stocks and consider out-of-favour companies.

However, it is unlikely that this reversal will happen overnight. Therefore, we will remain patient and focus on identifying undervalued companies that are able to cope in this challenging environment.

Richard Halle

Fund manager

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

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

Investments

Portfolio statement

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Equities	154,286	98.23	94.82
Software & computer services	773	0.49	0.00
7,601 SAP	773	0.49	
Technology hardware & equipment	0	0.00	0.00^a
Telecommunications equipment	5,496	3.50	4.10^a
342,072 Ericsson	3,529	2.25	
597,039 Nokia	1,967	1.25	
Pharmaceuticals & biotechnology	25,498	16.23	19.20
77,124 Bayer	3,859	2.46	
40,661 Ipsen	2,873	1.83	
108,429 Novartis	7,714	4.91	
20,990 Roche	5,690	3.62	
65,035 UCB	5,362	3.41	
Banks	18,839	12.00	7.74
1,455,999 AIB	2,694	1.71	
867,311 Bank of Ireland	2,932	1.87	
875,218 CaixaBank	2,107	1.34	
156,269 Erste Group Bank	4,236	2.70	
80,813 KBC	4,818	3.07	
99,946 Société Générale	2,052	1.31	
Life insurance	2,176	1.39	1.16^a
307,000 Storebrand	2,176	1.39	
Non-life insurance	3,480	2.22	2.45^a
1,503,875 Mapfre	2,364	1.51	
4,599 Munich Re	1,116	0.71	
Automobiles & parts	5,686	3.62	2.98
26,773 Bayerische Motoren Werke	1,906	1.21	
21,849 Volkswagen Preference Shares	3,780	2.41	
Personal goods	0	0.00	1.17
Media	4,190	2.67	2.40
146,655 Vivendi	4,190	2.67	
Retailers	4,650	2.96	2.93
340,656 CECONOMY	1,753	1.12	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Retailers (continued)			
15,952 Hornbach	1,246	0.79	
60,465 Inditex	1,651	1.05	
Travel & leisure	3,059	1.95	2.13
44,112 Deutsche Lufthansa	542	0.35	
152,366 Ryanair	2,517	1.60	
Food producers	7,241	4.61	7.14
83,756 Nestlé	7,241	4.61	
Personal care, drug & grocery stores	5,533	3.52	5.20
39,471 Carrefour	570	0.36	
227,226 Koninklijke Ahold Delhaize	4,963	3.16	
Construction & materials	7,582	4.83	4.25
179,237 Buzzi Unicem	3,760	2.40	
86,060 Saint-Gobain	3,822	2.43	
Aerospace & defence	2,470	1.57	1.68
29,944 Rheinmetall	2,470	1.57	
General industrials	6,145	3.91	3.87
48,066 Siemens	6,145	3.91	
Industrial engineering	0	0.00	1.02
Industrial support services	9,204	5.86	5.40
62,827 Bilfinger	1,857	1.18	
49,943 Randstad	2,764	1.76	
360,443 Securitas	4,583	2.92	
Industrial transportation	5,362	3.41	2.91
2,083 A.P. Møller – Mærsk	3,703	2.36	
225,768 Euronav	1,659	1.05	
Industrial materials	5,047	3.21	2.56
159,815 UPM-Kymmene	5,047	3.21	
Industrial metals & mining	5,489	3.50	2.22^a
126,608 APERAM	4,393	2.80	
56,616 ArcelorMittal	1,096	0.70	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Chemicals	5,746	3.66	3.06
60,780 BASF	4,104	2.61	
41,242 Yara International	1,642	1.05	
Non-renewable energy	13,576	8.64	6.80^a
169,088 Eni	1,596	1.02	
734,476 PGS	395	0.25	
153,900 Repsol	1,603	1.02	
254,227 Tenaris	2,184	1.39	
203,195 TOTAL	7,798	4.96	
Gas, water & multi-utilities	4,498	2.86	2.45
361,048 E.ON	3,049	1.94	
119,889 Engie	1,449	0.92	
Fixed line telecommunications	2,546	1.62	0.00
266,754 Orange	2,546	1.62	
Portfolio of investments	154,286	98.23	94.82
Cash equivalents	1,606	1.02	4.60
'AAA' rated money market funds^b	1,606	1.02	4.60
1,656,100 Northern Trust Global Fund - Euro	1,606	1.02	
Total portfolio	155,892	99.25	99.42
Net other assets / (liabilities)	1,173	0.75	0.58
Net assets attributable to shareholders	157,065	100.00	100.00

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

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

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

Investments

Top ten portfolio transaction for the six months to 28 February 2021

Largest purchases	€'000
Orange	2,662
Bayerische Motoren Werke	1,897
CaixaBank	1,885
Société Générale	1,686
Engie	1,567
ArcelorMittal	1,078
Nokia	1,076
SAP	764
UCB	757
TOTAL	617
Other purchases	3,582
Total purchases	17,571

Largest sales	€'000
Kesko	2,469
Alstom	1,884
Unilever	1,747
Nokian Renkaat	1,581
Orkla	1,536
Nokia	1,535
Bankia	1,145
Ryanair	625
Galapagos	592
Siemens Energy	448
Other sales	2,662
Total sales	16,224

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

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value	28.02.21 €'000	31.08.20 €'000	31.08.19 €'000
Fund net asset value (NAV)	157,065	145,205	144,736

Performance since launch

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

July 1972 = 100, plotted monthly
Chart date 1 March 2021



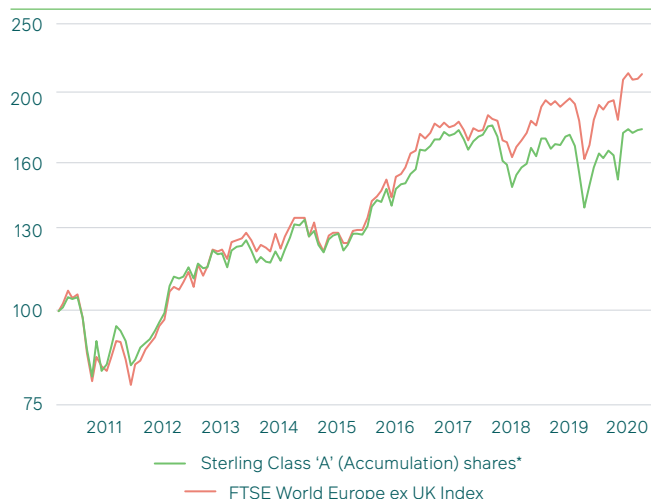
Source: Morningstar, Inc. and M&G

* Income reinvested

Ten-year performance

Please note that the comparator benchmark's total return is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.

Ten years = 1 March 2011, plotted monthly
Chart date 1 March 2021



Source: Morningstar, Inc. and M&G

* Income reinvested

Financial highlights

Long-term performance by share class

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period to 15 December 2020 for the non-sterling share classes and 1 March 2021 for sterling share classes. Calculated on a price to price basis with income reinvested.

Share class	From 01.09.20 % ^a	From 01.03.18 % pa	From 01.03.16 % pa	Since launch % pa
Euro^b				
Class 'A'	+6.3	+0.3	+4.3	+2.8 ^c
Class 'C'	+6.5	+1.1	+5.2	+3.6 ^c
Sterling^b				
Class 'A'	+8.3	+1.2	+7.5	+9.0 ^d
Class 'I'	+8.6	+1.8	+8.2	+9.2 ^e
Class 'PP'	+8.7	n/a	n/a	+4.7 ^f
Class 'R'	+8.4	+1.6	+7.9	+9.0 ^e
Class 'X'	+8.3	+1.2	+7.5	+9.6 ^g

^a Absolute basis.

^b Price to price with income reinvested.

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

^d 24 July 1972, the end of the initial offer period of the predecessor unit trust.

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

^f 8 April 2019, the launch date of the share class.

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

Financial highlights

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge. For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

Operating charges are in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

Portfolio transaction costs

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

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

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

Financial highlights

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

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

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 28.02.21 %	Year to 31.08.20 %	Year to 31.08.19 %	Average ^a %
Broker commission	0.02	0.02	0.07	0.03
Taxes	0.03	0.02	0.10	0.05
Costs before dilution adjustments	0.05	0.04	0.17	0.08
Dilution adjustments ^c	0.00	(0.01)	(0.03)	(0.01)
Total direct portfolio transaction costs	0.05	0.03	0.14	0.07
as at Indirect portfolio transaction costs	28.02.21 %	31.08.20 %	31.08.19 %	Average ^a %
Average portfolio dealing spread	0.05	0.06	0.05	0.05

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

Historic yields for the current year are calculated as at 12 March 2021.

Euro Class 'A' Accumulation share performance

The share class was launched on 26 November 2001.

The share class closed on 15 December 2020.

Change in NAV per share	Six months to 28.02.21 Euro ¢	Year to 31.08.20 Euro ¢	Year to 31.08.19 Euro ¢
Opening NAV	1,585.12	1,600.38	1,742.73
Return before operating charges	114.68	11.45	(115.56)
Operating charges	(7.85)	(26.71)	(26.79)
Return after operating charges	106.83	(15.26)	(142.35)
Distributions	n/a	(12.57)	(13.09)
Retained distributions	n/a	12.57	13.09
Return to shareholder as a result of share class closure	(1,691.95)	n/a	n/a
Closing NAV	0.00	1,585.12	1,600.38
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.22	0.71	2.76
Dilution adjustments ^a	(0.02)	(0.23)	(0.42)
Total direct transaction costs	0.20	0.48	2.34
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.03	0.14
Operating charges ^c	1.65	1.65	1.68
Return after charges	+6.74	-0.95	-8.17
Historic yield	0.00	0.79	0.56
Other information			
Closing NAV (€'000)	0	408	813
Closing NAV (%)	0.00	0.28	0.56
Number of shares	0	25,739	50,822
Highest share price (Euro ¢)	1,703.32	1,802.52	1,744.16
Lowest share price (Euro ¢)	1,436.95	1,185.93	1,412.82

Financial highlights

Euro Class 'C' Accumulation share performance

The share class was launched on 26 November 2001.

The share class closed on 15 December 2020.

Change in NAV per share	Six months to 28.02.21 Euro ¢	Year to 31.08.20 Euro ¢	Year to 31.08.19 Euro ¢
Opening NAV	1,833.92	1,834.18	1,982.17
Return before operating charges	132.98	12.63	(131.23)
Operating charges	(3.85)	(12.89)	(16.76)
Return after operating charges	129.13	(0.26)	(147.99)
Distributions	n/a	(32.03)	(28.89)
Retained distributions	n/a	32.03	28.89
Return to shareholder as a result of share class closure	(1,963.05)	n/a	n/a
Closing NAV	0.00	1,833.92	1,834.18
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.26	0.81	3.13
Dilution adjustments ^a	(0.03)	(0.27)	(0.48)
Total direct transaction costs	0.23	0.54	2.65
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.03	0.14
Operating charges ^c	0.70	0.70	0.92
Return after charges	+7.04	-0.01	-7.47
Historic yield	0.00	1.73	1.31
Other information			
Closing NAV (€'000)	0	27	32
Closing NAV (%)	0.00	0.02	0.02
Number of shares	0	1,468	1,768
Highest share price (Euro ¢)	1,975.93	2,074.85	1,983.92
Lowest share price (Euro ¢)	1,665.17	1,366.23	1,610.83

Sterling Class 'A' Income share performance

The share class was launched on 27 June 1977.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	1,792.23	1,871.14	2,066.36
Return before operating charges	148.93	(12.02)	(117.30)
Operating charges	(11.08)	(21.77)	(30.66)
Return after operating charges	137.85	(33.79)	(147.96)
Distributions	n/a	(45.12)	(47.26)
Closing NAV	1,930.08	1,792.23	1,871.14
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.44	0.80	3.22
Dilution adjustments ^a	(0.04)	(0.26)	(0.49)
Total direct transaction costs	0.40	0.54	2.73
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.03	0.14
Operating charges ^c	1.18	1.20	1.64
Return after charges	+7.69	-1.81	-7.16
Historic yield	2.19	2.51	2.31
Other information			
Closing NAV (€'000)	43,965	40,347	44,085
Closing NAV (%)	27.99	27.79	30.46
Number of shares	1,980,244	2,014,377	2,136,153
Highest share price (UK p)	2,006.65	1,980.70	2,077.93
Lowest share price (UK p)	1,643.60	1,391.56	1,683.86

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 24 July 1972.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	2,945.16	2,999.49	3,230.95
Return before operating charges	244.25	(19.44)	(183.52)
Operating charges	(18.20)	(34.89)	(47.94)
Return after operating charges	226.05	(54.33)	(231.46)
Distributions	n/a	(36.70)	(25.61)
Retained distributions	n/a	36.70	25.61
Closing NAV	3,171.21	2,945.16	2,999.49
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.73	1.28	5.04
Dilution adjustments ^a	(0.07)	(0.42)	(0.77)
Total direct transaction costs	0.66	0.86	4.27
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.03	0.14
Operating charges ^c	1.18	1.20	1.64
Return after charges	+7.68	-1.81	-7.16
Historic yield	1.08	1.24	0.54
Other information			
Closing NAV (€'000)	54,204	50,908	55,524
Closing NAV (%)	34.51	35.06	38.37
Number of shares	1,485,917	1,546,676	1,678,347
Highest share price (UK p)	3,297.03	3,174.90	3,248.92
Lowest share price (UK p)	2,700.51	2,230.56	2,632.78

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	1,670.03	1,734.79	1,901.74
Return before operating charges	138.85	(11.03)	(107.55)
Operating charges	(6.03)	(11.78)	(15.72)
Return after operating charges	132.82	(22.81)	(123.27)
Distributions	n/a	(41.95)	(43.68)
Closing NAV	1,802.85	1,670.03	1,734.79
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.41	0.74	2.98
Dilution adjustments ^a	(0.04)	(0.24)	(0.46)
Total direct transaction costs	0.37	0.50	2.52
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.03	0.14
Operating charges ^c	0.69	0.70	0.91
Return after charges	+7.95	-1.31	-6.48
Historic yield	2.18	2.51	2.28
Other information			
Closing NAV (€'000)	7,354	6,842	7,346
Closing NAV (%)	4.68	4.71	5.08
Number of shares	354,603	366,607	383,921
Highest share price (UK p)	1,873.21	1,839.67	1,912.51
Lowest share price (UK p)	1,532.82	1,293.68	1,553.49

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	1,965.63	1,991.96	2,130.10
Return before operating charges	163.18	(12.87)	(120.87)
Operating charges	(7.09)	(13.46)	(17.27)
Return after operating charges	156.09	(26.33)	(138.14)
Distributions	n/a	(34.34)	(31.42)
Retained distributions	n/a	34.34	31.42
Closing NAV	2,121.72	1,965.63	1,991.96
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.49	0.85	3.34
Dilution adjustments ^a	(0.05)	(0.28)	(0.51)
Total direct transaction costs	0.44	0.57	2.83
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.03	0.14
Operating charges ^c	0.69	0.70	0.89
Return after charges	+7.94	-1.32	-6.49
Historic yield	1.52	1.74	1.29
Other information			
Closing NAV (€'000)	44,119	40,008	30,382
Closing NAV (%)	28.09	27.55	20.99
Number of shares	1,807,683	1,821,265	1,382,888
Highest share price (UK p)	2,204.48	2,112.24	2,142.08
Lowest share price (UK p)	1,803.89	1,485.35	1,739.96

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	94.28	97.79	100.00
Return before operating charges	7.84	(0.62)	0.24
Operating charges	(0.27)	(0.52)	(0.04)
Return after operating charges	7.57	(1.14)	0.20
Distributions	n/a	(2.37)	(2.41)
Closing NAV	101.85	94.28	97.79
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.04	0.01
Dilution adjustments ^a	0.00	(0.01)	0.00
Total direct transaction costs	0.02	0.03	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.03	0.14
Operating charges	0.54	0.55	0.55
Return after charges	+8.03	-1.17	+0.20
Historic yield	2.18	2.50	2.34
Other information			
Closing NAV (€'000)	23	21	22
Closing NAV (%)	0.02	0.01	0.02
Number of shares	20,000	20,000	20,000
Highest share price (UK p)	105.81	103.76	101.27
Lowest share price (UK p)	86.56	72.98	97.39

Financial highlights

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	100.47	101.67	100.00
Return before operating charges	8.35	(0.67)	1.97
Operating charges	(0.29)	(0.53)	(0.30)
Return after operating charges	8.06	(1.20)	1.67
Distributions	n/a	(1.91)	(1.67)
Retained distributions	n/a	1.91	1.67
Closing NAV	108.53	100.47	101.67
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.04	0.07
Dilution adjustments ^a	0.00	(0.01)	(0.01)
Total direct transaction costs	0.02	0.03	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.03	0.14
Operating charges ^c	0.54	0.55	0.61
Return after charges	+8.02	-1.18	+1.67
Historic yield	1.64	1.89	1.14
Other information			
Closing NAV (€'000)	79	93	56
Closing NAV (%)	0.05	0.06	0.04
Number of shares	63,030	83,030	49,636
Highest share price (UK p)	112.74	107.86	106.85
Lowest share price (UK p)	92.23	75.87	97.39

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	165.45	172.30	189.35
Return before operating charges	13.75	(1.10)	(10.72)
Operating charges	(0.81)	(1.59)	(1.99)
Return after operating charges	12.94	(2.69)	(12.71)
Distributions	n/a	(4.16)	(4.34)
Closing NAV	178.39	165.45	172.30
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.07	0.30
Dilution adjustments ^a	0.00	(0.02)	(0.05)
Total direct transaction costs	0.04	0.05	0.25
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.03	0.14
Operating charges ^c	0.94	0.95	1.16
Return after charges	+7.82	-1.56	-6.71
Historic yield	2.18	2.51	2.29
Other information			
Closing NAV (€'000)	726	631	657
Closing NAV (%)	0.46	0.44	0.45
Number of shares	353,806	341,362	345,993
Highest share price (UK p)	185.41	182.55	190.42
Lowest share price (UK p)	151.79	128.31	154.55

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	192.70	195.78	209.87
Return before operating charges	16.00	(1.28)	(11.88)
Operating charges	(0.95)	(1.80)	(2.21)
Return after operating charges	15.05	(3.08)	(14.09)
Distributions	n/a	(2.88)	(2.60)
Retained distributions	n/a	2.88	2.60
Closing NAV	207.75	192.70	195.78
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.08	0.33
Dilution adjustments ^a	0.00	(0.03)	(0.05)
Total direct transaction costs	0.05	0.05	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.03	0.14
Operating charges ^c	0.94	0.95	1.16
Return after charges	+7.81	-1.57	-6.71
Historic yield	1.30	1.49	1.04
Other information			
Closing NAV (€'000)	4,668	4,148	3,969
Closing NAV (%)	2.97	2.86	2.74
Number of shares	1,953,286	1,925,992	1,838,251
Highest share price (UK p)	215.93	207.41	211.06
Lowest share price (UK p)	176.78	145.79	171.30

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	1,774.61	1,852.72	2,046.03
Return before operating charges	147.45	(11.91)	(116.11)
Operating charges	(10.98)	(21.53)	(30.40)
Return after operating charges	136.47	(33.44)	(146.51)
Distributions	n/a	(44.67)	(46.80)
Closing NAV	1,911.08	1,774.61	1,852.72
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.44	0.79	3.19
Dilution adjustments ^a	(0.04)	(0.26)	(0.49)
Total direct transaction costs	0.40	0.53	2.70
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.03	0.14
Operating charges ^c	1.18	1.20	1.64
Return after charges	+7.69	-1.80	-7.16
Historic yield	2.19	2.51	2.31
Other information			
Closing NAV (€'000)	1,197	1,107	1,149
Closing NAV (%)	0.76	0.76	0.79
Number of shares	54,430	55,830	56,223
Highest share price (UK p)	1,986.90	1,961.19	2,057.47
Lowest share price (UK p)	1,627.42	1,377.85	1,667.28

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	2,914.14	2,967.91	3,196.92
Return before operating charges	241.69	(19.25)	(181.58)
Operating charges	(18.00)	(34.52)	(47.43)
Return after operating charges	223.69	(53.77)	(229.01)
Distributions	n/a	(36.31)	(25.34)
Retained distributions	n/a	36.31	25.34
Closing NAV	3,137.83	2,914.14	2,967.91
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.72	1.26	4.98
Dilution adjustments ^a	(0.07)	(0.42)	(0.76)
Total direct transaction costs	0.65	0.84	4.22
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.03	0.14
Operating charges ^c	1.18	1.20	1.64
Return after charges	+7.68	-1.81	-7.16
Historic yield	1.08	1.24	0.54
Other information			
Closing NAV (€'000)	730	665	701
Closing NAV (%)	0.47	0.46	0.48
Number of shares	20,235	20,412	21,416
Highest share price (UK p)	3,262.31	3,141.46	3,214.71
Lowest share price (UK p)	2,672.08	2,207.07	2,605.06

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 and 29 February	2021		2020	
	€'000	€'000	€'000	€'000
Income				
Net capital gains/(losses)		15,326		(3,153)
Revenue	1,229		902	
Expenses	(762)		(847)	
Net revenue/(expense) before taxation	467		55	
Taxation	(55)		(185)	
Net revenue/(expense) after taxation		412		(130)
Total return before equalisation		15,738		(3,283)
Equalisation		(8)		6
Change in net assets attributable to shareholders from investment activities		15,730		(3,277)

Statement of change in net assets attributable to shareholders

for the six months to 28 and 29 February	2021		2020	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		145,205		144,736
Amounts received on issue of shares	1,724		17,006	
Amounts paid on cancellation of shares	(5,601)		(5,648)	
		(3,877)		11,358
Dilution adjustments		5		24
Change in net assets attributable to shareholders from investment activities (see above)		15,730		(3,277)
Unclaimed distributions		2		0
Closing net assets attributable to shareholders		157,065		152,841

The opening net assets attributable to shareholders for 2021 differs to the closing position in 2020 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Financial statements and notes

Financial statements

Balance sheet

as at	28 February 2021 €'000	31 August 2020 €'000
Assets		
Fixed assets		
Investments	154,286	137,585
Current assets		
Debtors	1,485	1,266
Cash and bank balances	625	1,114
Cash equivalents	1,606	6,765
Total assets	158,002	146,730
Liabilities		
Creditors		
Distribution payable	0	(1,232)
Other creditors	(937)	(293)
Total liabilities	(937)	(1,525)
Net assets attributable to shareholders	157,065	145,205

Financial statements and notes

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

Authorised Corporate Director's Report

Investment objective

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

Investment policy

At least 80% of the fund is invested in equity securities and equity related securities of companies across any sector and market capitalisation that are domiciled in any country, including emerging markets. The fund has a concentrated portfolio and usually holds fewer than 40 companies.

Sustainability considerations play an important role in determining the investment universe and assessing business models. The fund excludes securities issued by companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment and anti-corruption and companies involved in the production of tobacco and controversial weapons.

The fund may also invest in other transferable securities, directly or via collective investment schemes (including funds managed by M&G).

The fund may also hold cash and near cash for liquidity purposes.

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

The fund is a focused core global equity fund.

The fund is based on an investment process that uses fundamental analysis to identify companies with sustainable business models and competitively advantageous characteristics to protect their profitability. The fund makes long-term investments in these companies and importantly, the fund manager invests in businesses where short-term issues have provided a clear valuation opportunity.

Sustainability considerations are fully integrated into the investment process.

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

Benchmark up to 26 November 2020

Benchmark: MSCI World Index.

The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's target benchmark as it best reflects the scope of the fund's investment policy. The target benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

For unhedged share classes, the benchmark is shown in the share class currency.

Benchmark from 27 November 2020

Benchmark: MSCI World Index.

The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

The fund is actively managed. The fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

For unhedged and hedged share classes, the benchmark is shown in the share class currency.

Authorised Corporate Director's Report

Risk profile

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

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



The above number:

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

Investment review

As at 1 March 2021, for the six months ended 28 February 2021

Performance against objective

Between 1 September 2020 (the start of the review period) and 1 March 2021, the M&G Global Select Fund delivered a positive total return (the combination of income and growth of capital) across all of its sterling share classes. Fund performance was ahead of the average return from the fund's benchmark, the MSCI World Index, which returned 9.7% over the same period under review.

Over five years, the fund generated an annualised positive total return across all its share classes, but lagged the benchmark, where the average return was 14.8% pa in sterling. Therefore, the fund's performance has not met its current objective over its specified timeframe of five years.

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

Performance review

Stockmarkets in developed countries delivered positive returns for the six months under review, with sentiment enlivened by a potential light at the end of the COVID-19 tunnel.

The start of the period under review, however, was marked by extreme volatility (or market turbulence), as investors grappled with the prospects of a second wave of COVID-19 infections and what further lockdowns could mean for the economy, as new restrictions came into force across regions. With partial national shutdowns announced in the two largest European economies and further restrictions across the continent in the face of quickly rising COVID cases, some European indices saw their worst performance since March. That negative sentiment was partly shared on the other side of the Atlantic, with infection cases in the US reaching record highs as well, while a lack of further stimulus measures ahead of the US election also helped to dampen the mood.

Authorised Corporate Director's Report

As we moved through the period, though, a sense of exuberance came to dominate markets, with positive sentiment largely supported by two overriding themes. First and foremost was the well-received news of three breakthroughs in the delivery of a COVID-19 vaccine, all of which showed high rates of efficacy. This provided a degree of respite from anxiety over rising COVID cases and ongoing lockdowns, and offered hope that a return to more normal conditions could happen sooner than previously expected. The second theme was the US presidential election, with markets reacting positively to Joe Biden's victory over incumbent Donald Trump.

As we moved through the end of the review period, hopes that COVID vaccines would foster global economic recovery in 2021 continued to enliven investors, as did political developments in both Europe and the US. Optimism over the agreement of a US stimulus package echoed rising hopes of a deal in the Brexit negotiations; both came to fruition by the end of 2020. The mood also continued to be boosted by the election of Biden, as investors envisioned a reduction in global trade tensions and increasing infrastructure spending under his leadership. However, all of this came beneath a generally grim atmosphere, with a worrying rise in COVID infections, further restrictions on travel, and the discovery of new, more infectious, strains of the disease.

Against this background, with increased likelihood of economic recovery sparked by the vaccine-related news, as well as tightening supplies, oil prices rose to their highest level in over a year. In light of this, energy was the top-performing sector for the period, closely followed by financials, while materials and industrials also outperformed the wider market. On the downside, some of the more 'defensive' sectors (that is, those that have relatively predictable and stable earnings regardless of the state of the overall economy) performed poorly for the period. These included consumer staples, utilities and healthcare.

For the fund, stock selection within the consumer discretionary and industrial sectors was particularly beneficial to returns relative to the benchmark index, while selection within healthcare and financials was

also supportive. At an individual stock level, the largest contributor to performance was UK retailer WH Smith. The company was hit hard by pandemic-related lockdowns and travel restrictions in both its high street and travel operations, and from March last year its share price had been volatile. In November, though, despite the company's ongoing COVID-19-related operational difficulties, its shares rose strongly, as investors searching for value rotated into areas of the market that had previously been out of favour. Positive sentiment in the company then carried through the review period, particularly as hopes that a swift vaccine rollout would bring a return to more normal life.

Another key contributor to fund performance was US direct banking and payments company Discover Financial Services. At the end of October, the company published results in which earnings and revenue topped expectations, and its shares subsequently rose. This momentum carried through, particularly as investors turned their attention to financials, which had also been out of favour and were looking attractive compared to some of the more expensive areas of the market.

Other supportive holdings held by the fund included supply chain systems IT specialist Manhattan Associates, efficiency specialist Johnson Controls and credit card provider American Express. It is worth noting that not owning tech giants Apple and Amazon was also beneficial to relative returns. Both companies make up a large percentage of the benchmark, and both performed poorly for the period under review.

On the downside, stockpicking within the consumer staples and materials sectors dragged on relative returns, with the largest individual detractor being British consumer giant Reckitt Benckiser. The company's shares sold off as investors rotated away from 'defensive' companies into areas of the market that were perceived as more likely to benefit from economic recovery. It was a similar case for consumer companies Nestlé and Unilever, also key detractors for the period, although to a less pronounced degree.

Authorised Corporate Director's Report

Other detractors to fund performance included medical equipment maker Becton Dickinson, industrial gases producer Linde and video game maker Electronic Arts.

Investment activities

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

During the review period, there were no new holdings added to the fund. We increased several positions that had become more attractively valued, namely facility services business ISS, workwear and textile service business UniFirst and payments company Visa.

We also reduced positions in the aforementioned Manhattan Associates, as well as the positions in fluid-handling systems maker Graco and engineering simulation software developer Ansys. Meanwhile, jeweller Tiffany left the portfolio, having been acquired by French luxury goods company LVMH.

Outlook

With increasing investment flows being channelled into companies that have a more holistic and responsible view of their stakeholders, but also companies that are benefiting from the landslide flow of capital towards sustainable solutions, we are increasingly being asked about the likelihood of 'sustainability bubbles'.

Left behind are companies that are perceived as not contributing or contributing negatively to a sustainable future. As we look ahead, these companies face tough fundamentals and critical investors. Does that mean redirected capital is creating a 'sustainability bubble'? We don't think so. Some investors are increasingly willing to pay for non-financial quality, much like they have been willing to pay more for organic vegetables. That's perfectly rational, but more difficult to plug into a financial model.

We have remained consistent as regards our fundamental positioning and balanced approach, investing in quality companies with sustainable business models and strong environmental, social and governance (ESG) characteristics. We continue to divide the portfolio between 'stable growth' companies – those that have a proven track record of producing stable earnings – and 'opportunities' companies – which tend to be less predictable, but have what we believe to be significant upside potential. We think this approach provides good diversification, which should help the portfolio perform in different market conditions. We continue to keep an eye out for relative value in the stable growth part of the market, as well as in higher quality opportunities companies.

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

John William Olsen

Fund manager

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

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

Investments

Portfolio statement

Holding	as at 28.02.21 \$'000	as at 28.02.21 %	as at 31.08.20 %
Equities	774,271	97.65	97.94
Energy equipment & services	5,589	0.70	0.61
360,608 NOV	5,589	0.70	
Chemicals	21,705	2.74	3.15
88,763 Linde	21,705	2.74	
Containers & packaging	25,435	3.21	3.29
295,038 Ball	25,435	3.21	
Building products	25,154	3.17	2.60
452,573 Johnson Controls International	25,154	3.17	
Electrical equipment	37,416	4.72	4.37
249,662 Schneider Electric	37,416	4.72	
Machinery	16,794	2.12	2.20
242,058 Graco	16,794	2.12	
Commercial services & supplies	26,236	3.31	2.50
678,045 ISS	12,219	1.54	
57,362 UniFirst	14,017	1.77	
Marine	21,809	2.75	2.49
91,402 Kuehne + Nagel International	21,809	2.75	
Specialty retail	50,161	6.33	7.47
1,851,100 WH Smith	50,161	6.33	
Food products	20,098	2.53	3.22
189,580 Nestlé	20,098	2.53	
Household products	15,411	1.94	2.57
182,505 Reckitt Benckiser	15,411	1.94	
Personal products	20,346	2.57	3.16
383,550 Unilever	20,346	2.57	
Health care equipment & supplies	30,122	3.80	4.22
121,901 Becton Dickinson	30,122	3.80	
Health care providers & services	44,858	5.66	5.97
136,377 UnitedHealth	44,858	5.66	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 \$'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Pharmaceuticals	57,623	7.27	6.83
64,790 ALK-Abelló	27,676	3.49	
413,384 Novo Nordisk	29,947	3.78	
Banks	22,877	2.88	2.34
1,113,346 ING	12,172	1.53	
68,378 M&T Bank	10,705	1.35	
Thriffs & mortgage finance	17,207	2.17	1.79
498,402 Housing Development Finance	17,207	2.17	
Consumer finance	47,966	6.05	4.42
181,155 American Express	24,818	3.13	
243,659 Discover Financial Services	23,148	2.92	
Capital markets	16,422	2.07	1.93
299,569 Bank of New York Mellon	13,001	1.64	
485,479 Georgia Capital	3,421	0.43	
Insurance	21,886	2.76	2.92
443,000 Tokio Marine	21,886	2.76	
IT services	30,574	3.85	3.67
143,045 Visa	30,574	3.85	
Software	112,330	14.17	15.81
63,528 ANSYS	21,501	2.71	
325,103 Manhattan Associates	39,026	4.92	
226,442 Microsoft	51,803	6.54	
Entertainment	17,350	2.19	2.56
128,345 Electronic Arts	17,350	2.19	
Interactive media & services	68,902	8.69	7.85
18,743 Alphabet	37,785	4.77	
364,300 Tencent	31,117	3.92	
Portfolio of investments	774,271	97.65	97.94

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 \$'000	as at 28.02.21 %	as at 31.08.20 %
Cash equivalents	12,140	1.53	2.96
'AAA' rated money market funds^a	12,140	1.53	2.96
12,140,000 Northern Trust Global Fund - US dollar	12,140	1.53	
Total portfolio	786,411	99.18	100.90
Net other assets / (liabilities)	6,495	0.82	(0.90)
Net assets attributable to shareholders	792,906	100.00	100.00

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

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

Investments

Top portfolio transactions for the six months to 28 February 2021

Purchases	\$'000
Unilever	18,235
Visa	4,016
UniFirst	1,815
ISS	1,771
Total purchases	25,837

Largest sales	\$'000
Tiffany	26,898
Unilever	18,528
Manhattan Associates	9,528
ANSYS	2,648
Graco	2,405
Microsoft	1,791
UnitedHealth	1,578
WH Smith	1,561
Schneider Electric	1,300
Alphabet	1,279
Other sales	15,903
Total sales	83,419

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

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value	28.02.21 \$'000	31.08.20 \$'000	31.08.19 \$'000
Fund net asset value (NAV)	792,906	736,863	697,719

Performance since launch

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

December 1967 = 100, plotted monthly
Chart date 1 March 2021



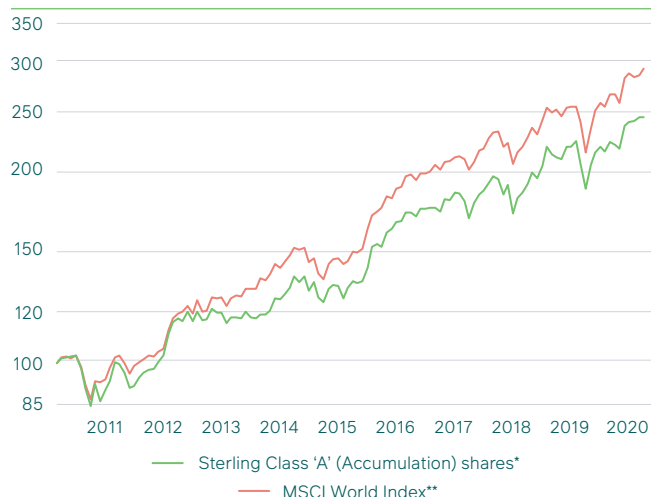
Source: Morningstar, Inc. and M&G

* Income reinvested

Ten-year performance

Please note that the comparator benchmark's total return is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.

Ten years = 1 March 2011, plotted monthly
Chart date 1 March 2021



Source: Morningstar, Inc. and M&G

* Income reinvested

** The benchmark prior to 30 September 2008 was the FTSE World ex UK Index, from 30 September 2008 to 31 December 2011 it was the FTSE World Index and from 1 January 2012 to 31 December 2015 it was the MSCI ACWI Index. Thereafter it is the MSCI World Index.

Financial highlights

Long-term performance by share class

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

Share class	Six months 01.09.20 % ^a	Three years 01.03.18 % pa	Five years 01.03.16 % pa	Since launch % pa
Sterling^b				
Class 'A'	+11.4	+11.2	+13.6	+10.6 ^c
Class 'I'	+11.6	+11.9	+14.4	+12.7 ^d
Class 'R'	+11.5	+11.6	+14.1	+12.4 ^d
Class 'X'	+11.4	+11.2	+13.6	+15.6 ^e

^a Absolute basis.

^b Price to price with income reinvested.

^c 19 December 1967, the end of the initial offer period of the predecessor unit trust.

^d 3 August 2012, the launch date of the share class.

^e 1 October 2002, the launch date of the share class.

Financial highlights

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge. For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

Operating charges are in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

Portfolio transaction costs

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

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

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

Financial highlights

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

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

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 28.02.21 %	Year to 31.08.20 %	Year to 31.08.19 %	Average ^a %
Broker commission	0.00	0.01	0.02	0.01
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.00	0.01	0.02	0.01
Dilution adjustments ^c	0.00	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.00	0.00	0.01	0.00
as at Indirect portfolio transaction costs	28.02.21 %	31.08.20 %	31.08.19 %	Average ^a %
Average portfolio dealing spread	0.08	0.05	0.04	0.06

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

Historic yields for the current year are calculated as at 12 March 2021.

Sterling Class 'A' Income share performance

The share class was launched on 19 December 1967.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	459.51	445.72	417.51
Return before operating charges	48.25	25.62	42.28
Operating charges	(3.37)	(6.17)	(6.33)
Return after operating charges	44.88	19.45	35.95
Distributions	n/a	(5.66)	(7.74)
Closing NAV	504.39	459.51	445.72
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.07	0.09
Dilution adjustments ^a	(0.01)	(0.04)	(0.07)
Total direct transaction costs	0.00	0.03	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	1.39	1.40	1.65
Return after charges	+9.77	+4.36	+8.61
Historic yield	1.08	1.27	1.40
Other information			
Closing NAV (\$'000)	281,550	281,449	264,576
Closing NAV (%)	35.51	38.19	37.92
Number of shares	40,086,582	46,040,094	48,742,517
Highest share price (UK p)	519.76	487.00	466.80
Lowest share price (UK p)	447.88	361.19	359.45

Financial highlights

Sterling Class 'A' Accumulationshare performance

The share class was launched on 19 December 1967.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	951.04	911.27	839.00
Return before operating charges	99.87	52.39	85.74
Operating charges	(6.97)	(12.62)	(13.47)
Return after operating charges	92.90	39.77	72.27
Distributions	n/a	n/a	(1.45)
Retained distributions	n/a	n/a	1.45
Closing NAV	1,043.94	951.04	911.27
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.13	0.17
Dilution adjustments ^a	(0.02)	(0.09)	(0.15)
Total direct transaction costs	0.00	0.04	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	1.39	1.40	1.64
Return after charges	+9.77	+4.36	+8.61
Historic yield	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	186,185	164,681	147,531
Closing NAV (%)	23.48	22.35	21.14
Number of shares	12,807,726	13,016,075	13,293,991
Highest share price (UK p)	1,075.77	995.67	938.08
Lowest share price (UK p)	926.99	738.45	722.35

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	2,256.05	2,177.47	2,024.71
Return before operating charges	237.15	125.68	207.12
Operating charges	(10.71)	(19.36)	(16.69)
Return after operating charges	226.44	106.32	190.43
Distributions	n/a	(27.74)	(37.67)
Closing NAV	2,482.49	2,256.05	2,177.47
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.32	0.42
Dilution adjustments ^a	(0.05)	(0.21)	(0.36)
Total direct transaction costs	0.00	0.11	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	0.90	0.90	0.92
Return after charges	+10.04	+4.88	+9.41
Historic yield	1.07	1.27	1.38
Other information			
Closing NAV (\$'000)	42,307	37,211	27,426
Closing NAV (%)	5.33	5.05	3.93
Number of shares	1,223,846	1,239,831	1,034,286
Highest share price (UK p)	2,557.86	2,384.77	2,279.31
Lowest share price (UK p)	2,200.83	1,769.48	1,747.30

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	2,527.16	2,409.49	2,202.35
Return before operating charges	265.68	139.18	227.04
Operating charges	(11.98)	(21.51)	(19.90)
Return after operating charges	253.70	117.67	207.14
Distributions	n/a	(10.16)	(20.44)
Retained distributions	n/a	10.16	20.44
Closing NAV	2,780.86	2,527.16	2,409.49
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.36	0.46
Dilution adjustments ^a	(0.06)	(0.23)	(0.40)
Total direct transaction costs	0.00	0.13	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	0.90	0.90	0.92
Return after charges	+10.04	+4.88	+9.41
Historic yield	0.35	0.42	0.58
Other information			
Closing NAV (\$'000)	245,253	219,590	229,078
Closing NAV (%)	30.93	29.80	32.83
Number of shares	6,333,453	6,531,513	7,806,934
Highest share price (UK p)	2,865.30	2,638.91	2,479.30
Lowest share price (UK p)	2,465.35	1,958.05	1,900.61

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	223.34	216.10	201.45
Return before operating charges	23.46	12.45	20.48
Operating charges	(1.35)	(2.46)	(2.09)
Return after operating charges	22.11	9.99	18.39
Distributions	n/a	(2.75)	(3.74)
Closing NAV	245.45	223.34	216.10
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.04
Dilution adjustments ^a	(0.01)	(0.02)	(0.04)
Total direct transaction costs	0.00	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	1.15	1.15	1.17
Return after charges	+9.90	+4.62	+9.13
Historic yield	1.08	1.27	1.39
Other information			
Closing NAV (\$'000)	4,342	4,107	2,853
Closing NAV (%)	0.55	0.56	0.41
Number of shares	1,270,401	1,382,346	1,084,153
Highest share price (UK p)	252.92	236.40	226.26
Lowest share price (UK p)	217.79	175.36	173.71

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	247.63	236.69	216.88
Return before operating charges	26.02	13.63	22.30
Operating charges	(1.50)	(2.69)	(2.49)
Return after operating charges	24.52	10.94	19.81
Distributions	n/a	(0.44)	(1.45)
Retained distributions	n/a	0.44	1.45
Closing NAV	272.15	247.63	236.69
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.05
Dilution adjustments ^a	(0.01)	(0.02)	(0.04)
Total direct transaction costs	0.00	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	1.15	1.15	1.17
Return after charges	+9.90	+4.62	+9.13
Historic yield	0.15	0.18	0.37
Other information			
Closing NAV (\$'000)	18,256	16,143	13,239
Closing NAV (%)	2.30	2.19	1.90
Number of shares	4,817,380	4,900,020	4,592,924
Highest share price (UK p)	280.43	258.92	243.60
Lowest share price (UK p)	241.47	192.07	187.02

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	459.47	445.69	417.48
Return before operating charges	48.24	25.62	42.21
Operating charges	(3.37)	(6.18)	(6.26)
Return after operating charges	44.87	19.44	35.95
Distributions	n/a	(5.66)	(7.74)
Closing NAV	504.34	459.47	445.69
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.07	0.09
Dilution adjustments ^a	(0.01)	(0.04)	(0.07)
Total direct transaction costs	0.00	0.03	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	1.39	1.40	1.64
Return after charges	+9.77	+4.36	+8.61
Historic yield	1.08	1.27	1.40
Other information			
Closing NAV (\$'000)	8,860	7,887	7,673
Closing NAV (%)	1.12	1.07	1.10
Number of shares	1,261,605	1,290,306	1,413,602
Highest share price (UK p)	519.73	486.96	466.77
Lowest share price (UK p)	447.84	361.17	359.43

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	943.05	903.62	831.96
Return before operating charges	99.03	51.95	85.06
Operating charges	(6.91)	(12.52)	(13.40)
Return after operating charges	92.12	39.43	71.66
Distributions	n/a	n/a	(1.44)
Retained distributions	n/a	n/a	1.44
Closing NAV	1,035.17	943.05	903.62
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.13	0.17
Dilution adjustments ^a	(0.02)	(0.09)	(0.15)
Total direct transaction costs	0.00	0.04	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	1.39	1.40	1.64
Return after charges	+9.77	+4.36	+8.61
Historic yield	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	6,153	5,795	5,343
Closing NAV (%)	0.78	0.79	0.77
Number of shares	426,820	461,928	485,528
Highest share price (UK p)	1,066.73	987.31	930.20
Lowest share price (UK p)	919.20	732.24	716.28

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 and 29 February	2021		2020	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains/(losses)		109,459		16,762
Revenue	4,221		4,335	
Expenses	(4,635)		(4,430)	
Net revenue/(expense) before taxation	(414)		(95)	
Taxation	(508)		(514)	
Net revenue/(expense) after taxation		(922)		(609)
Total return before equalisation		108,537		16,153
Equalisation		(163)		(24)
Change in net assets attributable to shareholders from investment activities		108,374		16,129

Statement of change in net assets attributable to shareholders

for the six months to 28 and 29 February	2021		2020	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		736,863		697,719
Amounts received on issue of shares	15,253		11,892	
Amounts paid on cancellation of shares	(67,649)		(47,615)	
		(52,396)		(35,723)
Dilution adjustments		56		32
Change in net assets attributable to shareholders from investment activities (see above)		108,374		16,129
Unclaimed distributions		9		6
Closing net assets attributable to shareholders		792,906		678,163

The opening net assets attributable to shareholders for 2021 differs to the closing position in 2020 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Financial statements and notes

Financial statements

Balance sheet

as at	28 February 2021 \$'000	31 August 2020 \$'000
Assets		
Fixed assets		
Investments	774,271	721,667
Current assets		
Debtors	2,908	3,156
Cash and bank balances	5,134	4,420
Cash equivalents	12,140	21,804
Total assets	794,453	751,047
Liabilities		
Creditors		
Distribution payable	0	(4,073)
Other creditors	(1,547)	(10,111)
Total liabilities	(1,547)	(14,184)
Net assets attributable to shareholders	792,906	736,863

Financial statements and notes

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

Authorised Corporate Director's Report

Investment objective

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

Investment policy

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

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

Derivatives may be used for efficient portfolio management.

Investment approach

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

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

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

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

Benchmark up to 26 November 2020

Benchmark: MSCI ACWI Index.

The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's target benchmark as it best reflects the scope of the fund's investment policy. The target benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

For unhedged share classes, the benchmark is shown in the share class currency.

Benchmark from 27 November 2020

Benchmark: MSCI ACWI Index.

The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

The fund is actively managed. The fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

For unhedged and hedged share classes, the benchmark is shown in the share class currency.

Risk profile

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

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

Authorised Corporate Director's Report

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

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

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



The above number:

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

Investment review

As at 1 March 2021, for the six months ended 28 February 2021

Performance against objective

Between 1 September 2020 (the start of the review period) and 1 March 2021, the fund delivered a positive total return (the combination of income and growth of capital) across all its share classes and outperformed the MSCI ACWI Index, which returned 10.8% in sterling, 14.0% in euros and 14.8% in US dollars.

Over five years, the fund generated an annualised positive total return across all its share classes but underperformed its benchmark, which was the FTSE Global Basics Composite Index (comprising all subsectors of the FTSE World Index except media, IT, telecommunications, financials and healthcare) until 16 November 2017 and the MSCI ACWI Index thereafter. The fund therefore did not meet the current objective over the specified timeframe of five years.

The return for the fund's US dollar Class 'C' share class is shown to 15 December 2020, the date when this share class was closed.

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

Performance review

Stockmarkets worldwide continued to recover, with the MSCI ACWI Index reaching a record high in February. The dominant feature of the six-month review period was the change in market leadership. News of effective vaccines prompted a dramatic change in sentiment, which resulted in economically sensitive stocks leading the markets higher as investors contemplated a world returning to normal following the devastating effects of COVID-19.

Energy and financials were the standout sectors, while defensive areas of the market such as consumer staples and utilities struggled. (Defensive stocks are companies that tend to have stable earnings and are less affected by peaks and troughs in the economy.) Technology underperformed as the strength in semiconductors was offset by the weakness of Apple. Amazon.com was another notable laggard as 'new economy' stocks reversed their previous momentum.

Against this backdrop, the fund generated a positive return and outperformed its benchmark, the MSCI ACWI Index. Stock selection was the key driver of excess return and added value across a variety of sectors.

PrairieSky Royalty made the biggest positive contribution to performance after the fund's largest

Authorised Corporate Director's Report

holding rose more than 30%. The Canadian company, which receives royalties from oil & gas bearing lands, benefited from a favourable backdrop for energy-related companies. ONEOK was another strong performer in a buoyant energy sector. The US midstream company, which owns and operates pipelines, storage terminals and processing facilities, offers attractive long-term prospects, in our view, driven by its exposure to some of the most prolific basins in North America.

Stock selection added the most value in technology, helped by the fund's semiconductor holdings. Infineon Technologies, Samsung Electronics and Intel ranked among the top positive contributors.

First Republic Bank and Manulife Financial outperformed as financials rallied.

Franco-Nevada led the detractors as its defensive characteristics, which were highly prized during periods of uncertainty, were shunned in an environment of increasing optimism about economic growth. The royalty company, which owns rights to cashflows from mineral landholdings including those producing gold, remains financially robust in our view, with a debt-free balance sheet, and remains committed to a sustainable and progressive dividend. The stock provides diversification benefits for the portfolio and remains a core holding.

Rising bond yields took their toll on Equinix and Crown Castle. Both companies are structured as real estate investment trusts (REITs), but should not be considered bond proxies. Equinix, a data centre company, and Crown Castle, the owner and operator of communication towers, are at the forefront of the long-term growth trend in digital infrastructure and have a pivotal role to play in our increasingly connected world. We added to both stocks on weakness.

Nokia's underperformance was due to company-specific issues. The Finnish company warned of difficult times ahead in October and announced further restructuring to position the company for long-term growth. The shares recovered strongly in January, helped by the announcement of a new 5G contract,

encouraging results from its peer Ericsson and the intervention of retail traders on Reddit, but were unable to sustain those gains. We continue to believe that the telecoms equipment manufacturer is a long-term beneficiary of structural growth trends including 5G deployment.

Investment activities

We made five new purchases and five complete sales during the six-month review period, a level of turnover consistent with our long-term investment horizon of three to five years.

We initiated a holding in Intel, as we saw a rare value opportunity in the technology sector. The semiconductor behemoth has been under pressure due to market share losses to AMD, but we believed that the share price did not reflect the company's dominance in processors and the explosive growth in the data centre business. The potential for Intel to participate in the next technological wave, artificial intelligence, is underappreciated, in our view.

We also bought Weichai Power, China's research and development leader in heavy-duty truck engines. The company has a high quality core business which is well placed to benefit from the upgrade in emission standards. The investment case also provides optionality by way of long-term growth opportunities in alternative fuel engines, including the emerging technology of hydrogen fuel cells. We bought the Hong Kong-listed stock.

Labcorp and Anthem were the new additions in healthcare. Labcorp is a clinical labs company with potential to increase share in a fragmented US market and a beneficiary of the structural growth in healthcare spending driven by demographic trends. COVID-19 provides a short-term opportunity and highlights the long-term need for adequate testing. The valuation does not reflect the long-term tailwinds, in our view. We also bought Anthem, a managed care organisation (MCO) in the US, which continues to deliver strong growth against the backdrop of an ageing society. We believe that the company's robust fundamentals are not adequately reflected in the share price.

Authorised Corporate Director's Report

L'Oreal in consumer staples was the final purchase during the review period. The French company is a world leader in beauty products, a market which remained resilient during the global health crisis and is poised to thrive if a recovery in consumer spending takes place when lockdown restrictions are eased. From a geographic perspective, China presents an excellent growth opportunity over the long term, in our view.

Our legacy holdings in Linde, the industrial gases company, and Kerry Group, a nutrition business, provided a source of cash.

Edison International, the Californian utility, was sold for the same reason: to accommodate new investment ideas with better growth prospects. We also exited Naturgy Energy in utilities. Shares of the world leader in liquefied natural gas (LNG), a key transition fuel, rallied strongly after IFM Global Infrastructure Fund, which is owned by Australian pension funds, offered to pay a 20% premium for a 23% stake in the company.

The disposal of TC Energy reflected our desire to consolidate our midstream energy holdings into our conviction position in ONEOK.

Elsewhere, we gained a new holding in Siemens Energy, which was spun off from its parent company, Siemens. We are retaining Siemens Energy as a long-term holding owing to its key role in enabling the global energy transition from conventional to renewable energy. By contrast, the contingent value rights (CVRs) for Bristol Myers Squibb lapsed and no longer trade on the New York Stock Exchange. The number of holdings remained at 61, with the number of active investments at 60. We expect the number to range between 40 and 60 over the long term.

Outlook

The rollout of vaccines has brought hope for a path back to normal, which in turn has propelled stockmarkets to record highs, but many uncertainties remain. Rather than second-guess the shape of the economic recovery, we prefer to focus our attention on the long-term trends that underpin our thematic approach. We remain undeterred in our belief that the

fund's four themes – demographics, environment, infrastructure and innovation – will persist for many decades to come and that the beneficiaries of these powerful tailwinds can generate profitable growth for a variety of stakeholders, including employees, customers, shareholders and the broader society.

The ability to generate cashflow is absolutely critical in our company analysis. History is littered with examples of “blue sky” concepts that never turned a profit. Fleeting fads and speculative manias are seldom rewarding over the long term. Persistent loss makers are usually cast aside and forgotten in the annals of history.

Valuation is another crucial aspect of our stock selection process, and we believe that the opportunities presented by the vagaries of the stockmarket will sow the seeds for future performance. We remain as optimistic as ever about the long-term prospects of the companies we are invested in and remain committed to our investment mantra: themes grounded in reality.

Alex Araujo

Fund manager

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

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

Investments

Portfolio statement

Holding	as at 28.02.21 \$'000	as at 28.02.21 %	as at 31.08.20 %
Equities	2,957,480	99.02	99.19
United Kingdom	118,986	3.98	4.40
286,312 AstraZeneca	27,792	0.93	
228,128 London Stock Exchange	30,676	1.03	
586,266 Unilever	30,598	1.02	
2,207,360 UNITE REIT	29,920	1.00	
Austria	46,382	1.55	1.16
1,409,510 Erste Group Bank	46,382	1.55	
Belgium	44,480	1.49	1.24
614,645 KBC	44,480	1.49	
Denmark	26,636	0.89	1.66
163,802 Ørsted	26,636	0.89	
Finland	43,620	1.46	2.10
10,909,821 Nokia	43,620	1.46	
France	102,674	3.44	2.01
117,561 L'Oréal	43,208	1.45	
569,400 Vinci	59,466	1.99	
Germany	181,414	6.07	6.15
1,790,108 Infineon Technologies	78,114	2.61	
378,503 Siemens	58,733	1.97	
1,173,067 Siemens Energy	44,567	1.49	
Ireland	0	0.00	0.96
Italy	28,008	0.94	0.98
2,957,506 Enel	28,008	0.94	
Netherlands	33,596	1.12	1.02
184,157 NXP Semiconductors	33,596	1.12	
Spain	45,022	1.51	2.83
1,797,077 Ferrovial	45,022	1.51	
Sweden	29,234	0.98	1.00
1,368,452 Epiroc	29,234	0.98	
Switzerland	116,789	3.91	3.71
498,576 Garmin	61,803	2.07	
167,099 Roche	54,986	1.84	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 \$'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
United States	1,305,814	43.72	41.16
220,646 Air Products & Chemicals	56,388	1.89	
132,701 American Tower	28,666	0.96	
191,892 American Water Works	27,227	0.91	
151,966 Anthem	46,053	1.54	
237,771 Becton Dickinson	57,327	1.92	
721,361 Bristol-Myers Squibb	44,227	1.48	
669,938 Cheniere Energy	45,000	1.51	
1,148,853 Comcast	60,487	2.02	
377,161 CoreSite Realty REIT	45,897	1.54	
369,542 Crown Castle International REIT	57,512	1.92	
501,658 CSX	45,922	1.54	
1,035,110 CVS Health	70,522	2.36	
41,341 Equinix REIT	26,776	0.90	
465,439 First Republic Bank	76,681	2.57	
1,089,813 Intel	66,130	2.21	
272,823 Johnson & Johnson	43,177	1.45	
137,757 LabCorp	33,048	1.11	
104,748 Martin Marietta Materials	35,269	1.18	
373,024 Microsoft	86,609	2.90	
169,165 Motorola Solutions	29,685	0.99	
380,453 NextEra Energy	27,952	0.94	
1,334,873 ONEOK	59,121	1.98	
325,214 PepsiCo	41,985	1.41	
628,760 Republic Services	56,016	1.87	
146,893 Visa	31,200	1.04	
253,963 Walt Disney	47,996	1.61	
1,740,221 Weyerhaeuser REIT	58,941	1.97	
Canada	318,591	10.67	11.75
1,180,467 Brookfield Asset Management	47,620	1.59	
619,273 Franco Nevada	66,574	2.23	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 \$'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Canada (continued)			
3,145,363 Manulife Financial	62,624	2.10	
14,022,215 PrairieSky Royalty	141,773	4.75	
Japan	113,045	3.79	4.50
178,400 Shimano	39,710	1.33	
993,400 Toyota Motor	73,335	2.46	
Australia	98,750	3.31	3.26
326,423 Erinbar (formerly Australian Zircon) ^a	0	0.00	
26,413,991 Starpharma	42,535	1.43	
5,690,433 Transurban	56,215	1.88	
China	102,926	3.45	0.00
819,400 Tencent	69,979	2.34	
11,259,000 Weichai Power	32,947	1.11	
Hong Kong	98,244	3.29	5.54
4,386,168 AIA	54,874	1.84	
47,186,000 Kunlun Energy	43,370	1.45	
Singapore	33,279	1.11	1.37
1,661,078 DBS	33,279	1.11	
South Korea	69,990	2.34	2.39
953,141 Samsung Electronics	69,990	2.34	
Portfolio of investments	2,957,480	99.02	99.19
Total portfolio	2,957,480	99.02	99.19
Net other assets / (liabilities)	29,250	0.98	0.81
Net assets attributable to shareholders	2,986,730	100.00	100.00

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

^a Unlisted/unquoted.

Investments

Top ten portfolio transactions for the six months to 28 February 2021

Largest purchases	\$'000
Intel	53,969
Anthem	44,845
L'Oréal	44,440
Siemens Energy	32,921
Labcorp	31,558
Weichai Power	23,167
Franco Nevada	19,032
Ferrovial	12,868
Crown Castle International REIT	11,144
PrairieSky Royalty	11,135
Other purchases	204,937
Total purchases	490,016

Largest sales	\$'000
TC Energy	58,801
First Republic Bank	56,136
Naturgy Energy	38,323
Samsung Electronics	36,242
Edison International	35,445
Orsted	33,557
Linde	32,376
Kerry	30,777
ONEOK	29,841
Infineon Technologies	29,755
Other sales	489,632
Total sales	870,885

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value	28.02.21 \$'000	31.08.20 \$'000	31.08.19 \$'000
Fund net asset value (NAV)	2,986,730	2,905,044	2,678,721

Performance since launch

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

November 2000 = 100, plotted monthly
Chart date 1 March 2021



Source: Morningstar, Inc. and M&G

* Income reinvested

** Prior to 17 November 2017 the benchmark was the FTSE Global Basics Composite Index (comprising all subsectors of the FTSE World Index except media, IT, telecommunications, financials and healthcare). Thereafter it is the MSCI ACWI Index.

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

Financial highlights

Long-term performance by share class

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period to 15 December 2020 for the US dollar share classes with the exception of US dollar Class 'A' (Accumulation) shares and 1 March 2021 for the remaining share classes. Calculated on a price to price basis with income reinvested.

Share class	From 01.09.20 % ^a	From 01.03.18 % pa	From 01.03.16 % pa	Since launch % pa
Euro^b				
Class 'A'	+15.4	+10.9	+11.1	+7.8 ^c
Class 'C'	+15.9	+12.0	+12.2	+8.9 ^c
Sterling^b				
Class 'A'	+12.3	+10.4	+13.8	+7.9 ^d
Class 'I'	+12.5	+11.1	+14.6	+9.5 ^e
Class PP'	+12.6	n/a	n/a	+14.7 ^f
Class 'R'	+12.4	+10.8	+14.3	+9.2 ^e
Class 'X'	+12.2	+10.4	+13.8	+13.8 ^g
US dollar^b				
Class 'A'	+15.9	+10.5	+13.4	+4.4 ^h
Class 'C'	+9.1	+9.9	+13.7	+5.0 ^h

^a Absolute basis.

^b Price to price with income reinvested.

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

^d 28 February 1973, the end of the initial offer period of the predecessor unit trust.

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

^f 8 April 2019, the launch date of the share class.

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

^h 9 March 2007, the launch date of the share class.

Financial highlights

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge. For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.

- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

Operating charges are in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

Portfolio transaction costs

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

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

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

Financial highlights

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

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

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 28.02.21 %	Year to 31.08.20 %	Year to 31.08.19 %	Average ^a %
Broker commission	0.03	0.02	0.07	0.04
Taxes	0.04	0.02	0.04	0.03
Costs before dilution adjustments	0.07	0.04	0.11	0.07
Dilution adjustments ^c	(0.02)	(0.02)	(0.01)	(0.02)
Total direct portfolio transaction costs	0.05	0.02	0.10	0.06
as at Indirect portfolio transaction costs	28.02.21 %	31.08.20 %	31.08.19 %	Average ^a %
Average portfolio dealing spread	0.14	0.19	0.25	0.19

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Historic yields for the current year are calculated as at 12 March 2021.

Euro Class 'A' Income share performance

The share class was launched on 28 November 2001.

Change in NAV per share	Six months to 28.02.21 Euro ¢	Year to 31.08.20 Euro ¢	Year to 31.08.19 Euro ¢
Opening NAV	3,413.00	3,355.12	3,119.11
Return before operating charges	524.38	187.73	360.58
Operating charges	(33.73)	(63.38)	(59.62)
Return after operating charges	490.65	124.35	300.96
Distributions	n/a	(66.47)	(64.95)
Closing NAV	3,903.65	3,413.00	3,355.12
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.23	1.32	3.46
Dilution adjustments ^a	(0.37)	(0.54)	(0.40)
Total direct transaction costs	0.86	0.78	3.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.02	0.10
Operating charges ^c	1.86	1.86	1.92
Return after charges	+14.38	+3.71	+9.65
Historic yield	1.65	1.99	1.69
Other information			
Closing NAV (\$'000)	5,390	6,579	5,258
Closing NAV (%)	0.18	0.23	0.20
Number of shares	114,066	161,938	141,928
Highest share price (Euro ¢)	4,034.34	3,871.78	3,432.94
Lowest share price (Euro ¢)	3,281.37	2,601.16	2,729.51

Specific share class performance

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

Financial highlights

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

Change in NAV per share	Six months to 28.02.21 Euro €	Year to 31.08.20 Euro €	Year to 31.08.19 Euro €
Opening NAV	3,713.22	3,580.57	3,265.29
Return before operating charges	570.04	200.26	377.68
Operating charges	(36.61)	(67.61)	(62.40)
Return after operating charges	533.43	132.65	315.28
Distributions	n/a	(7.71)	(4.46)
Retained distributions	n/a	7.71	4.46
Closing NAV	4,246.65	3,713.22	3,580.57
Direct transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	1.33	1.41	3.62
Dilution adjustments ^a	(0.40)	(0.57)	(0.42)
Total direct transaction costs	0.93	0.84	3.20
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.02	0.10
Operating charges ^c	1.86	1.86	1.92
Return after charges	+14.37	+3.70	+9.66
Historic yield	0.18	0.21	0.00
Other information			
Closing NAV (\$'000)	1,895,555	1,732,940	1,711,878
Closing NAV (%)	63.46	59.65	63.90
Number of shares	36,872,886	39,204,905	43,300,407
Highest share price (Euro €)	4,388.81	4,131.89	3,594.06
Lowest share price (Euro €)	3,569.67	2,775.91	2,857.61

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

Change in NAV per share	Six months to 28.02.21 Euro €	Year to 31.08.20 Euro €	Year to 31.08.19 Euro €
Opening NAV	3,981.39	3,874.79	3,566.16
Return before operating charges	613.33	217.75	416.12
Operating charges	(18.22)	(33.99)	(32.82)
Return after operating charges	595.11	183.76	383.30
Distributions	n/a	(77.16)	(74.67)
Closing NAV	4,576.50	3,981.39	3,874.79
Direct transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	1.44	1.54	3.98
Dilution adjustments ^a	(0.44)	(0.62)	(0.46)
Total direct transaction costs	1.00	0.92	3.52
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.02	0.10
Operating charges ^c	0.86	0.86	0.92
Return after charges	+14.95	+4.74	+10.75
Historic yield	1.63	1.99	1.67
Other information			
Closing NAV (\$'000)	1,795	1,536	1,386
Closing NAV (%)	0.06	0.05	0.05
Number of shares	32,405	32,405	32,405
Highest share price (Euro €)	4,728.52	4,492.38	3,960.40
Lowest share price (Euro €)	3,830.79	3,021.05	3,130.84

Financial highlights

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

Change in NAV per share	Six months to 28.02.21 Euro €	Year to 31.08.20 Euro €	Year to 31.08.19 Euro €
Opening NAV	4,447.84	4,246.28	3,834.19
Return before operating charges	683.48	238.94	447.19
Operating charges	(19.16)	(37.38)	(35.10)
Return after operating charges	664.32	201.56	412.09
Distributions	n/a	(49.70)	(44.93)
Retained distributions	n/a	49.70	44.93
Closing NAV	5,112.16	4,447.84	4,246.28
Direct transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	1.51	1.69	4.25
Dilution adjustments ^a	(0.46)	(0.69)	(0.50)
Total direct transaction costs	1.05	1.00	3.75
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.02	0.10
Operating charges ^c	0.86	0.86	0.92
Return after charges	+14.94	+4.75	+10.75
Historic yield	0.94	1.14	0.81
Other information			
Closing NAV (\$'000)	6,767	184,696	13,397
Closing NAV (%)	0.23	6.36	0.50
Number of shares	109,345	3,488,303	285,735
Highest share price (Euro €)	5,281.99	4,923.28	4,258.34
Lowest share price (Euro €)	4,279.18	3,310.84	3,366.37

Sterling Class 'A' Income share performance

The share class was launched on 28 February 1973.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	1,002.02	993.10	911.11
Return before operating charges	121.49	41.69	115.97
Operating charges	(7.24)	(13.30)	(14.78)
Return after operating charges	114.25	28.39	101.19
Distributions	n/a	(19.47)	(19.20)
Closing NAV	1,116.27	1,002.02	993.10
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.36	0.38	1.00
Dilution adjustments ^a	(0.11)	(0.15)	(0.12)
Total direct transaction costs	0.25	0.23	0.88
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.02	0.10
Operating charges ^c	1.35	1.36	1.65
Return after charges	+11.40	+2.86	+11.11
Historic yield	1.67	2.00	1.64
Other information			
Closing NAV (\$'000)	153,791	149,845	144,504
Closing NAV (%)	5.15	5.16	5.39
Number of shares	9,893,853	11,240,858	11,948,404
Highest share price (UK p)	1,155.15	1,060.73	1,018.69
Lowest share price (UK p)	977.16	790.66	802.05

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 28 February 1973.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	1,648.62	1,602.82	1,442.51
Return before operating charges	199.67	67.25	183.71
Operating charges	(11.88)	(21.45)	(23.40)
Return after operating charges	187.79	45.80	160.31
Distributions	n/a	(10.94)	(6.07)
Retained distributions	n/a	10.94	6.07
Closing NAV	1,836.41	1,648.62	1,602.82
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.60	0.61	1.58
Dilution adjustments ^a	(0.18)	(0.25)	(0.18)
Total direct transaction costs	0.42	0.36	1.40
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.02	0.10
Operating charges ^c	1.35	1.36	1.65
Return after charges	+11.39	+2.86	+11.11
Historic yield	0.57	0.68	0.15
Other information			
Closing NAV (\$'000)	324,547	291,237	295,883
Closing NAV (%)	10.87	10.02	11.05
Number of shares	12,691,491	13,278,877	15,158,538
Highest share price (UK p)	1,900.38	1,711.95	1,612.96
Lowest share price (UK p)	1,607.56	1,276.07	1,269.93

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	1,711.05	1,687.32	1,536.70
Return before operating charges	207.64	71.21	197.07
Operating charges	(7.86)	(14.32)	(13.93)
Return after operating charges	199.78	56.89	183.14
Distributions	n/a	(33.16)	(32.52)
Closing NAV	1,910.83	1,711.05	1,687.32
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.62	0.65	1.69
Dilution adjustments ^a	(0.19)	(0.26)	(0.20)
Total direct transaction costs	0.43	0.39	1.49
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.02	0.10
Operating charges ^c	0.86	0.86	0.92
Return after charges	+11.68	+3.37	+11.92
Historic yield	1.66	2.00	1.62
Other information			
Closing NAV (\$'000)	66,839	60,292	60,204
Closing NAV (%)	2.24	2.08	2.25
Number of shares	2,511,946	2,648,682	2,929,887
Highest share price (UK p)	1,977.17	1,806.51	1,729.96
Lowest share price (UK p)	1,670.01	1,347.16	1,356.06

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	1,943.31	1,879.96	1,679.67
Return before operating charges	235.59	79.31	215.52
Operating charges	(8.92)	(15.96)	(15.23)
Return after operating charges	226.67	63.35	200.29
Distributions	n/a	(21.71)	(19.85)
Retained distributions	n/a	21.71	19.85
Closing NAV	2,169.98	1,943.31	1,879.96
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.70	0.72	1.85
Dilution adjustments ^a	(0.21)	(0.29)	(0.22)
Total direct transaction costs	0.49	0.43	1.63
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.02	0.10
Operating charges ^c	0.86	0.86	0.92
Return after charges	+11.66	+3.37	+11.92
Historic yield	0.96	1.15	0.79
Other information			
Closing NAV (\$'000)	330,335	297,667	267,712
Closing NAV (%)	11.05	10.25	9.99
Number of shares	10,932,132	11,513,938	11,693,471
Highest share price (UK p)	2,245.33	2,012.73	1,891.03
Lowest share price (UK p)	1,896.51	1,500.94	1,482.31

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	101.76	100.15	100.00
Return before operating charges	12.35	4.23	2.10
Operating charges	(0.36)	(0.65)	(0.05)
Return after operating charges	11.99	3.58	2.05
Distributions	n/a	(1.97)	(1.90)
Closing NAV	113.75	101.76	100.15
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.04	0.01
Dilution adjustments ^a	(0.01)	(0.02)	0.00
Total direct transaction costs	0.03	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.02	0.10
Operating charges	0.66	0.66	0.66
Return after charges	+11.78	+3.57	+2.05
Historic yield	1.66	2.00	1.69
Other information			
Closing NAV (\$'000)	238	203	169
Closing NAV (%)	0.01	0.01	0.01
Number of shares	150,531	149,885	138,924
Highest share price (UK p)	117.70	107.33	102.60
Lowest share price (UK p)	99.35	80.05	99.24

Financial highlights

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	115.72	111.72	100.00
Return before operating charges	14.03	4.73	12.02
Operating charges	(0.41)	(0.73)	(0.30)
Return after operating charges	13.62	4.00	11.72
Distributions	n/a	(1.50)	(1.27)
Retained distributions	n/a	1.50	1.27
Closing NAV	129.34	115.72	111.72
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.04	0.05
Dilution adjustments ^a	(0.01)	(0.02)	(0.01)
Total direct transaction costs	0.03	0.02	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.02	0.10
Operating charges ^c	0.66	0.66	0.67
Return after charges	+11.77	+3.58	+11.72
Historic yield	1.11	1.34	0.60
Other information			
Closing NAV (\$'000)	661	536	188
Closing NAV (%)	0.02	0.02	0.01
Number of shares	366,928	348,033	138,014
Highest share price (UK p)	133.83	119.72	112.36
Lowest share price (UK p)	112.97	89.30	99.20

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	169.51	167.58	153.00
Return before operating charges	20.55	7.05	19.58
Operating charges	(1.00)	(1.83)	(1.77)
Return after operating charges	19.55	5.22	17.81
Distributions	n/a	(3.29)	(3.23)
Closing NAV	189.06	169.51	167.58
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.06	0.17
Dilution adjustments ^a	(0.02)	(0.03)	(0.02)
Total direct transaction costs	0.04	0.03	0.15
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.02	0.10
Operating charges ^c	1.11	1.11	1.17
Return after charges	+11.53	+3.11	+11.64
Historic yield	1.66	2.00	1.63
Other information			
Closing NAV (\$'000)	5,548	4,738	4,206
Closing NAV (%)	0.19	0.16	0.16
Number of shares	2,107,323	2,101,303	2,061,137
Highest share price (UK p)	195.64	179.20	171.86
Lowest share price (UK p)	165.37	133.60	134.91

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	190.48	184.73	165.47
Return before operating charges	23.10	7.77	21.17
Operating charges	(1.13)	(2.02)	(1.91)
Return after operating charges	21.97	5.75	19.26
Distributions	n/a	(1.70)	(1.52)
Retained distributions	n/a	1.70	1.52
Closing NAV	212.45	190.48	184.73
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.07	0.18
Dilution adjustments ^a	(0.02)	(0.03)	(0.02)
Total direct transaction costs	0.05	0.04	0.16
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.02	0.10
Operating charges ^c	1.11	1.11	1.17
Return after charges	+11.53	+3.11	+11.64
Historic yield	0.76	0.92	0.58
Other information			
Closing NAV (\$'000)	26,499	22,124	19,127
Closing NAV (%)	0.89	0.76	0.71
Number of shares	8,957,754	8,730,287	8,502,016
Highest share price (UK p)	219.83	197.55	185.87
Lowest share price (UK p)	185.82	147.28	145.90

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	1,005.28	996.34	914.07
Return before operating charges	121.88	41.81	116.36
Operating charges	(7.25)	(13.34)	(14.83)
Return after operating charges	114.63	28.47	101.53
Distributions	n/a	(19.53)	(19.26)
Closing NAV	1,119.91	1,005.28	996.34
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.36	0.38	1.00
Dilution adjustments ^a	(0.11)	(0.15)	(0.12)
Total direct transaction costs	0.25	0.23	0.88
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.02	0.10
Operating charges ^c	1.35	1.36	1.65
Return after charges	+11.40	+2.86	+11.11
Historic yield	1.67	2.00	1.64
Other information			
Closing NAV (\$'000)	52,028	45,963	44,642
Closing NAV (%)	1.74	1.58	1.67
Number of shares	3,336,280	3,436,769	3,679,292
Highest share price (UK p)	1,158.92	1,064.19	1,022.01
Lowest share price (UK p)	980.34	793.24	804.66

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	1,632.43	1,587.10	1,428.35
Return before operating charges	197.72	66.58	181.92
Operating charges	(11.77)	(21.25)	(23.17)
Return after operating charges	185.95	45.33	158.75
Distributions	n/a	(10.83)	(6.01)
Retained distributions	n/a	10.83	6.01
Closing NAV	1,818.38	1,632.43	1,587.10
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.59	0.61	1.56
Dilution adjustments ^a	(0.18)	(0.25)	(0.18)
Total direct transaction costs	0.41	0.36	1.38
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.02	0.10
Operating charges ^c	1.35	1.36	1.65
Return after charges	+11.39	+2.86	+11.11
Historic yield	0.57	0.68	0.15
Other information			
Closing NAV (\$'000)	97,292	87,924	89,535
Closing NAV (%)	3.26	3.03	3.34
Number of shares	3,842,320	4,048,615	4,632,482
Highest share price (UK p)	1,881.73	1,695.14	1,597.12
Lowest share price (UK p)	1,591.78	1,263.54	1,257.47

US dollar Class 'A' Income share performance

The share class was launched on 8 August 2014. The share class closed on 15 December 2020.

Change in NAV per share	Six months to 28.02.21 US ¢	Year to 31.08.20 US ¢	Year to 31.08.19 US ¢
Opening NAV	1,445.21	1,317.67	1,294.54
Return before operating charges	146.57	180.77	72.60
Operating charges	(8.16)	(25.19)	(23.95)
Return after operating charges	138.41	155.58	48.65
Distributions	n/a	(28.04)	(25.52)
Return to shareholder as a result of share class closure	(1,583.62)	n/a	n/a
Closing NAV	0.00	1,445.21	1,317.67
Direct transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.30	0.53	1.39
Dilution adjustments ^a	(0.09)	(0.21)	(0.16)
Total direct transaction costs	0.21	0.32	1.23
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.02	0.10
Operating charges ^c	1.86	1.86	1.92
Return after charges	+9.58	+11.81	+3.76
Historic yield	0.00	1.99	1.77
Other information			
Closing NAV (\$'000)	0	17	56
Closing NAV (%)	0.00	0.00	0.00
Number of shares	0	1,204	4,215
Highest share price (US ¢)	1,597.09	1,492.68	1,366.55
Lowest share price (US ¢)	1,358.96	990.52	1,105.71

Financial highlights

US dollar Class 'A' Accumulation share performance

The share class was launched on 9 March 2007.

Change in NAV per share	Six months to 28.02.21 US ¢	Year to 31.08.20 US ¢	Year to 31.08.19 US ¢
Opening NAV	1,567.50	1,401.98	1,351.12
Return before operating charges	271.08	192.33	75.95
Operating charges	(15.54)	(26.81)	(25.09)
Return after operating charges	255.54	165.52	50.86
Distributions	n/a	(3.21)	(1.75)
Retained distributions	n/a	3.21	1.75
Closing NAV	1,823.04	1,567.50	1,401.98
Direct transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.57	0.56	1.46
Dilution adjustments ^a	(0.17)	(0.23)	(0.17)
Total direct transaction costs	0.40	0.33	1.29
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.02	0.10
Operating charges ^c	1.86	1.86	1.92
Return after charges	+16.30	+11.81	+3.76
Historic yield	0.17	0.21	0.00
Other information			
Closing NAV (\$'000)	19,445	18,686	20,522
Closing NAV (%)	0.65	0.64	0.77
Number of shares	1,066,594	1,192,076	1,463,766
Highest share price (US ¢)	1,886.90	1,588.17	1,426.36
Lowest share price (US ¢)	1,473.79	1,053.89	1,154.11

US dollar Class 'C' Income share performance

The share class was launched on 8 August 2014. The share class closed on 15 December 2020.

Change in NAV per share	Six months to 28.02.21 US ¢	Year to 31.08.20 US ¢	Year to 31.08.19 US ¢
Opening NAV	1,601.22	1,445.32	1,405.70
Return before operating charges	162.74	199.45	79.84
Operating charges	(4.11)	(12.54)	(12.27)
Return after operating charges	158.63	186.91	67.57
Distributions	n/a	(31.01)	(27.95)
Return to shareholder as a result of share class closure	(1,759.85)	n/a	n/a
Closing NAV	0.00	1,601.22	1,445.32
Direct transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.33	0.58	1.53
Dilution adjustments ^a	(0.10)	(0.23)	(0.18)
Total direct transaction costs	0.23	0.35	1.35
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.02	0.10
Operating charges ^c	0.84	0.84	0.90
Return after charges	+9.91	+12.93	+4.81
Historic yield	0.00	1.98	1.75
Other information			
Closing NAV (\$'000)	0	6	6
Closing NAV (%)	0.00	0.00	0.00
Number of shares	0	401	401
Highest share price (US ¢)	1,774.77	1,645.02	1,496.45
Lowest share price (US ¢)	1,506.83	1,092.69	1,204.50

Financial highlights

US dollar Class 'C' Accumulation share performance

The share class was launched on 9 March 2007. The share class closed on 15 December 2020.

Change in NAV per share	Six months to 28.02.21 US ¢	Year to 31.08.20 US ¢	Year to 31.08.19 US ¢
Opening NAV	1,789.13	1,584.37	1,511.73
Return before operating charges	181.65	218.77	86.25
Operating charges	(4.67)	(14.01)	(13.61)
Return after operating charges	176.98	204.76	72.64
Distributions	n/a	(19.99)	(16.66)
Retained distributions	n/a	19.99	16.66
Return to shareholder as a result of share class closure	(1,966.11)	n/a	n/a
Closing NAV	0.00	1,789.13	1,584.37
Direct transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.37	0.63	1.64
Dilution adjustments ^a	(0.11)	(0.26)	(0.19)
Total direct transaction costs	0.26	0.37	1.45
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.02	0.10
Operating charges ^c	0.86	0.86	0.92
Return after charges	+9.89	+12.92	+4.81
Historic yield	0.00	1.15	0.85
Other information			
Closing NAV (\$'000)	0	55	48
Closing NAV (%)	0.00	0.00	0.00
Number of shares	0	3,051	3,051
Highest share price (US ¢)	1,982.79	1,803.19	1,609.39
Lowest share price (US ¢)	1,683.48	1,197.74	1,295.48

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 and 29 February	2021		2020	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains/(losses)		459,276		48,147
Revenue	29,311		29,605	
Expenses	(23,393)		(22,517)	
Net revenue/(expense) before taxation	5,918		7,088	
Taxation	(2,685)		(2,981)	
Net revenue/(expense) after taxation		3,233		4,107
Total return before equalisation		462,509		52,254
Equalisation		(675)		(129)
Change in net assets attributable to shareholders from investment activities		461,834		52,125

Statement of change in net assets attributable to shareholders

for the six months to 28 and 29 February	2021		2020	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		2,905,044		2,678,721
Amounts received on issue of shares	92,179		91,464	
Amounts paid on cancellation of shares	(472,986)		(237,753)	
		(380,807)		(146,289)
Dilution adjustments		647		362
Change in net assets attributable to shareholders from investment activities (see above)		461,834		52,125
Unclaimed distributions		12		7
Closing net assets attributable to shareholders		2,986,730		2,584,926

The opening net assets attributable to shareholders for 2021 differs to the closing position in 2020 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Financial statements and notes

Financial statements

Balance sheet

as at	28 February 2021 \$'000	31 August 2020 \$'000
Assets		
Fixed assets		
Investments	2,957,480	2,881,322
Current assets		
Debtors	40,790	7,031
Cash and bank balances	26,915	26,702
Total assets	3,025,185	2,915,055
Liabilities		
Creditors		
Distribution payable	0	(5,227)
Other creditors	(38,455)	(4,784)
Total liabilities	(38,455)	(10,011)
Net assets attributable to shareholders	2,986,730	2,905,044

Financial statements and notes

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

Authorised Corporate Director's Report

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the MSCI Japan Index over any five-year period.

Investment policy

At least 80% of the fund is invested directly in equity securities and equity related securities of companies across any sectors and market capitalisations that are incorporated, domiciled, or do most of their business in Japan. The fund usually holds a concentrated portfolio of fewer than 50 companies.

The fund may also invest in other transferable securities directly and via collective investment schemes (including funds managed by M&G).

The fund may also hold cash and near cash for liquidity purposes.

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

The fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies.

The investment approach aims to exploit price volatility.

The fund manager believes that stockmarket mispricing can and often occur because psychological factors (ie behavioural biases) prevent investors from always assessing investments rationally. As a result, market prices do not always reflect the fundamental value of companies. The fund seeks to profit from such behavioural biases.

The investment approach filters the fund's investment universe down to a focused list of companies whose shares trade on low valuations relative to their history and the market. These companies are then subject to rigorous fundamental analysis to attain an understanding of a company's sustainable earnings.

This fundamental analysis leads to a high level of conviction for each of the companies held in the fund.

The fund manager expects stock selection to be the main driver of performance.

Benchmark up to 26 November 2020

Benchmark: MSCI Japan Index.

The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's target benchmark as it best reflects the scope of the fund's investment policy. The target benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

For unhedged share classes, the benchmark is shown in the share class currency.

Benchmark from 27 November 2020

Benchmark: MSCI Japan Index.

The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

The fund is actively managed. The fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

For unhedged and hedged share classes, the benchmark is shown in the share class currency.

Risk profile

The fund invests in the shares of companies listed in Japan and is, therefore, subject to the price volatility of the Japanese stockmarket and the performance of

Authorised Corporate Director's Report

individual companies. The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on companies that are deemed to be undervalued, and these stocks could potentially experience a degree of illiquidity in times of market distress. However, the fund is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. The fund also invests in the shares of smaller companies, which can be more unpredictable and difficult to buy and sell. Diversification across industries and market capitalisation is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 1 March 2021, for the six months ended 28 February 2021

Performance against objective

Between 1 September 2020 (the start of the review period) and 1 March 2021, the M&G Japan Fund delivered a positive total return (the combination of income and growth of capital) across all its sterling

share classes. Fund performance was ahead of the fund's benchmark, the MSCI Japan Index, which rose by 15.3% over the same period under review.

Over five years, the fund generated an annualised positive total return across its sterling share classes, but lagged its benchmark, which returned 12.1% pa over this period. Therefore, the fund did not meet the objective over its specified timeframe of five years.

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

Performance review

The Japanese stockmarket registered impressive gains over the six months under review, buoyed by positive news of an effective vaccine against COVID-19, a return to economic growth in the second half of 2020 and accelerating corporate reform. By the middle of February 2021, the Nikkei 225 Index had recaptured the symbolic 30,000 level for the first time since 1990.

The review period began with the confirmation in September 2020 of Yoshihide Suga as Japan's new prime minister, which followed the unexpected resignation of Shinzo Abe in the previous month. Suga was quick to confirm his desire to see the corporate reform agenda in Japan continue and made vocal his intention to accelerate Japan's digitisation efforts, a statement that was taken well by the IT services sector.

In December, the Japanese government laid out its 'green growth' strategy, following Prime Minister Suga's earlier pledge of zero carbon by 2050. The strategy looks to encourage significant new investment in climate-friendly activities. This, along with his previously outlined focus on digitisation, as well as public endorsement for consolidation in Japan's small company universe, will likely be strong themes for the equity market going forward, in our view.

However, when investing we do not restrict ourselves solely to the above themes. Improvements in corporate governance, merger and acquisition activity and

Authorised Corporate Director's Report

balance sheet restructuring are happening across our investment universe, providing many investment opportunities.

We believe our investment style is well suited to this dynamic, and this was reflected in the strong performance of the fund during the review period. The fund recorded a positive return and outperformed its benchmark, the MSCI Japan Index, driven by strong stock selection.

The fund's standout contributor was Hitachi Zosen. Shares in the industrial and engineering company rose by more than 50% over the review period. We have been actively engaged with the company for the past year, trying to support management with a variety of strategic decisions and with its efforts to improve communication with the investment community. We remain happy with the improvements being made. Despite strong performance, this poorly covered company continues to offer significant upside, we believe, and we remain invested.

In the technology sector, semiconductor manufacturer SUMCO and materials and electronics company Taiyo Yuden added value. We increased materially our holding in SUMCO early in the review period, noting that its depressed share price was in stark contrast to the buoyant behaviour exhibited elsewhere in the semiconductor supply chain. By early December, the stock had risen materially from our entry price and we decided to reduce our holding. We remain invested, as a structural wafer (semiconductor) shortage looks increasingly likely in 2022 and 2023.

We added materials and electronics company Taiyo Yuden to the portfolio in June 2020 (before the start of the review period). Our investment was based on the view that structural improvements in Taiyo Yuden's earnings power were not reflected in the share price. A reassessment of the company by investors led to a significant increase in its share price in the review period.

Another addition to the portfolio in 2020 which has performed well is Nikon, in which we invested following a series of conversations with senior management.

Whilst Nikon's camera business is clearly challenged, we believe the market is attributing no value to the company's lithography division, one of the largest in the world. Moreover, investors are completely overlooking its strong balance sheet and the sense of urgency of the new management team, in our view. We see significant potential to engage with Nikon and support the company as it looks to reposition its strategy.

Other notable contributors to the fund's outperformance over the six months included Toyota Industries and JSR, a manufacturer of high value-added technology materials. At JSR, investors have started to anticipate an acceleration in improvements at the business.

The principal detractor to fund performance was construction company Haseko. Shares in Haseko fell following the release of quarterly results, which revealed COVID-19-related weakness. This should not have been a surprise to the market, and furthermore, the company has indicated the weakness is short term. The earnings environment for Haseko is not buoyant, but we think it is relatively stable. With an attractive dividend, which we think is sustainable, and the company planning to buy back 10% of its shares, we believe Haseko is attractive for long-term holders and we remain invested.

Other holdings that detracted, but to a lesser extent included East Japan Railway (JR East) and Takeda Pharmaceutical. Shares in JR East struggled, on concerns railway travel would remain weaker for longer. JR East's shares trade well below what we believe is intrinsic value for the company and we have engaged with the company on what we believe to be attractive commercial opportunities. However, we have become increasingly disappointed with management's capital allocation strategy, which continues to retain rather than release value, and have exited the holding. Takeda lagged the broader market along with the healthcare sector in general.

Investment activities

We aim to identify significant dislocations between the price and value of a stock that we can exploit and

Authorised Corporate Director's Report

where we believe we have a superior perspective. Our edge does not come from better forecasting, but rather from what we consider to be superior pricing of risk. In addition, we actively engage with companies we invest in to add value in a range of areas. We believe this differentiates us as investment professionals and can lead us to unique investment opportunities.

In mid-November, news of an effective COVID-19 vaccine led to a sharp fall in Nintendo's share price, as investors rotated into stocks deemed to be beneficiaries of a successful vaccine rollout. This response was, in our view, overly simplistic; we therefore took the opportunity to buy a 'quality and growth' name at a very reasonable price. We believe that consensus expectations for Nintendo's earnings reflect an anchored and COVID-centric perspective of underlying business trends. We believe there is a good likelihood that earnings could comfortably beat consensus forecasts for the year ahead, and furthermore, this is not reflected in the current share price.

We also initiated positions in asset manager Sparx Group and Sumitomo Heavy Industries. We have been following and engaging with Sparx Group for more than a year and we believe the medium-term earnings power of the company, and its venture capital business, is entirely under-appreciated by the market.

Sumitomo Heavy Industries is engaged in many commercial segments, including some growth businesses. The market had been pessimistic of the capital goods sector in general when we invested however, compared to its competitors, we feel this company offers solid earnings potential at a very attractive valuation.

Other new additions included Musashi Seimitsu Industry, Sumitomo Electric Industries, Sankyu, Tokuyama Corp, NEC and Sanrio. In each case we see significant asymmetry in prospective returns, as well as the opportunity to add value through constructive engagement with management.

Towards the end of the review period, we initiated positions in Kyudenko and Mandom. Whilst

predominantly a construction company, we believe the market is undervaluing Kyudenko's rapidly growing renewable energy portfolio. The company is benefiting from a structural trend in the energy space towards solar and other renewable projects. The company's modest valuation and net cash offers us a margin of safety, whilst the market figures this out.

Mandom is a cosmetics company that has a large market share in male grooming products. Its track record over many decades is impressive. The market is nervous that the negative impact from COVID-19 might be permanent, and the company's shares are priced accordingly. We do not share this view and see significant asymmetry in prospective returns, skewed to the upside. We believe the company can very plausibly achieve its previous level of profit margins and expect strong share price returns in the coming one-to-two years.

In the fourth quarter of 2020, we reduced the fund's exposure to Japanese real estate Investment trusts (JREITs) and closed the position in ORIX JREIT. We also sold Rohm, a manufacturer of semiconductor testing equipment and electronic measuring devices. The stock has risen significantly since we initiated the position in March 2020.

Later in the review period, we exited or reduced holdings in several companies, including JR East, Subaru, Suzuki Motor, Toyo Tire and Invincible Investment REIT.

Outlook

Looking ahead, we are excited about the fund's holdings. As corporate reform continues to accelerate in Japan, we feel more than ever that our ability to add value through sound stewardship will deliver rewards for our investors and the companies in which we invest. Notwithstanding the uncertainties caused by the coronavirus, we believe current valuations in Japanese companies are undemanding, economic policy is now extremely supportive and interest rates are at very low levels.

As active managers, we are increasingly excited by the investment opportunities we see in the stockmarket

Authorised Corporate Director's Report

today. Not only do we believe we can add value as stock pickers, but we can also leverage M&G's long tradition of engaging with management, which can be its own catalyst for value realisation.

Our unique approach to investment through building working relationships with our investee companies over a long period of time have furnished us with expertise and global networks in certain segments of the market.

We continue to leverage these relationships to actively help companies we engage with to unleash value. We believe this 'servant leadership' model of engagements affords us access to companies in ways that will encourage positive change. ('Servant leadership' is a leadership philosophy in which an individual interacts with others, such as a company's management, with the aim of achieving influence.)

While we are seeing returns from our effort already reflected in the fund performance, there are still many companies in the portfolio where we feel the potential for superior return is sizeable. In addition, we see a large pool of potential opportunities we can explore in the Japanese stockmarket today.

We continue to see valuations in Japanese companies as highly supportive for prospective returns. More importantly, the significant variation in valuation between stocks, combined with continued restructuring at the company level, leaves us excited about the opportunity to add additional value through our stock-picking and engagement approach.

Carl Vine

Fund manager

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

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

Investments

Portfolio statement

Holding	as at 28.02.21 ¥'000	as at 28.02.21 %	as at 31.08.20 %
Equities	25,374,180	100.63	99.74
Chemicals	1,511,841	6.00	4.68
127,800 Fujimi	502,254	1.99	
155,100 JSR	491,667	1.95	
195,000 Tokuyama	517,920	2.06	
Construction & engineering	448,075	1.78	2.10
54,200 Kyudenko	189,700	0.75	
68,900 Taisei	258,375	1.03	
Electrical equipment	632,669	2.51	3.89
143,300 Fuji Electric	632,669	2.51	
Machinery	1,667,972	6.61	5.34
505,600 Hino Motors	505,095	2.00	
1,298,600 Hitachi Zosen	879,152	3.49	
97,000 Sumitomo Heavy Industries	283,725	1.12	
Trading companies & distributors	951,234	3.77	3.37
420,900 Mitsui	951,234	3.77	
Airlines	296,668	1.18	1.83
117,539 Japan Airlines	296,668	1.18	
Marine	412,608	1.64	0.00
122,800 Mitsui OSK Lines	412,608	1.64	
Road & rail	1,052,087	4.17	4.61
135,700 Keisei Electric Railway	519,731	2.06	
119,900 Sankyu	532,356	2.11	
Transportation infrastructure	366,926	1.46	1.03
184,200 Kamigumi	366,926	1.46	
Auto components	929,099	3.68	4.20
235,600 Musashi Seimitsu Industry	413,243	1.64	
84,400 Sumitomo Electric Industries	130,440	0.51	
42,400 Toyota Industries	385,416	1.53	
Automobiles	1,889,635	7.49	8.12
169,900 Honda Motor	494,579	1.96	
269,300 Isuzu Motors	299,462	1.19	
139,300 Toyota Motor	1,095,594	4.34	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 ¥'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Household durables	2,371,239	9.40	6.90
490,900 Haseko	647,006	2.56	
622,000 Nikon	587,168	2.33	
102,300 Sony	1,137,065	4.51	
Specialty retail	807,744	3.20	0.78
2,500 Fast Retailing	262,500	1.04	
313,900 Sanrio	545,244	2.16	
Food & staples retailing	732,312	2.90	2.49
181,400 Seven & i	732,312	2.90	
Beverages	324,674	1.29	1.75
70,474 Asahi	324,674	1.29	
Personal products	268,720	1.07	0.84
148,300 Mandom	268,720	1.07	
Pharmaceuticals	1,272,371	5.05	5.35
105,600 Astellas Pharma	176,563	0.70	
83,300 Shionogi	450,153	1.79	
180,300 Takeda Pharmaceutical	645,655	2.56	
Banks	932,144	3.70	4.02
935,500 Mitsubishi UFJ Financial	521,448	2.07	
109,900 Sumitomo Mitsui Financial	410,696	1.63	
Diversified financial services	853,134	3.38	2.97
473,700 ORIX	853,134	3.38	
Consumer finance	863,910	3.43	3.97
652,500 Credit Saison	863,910	3.43	
Capital markets	720,359	2.86	0.85
327,200 Nomura	202,112	0.80	
1,624,600 Sparx	518,247	2.06	
Insurance	0	0.00	0.61
IT services	470,148	1.86	1.53
81,200 NEC	470,148	1.86	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 ¥'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Electronic equipment, instruments & components	935,757	3.71	4.55
168,400 Hitachi	820,782	3.25	
21,900 Taiyo Yuden	114,975	0.46	
Semiconductors & semiconductor equipment	410,913	1.63	2.96
169,100 SUMCO	410,913	1.63	
Diversified telecommunication services	769,063	3.05	2.74
279,000 Nippon Telegraph and Telephone	769,063	3.05	
Wireless telecommunication services	692,650	2.75	2.26
70,000 SoftBank	692,650	2.75	
Media	678,185	2.69	3.24
349,400 TBS	678,185	2.69	
Entertainment	511,525	2.03	0.00
7,900 Nintendo	511,525	2.03	
Interactive media & services	494,926	1.96	1.87
170,900 Dip	494,926	1.96	
Equity real estate investment trusts (REITs)	0	0.00	4.20
Real estate management & development	1,105,592	4.38	6.69
335,800 Mitsui Fudosan	805,248	3.19	
125,300 Nomura Real Estate	300,344	1.19	
Portfolio of investments	25,374,180	100.63	99.74
Net other assets / (liabilities)	(158,186)	(0.63)	0.26
Net assets attributable to shareholders	25,215,994	100.00	100.00

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

Investments

Top ten portfolio transactions for the six months to 28 February 2021

Largest purchases	¥'000
Toyota Motor	712,683
Tokuyama	513,954
Sankyu	508,971
Sanrio	502,682
NEC	485,787
Nintendo	462,972
Sparx	451,268
Nikon	439,822
Musashi Seimitsu Industry	393,983
Mitsui OSK Lines	374,953
Other purchases	2,428,286
Total purchases	7,275,361

Largest sales	¥'000
Hitachi Zosen	628,469
Toyota Industries	511,748
East Japan Railway	473,935
Taiyo Yuden	456,793
SUMCO	454,252
Fuji Electric	438,139
NTT Data	385,839
Invincible Investment	358,006
Mitsui Fudosan	331,491
JSR	309,381
Other sales	4,081,187
Total sales	8,429,240

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value as at	28.02.21 ¥'000	31.08.20 ¥'000	31.08.19 ¥'000
Fund net asset value (NAV)	25,215,994	21,462,317	39,372,800

Performance since launch

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

April 1971 = 100, plotted monthly
Chart date 1 March 2021



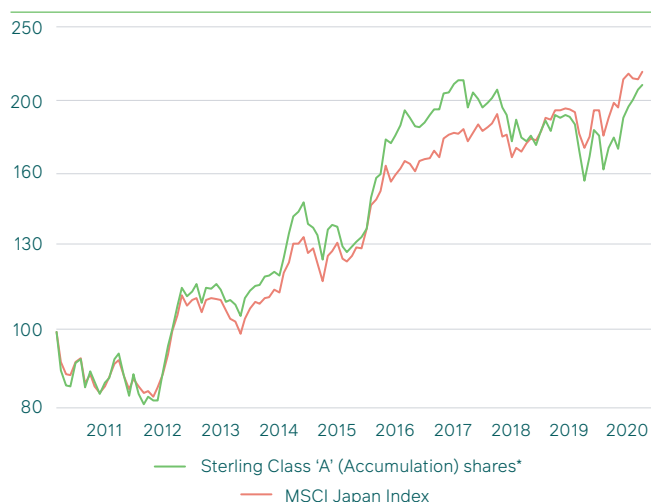
Source: Morningstar, Inc. and M&G

* Income reinvested

Ten-year performance

Please note that the comparator benchmark's total return is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.

Ten years = 1 March 2011, plotted monthly
Chart date 1 March 2021



Source: Morningstar, Inc. and M&G

* Income reinvested

Financial highlights

Long-term performance by share class

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

Share class	Six months 01.09.20 % ^a	Three years 01.03.18 % pa	Five years 01.03.16 % pa	Since launch % pa
Sterling^b				
Class 'A'	+22.0	-0.2	+10.9	+7.0 ^c
Class 'I'	+22.3	+0.4	+11.7	+12.3 ^d
Class 'PP'	+22.4	n/a	n/a	+8.4 ^e
Class 'R'	+22.1	+0.1	+11.4	+12.0 ^d
Class 'X'	+22.0	-0.2	+10.9	+7.5 ^f

^a Absolute basis.

^b Price to price with income reinvested.

^c 6 April 1971, the end of the initial offer period of the predecessor unit trust.

^d 3 August 2012, the launch date of the share class.

^e 8 April 2019, the launch date of the share class.

^f 1 October 2002, the launch date of the share class.

Financial highlights

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge. For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.

- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

Operating charges are in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

Portfolio transaction costs

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

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

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

Financial highlights

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

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

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 28.02.21 %	Year to 31.08.20 %	Year to 31.08.19 %	Average ^a %
Broker commission	0.05	0.13	0.03	0.07
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.05	0.13	0.03	0.07
Dilution adjustments ^c	(0.01)	(0.03)	(0.01)	(0.02)
Total direct portfolio transaction costs	0.04	0.10	0.02	0.05
as at Indirect portfolio transaction costs	28.02.21 %	31.08.20 %	31.08.19 %	Average ^a %
Average portfolio dealing spread	0.28	0.30	0.18	0.25

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

Historic yields for the current year are calculated as at 12 March 2021.

Sterling Class 'A' Income share performance

The share class was launched on 9 May 1977.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	48.79	52.24	59.26
Return before operating charges	9.07	(1.38)	(4.56)
Operating charges	(0.37)	(0.72)	(0.91)
Return after operating charges	8.70	(2.10)	(5.47)
Distributions	n/a	(1.35)	(1.55)
Closing NAV	57.49	48.79	52.24
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.06	0.02
Dilution adjustments ^a	0.00	(0.01)	(0.01)
Total direct transaction costs	0.01	0.05	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.04	0.10	0.02
Operating charges ^c	1.39	1.40	1.66
Return after charges	+17.83	-4.02	-9.23
Historic yield	2.14	2.76	2.20
Other information			
Closing NAV (¥'000)	15,084,557	12,916,402	12,899,625
Closing NAV (%)	59.82	60.18	32.76
Number of shares	177,217,220	188,897,091	190,577,938
Highest share price (UK p)	60.13	56.35	61.36
Lowest share price (UK p)	47.78	40.28	50.62

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 6 April 1971.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	58.94	61.41	67.65
Return before operating charges	10.97	(1.62)	(5.20)
Operating charges	(0.45)	(0.85)	(1.04)
Return after operating charges	10.52	(2.47)	(6.24)
Distributions	n/a	(0.76)	(0.66)
Retained distributions	n/a	0.76	0.66
Closing NAV	69.46	58.94	61.41
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.08	0.03
Dilution adjustments ^a	0.00	(0.02)	(0.01)
Total direct transaction costs	0.02	0.06	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.04	0.10	0.02
Operating charges ^c	1.39	1.40	1.65
Return after charges	+17.85	-4.02	-9.22
Historic yield	1.00	1.29	0.37
Other information			
Closing NAV (¥'000)	1,184,942	874,576	925,712
Closing NAV (%)	4.70	4.07	2.35
Number of shares	11,521,950	10,586,036	11,634,097
Highest share price (UK p)	72.65	66.24	70.07
Lowest share price (UK p)	57.74	47.35	57.80

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	1,975.85	2,105.24	2,370.67
Return before operating charges	367.95	(55.82)	(185.60)
Operating charges	(9.72)	(19.00)	(17.75)
Return after operating charges	358.23	(74.82)	(203.35)
Distributions	n/a	(54.57)	(62.08)
Closing NAV	2,334.08	1,975.85	2,105.24
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.52	2.64	0.80
Dilution adjustments ^a	(0.13)	(0.61)	(0.23)
Total direct transaction costs	0.39	2.03	0.57
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.04	0.10	0.02
Operating charges ^c	0.90	0.90	0.93
Return after charges	+18.13	-3.55	-8.58
Historic yield	2.13	2.75	2.18
Other information			
Closing NAV (¥'000)	225,440	196,985	13,271,529
Closing NAV (%)	0.89	0.92	33.71
Number of shares	65,236	71,131	4,865,680
Highest share price (UK p)	2,440.90	2,272.99	2,456.36
Lowest share price (UK p)	1,935.27	1,627.28	2,035.73

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	2,256.65	2,339.60	2,558.57
Return before operating charges	420.38	(62.00)	(197.45)
Operating charges	(11.07)	(20.95)	(21.52)
Return after operating charges	409.31	(82.95)	(218.97)
Distributions	n/a	(40.35)	(43.79)
Retained distributions	n/a	40.35	43.79
Closing NAV	2,665.96	2,256.65	2,339.60
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.59	2.91	0.95
Dilution adjustments ^a	(0.15)	(0.68)	(0.28)
Total direct transaction costs	0.44	2.23	0.67
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.04	0.10	0.02
Operating charges ^c	0.90	0.90	0.92
Return after charges	+18.14	-3.55	-8.56
Historic yield	1.38	1.78	1.14
Other information			
Closing NAV (¥'000)	8,257,461	7,089,795	11,853,097
Closing NAV (%)	32.75	33.03	30.10
Number of shares	2,092,007	2,241,547	3,910,336
Highest share price (UK p)	2,787.96	2,526.19	2,651.62
Lowest share price (UK p)	2,210.43	1,808.55	2,197.55

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	90.69	96.43	100.00
Return before operating charges	16.90	(2.58)	(0.74)
Operating charges	(0.35)	(0.66)	(0.05)
Return after operating charges	16.55	(3.24)	(0.79)
Distributions	n/a	(2.50)	(2.78)
Closing NAV	107.24	90.69	96.43
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.12	0.00
Dilution adjustments ^a	(0.01)	(0.03)	0.00
Total direct transaction costs	0.01	0.09	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.04	0.10	0.02
Operating charges	0.70	0.70	0.70
Return after charges	+18.25	-3.36	-0.79
Historic yield	2.12	2.75	2.30
Other information			
Closing NAV (¥'000)	8,415	2,542	2,499
Closing NAV (%)	0.03	0.01	0.01
Number of shares	53,000	20,000	20,000
Highest share price (UK p)	112.15	104.16	100.68
Lowest share price (UK p)	88.83	74.62	97.17

Financial highlights

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	97.24	100.62	100.00
Return before operating charges	18.13	(2.69)	0.91
Operating charges	(0.38)	(0.69)	(0.29)
Return after operating charges	17.75	(3.38)	0.62
Distributions	n/a	(1.93)	(1.97)
Retained distributions	n/a	1.93	1.97
Closing NAV	114.99	97.24	100.62
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.12	0.02
Dilution adjustments ^a	(0.01)	(0.03)	0.00
Total direct transaction costs	0.02	0.09	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.04	0.10	0.02
Operating charges ^c	0.70	0.70	0.68
Return after charges	+18.25	-3.36	+0.62
Historic yield	1.53	1.98	0.95
Other information			
Closing NAV (¥'000)	13,077	14,123	13,688
Closing NAV (%)	0.05	0.07	0.03
Number of shares	76,805	103,627	105,000
Highest share price (UK p)	120.25	108.69	104.26
Lowest share price (UK p)	95.25	77.86	94.45

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	195.27	208.58	235.48
Return before operating charges	36.35	(5.55)	(18.21)
Operating charges	(1.23)	(2.36)	(2.53)
Return after operating charges	35.12	(7.91)	(20.74)
Distributions	n/a	(5.40)	(6.16)
Closing NAV	230.39	195.27	208.58
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.26	0.09
Dilution adjustments ^a	(0.01)	(0.06)	(0.03)
Total direct transaction costs	0.04	0.20	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.04	0.10	0.02
Operating charges ^c	1.15	1.15	1.17
Return after charges	+17.99	-3.79	-8.81
Historic yield	2.14	2.75	2.19
Other information			
Closing NAV (¥'000)	31,622	28,685	30,720
Closing NAV (%)	0.13	0.13	0.08
Number of shares	92,703	104,806	113,675
Highest share price (UK p)	240.95	225.09	243.94
Lowest share price (UK p)	191.26	161.01	201.85

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	221.27	229.97	252.12
Return before operating charges	41.20	(6.10)	(19.44)
Operating charges	(1.39)	(2.60)	(2.71)
Return after operating charges	39.81	(8.70)	(22.15)
Distributions	n/a	(3.41)	(3.68)
Retained distributions	n/a	3.41	3.68
Closing NAV	261.08	221.27	229.97
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.28	0.09
Dilution adjustments ^a	(0.01)	(0.07)	(0.03)
Total direct transaction costs	0.05	0.21	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.04	0.10	0.02
Operating charges ^c	1.15	1.15	1.17
Return after charges	+17.99	-3.78	-8.79
Historic yield	1.19	1.53	0.89
Other information			
Closing NAV (¥'000)	252,930	203,422	195,644
Closing NAV (%)	1.00	0.95	0.50
Number of shares	654,335	655,926	656,618
Highest share price (UK p)	273.04	248.19	261.24
Lowest share price (UK p)	216.73	177.53	216.17

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	48.09	51.50	58.42
Return before operating charges	8.95	(1.37)	(4.50)
Operating charges	(0.37)	(0.71)	(0.89)
Return after operating charges	8.58	(2.08)	(5.39)
Distributions	n/a	(1.33)	(1.53)
Closing NAV	56.67	48.09	51.50
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.06	0.02
Dilution adjustments ^a	0.00	(0.01)	(0.01)
Total direct transaction costs	0.01	0.05	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.04	0.10	0.02
Operating charges ^c	1.39	1.40	1.65
Return after charges	+17.84	-4.04	-9.23
Historic yield	2.14	2.76	2.20
Other information			
Closing NAV (¥'000)	97,268	80,922	85,946
Closing NAV (%)	0.39	0.38	0.22
Number of shares	1,159,254	1,200,555	1,288,120
Highest share price (UK p)	59.27	55.55	60.49
Lowest share price (UK p)	47.10	39.70	49.90

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	58.16	60.60	66.75
Return before operating charges	10.82	(1.60)	(5.13)
Operating charges	(0.44)	(0.84)	(1.02)
Return after operating charges	10.38	(2.44)	(6.15)
Distributions	n/a	(0.75)	(0.65)
Retained distributions	n/a	0.75	0.65
Closing NAV	68.54	58.16	60.60
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.08	0.03
Dilution adjustments ^a	0.00	(0.02)	(0.01)
Total direct transaction costs	0.02	0.06	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.04	0.10	0.02
Operating charges ^c	1.39	1.40	1.65
Return after charges	+17.85	-4.03	-9.21
Historic yield	1.00	1.29	0.37
Other information			
Closing NAV (¥'000)	60,282	54,865	94,340
Closing NAV (%)	0.24	0.26	0.24
Number of shares	594,057	673,075	1,201,666
Highest share price (UK p)	71.68	65.36	69.14
Lowest share price (UK p)	56.96	46.71	57.03

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 and 29 February	2021		2020	
	¥'000	¥'000	¥'000	¥'000
Income				
Net capital gains/(losses)		5,119,608		774,508
Revenue	266,766		529,523	
Expenses	(142,121)		(234,017)	
Net revenue/(expense) before taxation	124,645		295,506	
Taxation	(25,480)		(59,334)	
Net revenue/(expense) after taxation		99,165		236,172
Total return before equalisation		5,218,773		1,010,680
Equalisation		(12,996)		(15,539)
Change in net assets attributable to shareholders from investment activities		5,205,777		995,141

Statement of change in net assets attributable to shareholders

for the six months to 28 and 29 February	2021		2020	
	¥'000	¥'000	¥'000	¥'000
Opening net assets attributable to shareholders		21,462,317		39,372,800
Amounts received on issue of shares	1,024,577		366,990	
Amounts paid on cancellation of shares	(2,482,083)		(2,831,357)	
		(1,457,506)		(2,464,367)
Dilution adjustments		5,391		4,533
Change in net assets attributable to shareholders from investment activities (see above)		5,205,777		995,141
Unclaimed distributions		15		0
Closing net assets attributable to shareholders		25,215,994		37,908,107

The opening net assets attributable to shareholders for 2021 differs to the closing position in 2020 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Financial statements and notes

Financial statements

Balance sheet

as at	28 February 2021 ¥'000	31 August 2020 ¥'000
Assets		
Fixed assets		
Investments	25,374,180	21,407,041
Current assets		
Debtors	125,953	50,069
Cash and bank balances	197,151	402,626
Total assets	25,697,284	21,859,736
Liabilities		
Creditors		
Distribution payable	0	(366,364)
Other creditors	(481,290)	(31,055)
Total liabilities	(481,290)	(397,419)
Net assets attributable to shareholders	25,215,994	21,462,317

Financial statements and notes

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

Authorised Corporate Director's Report

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the Russell/Nomura Mid-Small Cap Index over any five-year period.

Investment policy

At least 80% of the fund is invested in the equity securities and equity related securities of smaller companies that are incorporated, domiciled, or do most of their business, in Japan.

Smaller companies are defined as the bottom half in terms of total market capitalisation of all publicly listed companies in Japan.

The fund usually holds a concentrated portfolio of fewer than 50 companies.

The fund may also invest in other transferable securities directly or via collective investment schemes (including funds managed by M&G).

The fund may also hold cash and near cash for liquidity purposes.

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

The fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies.

The investment approach aims to take advantage of price volatility.

The fund manager believes that stockmarket mispricing can and often does occur because psychological factors (i.e. behavioural biases) prevent investors from always assessing investments rationally. As a result, market prices do not always reflect the fundamental value of companies. The fund seeks to profit from such behavioural biases.

The investment approach filters the fund's investment universe down to a focused list of companies whose shares trade on low valuations relative to their history and the market. These companies are then subject to rigorous fundamental analysis to attain an understanding of a company's sustainable earnings. This fundamental analysis leads to a high level of conviction for each of the companies held in the fund.

The fund manager expects stock selection to be the main driver of performance.

Benchmark up to 26 November 2020

Benchmark: Russell/Nomura Mid-Small Cap Index.

The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's target benchmark as it best reflects the scope of the fund's investment policy. The target benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

For unhedged share classes, the benchmark is shown in the share class currency.

Benchmark from 27 November 2020

Benchmark: Russell/Nomura Mid-Small Cap Index.

The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

The fund is actively managed. The fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

For unhedged and hedged share classes, the benchmark is shown in the share class currency.

Authorised Corporate Director's Report

Risk profile

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

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

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



The above number:

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

Investment review

As at 1 March 2021, for the six months ended 28 February 2021

Performance against objective

Between 1 September 2020 (the start of the review period) and 1 March 2021, the M&G Japan Smaller Companies Fund delivered a positive total return (the combination of income and growth of capital) across all its sterling share classes. Fund

performance was well ahead of the fund's benchmark, the Russell/Nomura Mid-Small Cap Index, which rose by 11.3% over the same period under review.

Over five years, the fund generated an annualised positive total return across its sterling share classes and outperformed its benchmark, which returned 10.5% pa over this period. Therefore, the fund met its objective over the specified timeframe of five years.

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

Performance review

The Japanese stockmarket registered impressive gains over the six months under review, buoyed by positive news of an effective vaccine against COVID-19, a return to economic growth in the second half of 2020 and accelerating corporate reform. By the middle of February 2021, the Nikkei 225 Index had recaptured the symbolic 30,000 level for the first time since 1990.

While the shares of small and mid-cap companies in general lagged large-cap companies, the fund performed strongly, and significantly outperformed its benchmark, the Russell/Nomura Mid-Small Cap Index, driven by strong stock selection. Many of the holdings that added value are ones we have engaged with directly.

The review period began with the confirmation in September 2020 of Yoshihide Suga as Japan's new prime minister, which followed the unexpected resignation of Shinzo Abe in the previous month. Suga was quick to confirm his desire to see the corporate reform agenda in Japan continue and made vocal his intention to accelerate Japan's digitisation efforts, a statement that was taken well by the IT services sector.

In December, the Japanese government laid out its 'green growth' strategy, following Prime Minister Suga's earlier pledge of zero carbon by 2050. The strategy looks to encourage significant new investment in climate-friendly activities. This, along with his previously outlined focus on digitisation, as well as public endorsement for consolidation in Japan's small

Authorised Corporate Director's Report

company universe, will likely be strong themes for the equity market going forward, in our view.

However, when investing we do not restrict ourselves solely to the above themes. Improvements in corporate governance, merger and acquisition activity and balance sheet restructuring are happening across our investment universe, providing many investment opportunities.

The largest contribution came from QD Laser, a new initial public offering (IPO) that started trading in February. The company is a world leader in Quantum Dot Lasers. We were excited about this IPO, given its applications in several semiconductor markets that we follow. Additionally, we have been upbeat about the potential of QD Laser to use its technology to address the significant market for visually impaired adults. Therefore, we were determined to take part in the IPO. It was pleasing to see the shares rise very strongly following the IPO and we remain invested.

Industrial stocks were favoured by investors and Hitachi Zosen and Nippon Thompson made strong gains. Shares in Hitachi Zosen, an industrial and engineering company, rose by more than 50% (in local currency terms) over the review period. We have been actively engaged with the company for the past year, trying to support management with a variety of strategic decisions and with its efforts to improve communication with the investment community. We remain happy with the improvements being made. Despite recent strong performance, this poorly covered company continues to offer significant upside, we believe, and we remain invested.

Nippon Thompson has been viewed by the market as a cyclical machine tool company with no structural growth prospects. Our assessment differs meaningfully. Whilst indeed cyclical, structural improvements in both the company's cost base as well as the competitiveness of its core products lead us to believe that future earnings prospects may be orders of magnitude above historic levels. With the company's order book displaying signs of the 'green shoots' of recovery, the market is starting to reassess the risk/reward prospects

for Nippon Thompson. Although the share price has risen significantly, we remain invested.

Automobile parts manufacturer Musashi Seimitsu was another key contributor. When we first invested in Musashi Seimitsu in the middle of 2020 our investment case was two-fold. Firstly, we thought the stock would prove to be a good investment if the company's earnings merely returned to pre-COVID-19 levels in the coming years. Secondly, following detailed due diligence into the company's various venture capital investments, we saw a significant chance that the company would enter a period of structural growth in the years ahead. Since the summer of 2020, the consensus has begun to recognise the new growth potential for the company. With the shares having made stellar gains since our investment, we have reduced our holding modestly, but remain invested, as we believe the structural opportunity is still to be fully priced in; in other words, we believe the share price may rise further.

In financials, asset manager Sparx featured amongst the contributors. We believe the medium-term earnings power of the company, and its venture capital business, is under-appreciated by the market. Recent earnings announcements are starting to reveal to the market what we have been observing for more than a year now. We believe that 2021 and 2022 will be exciting years for the company.

In the technology sector, semiconductor manufacturer SUMCO also added value. We materially increased our holding in SUMCO early in the review period, noting that its depressed share price was in stark contrast to the buoyant behaviour exhibited elsewhere in the semiconductor supply chain. By early December, the stock had risen materially from our entry price and we decided to reduce our holding. We remain invested as a structural wafer (semiconductor) shortage looks increasingly likely in 2022 and 2023.

The principal detractors to fund performance during the review period were Yukiguni Maitake and Haseko.

Yukiguni operates a unique business in one of the world's fastest-growing functional food segments,

Authorised Corporate Director's Report

mushrooms. On a low multiple of earnings, the market is paying very little for mid-single digit growth prospects, in our view. Furthermore, we believe the market is attributing no value to Yukiguni's potential success in the supplement market, where pricing per gram is more than 10 times the raw product market. Management is actively engaged with us on commercial strategy and how to attack these higher margin marketplaces, and we remain invested.

Shares in construction company Haseko fell following the release of quarterly results, which revealed COVID-19-related weakness. This should not have been a surprise to the market, and furthermore, the company has indicated the weakness is short term. The earnings environment for Haseko is not buoyant but we think it is relatively stable. With an attractive dividend, which we think is sustainable, and the company planning to buy back 10% of its shares, we believe Haseko is attractive for long-term holders and we remain invested.

Investment activities

We aim to identify significant dislocations between the price and value of a stock that we can exploit and where we believe we have a superior perspective. Our edge does not come from better forecasting, but rather from what we consider to be superior pricing of risk. In addition, we actively engage with companies in which we invest to add value in a range of areas.

This is especially true in the small and mid-cap space where we have more to offer. We believe this differentiates us as investment professionals and can lead us to unique investment opportunities. Some of the new investments we made during the review period very much reflect our approach, where we seek to add value through understanding the business like a business owner, and not simply as a passive investor.

Activity was relatively light early in the review period. Aside from the new investment in Yukiguni Maitake (already discussed), we initiated holdings in Nikon and ACSL.

Nikon joined the portfolio following a series of conversations with senior management. Whilst Nikon's camera business is clearly challenged, we believe the

market is attributing no value to the company's lithography division, one of the largest in the world. Moreover, investors are completely overlooking its strong balance sheet and the sense of urgency of the new management team, in our view. We see significant potential to engage with Nikon and support the company as it looks to reposition its strategy. ACSL is a manufacturer of autonomous drones. We believe the company is an example of mispriced structural growth.

Towards the end of the review period, we initiated positions in companies such as Earth, Kyudenko, Mandom and Tokyo Steel Manufacturing.

Earth is a company with a unique position and a large market share in the domestic market for insecticide. We are engaging with the management on a range of issues such as governance, environmental, social and governance (ESG) considerations and business strategy. We believe this is where we can actively promote change that is positive for shareholders. The company's focus on pricing power, merger and acquisition activity and corporate governance, suggests to us that this is one of the new breed of companies that could benefit from the structural changes taking place in Japan today.

Whilst predominantly a construction company, we believe the market is undervaluing Kyudenko's rapidly growing renewable energy portfolio. The company is benefiting from a structural trend in the energy space towards solar and other renewable projects. The company's modest valuation and net cash offers us a margin of safety, whilst the market figures this out.

Mandom is a cosmetics company that has a large market share in male grooming products. Its track record over many decades is impressive. The market is nervous that the negative impact from COVID-19 might be permanent and the company's shares are priced accordingly. We do not share this view and see significant asymmetry in prospective returns, skewed to the upside. We believe the company can very plausibly achieve its previous level of profit margins and expect strong share price returns in the coming one-to-two years.

Authorised Corporate Director's Report

In our opinion, Tokyo Steel is mispriced on several levels, but particularly from a positive climate perspective. In the near term, the market is concerned about the profit impact of rising scrap steel prices, a core input material. However, we are focused on the longer term options available to the company, embedded in the fact that Tokyo Steel's steel manufacturing approach is some 40% less carbon intensive than traditional blast furnace steel mills. Despite this positive climate characteristic, Tokyo Steel continues to operate well below full capacity. We believe this represents an easy option for a country that is determined to improve its climate credentials. We shall be lobbying in Tokyo Steel's favour going forward.

Conversely, we closed the fund's position in JMDC, as the technology company had performed very well, and we felt we could reinvest the capital into better opportunities. We continue to be impressed by the company and its prospects. However, at a multiple of more than 100 times earnings and having tripled in value since we first bought the stock, we decided to move on. We remain exposed to JMDC through our holding in its parent company Noritsu Koki.

Other positions we exited over the review period included ORIX JREIT (Japanese real estate investment trust) and Sumitomo Mitsui Trust Holdings. We also took advantage of significant share price strength to reduce holdings in Musashi Seimitsu and SUMCO and we used the recovery in Hamakyorex's share price from its recent lows, to exit the holding.

Outlook

Looking ahead, we are excited about the fund's holdings. As corporate reform continues to accelerate in Japan, we feel more than ever that our ability to add value through sound stewardship will deliver rewards for our investors and the companies in which we invest. Notwithstanding the uncertainties caused by the coronavirus, we believe current valuations in Japanese companies are undemanding, economic policy is now extremely supportive and interest rates are at very low levels.

As active managers, we are increasingly excited by the investment opportunities we see in the stockmarket today. Not only do we believe we can add value as stock pickers, but we can also leverage M&G's long tradition of engaging with management, which can be its own catalyst for value realisation. This is especially true in the smaller companies space.

Our unique approach to investment through building working relationships with our investee companies over a long period of time have furnished us with expertise and global networks in certain segments of the market. Our in-depth knowledge of companies outside of Japan is especially beneficial to some of the smaller companies we engage with, as we can offer a different perspective. We can also contribute to companies who are establishing better governance processes (a current trend in Japan), which is a win-win situation for both shareholders and the companies involved.

We continue to leverage these relationships to actively help companies we engage with to unleash value. We believe this 'servant leadership' model of engagements affords us access to companies in ways that will encourage positive change. ('Servant leadership' is a leadership philosophy in which an individual interacts with others, such as a company's management, with the aim of achieving influence.)

While we are seeing returns from our effort already reflected in the fund performance, there are still many companies in the portfolio where we feel the potential for superior return is sizeable. In addition, we see a large pool of potential opportunities we can explore in Japanese small and mid-cap stocks today.

Authorised Corporate Director's Report

We continue to see valuations in Japanese companies as highly supportive for prospective returns. More importantly, given the significant variation in valuation between stocks, there are ample opportunities for us to identify mispriced growth stocks, that we believe could go on to re-rate significantly. This, combined with continued restructuring at the company level, leaves us excited about the opportunity to add additional value through our stockpicking and engagement approach.

Carl Vine

Fund manager

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

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

Investments

Portfolio statement

Holding	as at 28.02.21 ¥'000	as at 28.02.21 %	as at 31.08.20 %
Equities	12,373,397	102.54	100.07
Technology hardware & equipment	900,600	7.46	2.94^a
45,900 NEC	265,761	2.20	
146,000 QD Laser	240,900	2.00	
132,300 SUMCO	321,489	2.66	
13,800 Taiyo Yuden	72,450	0.60	
Telecommunications equipment	113,927	0.94	1.72^a
40,200 DKK	113,927	0.94	
Pharmaceuticals & biotechnology	111,262	0.92	1.14
137,700 StemRIM	111,262	0.92	
Banks	0	0.00	1.34
Finance & credit services	0	0.00	1.53^a
Investment banking & brokerage services	537,093	4.45	3.37^a
1,683,677 Sparx	537,093	4.45	
Real estate investment & services	356,913	2.96	3.95
148,900 Nomura Real Estate	356,913	2.96	
Real estate investment trusts	0	0.00	3.49
Automobiles & parts	545,052	4.52	12.07
248,100 Musashi Seimitsu Industry	435,167	3.61	
71,100 Sumitomo Electric Industries	109,885	0.91	
Leisure goods	775,099	6.42	1.01^a
323,900 Nikon	305,762	2.53	
270,200 Sanrio	469,337	3.89	
Personal goods	262,378	2.18	0.00
144,800 Mandom	262,378	2.18	
Media	588,994	4.88	5.35
229,700 Relia	306,190	2.54	
145,700 TBS	282,804	2.34	
Travel & leisure	295,954	2.45	3.96^a
54,138 Japan Airlines	136,644	1.13	
44,500 Sun	159,310	1.32	
Beverages	229,862	1.91	1.78
49,894 Asahi	229,862	1.91	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 ¥'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Food producers	256,322	2.12	0.00
146,386 Yukiguni Maitake	256,322	2.12	
Personal care, drug & grocery stores	135,283	1.12	0.00
83,200 Axxzia	135,283	1.12	
Construction & materials	907,326	7.52	11.39
178,300 Haseko	234,999	1.95	
590,600 Hitachi Zosen	399,836	3.31	
25,100 Kyudenko	87,850	0.73	
415,800 OSJB	112,266	0.93	
19,300 Taisei	72,375	0.60	
Electronic & electrical equipment	1,176,968	9.75	3.85^a
67,900 Fuji Electric	299,779	2.48	
145,100 MINEBEA MITSUMI	379,146	3.14	
294,700 Nippon Pillar Packing	498,043	4.13	
General industrials	361,591	3.00	3.12
150,600 Noritsu Koki	361,591	3.00	
Industrial engineering	726,436	6.02	8.05^a
81,700 Mitsubishi Logisnext	92,566	0.77	
942,000 Nippon Thompson	508,680	4.21	
42,800 Sumitomo Heavy Industries	125,190	1.04	
Industrial support services	932,253	7.73	11.52^a
274,100 Credit Saison	362,908	3.01	
86,700 Dip	251,083	2.08	
289,856 Forum Engineering	318,262	2.64	
Industrial transportation	1,802,706	14.94	11.92^a
174,700 Aichi	148,495	1.23	
249,000 Isuzu Motors	276,888	2.29	
102,500 Kamigumi	204,180	1.69	
50,600 Keisei Electric Railway	193,798	1.61	
101,900 Kintetsu World Express	282,263	2.34	
63,100 Sakai Moving Service	304,142	2.52	
88,500 Sankyu	392,940	3.26	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 ¥'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Chemicals	1,357,378	11.25	6.57
63,400 Earth	371,524	3.08	
68,600 Fujimi	269,598	2.23	
50,800 JSR	161,036	1.33	
108,600 Shin-Etsu Polymer	105,559	0.88	
169,300 Tokuyama	449,661	3.73	
Total portfolio	12,373,397	102.54	100.07
Net other assets / (liabilities)	(305,981)	(2.54)	(0.07)
Net assets attributable to shareholders	12,067,416	100.00	100.00

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

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

Investments

Top ten portfolio transactions for the six months to 28 February 2021

Largest purchases	¥'000
Nippon Pillar Packing	470,298
Tokuyama	428,857
Earth	380,387
Sankyu	362,049
Sanrio	353,340
MINEBEA MITSUMI	341,003
Yukiguni Maitake	323,933
Sakai Moving Service	313,282
QD Laser	303,314
Mandom	272,592
Other purchases	2,233,969
Total purchases	5,783,024

Largest sales	¥'000
QD Laser	1,256,628
Hitachi Zosen	289,546
Yamaha Motor	263,785
Toyota Industries	220,761
Modalis Therapeutics	203,724
JMDC	185,677
Sun	183,132
Suzuki Motor	182,551
SUMCO	173,674
METAWATER	170,546
Other sales	3,162,595
Total sales	6,292,619

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value	28.02.21 ¥'000	31.08.20 ¥'000	31.08.19 ¥'000
Fund net asset value (NAV)	12,067,416	9,226,228	10,191,282

Performance since launch

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

May 1984 = 100, plotted monthly
Chart date 1 March 2021



Source: Morningstar, Inc. and M&G

* Income reinvested

** Prior to 27 March 2013 the benchmark was the Japan TSE Second Section Index. Thereafter it is the Russell/Nomura Mid-Small Cap Index.

Financial highlights

Long-term performance by share class

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

Share class	Six months 01.09.20 % ^a	Three years 01.03.18 % pa	Five years 01.03.16 % pa	Since launch % pa
Sterling^b				
Class 'A'	+37.9	+4.0	+13.8	+7.5 ^c
Class 'I'	+38.3	+4.6	+14.5	+15.4 ^d
Class 'R'	+38.1	+4.4	+14.2	+15.1 ^d
Class 'X'	+37.9	+4.0	+13.8	+10.6 ^e

^a Absolute basis.

^b Price to price with income reinvested.

^c 15 May 1984, the end of the initial offer period of the predecessor unit trust.

^d 3 August 2012, the launch date of the share class.

^e 1 October 2002, the launch date of the share class.

Financial highlights

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge. For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

Operating charges are in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

Portfolio transaction costs

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

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

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

Financial highlights

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

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

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 28.02.21 %	Year to 31.08.20 %	Year to 31.08.19 %	Average ^a %
Broker commission	0.08	0.10	0.02	0.07
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.08	0.10	0.02	0.07
Dilution adjustments ^c	(0.02)	(0.01)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.06	0.09	0.00	0.05
as at Indirect portfolio transaction costs	28.02.21 %	31.08.20 %	31.08.19 %	Average ^a %
Average portfolio dealing spread	0.36	0.45	0.24	0.35

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

Historic yields for the current year are calculated as at 12 March 2021.

Sterling Class 'A' Income share performance

The share class was launched on 15 May 1984.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	443.42	458.90	551.72
Return before operating charges	151.91	1.37	(72.36)
Operating charges	(3.49)	(6.36)	(8.19)
Return after operating charges	148.42	(4.99)	(80.55)
Distributions	n/a	(10.49)	(12.27)
Closing NAV	591.84	443.42	458.90
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.20	0.46	0.21
Dilution adjustments ^a	(0.05)	(0.06)	(0.21)
Total direct transaction costs	0.15	0.40	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.06	0.09	0.00
Operating charges ^c	1.39	1.40	1.67
Return after charges	+33.47	-1.09	-14.60
Historic yield	1.62	2.33	2.12
Other information			
Closing NAV (¥'000)	2,872,721	2,612,570	2,524,860
Closing NAV (%)	23.80	28.31	24.77
Number of shares	3,278,289	4,203,733	4,246,569
Highest share price (UK p)	618.90	502.79	563.71
Lowest share price (UK p)	435.12	339.56	441.44

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 15 May 1984.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	508.90	514.41	602.18
Return before operating charges	174.23	1.64	(78.78)
Operating charges	(3.99)	(7.15)	(8.99)
Return after operating charges	170.24	(5.51)	(87.77)
Distributions	n/a	(4.78)	(3.84)
Retained distributions	n/a	4.78	3.84
Closing NAV	679.14	508.90	514.41
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.23	0.52	0.24
Dilution adjustments ^a	(0.06)	(0.06)	(0.24)
Total direct transaction costs	0.17	0.46	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.06	0.09	0.00
Operating charges ^c	1.39	1.40	1.67
Return after charges	+33.45	-1.07	-14.58
Historic yield	0.64	0.92	0.18
Other information			
Closing NAV (¥'000)	1,085,241	821,695	935,664
Closing NAV (%)	8.99	8.90	9.18
Number of shares	1,079,267	1,152,023	1,403,903
Highest share price (UK p)	710.29	563.69	615.44
Lowest share price (UK p)	499.37	380.70	481.95

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	2,229.42	2,295.69	2,739.70
Return before operating charges	764.44	6.88	(359.88)
Operating charges	(11.34)	(20.54)	(23.01)
Return after operating charges	753.10	(13.66)	(382.89)
Distributions	n/a	(52.61)	(61.12)
Closing NAV	2,982.52	2,229.42	2,295.69
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.03	2.32	1.08
Dilution adjustments ^a	(0.25)	(0.28)	(1.08)
Total direct transaction costs	0.78	2.04	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.06	0.09	0.00
Operating charges ^c	0.90	0.90	0.93
Return after charges	+33.78	-0.60	-13.98
Historic yield	1.61	2.32	2.09
Other information			
Closing NAV (¥'000)	719,982	474,000	1,002,372
Closing NAV (%)	5.97	5.14	9.84
Number of shares	163,042	151,693	337,007
Highest share price (UK p)	3,119.07	2,520.18	2,801.10
Lowest share price (UK p)	2,187.85	1,703.32	2,204.55

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	2,523.14	2,537.79	2,949.28
Return before operating charges	865.10	8.01	(386.64)
Operating charges	(12.82)	(22.66)	(24.85)
Return after operating charges	852.28	(14.65)	(411.49)
Distributions	n/a	(35.97)	(39.91)
Retained distributions	n/a	35.97	39.91
Closing NAV	3,375.42	2,523.14	2,537.79
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.17	2.57	1.16
Dilution adjustments ^a	(0.28)	(0.31)	(1.16)
Total direct transaction costs	0.89	2.26	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.06	0.09	0.00
Operating charges ^c	0.90	0.90	0.93
Return after charges	+33.78	-0.58	-13.95
Historic yield	0.97	1.40	1.00
Other information			
Closing NAV (¥'000)	6,156,963	4,426,516	4,783,506
Closing NAV (%)	51.02	47.98	46.94
Number of shares	1,231,970	1,251,696	1,454,835
Highest share price (UK p)	3,529.96	2,786.43	3,016.20
Lowest share price (UK p)	2,476.06	1,883.28	2,373.84

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	220.63	227.76	272.50
Return before operating charges	75.59	0.67	(35.77)
Operating charges	(1.43)	(2.59)	(2.90)
Return after operating charges	74.16	(1.92)	(38.67)
Distributions	n/a	(5.21)	(6.07)
Closing NAV	294.79	220.63	227.76
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.23	0.11
Dilution adjustments ^a	(0.02)	(0.03)	(0.11)
Total direct transaction costs	0.08	0.20	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.06	0.09	0.00
Operating charges ^c	1.15	1.15	1.18
Return after charges	+33.61	-0.84	-14.19
Historic yield	1.61	2.32	2.10
Other information			
Closing NAV (¥'000)	40,580	30,474	34,452
Closing NAV (%)	0.34	0.33	0.34
Number of shares	92,974	98,547	116,750
Highest share price (UK p)	308.31	249.78	278.55
Lowest share price (UK p)	216.51	168.76	218.86

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	247.21	249.27	290.41
Return before operating charges	84.71	0.78	(38.06)
Operating charges	(1.61)	(2.84)	(3.08)
Return after operating charges	83.10	(2.06)	(41.14)
Distributions	n/a	(2.92)	(3.22)
Retained distributions	n/a	2.92	3.22
Closing NAV	330.31	247.21	249.27
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.11	0.25	0.11
Dilution adjustments ^a	(0.03)	(0.03)	(0.11)
Total direct transaction costs	0.08	0.22	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.06	0.09	0.00
Operating charges ^c	1.15	1.15	1.18
Return after charges	+33.62	-0.83	-14.17
Historic yield	0.81	1.16	0.73
Other information			
Closing NAV (¥'000)	358,134	240,598	234,168
Closing NAV (%)	2.97	2.61	2.30
Number of shares	732,288	694,378	725,069
Highest share price (UK p)	345.46	273.42	296.94
Lowest share price (UK p)	242.60	184.73	233.31

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	440.68	456.08	548.32
Return before operating charges	150.88	1.36	(71.85)
Operating charges	(3.46)	(6.33)	(8.20)
Return after operating charges	147.42	(4.97)	(80.05)
Distributions	n/a	(10.43)	(12.19)
Closing NAV	588.10	440.68	456.08
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.20	0.46	0.21
Dilution adjustments ^a	(0.05)	(0.06)	(0.21)
Total direct transaction costs	0.15	0.40	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.06	0.09	0.00
Operating charges ^c	1.39	1.40	1.67
Return after charges	+33.45	-1.09	-14.60
Historic yield	1.62	2.33	2.12
Other information			
Closing NAV (¥'000)	173,578	138,063	145,225
Closing NAV (%)	1.44	1.50	1.42
Number of shares	199,344	223,527	245,768
Highest share price (UK p)	615.09	499.68	560.24
Lowest share price (UK p)	432.44	337.47	438.72

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	505.04	510.51	597.62
Return before operating charges	172.91	1.61	(78.14)
Operating charges	(3.97)	(7.08)	(8.97)
Return after operating charges	168.94	(5.47)	(87.11)
Distributions	n/a	(4.75)	(3.81)
Retained distributions	n/a	4.75	3.81
Closing NAV	673.98	505.04	510.51
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.23	0.51	0.23
Dilution adjustments ^a	(0.06)	(0.06)	(0.23)
Total direct transaction costs	0.17	0.45	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.06	0.09	0.00
Operating charges ^c	1.39	1.40	1.67
Return after charges	+33.45	-1.07	-14.58
Historic yield	0.64	0.92	0.18
Other information			
Closing NAV (¥'000)	660,217	482,312	531,035
Closing NAV (%)	5.47	5.23	5.21
Number of shares	661,604	681,367	802,867
Highest share price (UK p)	704.91	559.42	610.78
Lowest share price (UK p)	495.59	377.81	478.30

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 and 29 February	2021		2020	
	¥'000	¥'000	¥'000	¥'000
Income				
Net capital gains/(losses)		3,651,886		149,380
Revenue	82,320		89,661	
Expenses	(57,134)		(61,832)	
Net revenue/(expense) before taxation	25,186		27,829	
Taxation	(7,979)		(9,790)	
Net revenue/(expense) after taxation		17,207		18,039
Total return before equalisation		3,669,093		167,419
Equalisation		(4,794)		(4,399)
Change in net assets attributable to shareholders from investment activities		3,664,299		163,020

Statement of change in net assets attributable to shareholders

for the six months to 28 and 29 February	2021		2020	
	¥'000	¥'000	¥'000	¥'000
Opening net assets attributable to shareholders		9,226,228		10,191,282
Amounts received on issue of shares	775,781		324,230	
Amounts paid on cancellation of shares	(1,603,637)		(1,441,841)	
		(827,856)		(1,117,611)
Dilution adjustments		4,745		2,606
Change in net assets attributable to shareholders from investment activities (see above)		3,664,299		163,020
Closing net assets attributable to shareholders		12,067,416		9,239,297

The opening net assets attributable to shareholders for 2021 differs to the closing position in 2020 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Financial statements and notes

Financial statements

Balance sheet

as at	28 February 2021 ¥'000	31 August 2020 ¥'000
Assets		
Fixed assets		
Investments	12,373,397	9,232,885
Current assets		
Debtors	33,214	24,187
Cash and bank balances	601,603	95,140
Total assets	13,008,214	9,352,212
Liabilities		
Creditors		
Distribution payable	0	(76,996)
Other creditors	(940,798)	(48,988)
Total liabilities	(940,798)	(125,984)
Net assets attributable to shareholders	12,067,416	9,226,228

Financial statements and notes

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

Authorised Corporate Director's Report

Investment objective

The fund has two aims:

- To provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the S&P 500 Index over any five-year period and;
- To provide an income stream that increases every year in USD terms.

Investment policy

At least 80% of the fund is invested directly in equity securities and equity-related securities of companies across any sector and market capitalisation that are incorporated, domiciled or do most of their business in the US and Canada. The fund usually holds a concentrated portfolio of fewer than 50 companies.

The fund may also invest in other transferable securities directly and via collective investment schemes (including funds managed by M&G).

The fund may also hold cash and near cash for liquidity purposes.

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

The fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies.

The fund manager aims to create a diversified portfolio with exposure to a broad range of sectors.

Companies with different drivers of dividend growth are selected to construct a portfolio that has the potential to cope in a variety of market conditions.

Benchmark up to 26 November 2020

Benchmark: S&P 500 Index.

The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's target benchmark as it best reflects the scope of the fund's investment policy. The target benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

For unhedged share classes, the benchmark is shown in the share class currency.

Benchmark from 27 November 2020

Benchmark: S&P 500 Index.

The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

The fund is actively managed. The fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

For unhedged and hedged share classes, the benchmark is shown in the share class currency

Risk profile

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

The fund's focus is on shares of companies that have the potential to grow their dividends over the long term.

Authorised Corporate Director's Report

Income distributions from the fund's holdings, however, are not guaranteed and may vary. Diversification across industries and market capitalisation is key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 1 March 2021, for the six months ended 28 February 2021

Distribution summary

Over the six-month review period to 1 March 2021, the fund distributed income of 16.1358 pence per Sterling Class 'A' (Income) share. This represents a 2.4% decline from the equivalent period last year. The Sterling Class 'I' (Income) share distributed 19.6946 pence, which is 1.9% lower than the payment made at this stage a year ago. The shortfall in distributions was due to the weakness of the US dollar. In US dollars, the currency in which the fund's income objective is determined, the distribution rose 3.2% from last year for the Sterling Class 'A' (Income) share and 3.7% for the Sterling Class 'I' (Income) share.

Dividend growth continued across the portfolio despite the severe pressure on corporate cashflows resulting from the onset of COVID-19. (Dividends represent a share in the profits of a company and are paid out to the company's shareholders at set times of the year.) The majority of holdings delivered dividend increases in the region of 5% to 15% in US dollars, in line with previous years. There were no dividend cuts.

The technology sector continued to provide a source of robust dividend growth, with Microsoft, Fidelity National Information Services (FIS) and Mastercard reporting double-digit dividend increases, in software. Broadcom delivered a similar increase in semiconductors.

Tractor Supply in the consumer discretionary sector was responsible for the biggest dividend increase during the review period. The specialist retailer, which serves rural and agricultural communities, raised its dividend for the second time in a year, with a 30% boost to the quarterly payment which resulted in a 49% year-on-year increase. Nike and Activision Blizzard, two more businesses which proved resilient during lockdown, hiked their dividends by 12% and 15%, respectively.

Healthcare was another source of reliable dividend growth, led by Anthem's 19% increase. Bristol Myers Squibb, Merck and Agilent Technologies delivered dividend increases in the high single digits. In financials, S&P Global led the pack with 15% growth, closely followed by Blackrock at 14%. The Progressive Corporation provided a positive surprise with a special dividend equivalent to 5% of the company's market value.

It was also pleasing to see many of our new holdings make their mark with strong dividend growth. American Tower, a beneficiary of the structural growth in digital infrastructure, continued its sequence of raising the dividend each quarter and announced a 15% increase for the year ahead. Thermo Fisher Scientific and Abbott Laboratories, our new purchases in healthcare, raised their dividends by 18% and 25%, respectively. Cogent Communications also reported a double-digit increase.

Authorised Corporate Director's Report

Dividend growth was also apparent in more economically sensitive sectors. Air Products and Chemicals rewarded investors with a 12% dividend increase in the materials sector, while L3Harris Technologies reported a 20% increase in industrials. Gibson Energy also reported a higher dividend.

It was not all good news, however, as a handful of holdings including JPMorgan Chase and Union Pacific held their dividends flat. JPMorgan was required to keep the dividend unchanged at the behest of the regulator. We are hopeful that growth can resume when the constraints for the banking industry are lifted. In the case of Union Pacific, we fully expect the railroads company to reinstate progressive dividends at the appropriate time.

Static dividends were the exception rather than rule and we continue to believe that the fund is well placed to deliver on its objective of providing an income distribution that increases every year in US dollar terms. Judging from the dividend announcements in the current reporting season, we think there is ample evidence to suggest that corporate America is looking to the future with optimism.

Performance against objective

Between 1 September 2020 (the start of the review period) and 1 March 2021, the fund delivered a positive total return (the combination of income and growth of capital) across all its share classes, but performance relative to the S&P 500 Index, which returned 7.6% in sterling, was mixed.

Over five years, the fund generated annualised positive returns across all its share classes, but lagged the S&P 500 Index, which delivered an annualised return of 16.8% in sterling. Therefore the fund did not meet the objective of providing a higher total return pa, net of the ongoing charge figure, than that of the S&P 500 Index over any five-year period.

The fund is on track to deliver on the objective of growing the distribution every year in US dollars. The growth in distributed income for the Sterling Class 'A' (Income) share and the Sterling Class 'I' (Income) share

was 3.2% and 3.7% in US dollars, respectively, during the first six months of the financial year.

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

Performance review

The US stockmarket continued to recover, with the major indices – the S&P 500 Index, Dow Jones Industrial Average and Nasdaq Composite – reaching record highs in February. The dominant feature of the six-month review period was the change in market leadership. News of effective vaccines prompted a dramatic change in sentiment, which resulted in economically sensitive stocks leading the markets higher as investors contemplated a world returning to normal following the devastating effects of COVID-19.

Energy and financials were the standout sectors, while defensive areas of the market such as consumer staples and utilities struggled. (Defensive stocks are companies that tend to have stable earnings and are less affected by peaks and troughs in the economy.) Technology was a notable laggard as the strength in semiconductors was offset by the weakness of Apple. Amazon.com and Facebook were among the other 'new economy' stocks that reversed their previous momentum.

Against this backdrop, the fund generated a positive return but underperformed its benchmark, the S&P 500 Index, mainly due to market timing differences. Timing reflects the fact that the fund is priced at midday, while the index is priced at the close of business day. The fund did not capture the gains in the US market on the last trading day of the review period.

Stock selection was the key driver of excess return, with the strongest contribution from technology. The fund's semiconductor holdings – Lam Research, Broadcom and KLA Corp – were prominent among the top positive contributors. ONEOK outperformed in a buoyant energy sector, while Methanex rallied strongly in materials. JPMorgan added the most value in financials. The timely sale of Apple and the zero exposure to Amazon.com and Facebook also helped performance

Authorised Corporate Director's Report

relative to the S&P 500 Index. Amazon.com and Facebook do not pay dividends and are therefore ineligible for our dividend growth approach.

FIS led the detractors as growth characteristics were out of favour in a market focused on economic growth. We continue to believe that the software company is well placed to benefit from the structural trends in digital payments. Visa performed in a similar vein. Defensive stocks including Merck (healthcare) and Mondelez International (consumer staples) were also left behind in the market rally. We have confidence in their ability to deliver stable growth over the long term and believe that their valuations remain attractive.

Investment activities

There were seven new purchases and six complete sales during the six-month review period, a level of turnover consistent with our long-term investment horizon of three to five years. The number of holdings increased to 41.

American Tower was added to the portfolio in September to capitalise on the long-term growth in digital infrastructure. Despite its status as a real estate investment trust (REIT), the communication towers company should not be considered as a bond proxy. American Tower has a broad geographic footprint with significant exposure to the structural growth in emerging markets, driven by increasing wireless penetration and data usage. Becton Dickinson, the medical technology company, was sold as a source of cash. We also reduced the position in specialist retailer Tractor Supply after the shares performed well in the immediate aftermath of the pandemic.

Sysco, NXP Semiconductors and Charles Schwab were purchased as potential beneficiaries of the economy reopening. Sysco, the global leader in foodservice distribution, is a supplier to restaurants, as well as healthcare and educational facilities, and we believe that the company is well placed for a world of increased mobility when 'stay at home' restrictions are eventually eased. There is evidence to suggest that there is pent-up demand for people to eat out and that consumers' willingness to do so has not been

permanently impaired. NXP is a recognised leader in its end markets of automotive, industrial & IoT (Internet of Things), mobile and communication infrastructure, with a strong commitment to returning excess cash to shareholders – a commitment which was duly endorsed soon after the end of the review period with a 50% dividend increase. Charles Schwab provides exposure to the financial markets, with increased economies of scale following the recent acquisition of TD Ameritrade.

We sold Apple to fund these purchases after the shares doubled from our initial purchase during the market downturn in March. The holding period was considerably shorter than usual, but we saw better opportunities in other economically sensitive businesses. Las Vegas Sands, the gaming company, and Marsh & McLennan, the insurer, also provided a source of cash.

Cogent Communications, Thermo Fisher Scientific and Abbott Laboratories were the final purchases during the review period. Cogent is an internet service provider which we think is well placed for a pickup in business activity, while Thermo Fisher and Abbott Labs are exposed to long-term growth markets. Thermo Fisher is a leading provider of scientific instruments used in research & development, while Abbott Labs is a market leader in medical devices, including COVID-19 tests.

Sempra Energy in utilities and Constellation Brands, the beverage company, provided the source of cash for these new holdings.

Outlook

The rollout of vaccines has brought hope about a path back to normal, which in turn has propelled stockmarkets to record highs, but many uncertainties remain. Rather than second-guess the shape of the economic recovery, we have been focusing our attention on identifying long-term winners in a post-COVID world. We believe it is important to distinguish between one-off effects resulting from the pandemic and permanent changes in demand.

Digital payments, for example, is an area where we have conviction that the structural growth is not only intact,

Authorised Corporate Director's Report

but accelerating due to lasting changes in consumer behaviour. The ease of online purchases and delivery is unlikely to diminish, we believe, when the shackles of lockdown are released. The long-run shift away from cash transactions towards card and digital payments shows no signs of abating. Visa and Mastercard are well placed to benefit from this multi-decade theme, in our view, as well as FIS. We believe all three companies offer exposure to attractive long-term growth without the burden of crippling valuations, with the potential kicker of additional demand from an increase in international travel.

Activision Blizzard (digital gaming) and NextEra Energy (renewables) are other potential winners we see in the years to come.

Climate change in particular is likely to attract increasing attention under Joe Biden's presidency given his commitment to clean energy in his infrastructure spending plans. The desperate need to repair and modernise America's ailing infrastructure is not up for debate. The chronic underinvestment is so widely accepted that it has been one of the few areas of common ground between the Republicans and Democrats. With the Democrats winning control of the Senate, and with it control of Congress overall, there is reason to be optimistic about good intentions becoming reality. Investment will not be confined to traditional infrastructure such as roads and bridges; there is a political desire for universal broadband access, including the national rollout of 5G networks. Our holdings in the wireless tower companies Crown Castle and American Tower are well placed to benefit from this increased spending, in our view.

That being said, other parts of the US economy are likely to remain under pressure. Being selective will be paramount. We continue to believe that the majority of our holdings can sustain dividend growth in the 5-15% range over the long term. We are undeterred in our pursuit of dividend growth and remain resolutely committed to its viability not only as a source of rising income, but also as a total return strategy in the US market over the long term.

John Weavers

Fund manager

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

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

Investments

Portfolio statement

Holding	as at 28.02.21 \$'000	as at 28.02.21 %	as at 31.08.20 %
Equities	876,278	100.10	99.71
Oil, gas & consumable fuels	44,103	5.04	4.31
961,603 Gibson Energy	16,860	1.93	
600,210 ONEOK	27,243	3.11	
Chemicals	32,742	3.74	3.09
58,898 Air Products & Chemicals	15,335	1.75	
459,289 Methanex	17,407	1.99	
Aerospace & defence	24,632	2.81	3.04
131,731 L3Harris Technologies	24,632	2.81	
Road & rail	26,345	3.01	2.98
126,077 Union Pacific	26,345	3.01	
Textiles, apparel & luxury goods	7,372	0.84	0.73
54,401 NIKE	7,372	0.84	
Hotels, restaurants & leisure	0	0.00	2.06
Specialty retail	47,867	5.47	6.16
219,810 Lowe's	34,840	3.98	
80,825 Tractor Supply	13,027	1.49	
Food & staples retailing	15,786	1.80	0.00
196,606 Sysco	15,786	1.80	
Beverages	0	0.00	3.67
Food products	19,025	2.17	2.95
352,048 Mondelez International	19,025	2.17	
Health care equipment & supplies	6,478	0.74	1.20
53,287 Abbott Laboratories	6,478	0.74	
Health care providers & services	70,720	8.08	7.47
110,753 Anthem	33,252	3.80	
113,909 UnitedHealth	37,468	4.28	
Pharmaceuticals	43,764	5.00	5.72
358,898 Bristol-Myers Squibb	22,284	2.55	
287,937 Merck	21,480	2.45	
Life sciences tools & services	13,772	1.57	1.13
69,533 Agilent Technologies	8,490	0.97	
11,700 Thermo Fisher Scientific	5,282	0.60	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 \$'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Banks	35,281	4.03	3.37
49,660 First Republic Bank	8,586	0.98	
176,635 JPMorgan Chase	26,695	3.05	
Capital markets	63,350	7.24	5.19
49,114 Blackrock	34,103	3.90	
196,807 Charles Schwab	12,418	1.42	
50,920 S&P Global	16,829	1.92	
Insurance	7,615	0.87	3.14
87,432 Progressive	7,615	0.87	
IT services	148,478	16.96	17.31
101,773 Automatic Data Processing	17,864	2.04	
62,485 Broadridge Financial Solutions	8,951	1.02	
299,687 FIS	41,594	4.75	
67,948 MasterCard	24,078	2.75	
261,961 Visa	55,991	6.40	
Software	73,702	8.42	9.00
322,168 Microsoft	73,702	8.42	
Technology hardware, storage & peripherals	0	0.00	2.16
Semiconductors & semiconductor equipment	111,616	12.75	8.77
76,674 Broadcom	35,020	4.00	
50,021 KLA	15,198	1.74	
77,282 Lam Research	42,317	4.83	
107,027 NXP Semiconductors	19,081	2.18	
Diversified telecommunication services	3,941	0.45	0.00
66,570 Cogent Communications	3,941	0.45	
Media	10,985	1.26	1.42
210,285 Comcast	10,985	1.26	
Entertainment	15,387	1.76	0.56
161,796 Activision Blizzard	15,387	1.76	
Electric utilities	9,269	1.06	1.02
125,184 NextEra Energy	9,269	1.06	
Multi-utilities	0	0.00	1.07

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 \$'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Equity real estate investment trusts (REITs)	44,048	5.03	2.19
82,391 American Tower	18,517	2.11	
114,494 Crown Castle International REIT	18,265	2.09	
11,380 Equinix REIT	7,266	0.83	
Portfolio of investments	876,278	100.10	99.71
Cash equivalents	1,388	0.16	0.56
'AAA' rated money market funds^a	1,388	0.16	0.56
1,388,000 Northern Trust Global Fund - US dollar	1,388	0.16	
Share class hedging	23	0.00	0.00
Forward currency contracts for share class hedging	23	0.00	0.00
£14,161 Bought for C\$24,700 (expires 10.03.21)	0	0.00	
£790,085 Bought for \$1,077,556 (expires 10.03.21)	23	0.00	
£(5,983) Sold for \$8,457 (expires 10.03.21)	0	0.00	
Total portfolio	877,689	100.26	100.27
Net other assets / (liabilities)	(2,260)	(0.26)	(0.27)
Net assets attributable to shareholders	875,429	100.00	100.00

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

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

Investments

Top ten portfolio transactions for the six months to 28 February 2021

Largest purchases	\$'000
American Tower	20,348
NXP Semiconductors	16,871
Sysco	14,465
Charles Schwab	10,340
Crown Castle International	10,324
Blackrock	9,077
Activision Blizzard	9,046
FIS	8,399
Visa	7,843
Lam Research	6,778
Other purchases	44,424
Total purchases	157,915

Largest sales	\$'000
Constellation Brands	39,452
Las Vegas Sands	18,153
Apple	17,964
Marsh & McLennan	16,256
Lam Research	15,615
Broadridge Financial Solutions	14,766
Broadcom	12,245
Sempra Energy	10,301
Becton Dickinson	10,284
Progressive	7,515
Other sales	101,922
Total sales	264,473

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

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value	28.02.21 \$'000	31.08.20 \$'000	31.08.19 \$'000
Fund net asset value (NAV)	875,429	892,230	796,408

Performance since launch

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

December 1972 = 100, plotted monthly
Chart date 1 March 2021



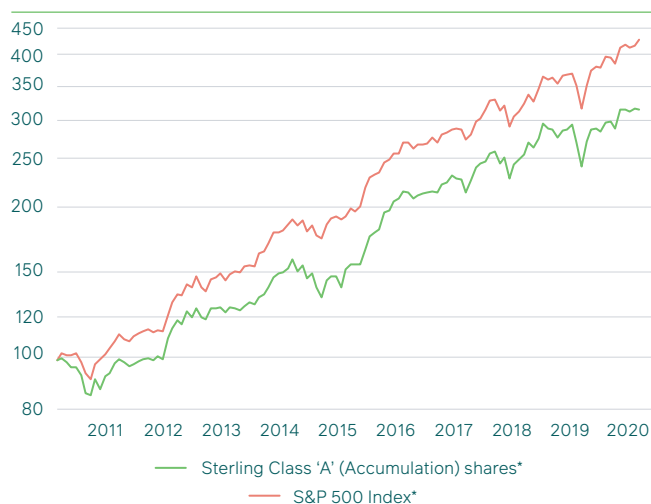
Source: Morningstar, Inc. and M&G

* Income reinvested

Ten-year performance

Please note that the comparator benchmark's total return is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.

Ten years = 1 March 2011, plotted monthly
Chart date 1 March 2021



Source: Morningstar, Inc. and M&G

* Income reinvested

Financial highlights

Long-term performance by share class

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

Share class	Six months 01.09.20 % ^a	Three years 01.03.18 % pa	Five years 01.03.16 % pa	Since launch % pa
Sterling^b				
Class 'A'	+7.4	+11.5	+15.9	+9.3 ^c
Class 'I'	+7.6	+12.2	+16.7	+15.2 ^d
Class 'I-H'	+11.0	n/a	n/a	+14.7 ^e
Class 'PP'	+7.7	n/a	n/a	+9.9 ^f
Class 'PP-H'	+11.1	n/a	n/a	+14.9 ^e
Class 'R'	+7.5	+12.0	+16.4	+14.9 ^d
Class 'X'	+7.3	+11.5	+15.9	+11.9 ^g

^a Absolute basis.

^b Price to price with income reinvested.

^c 18 December 1972, the end of the initial offer period of the predecessor unit trust.

^d 3 August 2012, the launch date of the share class.

^e 6 December 2019, the launch date of the share class.

^f 8 April 2019, the launch date of the share class.

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

Financial highlights

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge. For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Share class hedging:** Charge paid to M&G for currency hedging services to minimise exchange rate risk for the share class. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

Operating charges are in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

Portfolio transaction costs

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

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

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

Financial highlights

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

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

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 28.02.21 %	Year to 31.08.20 %	Year to 31.08.19 %	Average ^a %
Broker commission	0.03	0.03	0.02	0.03
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.03	0.03	0.02	0.03
Dilution adjustments ^c	(0.02)	(0.02)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.01	0.01	0.00	0.01
as at Indirect portfolio transaction costs	28.02.21 %	31.08.20 %	31.08.19 %	Average ^a %
Average portfolio dealing spread	0.07	0.04	0.05	0.05

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

Historic yields for the current year are calculated as at 12 March 2021.

Sterling Class 'A' Income share performance

The share class was launched on 28 March 1977.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	2,286.43	2,268.86	2,063.65
Return before operating charges	161.61	84.99	280.90
Operating charges	(14.08)	(26.21)	(33.54)
Return after operating charges	147.53	58.78	247.36
Distributions	(16.14)	(41.21)	(42.15)
Closing NAV	2,417.82	2,286.43	2,268.86
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.37	0.74	0.57
Dilution adjustments ^a	(0.21)	(0.37)	(0.44)
Total direct transaction costs	0.16	0.37	0.13
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.01	0.00
Operating charges ^c	1.18	1.20	1.62
Return after charges	+6.45	+2.59	+11.99
Historic yield	1.62	1.88	1.60
Other information			
Closing NAV (\$'000)	100,266	93,279	88,039
Closing NAV (%)	11.45	10.45	11.05
Number of shares	2,978,062	3,066,620	3,186,315
Highest share price (UK p)	2,517.41	2,413.52	2,334.57
Lowest share price (UK p)	2,221.36	1,699.17	1,803.87

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 18 December 1972.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	3,272.35	3,187.64	2,842.81
Return before operating charges	231.25	121.75	391.29
Operating charges	(20.18)	(37.04)	(46.46)
Return after operating charges	211.07	84.71	344.83
Distributions	(8.06)	(21.93)	(11.38)
Retained distributions	8.06	21.93	11.38
Closing NAV	3,483.42	3,272.35	3,187.64
Direct transaction costs UK p	UK p	UK p	UK p
Costs before dilution adjustments	0.54	1.04	0.79
Dilution adjustments ^a	(0.30)	(0.52)	(0.61)
Total direct transaction costs	0.24	0.52	0.18
Performance and charges %	%	%	%
Direct portfolio transaction costs ^b	0.01	0.01	0.00
Operating charges ^c	1.18	1.20	1.62
Return after charges	+6.45	+2.66	+12.13
Historic yield	0.60	0.70	0.22
Other information			
Closing NAV (\$'000)	109,250	105,120	105,025
Closing NAV (%)	12.48	11.78	13.19
Number of shares	2,252,277	2,414,691	2,705,508
Highest share price (UK p)	3,615.08	3,403.39	3,253.92
Lowest share price (UK p)	3,179.21	2,405.65	2,494.58

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	2,787.80	2,752.60	2,485.40
Return before operating charges	197.17	103.87	340.41
Operating charges	(10.00)	(18.56)	(22.26)
Return after operating charges	187.17	85.31	318.15
Distributions	(19.69)	(50.11)	(50.95)
Closing NAV	2,955.28	2,787.80	2,752.60
Direct transaction costs UK p	UK p	UK p	UK p
Costs before dilution adjustments	0.46	0.90	0.69
Dilution adjustments ^a	(0.25)	(0.45)	(0.53)
Total direct transaction costs	0.21	0.45	0.16
Performance and charges %	%	%	%
Direct portfolio transaction costs ^b	0.01	0.01	0.00
Operating charges ^c	0.69	0.70	0.89
Return after charges	+6.71	+3.10	+12.80
Historic yield	1.61	1.88	1.59
Other information			
Closing NAV (\$'000)	218,100	267,340	216,276
Closing NAV (%)	24.92	29.97	27.16
Number of shares	5,299,832	7,208,368	6,451,931
Highest share price (UK p)	3,075.14	2,935.06	2,831.05
Lowest share price (UK p)	2,710.77	2,067.28	2,177.71

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	3,165.54	3,068.30	2,716.56
Return before operating charges	223.86	118.07	376.33
Operating charges	(11.39)	(20.83)	(24.59)
Return after operating charges	212.47	97.24	351.74
Distributions	(13.89)	(35.74)	(31.31)
Retained distributions	13.89	35.74	31.31
Closing NAV	3,378.01	3,165.54	3,068.30
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.52	1.01	0.77
Dilution adjustments ^a	(0.29)	(0.51)	(0.59)
Total direct transaction costs	0.23	0.50	0.18
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.01	0.00
Operating charges ^c	0.69	0.70	0.89
Return after charges	+6.71	+3.17	+12.95
Historic yield	1.01	1.18	0.82
Other information			
Closing NAV (\$'000)	298,751	316,182	310,167
Closing NAV (%)	34.13	35.45	38.95
Number of shares	6,351,167	7,507,995	8,300,842
Highest share price (UK p)	3,503.59	3,283.76	3,130.75
Lowest share price (UK p)	3,078.07	2,322.13	2,389.45

Sterling Class 'I-H' Income share performance

The share class was launched on 6 December 2019.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	105.02	100.00	n/a
Return before operating charges	12.15	6.92	n/a
Operating charges	(0.39)	(0.51)	n/a
Return after operating charges	11.76	6.41	n/a
Distributions	(0.77)	(1.39)	n/a
Closing NAV	116.01	105.02	n/a
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.02	n/a
Dilution adjustments ^a	(0.01)	(0.01)	n/a
Total direct transaction costs	0.01	0.01	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.01	n/a
Operating charges	0.72	0.73	n/a
Return after charges	+11.20	+6.41	n/a
Historic yield	1.46	1.96	n/a
Other information			
Closing NAV (\$'000)	60	74	n/a
Closing NAV (%)	0.01	0.01	n/a
Number of shares	37,166	52,984	n/a
Highest share price (UK p)	118.97	108.23	n/a
Lowest share price (UK p)	98.86	67.20	n/a

Financial highlights

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 6 December 2019.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	106.77	100.00	n/a
Return before operating charges	12.44	7.28	n/a
Operating charges	(0.40)	(0.51)	n/a
Return after operating charges	12.04	6.77	n/a
Distributions	(0.53)	(0.87)	n/a
Retained distributions	0.53	0.87	n/a
Closing NAV	118.81	106.77	n/a
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.02	n/a
Dilution adjustments ^a	(0.01)	(0.01)	n/a
Total direct transaction costs	0.01	0.01	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.01	n/a
Operating charges	0.72	0.73	n/a
Return after charges	+11.28	+6.77	n/a
Historic yield	0.93	1.20	n/a
Other information			
Closing NAV (\$'000)	972	550	n/a
Closing NAV (%)	0.11	0.06	n/a
Number of shares	587,477	387,032	n/a
Highest share price (UK p)	121.43	108.23	n/a
Lowest share price (UK p)	100.50	67.37	n/a

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	102.15	100.71	100.00
Return before operating charges	7.25	3.80	1.55
Operating charges	(0.30)	(0.53)	(0.04)
Return after operating charges	6.95	3.27	1.51
Distributions	(0.72)	(1.83)	(0.80)
Closing NAV	108.38	102.15	100.71
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	0.00
Dilution adjustments ^a	(0.01)	(0.02)	0.00
Total direct transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.01	0.00
Operating charges	0.53	0.55	0.55
Return after charges	+6.80	+3.25	+1.51
Historic yield	1.61	1.88	1.66
Other information			
Closing NAV (\$'000)	56,748	282	147
Closing NAV (%)	6.48	0.03	0.02
Number of shares	37,602,510	207,337	120,000
Highest share price (UK p)	112.76	107.47	102.51
Lowest share price (UK p)	99.36	75.70	98.21

Financial highlights

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	112.55	108.93	100.00
Return before operating charges	7.96	4.20	9.21
Operating charges	(0.32)	(0.58)	(0.28)
Return after operating charges	7.64	3.62	8.93
Distributions	(0.63)	(1.42)	(0.76)
Retained distributions	0.63	1.42	0.76
Closing NAV	120.19	112.55	108.93
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.04	0.01
Dilution adjustments ^a	(0.01)	(0.02)	(0.01)
Total direct transaction costs	0.01	0.02	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.01	0.00
Operating charges ^c	0.55	0.55	0.32
Return after charges	+6.79	+3.32	+8.93
Historic yield	1.18	1.40	0.68
Other information			
Closing NAV (\$'000)	22,177	44,912	11,106
Closing NAV (%)	2.53	5.03	1.39
Number of shares	13,250,184	29,995,878	8,371,659
Highest share price (UK p)	124.64	116.66	111.13
Lowest share price (UK p)	109.47	82.51	98.26

Sterling Class 'PP-H' Income share performance

The share class was launched on 6 December 2019.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	105.42	100.00	n/a
Return before operating charges	12.27	7.22	n/a
Operating charges	(0.32)	(0.41)	n/a
Return after operating charges	11.95	6.81	n/a
Distributions	(0.77)	(1.39)	n/a
Closing NAV	116.60	105.42	n/a
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.02	n/a
Dilution adjustments ^a	(0.01)	(0.01)	n/a
Total direct transaction costs	0.01	0.01	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.01	n/a
Operating charges	0.57	0.58	n/a
Return after charges	+11.34	+6.81	n/a
Historic yield	1.45	1.96	n/a
Other information			
Closing NAV (\$'000)	33	28	n/a
Closing NAV (%)	0.00	0.00	n/a
Number of shares	20,150	20,150	n/a
Highest share price (UK p)	119.56	108.26	n/a
Lowest share price (UK p)	99.25	67.18	n/a

Financial highlights

Sterling Class 'PP-H' Accumulation share performance

The share class was launched on 6 December 2019.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	106.89	100.00	n/a
Return before operating charges	12.45	7.31	n/a
Operating charges	(0.32)	(0.42)	n/a
Return after operating charges	12.13	6.89	n/a
Distributions	(0.54)	(0.98)	n/a
Retained distributions	0.54	0.98	n/a
Closing NAV	119.02	106.89	n/a
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.02	n/a
Dilution adjustments ^a	(0.01)	(0.01)	n/a
Total direct transaction costs	0.01	0.01	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.01	n/a
Operating charges	0.57	0.58	n/a
Return after charges	+11.35	+6.89	n/a
Historic yield	1.00	1.42	n/a
Other information			
Closing NAV (\$'000)	33	29	n/a
Closing NAV (%)	0.00	0.00	n/a
Number of shares	20,100	20,100	n/a
Highest share price (UK p)	121.65	108.26	n/a
Lowest share price (UK p)	100.64	67.40	n/a

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	275.07	272.28	246.46
Return before operating charges	19.45	10.23	33.69
Operating charges	(1.35)	(2.49)	(2.82)
Return after operating charges	18.10	7.74	30.87
Distributions	(1.94)	(4.95)	(5.05)
Closing NAV	291.23	275.07	272.28
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.09	0.07
Dilution adjustments ^a	(0.03)	(0.04)	(0.05)
Total direct transaction costs	0.02	0.05	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.01	0.00
Operating charges ^c	0.94	0.95	1.14
Return after charges	+6.58	+2.84	+12.53
Historic yield	1.61	1.88	1.59
Other information			
Closing NAV (\$'000)	2,370	2,106	2,048
Closing NAV (%)	0.27	0.24	0.26
Number of shares	584,373	575,619	617,767
Highest share price (UK p)	303.14	289.98	280.09
Lowest share price (UK p)	267.35	204.20	215.78

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	310.16	301.38	267.49
Return before operating charges	21.92	11.55	36.98
Operating charges	(1.52)	(2.77)	(3.09)
Return after operating charges	20.40	8.78	33.89
Distributions	(1.06)	(2.79)	(2.39)
Retained distributions	1.06	2.79	2.39
Closing NAV	330.56	310.16	301.38
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.10	0.08
Dilution adjustments ^a	(0.03)	(0.05)	(0.06)
Total direct transaction costs	0.02	0.05	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.01	0.00
Operating charges ^c	0.94	0.95	1.14
Return after charges	+6.58	+2.91	+12.67
Historic yield	0.80	0.94	0.62
Other information			
Closing NAV (\$'000)	12,300	10,799	9,464
Closing NAV (%)	1.41	1.21	1.19
Number of shares	2,672,039	2,617,134	2,578,719
Highest share price (UK p)	342.96	322.16	307.58
Lowest share price (UK p)	301.46	227.77	235.10

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	2,283.15	2,265.62	2,060.68
Return before operating charges	161.38	84.86	280.53
Operating charges	(14.06)	(26.18)	(33.50)
Return after operating charges	147.32	58.68	247.03
Distributions	(16.11)	(41.15)	(42.09)
Closing NAV	2,414.36	2,283.15	2,265.62
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.37	0.74	0.57
Dilution adjustments ^a	(0.21)	(0.37)	(0.44)
Total direct transaction costs	0.16	0.37	0.13
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.01	0.00
Operating charges ^c	1.18	1.20	1.62
Return after charges	+6.45	+2.59	+11.99
Historic yield	1.62	1.88	1.60
Other information			
Closing NAV (\$'000)	10,689	10,125	9,992
Closing NAV (%)	1.22	1.13	1.25
Number of shares	317,942	333,345	362,164
Highest share price (UK p)	2,513.80	2,410.06	2,331.24
Lowest share price (UK p)	2,218.18	1,696.73	1,801.30

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	3,224.77	3,141.21	2,801.41
Return before operating charges	227.80	120.05	385.60
Operating charges	(19.89)	(36.49)	(45.80)
Return after operating charges	207.91	83.56	339.80
Distributions	(7.95)	(21.61)	(11.22)
Retained distributions	7.95	21.61	11.22
Closing NAV	3,432.68	3,224.77	3,141.21
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.53	1.03	0.78
Dilution adjustments ^a	(0.29)	(0.52)	(0.60)
Total direct transaction costs	0.24	0.51	0.18
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.01	0.01	0.00
Operating charges ^c	1.18	1.20	1.62
Return after charges	+6.45	+2.66	+12.13
Historic yield	0.60	0.70	0.22
Other information			
Closing NAV (\$'000)	43,680	41,404	44,144
Closing NAV (%)	4.99	4.64	5.54
Number of shares	913,805	965,105	1,153,968
Highest share price (UK p)	3,562.43	3,353.83	3,206.53
Lowest share price (UK p)	3,132.99	2,370.62	2,458.25

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 and 29 February	2021		2020	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains/(losses)		93,348		(11,807)
Revenue	9,090		9,903	
Expenses	(3,647)		(3,678)	
Net revenue/(expense) before taxation	5,443		6,225	
Taxation	(1,000)		(1,341)	
Net revenue/(expense) after taxation		4,443		4,884
Total return before distributions		97,791		(6,923)
Distributions		(4,658)		(4,681)
Change in net assets attributable to shareholders from investment activities		93,133		(11,604)

Statement of change in net assets attributable to shareholders

for the six months to 28 and 29 February	2021		2020	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		892,230		796,408
Amounts received on issue of shares	108,727		126,878	
Amounts paid on cancellation of shares	(220,604)		(58,874)	
		(111,877)		68,004
Dilution adjustments		136		93
Change in net assets attributable to shareholders from investment activities (see above)		93,133		(11,604)
Retained distributions on Accumulation shares		1,807		2,311
Closing net assets attributable to shareholders		875,429		855,212

The opening net assets attributable to shareholders for 2021 differs to the closing position in 2020 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Financial statements and notes

Financial statements

Balance sheet

as at	28 February 2021 \$'000	31 August 2020 \$'000
Assets		
Fixed assets		
Investments	876,301	889,669
Current assets		
Debtors	6,698	2,135
Cash and bank balances	1,109	1,904
Cash equivalents	1,388	5,013
Total assets	885,496	898,721
Liabilities		
Creditors		
Distribution payable	(1,268)	(2,613)
Other creditors	(8,799)	(3,878)
Total liabilities	(10,067)	(6,491)
Net assets attributable to shareholders	875,429	892,230

Financial statements and notes

Notes to the financial statements

Accounting policies

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

Distribution policy

In determining the amount available for reinvestment to Accumulation shares, all expenses with the exception of the annual charge, annual management charge, administration charge, share class hedging charge and overdraft interest are offset against capital, increasing the amount available for reinvestment whilst restraining capital performance to an equivalent extent.

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

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

Authorised Corporate Director's Report

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the S&P 500 Index, over any five-year period.

Investment policy

At least 80% of the fund is invested directly in equity securities and equity related securities of companies across any sectors and market capitalisations that are incorporated, domiciled, or do most of their business activity in the United States of America and Canada.

The fund may also invest in other transferable securities directly and via collective investment schemes (including funds managed by M&G).

The fund may also hold cash and near cash for liquidity purposes.

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

The fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies.

The investment approach identifies shares of North American companies which, in the fund manager's opinion at the time of investment, are undervalued.

When analysing companies, the fund manager seeks to identify companies that are mispriced, while trying to avoid companies that are cheap for a reason and whose share prices are unlikely to improve over time.

The investment approach combines strict value-focused screening with rigorous qualitative analysis to ensure the fund has a consistent and disciplined value bias without compromising on the robustness of the companies in the portfolio.

The fund manager expects the overall stock selection and value style to be the main drivers of performance rather than any individual sector or stock.

Benchmark up to 26 November 2020

Benchmark: S&P 500 Index.

The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's target benchmark as it best reflects the scope of the fund's investment policy. The target benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

For unhedged share classes, the benchmark is shown in the share class currency.

Benchmark from 27 November 2020

Benchmark: S&P 500 Index.

The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

The fund is actively managed. The fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

For unhedged and hedged share classes, the benchmark is shown in the share class currency.

Risk profile

The fund invests in the shares of North American companies and is, therefore, subject to the price volatility of the North American stockmarkets and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on companies that are deemed to be undervalued or out of favour with the market, and

Authorised Corporate Director's Report

whose potential value, in the fund manager's view, is yet to be reflected in the share price. These stocks could potentially experience a degree of illiquidity in times of market distress. However, the fund is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. The fund also invests in the shares of smaller companies, which can be more unpredictable and difficult to buy and sell. Diversification across industries and market capitalisation is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 1 March 2021, for the six months ended 28 February 2021

Performance against objective

Between 1 September 2020 (the start of the review period) and 1 March 2021, the fund's sterling share classes delivered a positive total return (the combination of income and growth of capital). The returns were ahead of the return from the benchmark S&P 500 Index, which rose 7.6% in the review period.

Over five years, the fund generated an annualised positive return, but trailed the S&P 500 Index, which returned 16.8% pa over this period. Therefore, the fund did not meet the objective of providing a higher total return, net of the ongoing charge figure, than the S&P 500 Index over any five-year period.

With the notable exception of the six-month review period, the 'value' style (investing in cheap, out-of-favour stocks) has struggled to keep pace with the broader market over the past five years. The fund's underperformance in this period can be attributed largely to the headwind from its value investing approach.

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

Performance review

US stockmarkets rose in the six months under review, extending their remarkable recovery from the coronavirus-driven declines in March last year. The positive mood was fuelled primarily by the development of effective coronavirus vaccines, which provided hope that life might eventually return to normal.

In November, company share prices (equities) registered one of their biggest ever monthly gains as encouraging results from vaccine trials led investors to contemplate that the global economy could recover swiftly from the pandemic. The election of Joe Biden as president of the US and the prospect of a \$US1.9 trillion stimulus package provided a further boost to investor sentiment.

Amid progress with vaccine rollouts and optimism about a global economic rebound, equity markets climbed to record highs in mid-February. However, the period ended on an uncertain note. Concerns about elevated stockmarket valuations and a potential rise in inflation dampened investor risk appetite and share prices gave up some of their previous gains.

One of the most significant developments during the period was a change in market leadership as investors rotated away from the 'stay at home' internet and

Authorised Corporate Director's Report

technology stocks that performed well earlier in the pandemic. Encouraged by the prospect of normalisation, they switched their focus to stocks that had been hardest hit by COVID-19 restrictions and would likely benefit from the reopening of economies.

In the US market, this shift meant that companies in economically sensitive, or cyclical, sectors were the standout performers. Energy stocks rallied as oil prices climbed on expectations that demand would rise as the economy rebounds. Supply cuts by leading oil producers also supported crude prices. Materials climbed as the prices of commodities surged too. Copper reached the highest level in a decade, buoyed by wider demand for all things related to electric vehicles. The improved economic outlook boosted financial stocks, while industrials also outperformed.

On the other hand, defensive stocks were out of favour in this upbeat environment, with consumer staples, healthcare and utilities among the weakest areas. (Defensive stocks are generally regarded as stable businesses that can deliver consistent earnings even in challenging economic conditions.)

Consumer discretionary and information technology also underperformed the broader market, dragged down by weakness in online retailer Amazon.com and technology firm Apple. These large index constituents were among the 'winners' during COVID-19 lockdowns but they struggled in the period as investors favoured stocks that might do well in a post-COVID world.

In terms of style, cheap, out-of-favour 'value' stocks benefited from the rotation towards previously neglected cyclical sectors such as energy and financials. Value outperformed the broader market by a wide margin, which was helpful for the fund's performance.

At the portfolio level, stock selection in consumer discretionary made a positive contribution to relative performance. This was a combination of holding stocks that might benefit from the process of 'normalisation', as well as not owning companies such as Amazon

which declined as investors moved away from companies that had benefited from people staying at home.

Luxury accessories company Tapestry was a notable contributor as the company's share price more than doubled in value in anticipation of economic activity picking up. The maker of Coach handbags reported better-than-expected quarterly results, boosted by robust sales in China, where economic activity has recovered quickly after the coronavirus pandemic.

Jeanswear maker Kontoor Brands, which had previously been hurt by COVID-19-induced store closures, also added value as the share price rebounded strongly.

As financials outperformed, our holding in JP Morgan Chase made a positive contribution too. The stock gained on better-than-expected quarterly profits and optimism about the economic outlook.

In technology, our shares in memory chip maker Micron Technology also climbed on robust results, as demand for memory chips has increased with the global shift to remote working. Not holding any shares in Apple was helpful as the large index stock underperformed.

Another trend that gained momentum in the period was the move towards electric vehicles. General Motors was among the leading contributors as the shares climbed to record levels when it launched an electric delivery-vehicle business. The stock received a further boost on the news that it was teaming up with Microsoft to develop self-driving cars.

In contrast, some of our defensive holdings, which had been resilient earlier in the pandemic, did not participate in the market's rise. In healthcare, Bristol Myers Squibb, Merck and Pfizer were notable detractors. Supermarket chain Kroger, which had previously benefited from lockdowns and more people eating at home, was a drag on relative performance, while our shares in gold miner Newmont retreated as gold prices fell as investor confidence increased.

Similarly, Israel-based Check Point Software Technologies held back relative performance. The computer and network security firm performed well in

Authorised Corporate Director's Report

the pandemic as the shift to home working boosted demand for its services. However, the stock retreated in the review period.

Investment activities

Following a relatively high level of activity during the turbulent market conditions earlier in the pandemic, there were fewer changes during the review period. We invested in three companies that own and develop properties in a range of real estate sectors: Highwoods Properties, National Retail Properties and PS Business Parks. The property sector has been particularly hard hit by the coronavirus pandemic and measures to curb its spread, but we believe these stocks are attractively valued.

We also started a position in tobacco company Altria. In our view, Altria's share price is more than reflecting the structural issues that the company is facing. Biopharmaceutical company AbbVie and agricultural sciences company FMC Corporation also joined the portfolio.

In addition, we bought some more shares in existing positions such as financial services firm Truist Financial and Check Point Software Technologies.

These purchases were funded by taking some profits from stocks that had performed well, including package delivery company FedEx, which benefited from the increase in e-commerce during lockdowns, and media company Comcast, which benefited from increased demand for broadband and streaming services.

We also reduced our positions in Alphabet, parent company of Google, drug company Pfizer and JP Morgan.

Outlook

The stockmarket rotation from 'stay at home' stocks which thrived in the pandemic towards companies that are likely to do well in an economic recovery was dramatic during the period under review. While the vaccination programme has a long way to go and there are concerns about new variants of the virus, investors are increasingly looking forward to a post-COVID world.

This change of sentiment has also transformed the fortunes of the value style. After a decade of underperformance, value stocks returned to favour in the review period and outperformed the market by a wide margin. Although this was extremely welcome, it represents a very short recovery after a sustained period of underperformance. Therefore, we remain optimistic about the outlook for value investing and believe value still has a long way to go to make up for the past decade.

In our view, there is still a wide valuation gap between the cheapest stocks in the market and the most expensive. Optimism about the economic recovery encouraged investors to revisit stocks that had struggled in the pandemic. We are hopeful that investors might continue to look for opportunities among unloved value stocks and question the elevated valuation of the popular, high-flying technology and consumer-focused stocks that have driven the market in recent years.

The development of coronavirus vaccines may have been the catalyst for the rotation to value, but we believe there are other factors, including increased regulatory pressure on mega-cap tech stocks and higher government bond yields, which could support a sustained shift towards cheap, out of favour value stocks. (The yield to maturity of a bond is an estimate of the annualised return over the life of the bond if the bond is held until maturity and assuming that all payments are made as scheduled. Bond yields move inversely to bond prices.)

Authorised Corporate Director's Report

As dedicated value investors, we have waited patiently for value to return to favour and we believe the fund is well positioned to benefit from any further reversals. However, we recognise that we have had false starts before and a value recovery might not be a straight line. Therefore, we remain selective and continue to focus on company fundamentals, particularly financial health, to try and find cheap stocks that can weather the current challenging environment.

Daniel White

Fund manager

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

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

Investments

Portfolio statement

Holding	as at 28.02.21 \$'000	as at 28.02.21 %	as at 31.08.20 %
Equities	229,580	97.30	96.51
Oil, gas & consumable fuels	12,786	5.42	5.23
54,358 Chevron	5,431	2.30	
41,594 Cobalt International Energy ^a	0	0.00	
59,925 ConocoPhillips	3,116	1.32	
183,319 Euronav	1,619	0.69	
26,280 Hess	1,722	0.73	
288,650 Kosmos Energy	898	0.38	
Chemicals	2,527	1.07	0.00
24,864 FMC	2,527	1.07	
Construction materials	3,146	1.33	1.08
25,106 Eagle Materials	3,146	1.33	
Containers & packaging	2,474	1.05	0.90
56,794 Westrock	2,474	1.05	
Metals & mining	4,330	1.84	2.09
38,477 Newmont	2,092	0.89	
53,845 Steel Dynamics	2,238	0.95	
Paper & forest products	1,767	0.75	0.48
47,706 Domtar	1,767	0.75	
Aerospace & defence	2,799	1.19	1.13
17,132 General Dynamics	2,799	1.19	
Building products	2,495	1.06	1.59
30,812 Owens Corning	2,495	1.06	
Industrial conglomerates	2,583	1.09	0.79
206,108 General Electric	2,583	1.09	
Machinery	5,711	2.42	2.20
10,161 Caterpillar	2,193	0.93	
21,063 Oshkosh	2,230	0.94	
20,922 SPX FLOW	1,288	0.55	
Professional services	1,611	0.68	0.64
17,062 ManpowerGroup	1,611	0.68	
Air freight & logistics	2,451	1.04	1.81
9,630 FedEx	2,451	1.04	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 \$'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Airlines	3,040	1.29	0.91
52,316 Southwest Airlines	3,040	1.29	
Road & rail	2,766	1.17	1.15
30,220 CSX	2,766	1.17	
Auto components	2,518	1.07	0.69
29,908 Magna International	2,518	1.07	
Automobiles	3,265	1.38	0.97
63,586 General Motors	3,265	1.38	
Textiles, apparel & luxury goods	4,954	2.10	1.32^b
13,628 Columbia Sportswear	1,405	0.60	
84,245 Tapestry	3,549	1.50	
Hotels, restaurants & leisure	2,202	0.93	0.86
136,840 Extended Stay America	2,202	0.93	
Internet & direct marketing retail	4,675	1.98	1.82
83,012 eBay	4,675	1.98	
Multiline retail	1,406	0.60	1.00
7,667 Target	1,406	0.60	
Specialty retail	2,536	1.07	0.81
52,745 Foot Locker	2,536	1.07	
Food & staples retailing	4,755	2.02	2.64
117,968 Kroger	3,798	1.61	
17,903 Weis Markets	957	0.41	
Beverages	7,618	3.23	3.33
89,287 Coca-Cola European Partners	4,549	1.93	
69,057 Molson Coors Beverage	3,069	1.30	
Food products	2,524	1.07	0.92
37,301 Tyson Foods	2,524	1.07	
Tobacco	4,515	1.91	0.00
103,605 Altria	4,515	1.91	
Household products	1,410	0.60	0.78
33,708 Energizer	1,410	0.60	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 \$'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Personal products	4,128	1.75	1.08^b
228,309 Coty	1,749	0.74	
56,300 Kontoor Brands	2,379	1.01	
Health care equipment & supplies	3,936	1.67	2.12
16,218 Stryker	3,936	1.67	
Health care providers & services	6,522	2.76	2.79
17,237 Anthem	5,224	2.21	
5,411 LabCorp	1,298	0.55	
Biotechnology	3,826	1.62	0.00
25,172 AbbVie	2,711	1.15	
75,125 Viatris	1,115	0.47	
Pharmaceuticals	21,361	9.05	12.47
92,465 Bristol-Myers Squibb	5,669	2.40	
44,029 Johnson & Johnson	6,968	2.95	
55,752 Merck	4,049	1.72	
139,631 Pfizer	4,675	1.98	
Banks	17,799	7.54	6.44
54,508 Citigroup	3,590	1.52	
52,930 JPMorgan Chase	7,785	3.30	
20,752 PNC Financial Services	3,493	1.48	
37,041 Truist Financial	2,109	0.89	
22,720 Wells Fargo	822	0.35	
Thriffs & mortgage finance	3,180	1.35	1.21
70,402 Capitol Federal Financial	937	0.40	
183,704 New York Community Bancorp	2,243	0.95	
Diversified financial services	2,323	0.98	0.99
38,544 Voya Financial	2,323	0.98	
Insurance	9,324	3.95	3.35
86,127 Hartford Financial Services	4,363	1.85	
52,680 Loews	2,518	1.07	
42,408 MetLife	2,443	1.03	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 \$'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
IT services	4,450	1.89	2.13^b
60,620 Cognizant Technology Solutions	4,450	1.89	
Software	18,938	8.03	11.03^b
1,754 Alphabet	3,543	1.50	
32,932 Check Point Software Technologies	3,628	1.54	
84,744 DXC Technology	2,137	0.91	
254,051 Hewlett Packard Enterprise	3,697	1.57	
91,981 Oracle	5,933	2.51	
Communications equipment	5,191	2.20	2.64
115,715 Cisco Systems	5,191	2.20	
Technology hardware, storage & peripherals	1,472	0.62	0.40^b
21,488 Western Digital	1,472	0.62	
Electronic equipment, instruments & components	1,289	0.55	0.48
53,984 Vishay Intertechnology	1,289	0.55	
Semiconductors & semiconductor equipment	6,369	2.70	2.16
55,404 Intel	3,362	1.43	
32,859 Micron Technology	3,007	1.27	
Diversified telecommunication services	7,247	3.07	4.67
91,908 AT&T	2,563	1.09	
84,711 Verizon Communications	4,684	1.98	
Wireless telecommunication services	1,234	0.52	0.82
34,367 Telephone and Data Systems	615	0.26	
21,048 U.S. Cellular	619	0.26	
Media	8,066	3.42	3.90
119,962 Comcast	6,316	2.68	
74,633 News	1,750	0.74	
Electric utilities	5,865	2.49	2.69
151,976 Exelon	5,865	2.49	
Equity real estate investment trusts (REITs)	4,196	1.78	0.00
34,968 Highwoods Properties REIT	1,397	0.59	
32,579 National Retail Properties REIT	1,427	0.61	
9,481 PS Business Parks REIT	1,372	0.58	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 \$'000	as at 28.02.21 %	as at 31.08.20 %
Portfolio of investments	229,580	97.30	96.51
Cash equivalents	7,624	3.23	4.22
'AAA' rated money market funds^c	7,624	3.23	4.22
7,624,108 Northern Trust Global Fund - US dollar	7,624	3.23	
Total portfolio	237,204	100.53	100.73
Net other assets / (liabilities)	(1,251)	(0.53)	(0.73)
Net assets attributable to shareholders	235,953	100.00	100.00

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

^a Delisted.

^b The comparative sector weightings have been re-analysed to reflect changes to the sector classifications.

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

Investments

Top ten portfolio transactions for the six months to 28 February 2021

Largest purchases	\$'000
Altria	4,667
FMC	2,964
AbbVie	2,636
PS Business Parks REIT	1,423
National Retail Properties REIT	1,400
Highwoods Properties REIT	1,384
LabCorp	1,251
Viatis	931
Truist Financial	717
Tyson Foods	674
Other purchases	4,210
Total purchases	22,257

Largest sales	\$'000
Alphabet	7,781
Comcast	3,650
FedEx	3,487
JPMorgan Chase	3,448
Bristol-Myers Squibb	3,038
Pfizer	3,000
Oracle	2,983
Anthem	2,939
Stryker	2,890
Johnson & Johnson	2,699
Other sales	58,139
Total sales	94,054

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

Financial highlights

Fund performance

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

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

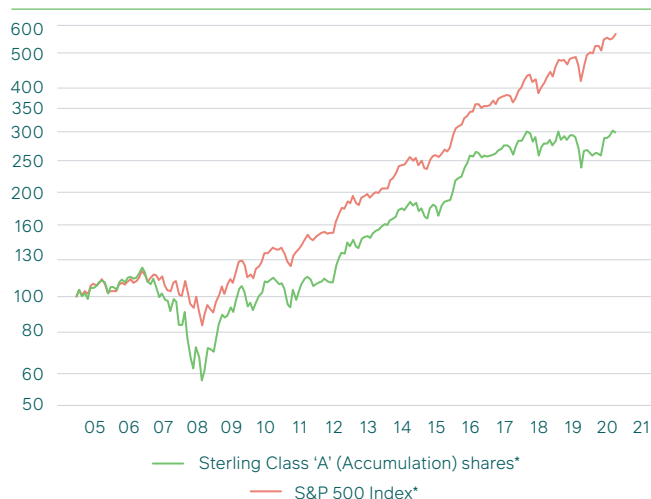
Fund level performance

Fund net asset value	28.02.21 \$'000	31.08.20 \$'000	31.08.19 \$'000
Fund net asset value (NAV)	235,953	262,804	382,362

Performance since launch

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

July 2005 = 100, plotted monthly
Chart date 1 March 2021



Source: Morningstar, Inc. and M&G

* Income reinvested

Long-term performance by share class

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

Share class	Six months 01.09.20 % ^a	Three years 01.03.18 % pa	Five years 01.03.16 % pa	Since launch % pa
Sterling^b				
Class 'A'	+16.4	+3.4	+10.5	+7.2 ^c
Class 'I'	+16.7	+4.1	+11.2	+13.3 ^d
Class 'PP'	+16.8	n/a	n/a	+3.2 ^e
Class 'R'	+16.6	+3.8	+11.0	+13.0 ^d
Class 'X'	+16.4	+3.4	+10.5	+7.2 ^c

^a Absolute basis.

^b Price to price with income reinvested.

^c 1 July 2005, the launch date of the fund.

^d 3 August 2012, the launch date of the share class.

^e 8 April 2019, the launch date of the share class.

Financial highlights

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge. For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

Operating charges are in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

Portfolio transaction costs

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

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

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

Financial highlights

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

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

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 28.02.21 %	Year to 31.08.20 %	Year to 31.08.19 %	Average ^a %
Broker commission	0.02	0.03	0.02	0.02
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.02	0.03	0.02	0.02
Dilution adjustments ^c	(0.02)	(0.03)	(0.01)	(0.02)
Total direct portfolio transaction costs	0.00	0.00	0.01	0.00
as at Indirect portfolio transaction costs	28.02.21 %	31.08.20 %	31.08.19 %	Average^a %
Average portfolio dealing spread	0.04	0.03	0.04	0.04

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

Historic yields for the current year are calculated as at 12 March 2021.

Sterling Class 'A' Income share performance

The share class was launched on 1 July 2005.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	116.40	129.96	140.72
Return before operating charges	18.49	(9.33)	(5.48)
Operating charges	(0.74)	(1.50)	(2.15)
Return after operating charges	17.75	(10.83)	(7.63)
Distributions	n/a	(2.73)	(3.13)
Closing NAV	134.15	116.40	129.96
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.04
Dilution adjustments ^a	(0.01)	(0.03)	(0.04)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	1.18	1.20	1.62
Return after charges	+15.25	-8.33	-5.42
Historic yield	1.89	2.42	1.55
Other information			
Closing NAV (\$'000)	112,641	109,988	140,267
Closing NAV (%)	47.74	41.85	36.68
Number of shares	60,298,822	71,027,778	88,623,981
Highest share price (UK p)	136.21	138.91	142.58
Lowest share price (UK p)	114.17	100.33	119.15

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 1 July 2005.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	129.67	141.48	149.58
Return before operating charges	20.61	(10.18)	(5.81)
Operating charges	(0.83)	(1.63)	(2.29)
Return after operating charges	19.78	(11.81)	(8.10)
Distributions	n/a	(1.42)	(0.94)
Retained distributions	n/a	1.42	0.94
Closing NAV	149.45	129.67	141.48
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.04	0.04
Dilution adjustments ^a	(0.02)	(0.04)	(0.04)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	1.18	1.20	1.63
Return after charges	+15.25	-8.35	-5.42
Historic yield	0.88	1.13	0.00
Other information			
Closing NAV (\$'000)	1,854	1,840	2,215
Closing NAV (%)	0.79	0.70	0.58
Number of shares	890,717	1,066,393	1,285,337
Highest share price (UK p)	151.74	151.21	151.56
Lowest share price (UK p)	127.19	109.21	126.65

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	2,236.83	2,484.99	2,671.02
Return before operating charges	355.67	(179.11)	(103.49)
Operating charges	(8.33)	(16.72)	(22.90)
Return after operating charges	347.34	(195.83)	(126.39)
Distributions	n/a	(52.33)	(59.64)
Closing NAV	2,584.17	2,236.83	2,484.99
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.27	0.66	0.74
Dilution adjustments ^a	(0.27)	(0.66)	(0.70)
Total direct transaction costs	0.00	0.00	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	0.69	0.70	0.90
Return after charges	+15.53	-7.88	-4.73
Historic yield	1.88	2.41	1.53
Other information			
Closing NAV (\$'000)	17,825	17,066	20,972
Closing NAV (%)	7.55	6.50	5.48
Number of shares	495,345	573,492	692,995
Highest share price (UK p)	2,623.88	2,661.33	2,706.35
Lowest share price (UK p)	2,195.94	1,923.79	2,267.01

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	2,527.31	2,743.64	2,879.86
Return before operating charges	401.93	(197.68)	(112.12)
Operating charges	(9.40)	(18.65)	(24.10)
Return after operating charges	392.53	(216.33)	(136.22)
Distributions	n/a	(40.13)	(39.03)
Retained distributions	n/a	40.13	39.03
Closing NAV	2,919.84	2,527.31	2,743.64
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.30	0.74	0.79
Dilution adjustments ^a	(0.30)	(0.74)	(0.75)
Total direct transaction costs	0.00	0.00	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	0.69	0.70	0.89
Return after charges	+15.53	-7.88	-4.73
Historic yield	1.28	1.64	0.64
Other information			
Closing NAV (\$'000)	95,836	83,552	212,609
Closing NAV (%)	40.62	31.79	55.61
Number of shares	2,357,092	2,485,038	6,363,265
Highest share price (UK p)	2,964.52	2,938.09	2,918.01
Lowest share price (UK p)	2,481.01	2,123.84	2,444.30

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	86.84	96.33	100.00
Return before operating charges	13.81	(6.96)	(1.38)
Operating charges	(0.25)	(0.50)	(0.04)
Return after operating charges	13.56	(7.46)	(1.42)
Distributions	n/a	(2.03)	(2.25)
Closing NAV	100.40	86.84	96.33
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	0.00
Dilution adjustments ^a	(0.01)	(0.03)	0.00
Total direct transaction costs	0.01	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges	0.55	0.55	0.55
Return after charges	+15.61	-7.74	-1.42
Historic yield	1.88	2.41	1.60
Other information			
Closing NAV (\$'000)	128	109	54
Closing NAV (%)	0.05	0.04	0.01
Number of shares	91,715	94,866	46,000
Highest share price (UK p)	101.94	103.23	101.74
Lowest share price (UK p)	85.27	74.64	96.40

Financial highlights

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	91.89	99.61	100.00
Return before operating charges	14.62	(7.23)	(0.10)
Operating charges	(0.26)	(0.49)	(0.29)
Return after operating charges	14.36	(7.72)	(0.39)
Distributions	n/a	(1.59)	(1.48)
Retained distributions	n/a	1.59	1.48
Closing NAV	106.25	91.89	99.61
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.01
Dilution adjustments ^a	(0.01)	(0.02)	(0.01)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	0.55	0.55	0.61
Return after charges	+15.63	-7.75	-0.39
Historic yield	1.40	1.79	0.49
Other information			
Closing NAV (\$'000)	194	44,541	24
Closing NAV (%)	0.08	16.95	0.01
Number of shares	131,550	36,433,920	20,000
Highest share price (UK p)	107.87	106.72	105.81
Lowest share price (UK p)	90.23	77.17	95.20

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	221.36	246.53	265.66
Return before operating charges	35.20	(17.73)	(10.34)
Operating charges	(1.13)	(2.25)	(2.87)
Return after operating charges	34.07	(19.98)	(13.21)
Distributions	n/a	(5.19)	(5.92)
Closing NAV	255.43	221.36	246.53
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.07	0.07
Dilution adjustments ^a	(0.03)	(0.07)	(0.07)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	0.94	0.95	1.15
Return after charges	+15.39	-8.10	-4.97
Historic yield	1.89	2.41	1.54
Other information			
Closing NAV (\$'000)	446	345	390
Closing NAV (%)	0.19	0.13	0.10
Number of shares	125,294	117,193	129,927
Highest share price (UK p)	259.34	263.77	269.17
Lowest share price (UK p)	217.22	190.59	225.30

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	247.53	269.43	283.46
Return before operating charges	39.36	(19.44)	(10.97)
Operating charges	(1.26)	(2.46)	(3.06)
Return after operating charges	38.10	(21.90)	(14.03)
Distributions	n/a	(3.32)	(3.14)
Retained distributions	n/a	3.32	3.14
Closing NAV	285.63	247.53	269.43
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.07	0.08
Dilution adjustments ^a	(0.03)	(0.07)	(0.07)
Total direct transaction costs	0.00	0.00	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	0.94	0.95	1.14
Return after charges	+15.39	-8.13	-4.95
Historic yield	1.08	1.38	0.41
Other information			
Closing NAV (\$'000)	3,150	2,776	2,942
Closing NAV (%)	1.33	1.06	0.77
Number of shares	791,915	842,906	896,706
Highest share price (UK p)	289.99	288.20	287.21
Lowest share price (UK p)	242.89	208.24	240.40

Sterling Class 'X' Income share performance

The share class was launched on 1 July 2005.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	116.44	130.00	140.76
Return before operating charges	18.49	(9.33)	(5.47)
Operating charges	(0.74)	(1.50)	(2.16)
Return after operating charges	17.75	(10.83)	(7.63)
Distributions	n/a	(2.73)	(3.13)
Closing NAV	134.19	116.44	130.00
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.04
Dilution adjustments ^a	(0.01)	(0.03)	(0.04)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	1.18	1.20	1.63
Return after charges	+15.24	-8.33	-5.42
Historic yield	1.89	2.42	1.55
Other information			
Closing NAV (\$'000)	1,367	1,290	1,444
Closing NAV (%)	0.58	0.49	0.38
Number of shares	731,383	833,185	912,135
Highest share price (UK p)	136.25	138.95	142.62
Lowest share price (UK p)	114.21	100.36	119.19

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 July 2005.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	130.00	141.86	150.00
Return before operating charges	20.67	(10.23)	(5.83)
Operating charges	(0.82)	(1.63)	(2.31)
Return after operating charges	19.85	(11.86)	(8.14)
Distributions	n/a	(1.42)	(0.94)
Retained distributions	n/a	1.42	0.94
Closing NAV	149.85	130.00	141.86
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.04	0.04
Dilution adjustments ^a	(0.02)	(0.04)	(0.04)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.01
Operating charges ^c	1.18	1.20	1.63
Return after charges	+15.27	-8.36	-5.43
Historic yield	0.88	1.13	0.00
Other information			
Closing NAV (\$'000)	2,512	1,297	1,445
Closing NAV (%)	1.07	0.49	0.38
Number of shares	1,203,978	749,789	836,491
Highest share price (UK p)	152.15	151.63	151.97
Lowest share price (UK p)	127.54	109.50	127.01

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 and 29 February	2021		2020	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains/(losses)		47,499		3,503
Revenue	3,142		4,270	
Expenses	(1,140)		(1,651)	
Net revenue/(expense) before taxation	2,002		2,619	
Taxation	(440)		(633)	
Net revenue/(expense) after taxation		1,562		1,986
Total return before equalisation		49,061		5,489
Equalisation		(372)		(205)
Change in net assets attributable to shareholders from investment activities		48,689		5,284

Statement of change in net assets attributable to shareholders

for the six months to 28 and 29 February	2021		2020	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		262,804		382,362
Amounts received on issue of shares	11,246		19,305	
Amounts paid on cancellation of shares	(86,847)		(109,535)	
		(75,601)		(90,230)
Dilution adjustments		61		79
Change in net assets attributable to shareholders from investment activities (see above)		48,689		5,284
Closing net assets attributable to shareholders		235,953		297,495

The opening net assets attributable to shareholders for 2021 differs to the closing position in 2020 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Financial statements and notes

Financial statements

Balance sheet

as at	28 February 2021 \$'000	31 August 2020 \$'000
Assets		
Fixed assets		
Investments	229,580	253,602
Current assets		
Debtors	485	1,905
Cash and bank balances	0	153
Cash equivalents	7,624	11,122
Total assets	237,689	266,782
Liabilities		
Creditors		
Bank overdrafts	(1,480)	0
Distribution payable	0	(3,020)
Other creditors	(256)	(958)
Total liabilities	(1,736)	(3,978)
Net assets attributable to shareholders	235,953	262,804

Financial statements and notes

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

Authorised Corporate Director's Report

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the MSCI Europe Index over any five-year period.

Investment policy

At least 80% of the fund is invested in equity securities and equity-related securities of companies across any sector and market capitalisation that are incorporated, domiciled or do most of their business in Europe, including the UK. The fund has a concentrated portfolio and usually holds fewer than 35 companies. Sustainability considerations play an important role in determining the investment universe and assessing business models.

The fund excludes securities issued by companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment and anti-corruption and companies involved in the production of tobacco and controversial weapons.

The fund may also invest in other transferable securities, directly or via collective investment schemes (including funds managed by M&G).

The fund may hold cash and near cash for liquidity purposes.

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

The fund is a focused European equity fund. The fund is based on an investment process that uses fundamental analysis to identify companies with sustainable business models and competitively advantageous characteristics to protect their profitability. The fund makes long-term investments in these companies and importantly, the fund manager invests in businesses where short-term issues have provided a clear valuation

opportunity. Sustainability considerations are fully integrated into the investment process.

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

Benchmark up to 26 November 2020

Benchmark: MSCI Europe Index.

The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's target benchmark as it best reflects the scope of the fund's investment policy. The target benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

For unhedged share classes, the benchmark is shown in the share class currency.

Benchmark from 27 November 2020

Benchmark: MSCI Europe Index.

The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

The fund is actively managed. The fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

For unhedged and hedged share classes, the benchmark is shown in the share class currency.

Authorised Corporate Director's Report

Risk profile

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

The fund's focus is on quality businesses where an element of change is helping to drive their value, and these stocks could potentially experience a degree of illiquidity in times of market distress. The fund is a concentrated portfolio of between 25 and 35 holdings, but is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. Diversification across countries, industries and market capitalisation is key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has changed during this period. From 1 September 2020 to 14 February 2021 the risk number was 5.

Investment review

As at 1 March 2021, for the six months ended 28 February 2021

Performance against objective

Between 1 September 2020 (the start of the review period) and 1 March 2021, the M&G Pan European Select Fund delivered a positive total return (the combination of income and growth of capital) across all of its sterling share classes. Fund performance was behind the average return from the fund's benchmark, the MSCI Europe Index, which returned 10.5% over the same period under review.

Over five years, the fund generated a positive annualised total return across all its share classes. The benchmark's average return for the period was 9.4% pa in sterling, with the fund outperforming or just underperforming dependent on share class. Therefore, the fund's performance has met its current objective over its specified timeframe of five years for some, but not all, of its share classes.

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

Performance review

European stockmarkets delivered positive returns for the six months under review, with sentiment enlivened by a potential light at the end of the COVID-19 tunnel.

The start of the period under review, however, was marked by extreme volatility (or market turbulence), as investors grappled with the prospects of a second wave of COVID-19 infections and what further lockdowns could mean for the economy, as new restrictions came into force across regions. With partial national shutdowns announced in the two largest European economies and further restrictions across the continent in the face of quickly rising COVID cases, some European indices saw their worst performance since March. That negative sentiment was partly shared on the other side of the Atlantic, with infection cases in the US reaching record highs as well, while a lack of further

Authorised Corporate Director's Report

stimulus measures ahead of the US election also helped to dampen the mood.

As we moved through the period, though, a sense of exuberance came to dominate markets, with positive sentiment largely supported by two overriding themes. First and foremost was the well-received news of three breakthroughs in the delivery of a COVID-19 vaccine, all of which showed high rates of efficacy. This provided a degree of respite from anxiety over rising COVID cases and ongoing lockdowns, and offered hope that a return to more normal conditions could happen sooner than previously expected. The second theme was the US presidential election, with international markets reacting positively to Joe Biden's victory over incumbent Donald Trump.

As we moved through the end of the review period, hopes that COVID vaccines would foster global economic recovery in 2021 continued to enliven investors, as did political developments in both Europe and the US. Optimism over the agreement of a US stimulus package echoed rising hopes of a deal in the Brexit negotiations; both came to fruition by the end of 2020. The mood also continued to be boosted by the election of Biden, as investors envisioned a reduction in global trade tensions and increasing infrastructure spending under his leadership. However, all of this came beneath a generally grim atmosphere, with a worrying rise in COVID infections, further restrictions on travel, and the discovery of new, more infectious, strains of the disease.

Against this background, with increased likelihood of economic recovery sparked by the vaccine-related news, as well as tightening supplies, oil prices rose to their highest level in over a year. In light of this, energy was the top-performing sector for the period, closely followed by consumer discretionary, while financials, materials and industrials also outperformed the wider market. On the downside, some of the more 'defensive' sectors (that is, those that have relatively predictable and stable earnings regardless of the state of the overall economy) performed poorly for the period. These included consumer staples, healthcare and utilities, while real estate also underperformed.

For the fund, stock selection within the materials, consumer staples and information technology sectors dragged on returns relative to the fund's benchmark index, with the largest individual detractor for the period being international dialysis group Fresenius Medical Care. The company's share price dropped sharply near the end of the review period as healthcare companies fell out of favour – this was despite Fresenius confirming its outlook for the year, having reported solid revenue and earnings in spite of the negative effects of COVID.

British consumer giant Reckitt Benckiser held back returns as well. The company's shares sold off as investors rotated away from 'defensive' companies into areas of the market that were perceived as more likely to benefit from economic recovery. Other detractors included German software company SAP, German industrial gases producer Linde and Anglo-Dutch consumer goods giant Unilever.

On the upside, stock selection within the consumer discretionary, communication services and financial sectors was supportive. The largest individual contributor was UK retailer WH Smith. The company was hit hard by pandemic-related lockdowns and travel restrictions in both its high street and travel operations, and from March last year its share price had been volatile. In November, though, despite the company's ongoing COVID-19-related operational difficulties, its shares rose strongly, as investors searching for value rotated into areas of the market that had previously been out of favour. Positive sentiment in the company then carried through the review period, particularly amid hopes that a swift vaccine rollout would bring a return to more normal life.

Another UK retailer, Pets at Home, also delivered strong performance. Near the beginning of the period, the company reported expectations that annual profits would beat market consensus, despite the risk of a second coronavirus lockdown at the time, with the second quarter having delivered double-digit like-for-like growth in customer sales across both its retail and veterinary operations. Pets at Home was one of the

Authorised Corporate Director's Report

'winners' of COVID-19, as pet ownership and care increased under lockdown conditions.

Other supportive holdings included German ticketing and live entertainment business CTS Eventim, Irish lender AIB and Austrian machine maker Andritz.

Investment activities

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

During the review period, we added one new holding to the portfolio, British information and analytics company RELX. RELX owns some of the world's most prestigious and highly respected journals across academic fields, including the Lancet and the Cell. 183 out of 184 Nobel Prize winners in science and economics have published through the company since 2000, and it holds over three petabytes of raw data, spanning 30-plus years from 10,000-plus sources. We think the wider societal shift online will provide opportunities for RELX to grow its underlying datasets and provide valuable insights, allowing it to continue to derive deep understanding of its customers' needs. The company also generates nearly a third of its earnings from exhibitions, a division which was hit in light of COVID-19 restrictions, providing what we believe to be an attractive entry point.

Conversely, we closed the position in German premium clothing retailer Hugo Boss. The original positive scenarios that we foresaw for the company had not played out as expected, and the company proved difficult to model. While we think the stock may still offer upside, we have higher conviction in other areas of the market, and so decided to sell our shares.

Outlook

With increasing investment flows being channelled into companies that have a more holistic and responsible

view of their stakeholders, but also companies that are benefiting from the landslide flow of capital towards sustainable solutions, we are increasingly being asked about the likelihood of 'sustainability bubbles'.

Left behind are companies that are perceived as not contributing or contributing negatively to a sustainable future. As we look ahead, these companies face tough fundamentals and critical investors. Does that mean redirected capital is creating a 'sustainability bubble'? We don't think so. Some investors are increasingly willing to pay for non-financial quality, much like they have been willing to pay more for organic vegetables. That's perfectly rational, but more difficult to plug into a financial model.

We have remained consistent as regards our fundamental positioning and balanced approach, investing in quality companies with sustainable business models and strong environmental, social and governance (ESG) characteristics. We continue to divide the portfolio between 'stable growth' companies – those that have a proven track record of producing stable earnings – and 'opportunities' companies – which tend to be less predictable, but have what we believe to be significant upside potential. We think this approach provides good diversification, which should help the portfolio perform in different market conditions. We continue to keep an eye out for relative value in the stable growth part of the market, as well as in higher quality opportunities companies.

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

John William Olsen

Fund manager

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

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

Investments

Portfolio statement

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Equities	153,794	99.70	99.05
Oil, gas & consumable fuels	6,925	4.49	4.26
443,409 Equinor	6,925	4.49	
Chemicals	13,776	8.93	9.77
84,234 Akzo Nobel	7,207	4.67	
32,359 Linde	6,569	4.26	
Construction materials	2,139	1.39	1.32
46,884 LafargeHolcim	2,139	1.39	
Electrical equipment	8,637	5.60	6.30
70,309 Schneider Electric	8,637	5.60	
Machinery	3,950	2.56	1.98
99,135 Andritz	3,950	2.56	
Commercial services & supplies	5,643	3.66	3.42
254,594 ISS	3,800	2.46	
39,630 Société BIC	1,843	1.20	
Professional services	4,566	2.96	0.00
234,287 RELX	4,566	2.96	
Air freight & logistics	8,918	5.78	6.04
58,480 DSV PANALPINA	8,918	5.78	
Marine	6,565	4.26	5.20
33,492 Kuehne + Nagel International	6,565	4.26	
Textiles, apparel & luxury goods	3,215	2.08	2.42
39,737 Pandora	3,215	2.08	
Specialty retail	16,605	10.76	8.55
1,406,019 Pets at Home	6,388	4.14	
464,417 WH Smith	10,217	6.62	
Food products	6,143	3.98	5.07
71,053 Nestlé	6,143	3.98	
Household products	5,272	3.42	4.51
76,286 Reckitt Benckiser	5,272	3.42	
Personal products	6,411	4.16	4.36
149,100 Unilever	6,411	4.16	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Health care providers & services	5,359	3.47	4.91
93,532 Fresenius Medical Care	5,359	3.47	
Pharmaceuticals	18,301	11.86	12.54
21,574 ALK-Abelló	7,543	4.89	
173,431 GlaxoSmithKline	2,379	1.54	
142,308 Novo Nordisk	8,379	5.43	
Banks	9,851	6.39	4.20
2,307,856 AIB	4,269	2.77	
90,655 Bank of Georgia	1,038	0.67	
502,701 ING	4,544	2.95	
Capital markets	1,059	0.69	0.56
183,792 Georgia Capital	1,059	0.69	
Insurance	2,700	1.75	1.55
248,322 Hiscox	2,700	1.75	
IT services	5,820	3.77	3.44
101,213 Amadeus IT	5,820	3.77	
Software	4,581	2.97	4.41
45,054 SAP	4,581	2.97	
Entertainment	7,358	4.77	4.24
130,580 CTS Eventim	7,358	4.77	
Portfolio of investments	153,794	99.70	99.05
Cash equivalents	288	0.19	0.92
'AAA' rated money market funds^a	288	0.19	0.92
296,556 Northern Trust Global Fund - Euro	288	0.19	
Total portfolio	154,082	99.89	99.97
Net other assets / (liabilities)	177	0.11	0.03
Net assets attributable to shareholders	154,259	100.00	100.00

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

Investments

Top ten portfolio transactions for the six months to 28 February 2021

Purchases	€'000
RELX	4,353
AIB	1,193
Unilever	1,172
ISS	349
Total purchases	7,067

Largest sales	€'000
Kuehne + Nagel International	2,407
Schneider Electric	1,998
Novo Nordisk	1,434
WH Smith	1,332
DSV PANALPINA	1,277
HUGO BOSS	1,108
CTS Eventim	926
Pets at Home	860
Fresenius Medical Care	530
Akzo Nobel	187
Other sales	2,040
Total sales	14,099

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

Financial highlights

Fund performance

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

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

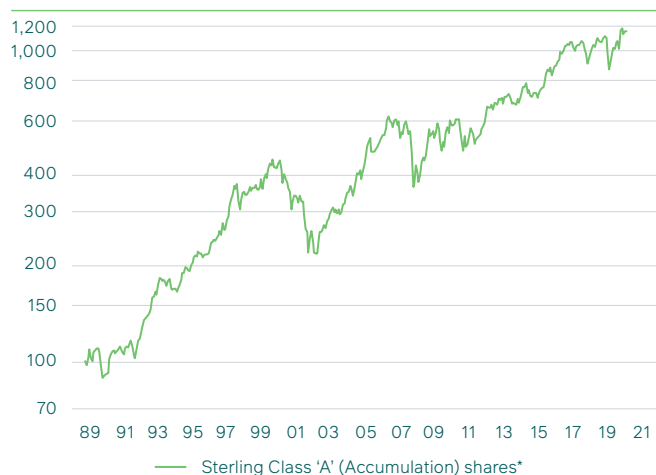
Fund level performance

Fund net asset value	28.02.21 €'000	31.08.20 €'000	31.08.19 €'000
Fund net asset value (NAV)	154,259	145,451	152,759

Performance since launch

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

September 1989 = 100, plotted monthly
Chart date 1 March 2021



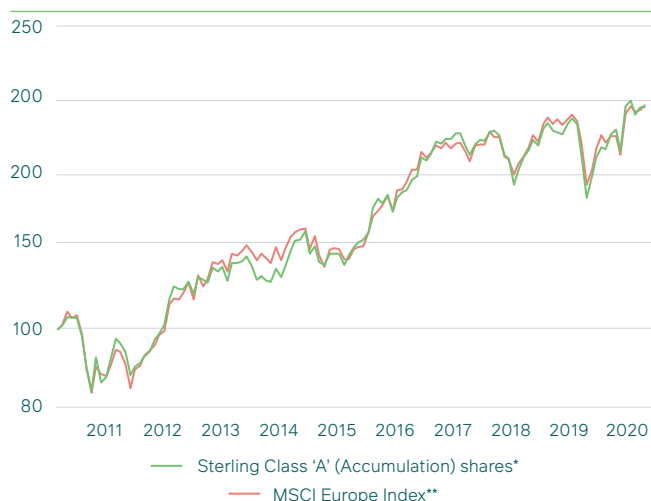
Source: Morningstar, Inc. and M&G

* Income reinvested

Ten-year performance

Please note that the comparator benchmark's total return is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.

Ten years = 1 March 2011, plotted monthly
Chart date 1 March 2021



Source: Morningstar, Inc. and M&G

* Income reinvested

** Prior to 31 December 2011 the benchmark is the FTSE World Europe Index. Thereafter it is the MSCI Europe Index.

Financial highlights

Long-term performance by share class

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

Share class	Six months 01.09.20 % ^a	Three years 01.03.18 % pa	Five years 01.03.16 % pa	Since launch % pa
Sterling^b				
Class 'A'	+9.4	+4.4	+9.3	+7.8 ^c
Class 'I'	+9.6	+5.0	+10.0	+10.1 ^d
Class 'R'	+9.5	+4.7	+9.8	+9.8 ^d
Class 'X'	+9.4	+4.4	+9.3	+11.2 ^e

^a Absolute basis.

^b Price to price with income reinvested.

^c 29 September 1989, the end of the initial offer period of the predecessor unit trust.

^d 3 August 2012, the launch date of the share class.

^e 1 October 2002, the launch date of the share class.

Financial highlights

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge. For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

Operating charges are in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

Portfolio transaction costs

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

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

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

Financial highlights

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

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

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 28.02.21 %	Year to 31.08.20 %	Year to 31.08.19 %	Average ^a %
Broker commission	0.01	0.00	0.01	0.01
Taxes	0.05	0.01	0.00	0.02
Costs before dilution adjustments	0.06	0.01	0.01	0.03
Dilution adjustments ^c	(0.01)	0.00	(0.01)	(0.01)
Total direct portfolio transaction costs	0.05	0.01	0.00	0.02
as at Indirect portfolio transaction costs	28.02.21 %	31.08.20 %	31.08.19 %	Average ^a %
Average portfolio dealing spread	0.09	0.08	0.06	0.08

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

Historic yields for the current year are calculated as at 12 March 2021.

Sterling Class 'A' Income share performance

The share class was launched on 29 September 1989.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	211.57	218.93	224.64
Return before operating charges	19.16	(1.38)	3.41
Operating charges	(1.33)	(2.51)	(3.47)
Return after operating charges	17.83	(3.89)	(0.06)
Distributions	(0.88)	(3.47)	(5.65)
Closing NAV	228.52	211.57	218.93
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.02	0.03
Dilution adjustments ^a	(0.01)	(0.01)	(0.03)
Total direct transaction costs	0.06	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.01	0.00
Operating charges ^c	1.18	1.20	1.64
Return after charges	+8.43	-1.78	-0.03
Historic yield	1.43	1.59	2.39
Other information			
Closing NAV (€'000)	71,980	67,715	72,956
Closing NAV (%)	46.66	46.55	47.76
Number of shares	27,382,861	28,639,189	30,214,990
Highest share price (UK p)	239.65	232.78	230.70
Lowest share price (UK p)	201.32	157.54	190.14

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 29 September 1989.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	467.36	475.71	475.69
Return before operating charges	42.30	(2.89)	7.38
Operating charges	(2.93)	(5.46)	(7.36)
Return after operating charges	39.37	(8.35)	0.02
Distributions	n/a	(2.09)	(4.67)
Retained distributions	n/a	2.09	4.67
Closing NAV	506.73	467.36	475.71
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.15	0.04	0.07
Dilution adjustments ^a	(0.02)	(0.02)	(0.06)
Total direct transaction costs	0.13	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.01	0.00
Operating charges ^c	1.18	1.20	1.64
Return after charges	+8.42	-1.76	0.00
Historic yield	0.39	0.39	0.79
Other information			
Closing NAV (€'000)	46,434	43,309	46,812
Closing NAV (%)	30.10	29.78	30.64
Number of shares	7,966,286	8,292,045	8,921,950
Highest share price (UK p)	529.39	505.77	490.67
Lowest share price (UK p)	444.71	343.71	402.66

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	1,698.24	1,748.52	1,781.09
Return before operating charges	153.83	(10.75)	27.74
Operating charges	(6.21)	(11.71)	(15.33)
Return after operating charges	147.62	(22.46)	12.41
Distributions	(7.04)	(27.82)	(44.98)
Closing NAV	1,838.82	1,698.24	1,748.52
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.55	0.16	0.25
Dilution adjustments ^a	(0.07)	(0.08)	(0.22)
Total direct transaction costs	0.48	0.08	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.01	0.00
Operating charges ^c	0.69	0.70	0.91
Return after charges	+8.69	-1.28	+0.70
Historic yield	1.42	1.59	2.37
Other information			
Closing NAV (€'000)	10,636	9,911	11,127
Closing NAV (%)	6.89	6.81	7.29
Number of shares	502,823	522,208	576,992
Highest share price (UK p)	1,927.18	1,862.79	1,841.21
Lowest share price (UK p)	1,617.34	1,261.71	1,511.21

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	2,090.38	2,117.18	2,101.77
Return before operating charges	189.42	(12.63)	33.51
Operating charges	(7.65)	(14.17)	(18.10)
Return after operating charges	181.77	(26.80)	15.41
Distributions	(1.28)	(19.67)	(35.68)
Retained distributions	1.28	19.67	35.68
Closing NAV	2,272.15	2,090.38	2,117.18
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.68	0.20	0.30
Dilution adjustments ^a	(0.08)	(0.10)	(0.26)
Total direct transaction costs	0.60	0.10	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.01	0.00
Operating charges ^c	0.69	0.70	0.91
Return after charges	+8.70	-1.27	+0.73
Historic yield	0.81	0.89	1.46
Other information			
Closing NAV (€'000)	13,568	14,135	11,900
Closing NAV (%)	8.80	9.72	7.79
Number of shares	519,108	605,067	509,596
Highest share price (UK p)	2,372.15	2,255.31	2,182.18
Lowest share price (UK p)	1,990.77	1,533.91	1,783.35

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	166.08	171.42	175.04
Return before operating charges	15.04	(1.07)	2.71
Operating charges	(0.83)	(1.55)	(1.92)
Return after operating charges	14.21	(2.62)	0.79
Distributions	(0.69)	(2.72)	(4.41)
Closing NAV	179.60	166.08	171.42
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.02	0.02
Dilution adjustments ^a	(0.01)	(0.01)	(0.02)
Total direct transaction costs	0.04	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.01	0.00
Operating charges ^c	0.94	0.95	1.16
Return after charges	+8.56	-1.53	+0.45
Historic yield	1.43	1.59	2.38
Other information			
Closing NAV (€'000)	2,374	2,066	2,109
Closing NAV (%)	1.54	1.42	1.38
Number of shares	1,149,271	1,113,027	1,115,494
Highest share price (UK p)	188.29	182.44	180.56
Lowest share price (UK p)	158.09	123.52	148.40

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	204.69	207.84	206.84
Return before operating charges	18.53	(1.26)	3.27
Operating charges	(1.02)	(1.89)	(2.27)
Return after operating charges	17.51	(3.15)	1.00
Distributions	n/a	(1.42)	(3.00)
Retained distributions	n/a	1.42	3.00
Closing NAV	222.20	204.69	207.84
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.02	0.03
Dilution adjustments ^a	(0.01)	(0.01)	(0.03)
Total direct transaction costs	0.06	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.01	0.00
Operating charges ^c	0.94	0.95	1.16
Return after charges	+8.55	-1.52	+0.48
Historic yield	0.60	0.64	1.25
Other information			
Closing NAV (€'000)	7,697	6,844	6,247
Closing NAV (%)	4.99	4.71	4.09
Number of shares	3,011,089	2,991,663	2,725,266
Highest share price (UK p)	232.07	221.18	214.28
Lowest share price (UK p)	194.86	150.37	175.36

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	209.26	216.53	222.18
Return before operating charges	18.95	(1.35)	3.36
Operating charges	(1.31)	(2.49)	(3.43)
Return after operating charges	17.64	(3.84)	(0.07)
Distributions	(0.87)	(3.43)	(5.58)
Closing NAV	226.03	209.26	216.53
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.02	0.03
Dilution adjustments ^a	(0.01)	(0.01)	(0.03)
Total direct transaction costs	0.06	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.01	0.00
Operating charges ^c	1.18	1.20	1.64
Return after charges	+8.43	-1.77	-0.03
Historic yield	1.43	1.59	2.39
Other information			
Closing NAV (€'000)	805	763	905
Closing NAV (%)	0.52	0.52	0.59
Number of shares	309,661	326,319	379,089
Highest share price (UK p)	237.04	230.23	228.18
Lowest share price (UK p)	199.12	155.81	188.06

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	461.86	470.11	470.10
Return before operating charges	41.79	(2.87)	7.29
Operating charges	(2.89)	(5.38)	(7.28)
Return after operating charges	38.90	(8.25)	0.01
Distributions	n/a	(2.07)	(4.62)
Retained distributions	n/a	2.07	4.62
Closing NAV	500.76	461.86	470.11
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.15	0.04	0.07
Dilution adjustments ^a	(0.02)	(0.02)	(0.06)
Total direct transaction costs	0.13	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.05	0.01	0.00
Operating charges ^c	1.18	1.20	1.64
Return after charges	+8.42	-1.75	0.00
Historic yield	0.39	0.39	0.79
Other information			
Closing NAV (€'000)	765	708	703
Closing NAV (%)	0.50	0.49	0.46
Number of shares	132,724	137,229	135,504
Highest share price (UK p)	523.17	499.81	484.89
Lowest share price (UK p)	439.48	339.65	397.92

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 and 29 February	2021		2020	
	€'000	€'000	€'000	€'000
Income				
Net capital gains/(losses)		16,698		(1,570)
Revenue	662		714	
Expenses	(816)		(898)	
Net revenue/(expense) before taxation	(154)		(184)	
Taxation	(40)		(89)	
Net revenue/(expense) after taxation		(194)		(273)
Total return before distributions		16,504		(1,843)
Distributions		(347)		(346)
Change in net assets attributable to shareholders from investment activities		16,157		(2,189)

Statement of change in net assets attributable to shareholders

for the six months to 28 and 29 February	2021		2020	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		145,451		152,759
Amounts received on issue of shares	2,279		3,054	
Amounts paid on cancellation of shares	(9,659)		(6,759)	
		(7,380)		(3,705)
Dilution adjustments		8		6
Change in net assets attributable to shareholders from investment activities (see above)		16,157		(2,189)
Retained distributions on Accumulation shares		8		5
Unclaimed distributions		15		0
Closing net assets attributable to shareholders		154,259		146,876

The opening net assets attributable to shareholders for 2021 differs to the closing position in 2020 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Financial statements and notes

Financial statements

Balance sheet

as at	28 February 2021 €'000	31 August 2020 €'000
Assets		
Fixed assets		
Investments	153,794	144,072
Current assets		
Debtors	1,148	1,052
Cash and bank balances	102	375
Cash equivalents	288	1,340
Total assets	155,332	146,839
Liabilities		
Creditors		
Distribution payable	(329)	(1,005)
Other creditors	(744)	(383)
Total liabilities	(1,073)	(1,388)
Net assets attributable to shareholders	154,259	145,451

Financial statements and notes

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

Authorised Corporate Director's Report

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income) than that of the EMIX Smaller European Companies Index, net of the ongoing charges figure, over any five-year period.

Investment policy

The fund will invest at least 80% in the equities of European smaller companies, from the bottom third (by total market capitalisation) of all publicly listed equities in Europe including the UK.

The fund has a concentrated portfolio and usually holds fewer than 45 stocks.

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

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

The fund may also invest in collective investment schemes, including funds managed by M&G, other transferable securities and warrants.

Cash and near cash may be held for ancillary purposes and derivatives may be used for efficient portfolio management and hedging purposes.

Investment approach

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

Sustainability considerations are fully integrated into the investment process.

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

Benchmark up to 26 November 2020

Benchmark: EMIX Smaller European Companies Index.

The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's target benchmark as it best reflects the scope of the fund's investment policy. The target benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

For unhedged share classes, the benchmark is shown in the share class currency.

Benchmark from 27 November 2020

Benchmark: EMIX Smaller European Companies Index.

The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used solely to measure the fund's performance and does not constrain the Fund's portfolio construction.

The fund is actively managed. The fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

For unhedged and hedged share classes, the benchmark is shown in the share class currency.

Authorised Corporate Director's Report

Risk profile

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

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

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



The above number:

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

Investment review

As at 1 March 2021, for the six months ended 28 February 2021

Performance against objective

Between 1 September 2020 (the start of the review period) and 1 March 2021, the M&G Pan European Select Smaller Companies Fund delivered a positive total return (the combination of income and growth of

capital) across all of its sterling share classes. Fund performance was ahead of the average return from the fund's benchmark, the EMIX Smaller European Companies Index, which returned 22.0% in sterling terms over the same period under review. On 15 December 2020, the fund's non-sterling share classes were closed.

Over five years, the fund generated an annualised positive total return across all its share classes, but lagged the benchmark, where the average return was 13.2% pa in sterling. Therefore, the fund's performance has not met its current objective to provide a combination of capital growth and income, net of the ongoing charges figure, that is higher than that of the EMIX Smaller European Companies Index pa over any five-year period.

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

Performance review

With investor sentiment enlivened by a potential light at the end of the COVID-19 tunnel, broad European stockmarkets delivered positive returns for the six months under review, with the European smaller company universe producing very strong performance, outpacing both the wider European and global markets.

The start of the period under review, however, was marked by extreme volatility (or market turbulence), as investors grappled with the prospects of a second wave of COVID-19 infections and what further lockdowns could mean for the economy, as new restrictions came into force across regions. With partial national shutdowns announced in the two largest European economies and further restrictions across the continent in the face of quickly rising COVID cases, some European indices saw their worst performance since March. That negative sentiment was partly shared on the other side of the Atlantic, with infection cases in the US reaching record highs as well, while a lack of further stimulus measures ahead of the US election also helped to dampen the mood.

Authorised Corporate Director's Report

As we moved through the period, though, a sense of exuberance came to dominate markets, with positive sentiment largely supported by two overriding themes. First and foremost was the well-received news of three breakthroughs in the delivery of a COVID-19 vaccine, all of which showed high rates of efficacy. This provided a degree of respite from anxiety over rising COVID cases and ongoing lockdowns, and offered hope that a return to more normal conditions could happen sooner than previously expected. The second theme was the US presidential election, with international markets reacting positively to Joe Biden's victory over incumbent Donald Trump.

Towards the end of the review period, hopes that COVID vaccines would foster global economic recovery in 2021 continued to enliven investors, as did political developments in both Europe and the US. Optimism over the agreement of a US stimulus package echoed rising hopes of a deal in the Brexit negotiations; both came to fruition by the end of 2020. The mood also continued to be boosted by the election of Biden, as investors envisioned a reduction in global trade tensions and increasing infrastructure spending under his leadership. However, all of this came beneath a generally grim atmosphere, with a worrying rise in COVID infections, further restrictions on travel, and the discovery of new, more infectious, strains of the disease.

Against a background of the increased likelihood of economic recovery sparked by the vaccine-related news, investors turned their attention to more 'cyclical' sectors (ie those more closely tied to the economic cycle) with basic materials, consumer services and industrials all outperforming in the smaller companies universe. Also, with expectations for increasing demand, as well as tightening supplies, oil prices rose to their highest level in over a year. Subsequently, the oil & gas sector delivered strong performance as well. Conversely, some of the more 'defensive' areas of the market (that is, those that have relatively predictable and stable earnings regardless of the state of the overall economy), including utilities, telecoms and healthcare, underperformed, as did financials.

For the fund, outperformance was led by stock selection, particularly within the financial, healthcare, consumer services and telecoms sectors, while the below-index position in both financials and utilities was also supportive of relative returns. At a stock level, the fund's largest contributor was German online brokerage leader Flatex. The company has benefited from heightened trading activities in light of stockmarket volatility, with sentiment further boosted by the successful completion of the takeover of Dutch competitor Degiro, first announced at the end of 2019. We believe the successful acquisition, which completed in the summer before the start of the review period, makes Flatex a European online brokerage champion. The market seemed to agree, with the company's shares rising steadily throughout the period under review.

UK retailer WH Smith also delivered strong performance for the period. The company was hit hard by pandemic-related lockdowns and travel restrictions in both its high street and travel operations, and from March last year its share price had been volatile. In November, though, despite the company's ongoing COVID-19-related operational difficulties, its shares rose strongly, as investors searching for value rotated into areas of the market that had previously been out of favour. Positive sentiment in the company then carried through the review period, particularly amid hopes that a swift vaccine rollout would bring a return to more normal life.

Other supportive holdings included Swedish private healthcare provider Medcover, Spanish specialist pharmaceutical company Laboratorios Farmaceuticos Rovi and British low-cost leisure airline Jet2.

On the downside, stockpicking within technology, basic materials and industrials weighed on relative returns, with the largest individual detractor being Swedish professional information services provider Karnov Group. The company maintains all of the case files for legal cases in Norway, Sweden and Denmark, with a database going back 150 years. Legal firms, and others, pay an annual subscription for access to this data, with some 80% of recurring subscriptions paid in cash at the

Authorised Corporate Director's Report

start of the year, meaning a very predictable cash stream. As the market turned to more cyclical companies in the latter half of the review period, Karnov's shares fell out of favour.

Irish diversified business services and distribution firm DCC underperformed as well. The company's shares had been weak since the start of the review period, when it received a number of analyst downgrades, partly on concerns over the impact of electric vehicles on its fuel distribution services, a fall in return on invested capital (a measure of a company's ability to create value), and lacklustre mergers and acquisitions activity. Its shares saw a boost in November on decent results, but then gradually declined for the remainder of the review period.

Other detractors included Swedish life sciences business Biotage, UK food producer Cranswick and Danish investment management software company SimCorp.

Investment activities

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

During the period under review, eight such opportunities presented themselves. These included US-headquartered payment platform Boku. The company is the leading platform for Direct Carrier Billing (DCB), a fast-growing niche payment category where consumers can pay via their mobile network operator. Its share price fell following a poorly timed and poorly executed acquisition in 'identity verification', which provided our purchase opportunity. The company has since taken on a new chief financial officer and, we believe, is much better with capital discipline and managing expectations.

As another example, we purchased shares in Global Fashion Group, a holding company with the leading

online fashion retailer in four markets: Southeast Asia, Australia/North America, Latin America and the Commonwealth of Independent States. The company has been investing in brand and logistics in these markets for more than 10 years, and while a country like the UK takes delivery and return of authentic branded goods for granted, this wasn't the case in Brazil, Russia or the Philippines 10 years ago. Global Fashion Group broke even for the first time in 2020, partially aided by the acceleration of online retail due to COVID-19.

As a final example, we invested in Fluidra, global leader in the pool and wellness sector, which manufactures and distributes pool equipment. In 2018 it acquired the number two pool company in the US, making Fluidra number one globally. Two-thirds of the business is aftermarket, which tends to be very stable, and COVID-19 has accelerated newbuild activity, setting the company up for aftermarket growth in the future. We bought the shares following a sell-down by the majority holder.

Conversely, we closed five positions during the review period. We exited Spanish distribution business Logista due to its tobacco exposure, German-listed microfinance provider MyBucks, which had shrunk to an insignificant size, French petrochemical storage and distribution firm Rubis and the aforementioned DCC. We also exited German oven manufacturer Rational, whose shares rallied into what we believed to be a very expensive valuation.

Outlook

It has obviously been an extremely difficult period for many, with the pandemic affecting people's health, wellbeing, finances and the overall economy. But economies will reopen, and reopening will mean growth – so despite the immediate situation, we think the cyclical picture is good. We believe the fiscal picture also looks good because governments are currently pro-spend, whereas in the last financial crisis they were all about austerity. Meanwhile, the monetary picture is very pro-inflationary. So in the short run, we think the path of least resistance would most likely be up.

Authorised Corporate Director's Report

On the other hand, everyone already knows this, which is why the market currently looks quite expensive. There are also some deep cracks below the surface – if there were not, we would not be getting such massive fiscal and monetary government support in the first place.

Our view, therefore, is that in the short term, cyclical, monetary and fiscal factors appear supportive of risk assets, which would naturally be good for smaller companies, which tend to be more cyclical with higher beta (ie their share prices move at a greater magnitude than the market, either up or down). However, in the medium to long term we believe there are two major risks. First is the social tension between people who have financial assets (which are going up) and people who do not. The second is who is going to pay for all this largesse – classically speaking, it will either come through taxes or inflation.

As for where we are focused, we continue to look for quality growth, but are currently doing so in two main areas. European greentech is the first, as we think Europe is far ahead of the rest of the world with the technology and business models in this area, and green stimulus plans are an opportunity for European greentech champions. We are also looking at real assets, including commodities, and this is related to inflation.

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

Michael Oliveros

Fund manager

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

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

Investments

Portfolio statement

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Equities	157,909	99.85	99.40
Software & computer services	17,150	10.84	13.86^a
249,513 EMIS	3,042	1.92	
12,401 Exasol	268	0.17	
120,887 Keywords Studios	3,499	2.21	
25,087 SimCorp	2,527	1.60	
165,835 Unifiedpost	3,276	2.07	
117,003 Vitec Software	4,538	2.87	
Technology hardware & equipment	3,424	2.16	1.87
19,886 SOITEC	3,424	2.16	
Health care providers	5,351	3.38	2.98
278,072 Medicover	5,351	3.38	
Pharmaceuticals & biotechnology	16,271	10.28	9.14
14,865 ALK-Abelló	5,245	3.32	
174,039 Biotage	2,613	1.65	
126,111 Laboratorios Farmaceuticos Rovi	5,751	3.63	
591,455 MagForce	2,662	1.68	
Banks	5,960	3.77	3.93
76,008 Avanza Bank	1,986	1.26	
119,249 KBC Ancora	3,974	2.51	
Investment banking & brokerage services	11,159	7.06	5.96
82,915 flatexDEGIRO	7,197	4.55	
246,666 Georgia Capital	1,436	0.91	
4,385 Hypoport	2,526	1.60	
Non-life insurance	2,041	1.29	1.43
187,547 Hiscox	2,041	1.29	
Automobiles & parts	3,349	2.12	0.00^a
49,581 PIERER Mobility	3,349	2.12	
Consumer services	4,211	2.66	3.96
855,073 Karnov	4,211	2.66	
Household goods & home construction	2,018	1.28	0.94
2,181,539 Cairn Homes	2,018	1.28	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Leisure goods	6,323	4.00	3.44^a
147,738 Embracer	3,273	2.07	
88,181 Thule	3,050	1.93	
Media	7,857	4.97	3.70^a
388,821 Auto Trader	2,514	1.59	
76,807 CTS Eventim	4,278	2.71	
509,475 HolidayCheck	1,065	0.67	
Retailers	14,719	9.31	5.62
329,190 Global Fashion	4,097	2.59	
531,542 Pets at Home	2,429	1.54	
366,028 WH Smith	8,193	5.18	
Travel & leisure	6,256	3.96	2.44
231,201 JET2	3,848	2.44	
539,510 On the Beach	2,408	1.52	
Beverages	3,398	2.15	3.18
21,504 Remy Cointreau	3,398	2.15	
Food producers	2,230	1.41	2.72
56,198 Cranswick	2,230	1.41	
Construction & materials	13,058	8.26	4.25
308,130 Arbonia	4,315	2.73	
256,863 Fluidra	5,587	3.53	
4,035,421 SigmaRoc	3,156	2.00	
Electronic & electrical equipment	0	0.00	5.89^a
Industrial engineering	8,377	5.30	1.28^a
110,355 Aalberts	4,273	2.70	
17,626 VAT	4,104	2.60	
Industrial support services	5,666	3.58	5.16
356,974 Boku	628	0.40	
153,432 ISS	2,284	1.44	
125,816 Loomis	2,754	1.74	

Investments

Portfolio statement (continued)

Holding	as at 28.02.21 €'000	as at 28.02.21 %	as at 31.08.20 %
Equities (continued)			
Industrial transportation	8,063	5.10	7.91
28,628 DSV PANALPINA	4,372	2.77	
17,288 ID Logistics	3,691	2.33	
Chemicals	5,753	3.64	5.75
110,730 AlzChem	2,724	1.72	
47,123 Brenntag	3,029	1.92	
Non-renewable energy	5,275	3.33	3.99
39,525 Gaztransport et Technigaz	2,735	1.73	
94,099 Lundin Energy	2,540	1.60	
Portfolio of investments	157,909	99.85	99.40
Cash equivalents	0	0.00	0.54
'AAA' rated money market funds^b	0	0.00	0.54
Total portfolio	157,909	99.85	99.94
Net other assets / (liabilities)	241	0.15	0.06
Net assets attributable to shareholders	158,150	100.00	100.00

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

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

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

Investments

Top ten portfolio transactions for the six months to 28 February 2021

Largest purchases	€'000
Fluidra	5,114
Unifiedpost	3,620
Gaztransport et Technigaz	3,155
Global Fashion	3,140
Embracer	2,924
ISS	2,713
JET2	1,056
KBC Ancora	886
Loomis	834
Cairn Homes	830
Other purchases	2,614
Total purchases	26,886

Largest sales	€'000
DCC	4,861
Rubis	3,132
CTS Eventim	3,050
Rational	2,760
flatexDEGIRO	2,589
SimCorp	2,553
Medicover	2,424
Logista	2,383
Remy Cointreau	2,357
Avanza Bank	2,328
Other sales	37,415
Total sales	65,852

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

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value	28.02.21 €'000	31.08.20 €'000	31.08.19 €'000
Fund net asset value (NAV)	158,150	159,592	209,245

Performance since launch

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

September 1996 = 100, plotted monthly
Chart date 1 March 2021



Source: Morningstar, Inc. and M&G

* Income reinvested

Financial highlights

Long-term performance by share class

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period to 15 December 2020 for the non-sterling share classes and 1 March 2021 for sterling share classes. Calculated on a price to price basis with income reinvested.

Share class	From 01.09.20 % ^a	From 01.03.18 % pa	From 01.03.16 % pa	Since launch % pa
Euro^b				
Class 'A'	+13.2	-0.7	+4.7	+6.9 ^c
Class 'C'	+13.5	+0.1	+5.5	+7.7 ^c
Sterling^b				
Class 'A'	+25.0	+2.9	+9.6	+9.9 ^d
Class 'I'	+25.3	+3.6	+10.3	+12.1 ^e
Class 'R'	+25.2	+3.3	+10.1	+11.8 ^e
Class 'X'	+25.0	+2.9	+9.6	+12.2 ^f
US dollar^b				
Class 'A'	+14.8	-0.8	+7.2	+4.8 ^g
Class 'C'	+15.1	+0.0	+8.0	+5.6 ^g

^a Absolute basis.

^b Price to price with income reinvested.

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

^d 30 September 1996, the end of the initial offer period of the predecessor unit trust.

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

^f 1 October 2002, the launch date of the share class.

^g 8 August 2014, the launch date of the share class.

Financial highlights

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge. For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

Operating charges are in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

Portfolio transaction costs

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

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

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

Financial highlights

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

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

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 28.02.21 %	Year to 31.08.20 %	Year to 31.08.19 %	Average ^a %
Broker commission	0.04	0.04	0.03	0.04
Taxes	0.03	0.03	0.09	0.05
Costs before dilution adjustments	0.07	0.07	0.12	0.09
Dilution adjustments ^c	(0.04)	(0.03)	(0.04)	(0.04)
Total direct portfolio transaction costs	0.03	0.04	0.08	0.05
as at Indirect portfolio transaction costs	28.02.21 %	31.08.20 %	31.08.19 %	Average ^a %
Average portfolio dealing spread	0.35	0.38	0.31	0.35

^a Average of first three columns.

^b As a percentage of average net asset value.

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

Specific share class performance

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

Historic yields for the current year are calculated as at 12 March 2021.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

The share class closed on 15 December 2020.

Change in NAV per share	Six months to 28.02.21 Euro ¢	Year to 31.08.20 Euro ¢	Year to 31.08.19 Euro ¢
Opening NAV	3,138.69	3,028.08	3,399.39
Return before operating charges	426.00	160.65	(319.13)
Operating charges	(15.77)	(50.04)	(52.18)
Return after operating charges	410.23	110.61	(371.31)
Distributions	n/a	0.00	(17.89)
Retained distributions	n/a	0.00	17.89
Return to shareholder as a result of share class closure	(3,548.92)	n/a	n/a
Closing NAV	0.00	3,138.69	3,028.08
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.72	2.06	3.66
Dilution adjustments ^a	(0.45)	(0.93)	(1.30)
Total direct transaction costs	0.27	1.13	2.36
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.08
Operating charges ^c	1.65	1.65	1.68
Return after charges	+13.07	+3.65	-10.92
Historic yield	0.00	0.00	0.08
Other information			
Closing NAV (€'000)	0	4,389	5,932
Closing NAV (%)	0.00	2.74	2.83
Number of shares	0	139,850	195,903
Highest share price (Euro ¢)	3,548.92	3,527.58	3,423.56
Lowest share price (Euro ¢)	2,976.57	1,965.66	2,737.12

Financial highlights

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.
The share class closed on 15 December 2020.

Change in NAV per share	Six months to 28.02.21 Euro ¢	Year to 31.08.20 Euro ¢	Year to 31.08.19 Euro ¢
Opening NAV	3,605.29	3,450.64	3,844.70
Return before operating charges	490.01	183.87	(361.61)
Operating charges	(9.32)	(29.22)	(32.45)
Return after operating charges	480.69	154.65	(394.06)
Distributions	n/a	(12.43)	(46.98)
Retained distributions	n/a	12.43	46.98
Return to shareholder as a result of share class closure	(4,085.98)	n/a	n/a
Closing NAV	0.00	3,605.29	3,450.64
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.82	2.33	4.16
Dilution adjustments ^a	(0.52)	(1.05)	(1.48)
Total direct transaction costs	0.30	1.28	2.68
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.08
Operating charges ^c	0.85	0.85	0.92
Return after charges	+13.33	+4.48	-10.25
Historic yield	0.00	0.35	0.93
Other information			
Closing NAV (€'000)	0	17,085	15,996
Closing NAV (%)	0.00	10.71	7.64
Number of shares	0	473,877	463,580
Highest share price (Euro ¢)	4,085.98	4,034.61	3,873.72
Lowest share price (Euro ¢)	3,423.72	2,249.93	3,103.03

Sterling Class 'A' Income share performance

The share class was launched on 30 September 1996.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	340.66	335.91	381.77
Return before operating charges	83.50	13.17	(32.31)
Operating charges	(2.48)	(4.42)	(5.70)
Return after operating charges	81.02	8.75	(38.01)
Distributions	n/a	(4.00)	(7.85)
Closing NAV	421.68	340.66	335.91
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.14	0.22	0.41
Dilution adjustments ^a	(0.09)	(0.10)	(0.14)
Total direct transaction costs	0.05	0.12	0.27
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.08
Operating charges ^c	1.34	1.35	1.65
Return after charges	+23.78	+2.60	-9.96
Historic yield	0.92	1.20	2.01
Other information			
Closing NAV (€'000)	38,246	49,595	69,052
Closing NAV (%)	24.18	31.08	33.01
Number of shares	7,884,809	13,027,008	18,638,811
Highest share price (UK p)	432.42	365.02	385.58
Lowest share price (UK p)	326.69	224.40	308.71

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 30 September 1996.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	384.48	374.73	416.18
Return before operating charges	94.29	14.63	(35.24)
Operating charges	(2.85)	(4.88)	(6.21)
Return after operating charges	91.44	9.75	(41.45)
Distributions	n/a	0.00	(2.31)
Retained distributions	n/a	0.00	2.31
Closing NAV	475.92	384.48	374.73
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.16	0.24	0.44
Dilution adjustments ^a	(0.10)	(0.11)	(0.16)
Total direct transaction costs	0.06	0.13	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.08
Operating charges ^c	1.34	1.35	1.66
Return after charges	+23.78	+2.60	-9.96
Historic yield	0.00	0.00	0.08
Other information			
Closing NAV (€'000)	20,191	16,526	16,936
Closing NAV (%)	12.77	10.36	8.09
Number of shares	3,688,288	3,846,132	4,097,725
Highest share price (UK p)	488.04	407.20	420.32
Lowest share price (UK p)	368.71	250.33	336.53

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	1,898.96	1,863.09	2,102.00
Return before operating charges	466.33	73.41	(177.90)
Operating charges	(8.93)	(15.29)	(17.58)
Return after operating charges	457.40	58.12	(195.48)
Distributions	n/a	(22.25)	(43.43)
Closing NAV	2,356.36	1,898.96	1,863.09
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.79	1.22	2.24
Dilution adjustments ^a	(0.50)	(0.55)	(0.80)
Total direct transaction costs	0.29	0.67	1.44
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.08
Operating charges ^c	0.85	0.85	0.92
Return after charges	+24.09	+3.12	-9.30
Historic yield	0.92	1.19	1.99
Other information			
Closing NAV (€'000)	7,187	5,848	6,007
Closing NAV (%)	4.54	3.66	2.87
Number of shares	265,140	275,563	292,341
Highest share price (UK p)	2,416.12	2,028.50	2,123.07
Lowest share price (UK p)	1,822.64	1,248.12	1,703.77

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	2,141.37	2,076.71	2,289.68
Return before operating charges	526.16	81.70	(193.89)
Operating charges	(10.40)	(17.04)	(19.08)
Return after operating charges	515.76	64.66	(212.97)
Distributions	n/a	(7.38)	(28.27)
Retained distributions	n/a	7.38	28.27
Closing NAV	2,657.13	2,141.37	2,076.71
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.92	1.36	2.43
Dilution adjustments ^a	(0.58)	(0.61)	(0.86)
Total direct transaction costs	0.34	0.75	1.57
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.08
Operating charges ^c	0.85	0.85	0.92
Return after charges	+24.09	+3.11	-9.30
Historic yield	0.27	0.35	0.91
Other information			
Closing NAV (€'000)	80,339	38,655	42,023
Closing NAV (%)	50.80	24.22	20.08
Number of shares	2,628,467	1,615,244	1,834,697
Highest share price (UK p)	2,724.53	2,260.96	2,312.58
Lowest share price (UK p)	2,055.30	1,391.17	1,855.85

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	187.65	184.56	208.76
Return before operating charges	46.06	7.24	(17.67)
Operating charges	(1.15)	(1.95)	(2.22)
Return after operating charges	44.91	5.29	(19.89)
Distributions	n/a	(2.20)	(4.31)
Closing NAV	232.56	187.65	184.56
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.12	0.22
Dilution adjustments ^a	(0.05)	(0.05)	(0.08)
Total direct transaction costs	0.03	0.07	0.14
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.08
Operating charges ^c	1.10	1.10	1.17
Return after charges	+23.93	+2.87	-9.53
Historic yield	0.92	1.20	1.99
Other information			
Closing NAV (€'000)	969	640	548
Closing NAV (%)	0.61	0.40	0.26
Number of shares	362,129	305,292	269,287
Highest share price (UK p)	238.47	200.75	210.85
Lowest share price (UK p)	180.03	123.47	169.08

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	209.91	204.07	225.56
Return before operating charges	51.51	8.01	(19.10)
Operating charges	(1.28)	(2.17)	(2.39)
Return after operating charges	50.23	5.84	(21.49)
Distributions	n/a	(0.22)	(2.26)
Retained distributions	n/a	0.22	2.26
Closing NAV	260.14	209.91	204.07
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.13	0.24
Dilution adjustments ^a	(0.05)	(0.06)	(0.09)
Total direct transaction costs	0.04	0.07	0.15
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.08
Operating charges ^c	1.10	1.10	1.17
Return after charges	+23.93	+2.86	-9.53
Historic yield	0.08	0.11	0.63
Other information			
Closing NAV (€'000)	7,724	6,260	6,330
Closing NAV (%)	4.88	3.92	3.03
Number of shares	2,581,101	2,668,431	2,812,189
Highest share price (UK p)	266.75	221.97	227.81
Lowest share price (UK p)	201.38	136.52	182.68

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	336.97	332.27	377.64
Return before operating charges	82.65	12.99	(31.96)
Operating charges	(2.50)	(4.33)	(5.64)
Return after operating charges	80.15	8.66	(37.60)
Distributions	n/a	(3.96)	(7.77)
Closing NAV	417.12	336.97	332.27
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.14	0.22	0.40
Dilution adjustments ^a	(0.09)	(0.10)	(0.14)
Total direct transaction costs	0.05	0.12	0.26
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.08
Operating charges ^c	1.34	1.35	1.66
Return after charges	+23.79	+2.61	-9.96
Historic yield	0.92	1.20	2.01
Other information			
Closing NAV (€'000)	2,207	1,833	1,938
Closing NAV (%)	1.40	1.15	0.93
Number of shares	460,022	486,713	528,883
Highest share price (UK p)	427.74	361.08	381.40
Lowest share price (UK p)	323.15	221.98	305.37

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 28.02.21 UK p	Year to 31.08.20 UK p	Year to 31.08.19 UK p
Opening NAV	379.83	370.20	411.14
Return before operating charges	93.14	14.44	(34.80)
Operating charges	(2.82)	(4.81)	(6.14)
Return after operating charges	90.32	9.63	(40.94)
Distributions	n/a	0.00	(2.28)
Retained distributions	n/a	0.00	2.28
Closing NAV	470.15	379.83	370.20
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.16	0.24	0.44
Dilution adjustments ^a	(0.10)	(0.11)	(0.16)
Total direct transaction costs	0.06	0.13	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.08
Operating charges ^c	1.34	1.35	1.66
Return after charges	+23.78	+2.60	-9.96
Historic yield	0.00	0.00	0.08
Other information			
Closing NAV (€'000)	1,287	1,033	1,027
Closing NAV (%)	0.81	0.65	0.49
Number of shares	237,923	243,267	251,417
Highest share price (UK p)	482.13	402.28	415.23
Lowest share price (UK p)	364.25	247.31	332.46

US dollar Class 'A' Accumulation share performance

The share class was launched on 8 August 2014.

The share class closed on 15 December 2020.

Change in NAV per share	Six months to 28.02.21 US ¢	Year to 31.08.20 US ¢	Year to 31.08.19 US ¢
Opening NAV	1,164.75	1,042.28	1,236.53
Return before operating charges	186.52	139.77	(175.77)
Operating charges	(5.91)	(17.30)	(18.48)
Return after operating charges	180.61	122.47	(194.25)
Distributions	n/a	0.00	(6.16)
Retained distributions	n/a	0.00	6.16
Return to shareholder as a result of share class closure	(1,345.36)	n/a	n/a
Closing NAV	0.00	1,164.75	1,042.28
Direct transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.27	0.71	1.30
Dilution adjustments ^a	(0.17)	(0.32)	(0.46)
Total direct transaction costs	0.10	0.39	0.84
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.08
Operating charges ^c	1.65	1.65	1.68
Return after charges	+15.51	+11.75	-15.71
Historic yield	0.00	0.00	0.08
Other information			
Closing NAV (€'000)	0	176	214
Closing NAV (%)	0.00	0.11	0.10
Number of shares	0	17,998	22,634
Highest share price (US ¢)	1,345.36	1,213.09	1,255.52
Lowest share price (US ¢)	1,086.07	658.76	972.43

Financial highlights

US dollar Class 'C' Accumulation share performance

The share class was launched on 8 August 2014.

The share class closed on 15 December 2020.

Change in NAV per share	Six months to 28.02.21 US ¢	Year to 31.08.20 US ¢	Year to 31.08.19 US ¢
Opening NAV	1,220.33	1,083.35	1,275.61
Return before operating charges	195.76	146.40	(181.75)
Operating charges	(3.17)	(9.42)	(10.51)
Return after operating charges	192.59	136.98	(192.26)
Distributions	n/a	(4.21)	(14.75)
Retained distributions	n/a	4.21	14.75
Return to shareholder as a result of share class closure	(1,412.92)	n/a	n/a
Closing NAV	0.00	1,220.33	1,083.35
Direct transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.28	0.75	1.34
Dilution adjustments ^a	(0.18)	(0.34)	(0.48)
Total direct transaction costs	0.10	0.41	0.86
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.08
Operating charges ^c	0.85	0.85	0.92
Return after charges	+15.78	+12.64	-15.07
Historic yield	0.00	0.35	0.98
Other information			
Closing NAV (€'000)	0	17,552	43,242
Closing NAV (%)	0.00	11.00	20.67
Number of shares	0	1,712,207	4,407,172
Highest share price (US ¢)	1,412.92	1,264.33	1,295.76
Lowest share price (US ¢)	1,139.45	687.76	1,005.54

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 and 29 February	2021		2020	
	€'000	€'000	€'000	€'000
Income				
Net capital gains/(losses)		38,222		4,046
Revenue	245		968	
Expenses	(837)		(1,181)	
Net revenue/(expense) before taxation	(592)		(213)	
Taxation	21		11	
Net revenue/(expense) after taxation		(571)		(202)
Total return before equalisation		37,651		3,844
Equalisation		19		(82)
Change in net assets attributable to shareholders from investment activities		37,670		3,762

Statement of change in net assets attributable to shareholders

for the six months to 28 and 29 February	2021		2020	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		159,592		209,245
Amounts received on issue of shares	41,401		1,749	
Amounts paid on cancellation of shares	(80,606)		(37,243)	
		(39,205)		(35,494)
Dilution adjustments		93		77
Change in net assets attributable to shareholders from investment activities (see above)		37,670		3,762
Closing net assets attributable to shareholders		158,150		177,590

The opening net assets attributable to shareholders for 2021 differs to the closing position in 2020 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Financial statements and notes

Financial statements

Balance sheet

as at	28 February 2021 €'000	31 August 2020 €'000
Assets		
Fixed assets		
Investments	157,909	158,646
Current assets		
Debtors	551	403
Cash and bank balances	45	508
Cash equivalents	0	854
Total assets	158,505	160,411
Liabilities		
Creditors		
Distribution payable	0	(680)
Other creditors	(355)	(139)
Total liabilities	(355)	(819)
Net assets attributable to shareholders	158,150	159,592

Financial statements and notes

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

Other regulatory disclosures

Swiss investor information

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

For these funds the TERs are the same as the operating charges disclosed in each fund's financial highlights section under 'Performance and charges'.

Glossary

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

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

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

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

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

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

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

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

Bunds Fixed income securities issued by the German government.

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

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

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

Cash equivalents Deposits or investments with similar characteristics to cash.

Charity Authorised Investment Fund (CAIF) An investment entity that is both a registered charity and an authorised investment fund. The CAIF must comply with charity law as well as financial services laws and regulations, and is usually treated as a registered charity for tax purposes.

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

Distribution Distributions represent a share in the income of the fund and are paid out to Income shareholders or reinvested for Accumulation shareholders at set times of the year (monthly, quarterly, half-yearly or annually). They may either be in the form of interest distributions or dividend distributions.

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

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

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

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

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

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

Equities Shares of ownership in a company.

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

Ex-dividend, ex-distribution or XD date The date on which declared distributions officially belong to underlying investors.

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

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

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

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

Glossary

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

Forward contract A contract between two parties to buy or sell a particular commodity or financial instrument at a pre-determined price at a future date. Examples include forward currency contracts.

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

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

Futures A futures contract is a contract between two parties to buy or sell a particular commodity or financial instrument at a predetermined price at a future date. Futures are traded on a regulated exchange.

Gilts Fixed income securities issued by the UK government.

Government bonds Fixed income securities issued by governments, that normally pay a fixed rate of interest over a given time period, at the end of which the initial investment is repaid.

Hedging A method of reducing unnecessary or unintended risk.

High water mark (HWM) The highest level that a fund's NAV (net asset value) has reached at the end of any 12-month accounting period.

High yield bonds Fixed income securities issued by companies with a low credit rating from a recognised credit rating agency. They are considered to be at higher risk of default than better quality, ie higher-rated fixed income securities but have the potential for higher rewards. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Historic yield The historic yield reflects distributions declared over the past 12 months as a percentage of the share price, as at the date shown.

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

Index An index represents a particular market or a portion of it, serving as a performance indicator for that market.

Income shares A type of share where distributions are paid out as cash on the payment date.

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Near cash Deposits or investments with similar characteristics to cash.

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

Ongoing Charge Figure The Ongoing charge Figure represents the operating costs investors can reasonably expect to pay under normal circumstances.

Open-ended investment company (OEIC) A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Options Financial contracts that offer the right, but not the obligation, to buy or sell an asset at a given price on or before a given date in the future.

Over-the-counter (OTC) Whereby financial assets are traded directly between two parties. This is in contrast to exchange trading, which is carried out through exchanges set up specifically for the purpose of trading. OTC is also known as off-exchange trading.

Overweight If a fund is 'overweight' a stock, it holds a larger proportion of that stock than the comparable index or sector.

Payment date The date on which distributions will be paid by the fund to investors, usually the last business day of the month.

Physical assets An item of value that has tangible existence, for example, cash, equipment, inventory or real estate. Physical assets can also refer to securities, such as company shares or fixed income securities.

Portfolio transaction cost The cost of trading, such as brokerage, clearing, exchange fees and bid-offer spread as well as taxes such as stamp duty.

Preference shares Preference shares are a loan to a company that may be traded in the same way as ordinary shares, but generally have a higher yield and pay dividends on fixed dates. Preference shares have varying characteristics as to the treatment of the principal and the dividend payment, which includes ranking them above ordinary shares when it comes to dividend payments.

Principal The face value of a fixed income security, which is the amount due back to the investor by the borrower when the security reaches the end of its life.

Private placement An offer of sale of securities to a relatively small number of investors selected by the company, generally investment banks, mutual funds, insurance companies or pension funds.

Property Expense Ratio (PER) Property expenses are the operating expenses that relate to the management of the property assets in the portfolio. These include: insurance and rates, rent review and lease renewal costs and maintenance and repairs, but not improvements. They depend on the level of activity taking place within the fund. The Property Expense Ratio is the ratio of property expenses to the fund's net asset value.

Glossary

Real yield The return of an investment, adjusted for changes in prices in an economy.

Retail Prices Index (RPI) A UK inflation index that measures the rate of change in prices for a basket of goods and services in the UK, including mortgage payments and council tax.

Risk The chance that an investment's return will be different to what is expected. Risk includes the possibility of losing some or all of the original investment.

Risk management The term used to describe the activities the fund manager undertakes to limit the risk of a loss in a fund.

Risk premium The difference between the return from a risk-free asset, such as a high-quality government bond or cash, and the return from an investment in any other asset. The risk premium can be considered the 'price' or 'pay-off' for taking on increased risk. A higher risk premium implies higher risk.

Risk-free asset An asset that notionally carries no risk of nonpayment by the borrower such as a high-quality fixed income security issued by a government or cash.

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

Safe-haven assets Refers to assets that investors perceive to be relatively safe from suffering a loss in times of market turmoil.

Security Financial term for a paper asset – usually a share in a company or a fixed income security also known as a bond.

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

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

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

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

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

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

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

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

Swing pricing Swing pricing is a method of protecting long-term shareholders in the fund from bearing the costs of transactions carried out by shorter-term investors. When investors buy or sell shares in the fund, the fund manager has to buy or sell underlying securities to either invest the cash obtained from investors, or to provide them with cash in exchange for their shares. Swing pricing essentially adjusts the fund shares' daily price to take into account the costs of buying or selling the underlying securities held by the fund. This ensures that transaction costs such as brokerage fees and administrative charges are borne by those investors who trade shares in the fund, not by those who remain invested in the fund. (Also see dilution adjustment).

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

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

Treasuries Fixed income securities issued by the US government.

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

