



M&G Optimal Income Fund

Annual Long Report and audited Financial Statements
for the year ended 30 September 2015



Contents

Please note that we have now included a glossary at the back of this report.

M&G Optimal Income Fund

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M&G Optimal Income Fund

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Optimal Income Fund presents its Annual Long Report and audited Financial Statements for the year ended 30 September 2015.

Company information

This Open-Ended Investment Company (OEIC) is an Investment Company with Variable Capital (ICVC) incorporated under the Open-Ended Investment Companies Regulations 2001. It is authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000. The Company is a UCITS (Undertakings for Collective Investment in Transferable Securities) scheme as defined in the Collective Investment Schemes sourcebook, as issued (and amended) by the FCA.

The Company was authorised on 17 November 2006 and the fund was launched on 8 December 2006.

The Company's principal activity is to carry on business as an 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 manager

Richard Woolnough is employed by M&G Limited which is an associate of M&G Securities Limited.

ACD

M&G Securities Limited,
Laurence Pountney Hill, London EC4R 0HH, UK
Telephone: 0800 390 390 (UK only)

(Authorised and regulated by the Financial Conduct Authority. M&G Securities Limited is a member of the Investment Association (formerly the Investment Management Association) and of the Tax Incentivised Savings Association.)

Directors of the ACD

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

Investment manager

M&G Investment Management Limited,
Laurence Pountney Hill, London EC4R 0HH, UK
Telephone: +44 (0)20 7626 4588

(Authorised and regulated by the Financial Conduct Authority)

Registrar

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

Depository

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

Independent auditor

Ernst & Young LLP
Ten George Street, Edinburgh EH2 2DZ, UK

Investor information

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

Customer Relations 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 Relations and administration for non-UK clients:

M&G International Investments Limited,
mainBuilding, Taunusanlage 19, 60325 Frankfurt am Main, Germany
Please remember to quote your name and M&G client reference and sign any written communication to M&G. Failure to provide this will affect your ability to transact with us.

Telephone: +49 69 1338 6767

Email: iocs@mandg.co.uk

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

Austrian paying and information agent:

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

Belgian financial agent:

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

Danish representative agent:

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

French centralising agent:

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

German paying and information agent:

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

Irish facilities agent:

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

M&G Optimal Income Fund

Authorised Corporate Director's Report

Investor information (continued)

Italian paying agents:

Allfunds Bank, S.A.,

Via Santa Margherita 7, 20121 Milano, Italy

Banca Monte dei Paschi di Siena S.p.A.,

Piazza Salimbeni 3, 53100 Siena, Italy

Banca Sella Holding S.p.A.,

Piazza Gaudenzio Sella 1, 13900 Biella, Italy

BNP PARIBAS Securities Services,

Via Ansperto 5, 20123 Milano, Italy

RBC Investor Services Bank S.A., Milan Branch

Via Vittor Pisani 26, 20124 Milano, Italy

State Street Bank S.p.A.,

Via Ferrante Aporti 10, 20125 Milano, Italy

Société Générale Securities Services S.A.,

Via Benigno Crespi 19A - MAC 2, 20159 Milano, Italy

Luxembourg paying and information agent:

J.P. Morgan Bank Luxembourg S.A., European Bank & Business

Center, 6 c route de Trèves, 2633 Senningerberg, Luxembourg

Portuguese distributor:

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

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

Spanish representative:

Allfunds Bank, S.A.,

Calle Estafeta, No 6 Complejo Plaza de la Fuente,

La Moraleja 28109, Alcobendas, Madrid, Spain

Swedish paying agent:

Skandinaviska Enskilda Banken AB (publ),

Sergels Torg 2, 106 40 Stockholm, Sweden

Swiss paying agent:

JP Morgan Chase Bank,

National Association, Columbus, Zurich Branch,

Dreikönigstrasse 21, 8002 Zürich, Switzerland

Swiss representative:

Carnegie Fund Services S.A.,

11, rue du Général-Dufour, 1204 Genève, Switzerland

Authorised Corporate Director's Responsibilities

The ACD is required to prepare annual and interim long and short reports for the Company. It must ensure that the financial statements, contained in the Long Report are prepared in accordance with the Investment Association (formerly the Investment Management 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 and the net capital losses for the accounting period, and the financial position at the end of that period.

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

Directors' statement

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

G W MACDOWALL

L J MUMFORD

} Directors

12 November 2015

M&G Optimal Income Fund

Depository's Responsibilities and Report

Statement of the Depository's Responsibilities

In respect of the financial statements of the Company

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

Report of the Depository

To the shareholders of M&G Optimal Income Fund for the year ended 30 September 2015

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

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

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

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

Edinburgh
12 November 2015

National Westminster Bank Plc
Trustee and Depository Services

M&G Optimal Income Fund

Independent Auditor's Report

Independent auditor's report to the shareholders of M&G Optimal Income Fund

We have audited the financial statements of the M&G Optimal Income Fund ('the Company') for the year ended 30 September 2015 which comprise the Statement of Total Return, Statement of Change in Net Assets attributable to shareholders, Balance Sheet and the related notes 1 to 12 and the distribution table. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Authorised Corporate Director and Auditor

As explained more fully in the Authorised Corporate Director's responsibilities statement set out on page 2, the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company at 30 September 2015 and of the net revenue and the net losses on the scheme property of the Company for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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

In our opinion:

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

Edinburgh
12 November 2015

Ernst & Young LLP
Statutory Auditor

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

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

M&G Optimal Income Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to provide a total return (the combination of income and growth of capital) to investors based on exposure to optimal income streams in investment markets.

Investment policy

The Fund aims to provide a total return (the combination of income and growth of capital) to investors through strategic asset allocation and specific stock selection. The Fund will be at least 50% invested in debt instruments, but may also invest in other assets including collective investment schemes, money market instruments, cash, near cash, deposits, equities and derivatives. Derivative instruments may be used for both investment purposes and efficient portfolio management.

Investment approach

The M&G Optimal Income Fund is a flexible bond fund, allowing investment across a broad range of fixed income assets according to where the fund manager identifies value. The investment approach begins with a top-down assessment of the macroeconomic environment, including the likely path of growth, inflation and interest rates. The results of this analysis help inform the fund's duration positioning and its allocation to the various bond asset classes. Individual credit selection is carried out in conjunction with M&G's in-house team of credit specialists, which provides bottom-up analysis of the corporate bond markets to complement the fund manager's views.

There are no restrictions on the amount of government bonds, investment grade bonds or high yield bonds that can be held within the portfolio. The fund may also invest in other assets, including cash, equities and derivatives. Derivative instruments may be used for both investment purposes and efficient portfolio management.

Risk profile

The fund is a flexible bond fund which invests in a range of fixed income securities. In addition, up to 20% of the portfolio may be invested in company shares when the fund manager believes they offer better value than bonds. The fund is therefore subject to the price volatility of global bond and stockmarkets as well as the performance of individual companies. The fund is also subject to fluctuations in currency exchange rates.

There are no restrictions on the amount of government bonds, investment grade bonds or high yield bonds that can be held within the portfolio. While government and investment grade bonds are generally highly liquid assets that are normally traded with relative ease, high yield corporate bonds are higher risk assets that could potentially experience a degree of illiquidity in times of market distress. The fund's exposure to company shares is typically through large companies, where the shares are normally traded with relative ease.

The fund's exposure to fixed income securities may be gained through the use of derivatives. In association with the use of derivatives, including those instruments not traded through an exchange, collateral is deposited in order to mitigate the risk that a counterparty may default on its obligations or become insolvent.

Portfolio diversification is 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 risk management policies are set out in note 2 in the 'Notes to the financial statements' section.

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 October 2015, for the year ended 30 September 2015

Investment performance

During the 12 months under review, the M&G Optimal Income Fund produced a negative total return (capital performance with net income reinvested) across all share classes. The fund underperformed its peer group of comparable bond funds.

Part of the underperformance reflects a negative swing of 57 basis points in the pricing basis of the fund over the 12 months ^[a].

The majority of the M&G Optimal Income Fund's holdings are split between high quality (known as investment grade) corporate bonds, high yielding corporate bonds and government bonds. Bonds are loans in the form of a security, usually issued by a government (government bonds) or company (corporate bonds), which normally pay a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid. High yielding corporate bonds are issued by companies with a low credit rating from a recognised credit rating agency. They are considered to be at higher risk of non-repayment than better quality, ie higher rated, fixed income securities but have the potential for higher rewards.

The period under review can broadly be separated into two distinct parts. In the first part, concerns about a faltering global economy drove strong demand for the government bonds of key developed nations, which are perceived as a 'safe haven'. This rise in government bond prices supported strong performance in investment grade corporate bond markets.

However, in February a mix of factors began to disrupt this theme. Deflationary concerns globally were offset by stronger economic data releases from the US and positive policy action by a large number of central banks around the world in March. Core government bond yields began to diverge, but corporate bonds performed well. (Bond yields

M&G Optimal Income Fund

Authorised Corporate Director's Report

Investment review (continued)

Investment performance (continued)

refer to the interest received from a fixed interest security, which is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value. Typically they move inversely to bond prices.)

In the second part of the period, markets experienced heightened volatility. From mid-April, core government bond yields all rose as bond prices fell, returning to October 2014 levels in just two months. This was negative for corporate bonds, as the difference between corporate bond and government bond yields (the credit spread) widened. The 'sell-off', or rapid sale by investors, can be attributed to a number of factors. Firmer inflationary data in Europe and very strong employment data in the US both pointed to an improving global economy and the likelihood of an interest rate rise later this year. This gave investors reason to reconsider the extremely high valuations in core government bonds.

However, from July, negative sentiment returned on concerns of a slowdown in China's growth and falling commodity prices. Asian stock markets suffered from a number of extreme sell-offs that ricocheted through all major markets globally, including corporate bond markets. Another flight to 'safe haven' assets pushed government bond yields lower, while credit spreads widened further.

In the first part of the period under review, the fund's performance was muted by the portfolio's positioning on expectations that government bonds would perform poorly relative to corporate bonds. However, in the second part, this defensive positioning was positive in the face of significant fluctuations in government bond yields.

Investment activities

Over the review period, we adjusted the positioning of the fund to reflect changes in our outlook regarding interest rates and credit risk (that is, companies' ability to repay their debts).

One of the key drivers of a bond fund's performance is its ability to reduce or increase the portfolio's sensitivity to changes in an economy's interest rates. This is known as the fund's 'duration' and was the primary focus of our investment activity over the past 12 months.

We held the fund's duration fairly steady over the review period, reducing it slightly from 3.14 years to 2.44 years. This position is short relative to a comparable index. It reflects our view that the global economic recovery is improving, particularly in the US and the UK, and that interest rates will likely be raised soon as a result.

There were no significant changes to the portfolio's asset allocation over the period. Investment grade bond exposure fell slightly but remains the largest holding by asset type in the fund, representing over half of all assets. Exposure to higher yielding bonds was held steady at just over a quarter of all assets. Government bonds represent a similar amount. Exposure to company shares, or equities, fell slightly to a nominal amount. By sector, the largest exposure is to bonds issued by financial companies and telecommunication companies.

Regarding specific transactions, we have seen, and continue to see, value in longer dated bonds (bonds with over 20 years to the final repayment date, or maturity) in US dollar denominations, relative to shorter dated bonds (bonds with less than 10 years to maturity) in

other denominations. We reduced exposure to short-dated bonds from names such as Microsoft and Novartis, and bought longer dated bonds from Telefónica, Wal-mart and BT, where we believe there is good value to be found.

Outlook

The outlook for the global economy is positive, driven by the US and helped by the stimulative effects of a weak oil price. Meanwhile, Europe looks to be stabilising. We believe that China's economic slowdown is unlikely to have a significant effect on global growth.

We believe that the central banks in the US and UK will need to respond to improvements in their respective economies shortly, given the strength of recent employment data and the delay with which monetary policy changes can take effect. We expect to see a rate rise in the US in the short term, followed by the UK.

In Europe, we believe that the economy is in better shape than the market thinks and that the economy may be turning a corner following years of loose monetary policy. Europe's policy response was slow post-financial crisis, and some eurozone members face significant challenges, where debt and unemployment rates are still high, particularly in the peripheral economies. However, economic data has improved since the end of 2014 and there are clear signs that the economy is stabilising.

In light of these views, we are positioned defensively with respect to interest rate risk. Our core view continues to be that government bond yields are overvalued, and will rise gradually from here. Conversely, we believe this improving economic environment will support businesses and, in turn, corporate bond valuations. In our view, current valuations adequately compensate for risk and are largely unchanged since the end of 2013, despite improving economic conditions, suggesting that they could increase.

In investment grade bonds, we have a preference for bonds in US dollar and sterling denominations over euro bonds, and see especially good value in long-dated US dollar bonds. In high yield bonds, we remain positive on a case-by-case basis. Current looser bank lending standards support a lower default rate (that is, the ratio of borrowers not maintaining interest payments or repaying the amount borrowed when due), which is a key driver of high yield valuations. The asset class should also benefit from a continued strong demand for higher yielding assets in the current low interest rate environment.

Richard Woolnough
Fund manager

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

^[a] M&G funds moved to swinging single pricing in October 2005. This method uses a dilution adjustment within the share price, aimed at protecting existing shareholders from a dilution in the fund price, which can occur when large deals are placed to buy or sell shares. The method has the effect of moving the single price up or down from the mid-price – known as 'swinging'. Over the review period, the price 'swung' lower, thus affecting the fund's performance.

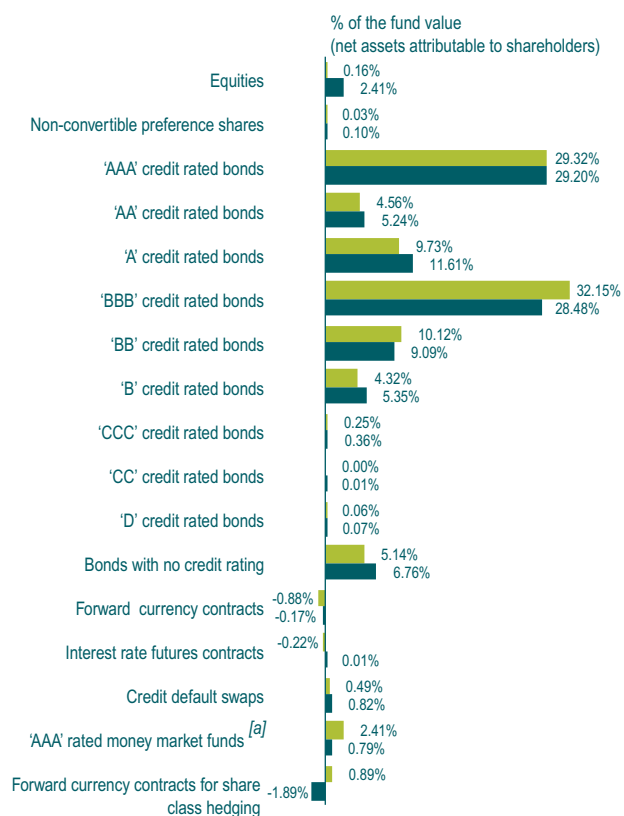
Please note that the views expressed in this Report should not be taken as a recommendation or advice on how the fund or any holding mentioned in the Report is likely to perform. If you wish to obtain financial advice as to whether an investment is suitable for your needs, you should consult a Financial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

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Authorised Corporate Director's Report

Investment review (continued)

Classification of investments



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

30 September 2015

30 September 2014

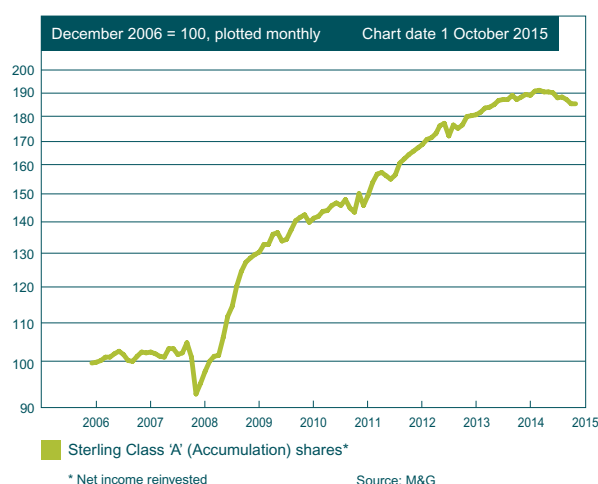
Source: M&G

Fund statistics

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.

Performance since launch

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



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Fund Statistics

Distribution dates and fund facts				
Distribution type	xd	payment		
Interim	01.04.16	31.05.16		
Final	03.10.16	30.11.16		
Monthly share classes				
First interim	02.11.15	31.12.15		
Second interim	01.12.15	31.01.16		
Third interim	04.01.16	29.02.16		
Fourth interim	01.02.16	31.03.16		
Fifth interim	01.03.16	30.04.16		
Sixth interim	01.04.16	31.05.16		
Seventh interim	03.05.16	30.06.16		
Eighth interim	01.06.16	31.07.16		
Ninth interim	01.07.16	31.08.16		
Tenth interim	01.08.16	30.09.16		
Eleventh interim	01.09.16	31.10.16		
Final	03.10.16	30.11.16		
	Final distribution Inc 30.11.15 ^[a]	Acc 01.10.15 ^[a]	Ongoing charges figure ^[b] 30.09.15	30.09.14
Euro	€	€	%	%
Class 'A-H'	15.8256	16.5083	1.43	1.43
Class 'B-H'	8.9740	8.9743	1.93 ^[c]	n/a
Class 'C-H'	21.5549	22.0914	0.93	0.93
Singapore dollar	¢	¢	%	%
Class 'A-H'	n/a	9.5198	1.42 ^[c]	n/a
Class 'A-H M'	1.4968	n/a	1.42 ^[c]	n/a
Class 'C-H'	n/a	12.1440	0.92 ^[c]	n/a
Sterling	p	p	%	%
Class 'A'	1.0748	1.4008	1.41	1.41
Class 'I'	1.3628	1.8380	0.91	0.91
Class 'R'	0.9468	0.9992	1.16	1.16
Class 'X'	0.9264	1.1952	1.66	1.66
Swiss franc	¢	¢	%	%
Class 'A-H'	10.6710	10.6711	1.43	1.43
Class 'C-H'	13.6568	13.7574	0.93	0.93
US dollar	¢	¢	%	%
Class 'A-H'	12.2177	12.4619	1.43	1.43
Class 'A-H M'	1.5060	n/a	1.42 ^[c]	n/a
Class 'C-H'	15.8526	16.2419	0.93	0.93

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

^[b] The ongoing charges figure is the ratio of the relevant annualised total disclosable costs of each share class from the most recent reporting period to the average net asset value for that share class over the same period.

^[c] The ongoing charges figure shown here is an estimate of the charges, as the share class has not been in existence for a full financial year.

Income accrued from interest-bearing securities is distributed on an effective yield basis.

The following table shows the compound rate of return, per annum, over the period. Calculated on a price to price basis with income reinvested.

Long-term performance ^[a]

	one year 01.10.14 % ^[b]	three years 01.10.12 % p.a.	five years 01.10.10 % p.a.	since launch % p.a.
Euro ^[c]				
Class 'A-H'	-1.6	+4.0	+5.6	+7.2 ^[d]
Class 'B-H'	n/a	n/a	n/a	-1.2 ^[e]
Class 'C-H'	-1.1	+4.5	+6.2	+7.8 ^[d]
Singapore dollar ^[c]				
Class 'A-H'	n/a	n/a	n/a	-2.6 ^[f]
Class 'A-H M'	n/a	n/a	n/a	-1.9 ^[f]
Class 'C-H'	n/a	n/a	n/a	-2.1 ^[f]
Sterling ^[g]				
Class 'A'	-1.2	+4.2	+5.6	+7.2 ^[h]
Class 'I'	-0.8	+4.6	+6.0	+7.6 ^[h]
Class 'R'	-1.0	+4.4	n/a	+4.9 ^[i]
Class 'X'	-1.4	+4.0	+5.4	+7.0 ^[h]
Swiss franc ^[c]				
Class 'A-H'	-2.2	+3.7	n/a	+3.8 ^[j]
Class 'C-H'	-1.8	+4.2	n/a	+4.3 ^[j]
US dollar ^[c]				
Class 'A-H'	-1.2	+4.2	+5.9	+5.9 ^[k]
Class 'A-H M'	n/a	n/a	n/a	-2.2 ^[f]
Class 'C-H'	-0.7	+4.8	+6.5	+6.5 ^[k]

^[a] On 2 December 2008 the M&G Optimal Income Fund de-merged from M&G Investment Funds (6) to become the M&G Optimal Income Fund.

^[b] Absolute basis.

^[c] Bid to bid with gross income reinvested.

^[d] 20 April 2007, the launch date of the share class.

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

^[f] 16 January 2015, the launch date of the share class. Absolute basis.

^[g] Bid to bid with net income reinvested.

^[h] 8 December 2006, the launch date of the predecessor OEIC sub-fund.

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

^[j] 28 September 2012, the launch date of the share class.

^[k] 1 October 2010, the launch date of the share class.

Fund performance

	Net asset value per share as at 30.09.15		Net asset value per share as at 30.09.14		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Euro						
Class 'A-H'	€ 17.0794	€ 18.0643	€ 17.5948	€ 18.2469	-2.93	-1.00
Class 'B-H'	9.7876	9.8773	n/a	n/a	n/a	n/a
Class 'C-H'	18.1835	18.9303	18.7544	19.0347	-3.04	-0.55
Singapore dollar						
Class 'A-H'	SGD n/a	SGD 9.8111	SGD n/a	SGD n/a	% n/a	% n/a
Class 'A-H M'	9.6762	n/a	n/a	n/a	n/a	n/a
Class 'C-H'	n/a	9.8433	n/a	n/a	n/a	n/a
Sterling						
Class 'A'	p 140.09	p 185.07	p 143.29	p 186.31	% -2.23	% -0.67
Class 'I'	140.07	191.26	143.28	191.79	-2.24	-0.28
Class 'R'	108.87	116.20	111.37	116.76	-2.24	-0.48
Class 'X'	140.00	181.72	143.21	183.28	-2.24	-0.85
Swiss franc						
Class 'A-H'	CHF 10.9699	CHF 11.1962	CHF n/a	CHF 11.3853	% n/a	% -1.66
Class 'C-H'	11.0676	11.3582	n/a	11.4955	n/a	-1.19
US dollar						
Class 'A-H'	\$ 12.9309	\$ 13.3190	\$ 13.2651	\$ 13.4091	-2.52	-0.67
Class 'A-H M'	9.6415	n/a	n/a	n/a	n/a	n/a
Class 'C-H'	13.1685	13.6678	13.5188	13.6926	-2.59	-0.18

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Fund Statistics

Single year performance (5 years ending September)					
From	01.10.14	01.10.13	01.10.12	01.10.11	01.10.10
To	30.09.15	30.09.14	30.09.13	30.09.12	30.09.11
	%	%	%	%	%
Sterling					
Class 'A'	-1.1	6.3	7.4	14.6	1.1

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

Prices					
	Calendar year	Income shares Highest	Income shares Lowest	Accumulation shares Highest	Accumulation shares Lowest
Euro (gross)		€	€	€	€
Class 'A-H'	2010	n/a	n/a	13.9593	12.6017
	2011	n/a	n/a	14.6457	13.7159
	2012	n/a	n/a	16.4971	14.5909
	2013	17.4499 [a]	16.9458 [a]	17.6604	16.4754
	2014	18.0504	17.4520	18.5245	17.6618
	2015 [b]	18.0763	17.0848	18.7377	18.0603
Class 'B-H'	2015 [b] [c]	10.0000	9.7915	10.0000	9.8752
Class 'C-H'	2010	n/a	n/a	14.2832	12.8171
	2011	n/a	n/a	15.0591	14.0445
	2012	n/a	n/a	17.0549	15.0133
	2013	n/a	n/a	18.3479	17.0335
	2014	19.2840 [d]	18.8020 [d]	19.3378	18.3501
	2015 [b]	19.2965	18.1916	19.5800	18.9263
Singapore dollar (gross)		SGD	SGD	SGD	SGD
Class 'A-H'	2015 [b] [e]	n/a	n/a	10.0968	9.8091
Class 'A-H M'	2015 [b] [e]	10.0839	9.6816	n/a	n/a
Class 'C-H'	2015 [b] [e]	n/a	n/a	10.1054	9.8406
Sterling (net)		p	p	p	p
Class 'A'	2010	123.19	115.51	143.45	130.32
	2011	124.16	116.84	149.50	140.86
	2012	134.73	122.93	168.33	148.94
	2013	141.49	134.13	180.35	168.11
	2014	146.58	141.49	189.20	180.36
	2015 [b]	147.24	140.16	191.43	185.03
Class 'I'	2010	123.40	115.56	145.41	131.66
	2011	124.30	116.81	152.14	142.89
	2012	134.84	123.02	172.11	151.68
	2013	141.61	134.24	185.10	171.88
	2014	146.80	141.62	194.88	185.11
	2015 [b]	147.47	140.14	197.39	191.22
Class 'R'	2012 [f]	104.76	100.00	105.13	100.00
	2013	110.01	104.29	112.85	104.99
	2014	114.01	110.02	118.60	112.85
	2015 [b]	114.53	108.92	120.06	116.18
Class 'X'	2010	123.01	115.41	142.24	129.44
	2011	124.01	116.78	147.95	139.62
	2012	134.59	122.80	166.20	147.35
	2013	141.33	133.99	177.70	165.97
	2014	146.36	141.34	186.09	177.71
	2015 [b]	147.02	140.07	188.19	181.68

Prices (continued)

	Calendar year	Income shares Highest	Income shares Lowest	Accumulation shares Highest	Accumulation shares Lowest
Swiss franc (gross)		CHF	CHF	CHF	CHF
Class 'A-H'	2012 [g]	n/a	n/a	10.2963	10.0000
	2013	n/a	n/a	11.0242	10.2833
	2014	n/a	n/a	11.5617	11.0266
	2015 [b]	11.6636 [e]	10.9741 [e]	11.6747	11.1937
Class 'C-H'	2012 [g]	n/a	n/a	10.3059	10.0000
	2013	n/a	n/a	11.0871	10.2937
	2014	n/a	n/a	11.6817	11.0893
	2015 [b]	11.7916 [e]	11.0724 [e]	11.8064	11.3559
US dollar (gross)		\$	\$	\$	\$
Class 'A-H'	2010 [h]	n/a	n/a	10.2042	9.9077
	2011	n/a	n/a	10.6859	10.0243
	2012	n/a	n/a	12.0993	10.6538
	2013	n/a	n/a	12.9651	12.0840
	2014	13.5891 [d]	13.2903 [d]	13.6183	12.9659
	2015 [b]	13.6352	12.9379	13.7795	13.3161
Class 'A-H M'	2015 [b] [e]	10.0893	9.6462	n/a	n/a
Class 'C-H'	2010 [h]	n/a	n/a	10.2064	9.9209
	2011	n/a	n/a	10.7540	10.0428
	2012	n/a	n/a	12.2346	10.7300
	2013	n/a	n/a	13.1875	12.2210
	2014	13.8699 [d]	13.5436 [d]	13.9159	13.1889
	2015 [b]	13.9160	13.1762	14.0902	13.6650

[a] From 12 July 2013 (the launch date of the Income share class).

[b] To 1 October 2015.

[c] From 11 September 2015 (the launch date of the share class).

[d] From 8 August 2014 (the launch date of the Income share class).

[e] From 16 January 2015 (the launch date of the share class).

[f] From 3 August 2012 (the launch date of the share class).

[g] From 28 September 2012 (the launch date of the share class).

[h] From 1 October 2010 (the launch date of the share class).

Income

Interest income					
	Calendar year	Distributed Interim	Distributed Final	Reinvested Total	
Euro (gross)		€	€	€	€
Class 'A-H'	2010	n/a	n/a	n/a	59.5036
	2011	n/a	n/a	n/a	59.2216
	2012	n/a	n/a	n/a	59.4475
	2013	n/a	21.0464	21.0464	41.4772
	2014	22.6204	21.8230	44.4434	45.2804
	2015 [a]	20.0816	15.8256	35.9072	37.2969
Class 'B-H'	2015 [a]	n/a	8.9740	8.9740	8.9743
Class 'C-H'	2010	n/a	n/a	n/a	67.1521
	2011	n/a	n/a	n/a	56.6838
	2012	n/a	n/a	n/a	69.0887
	2013	n/a	n/a	n/a	51.5807
	2014	n/a	28.2229	28.2229	56.6113
	2015 [a]	26.3976	21.5549	47.9525	48.8877

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Income (continued)					
Interest income					
	Calendar year	Distributed		Reinvested	
		Interim	Final	Total	
Singapore dollar (gross)					
Class 'A-H'	2015 [a]	n/a	n/a	n/a	13.5464
Class 'A-H M'	2015 [a]	11.7193	1.4968	13.2161	n/a
Class 'C-H'	2015 [a]	n/a	n/a	n/a	16.9891
Sterling (net)					
Class 'A'	2010	2.0940	2.2547	4.3487	4.9491
	2011	2.1840	2.0536	4.2376	4.9992
	2012	2.1940	1.7800	3.9740	4.8536
	2013	1.4088	1.3512	2.7600	3.4640
	2014	1.4620	1.3788	2.8408	3.6400
	2015 [a]	1.2228	1.0748	2.2976	2.9912
Class 'I'	2010	2.3240	2.4954	4.8194	5.5437
	2011	2.4280	2.2980	4.7260	5.6576
	2012	2.4440	2.0400	4.4840	5.5724
	2013	1.6784	1.6280	3.3064	4.2308
	2014	1.7464	1.6656	3.4120	4.4804
	2015 [a]	1.5144	1.3628	2.8772	3.8592
Class 'R'	2012	n/a	0.3600	0.3600	0.3620
	2013	1.2020	1.1508	2.3528	2.3756
	2014	1.2496	1.1792	2.4288	2.5072
	2015 [a]	1.0652	0.9468	2.0120	2.1156
Class 'X'	2010	1.9860	2.1330	4.1190	4.6484
	2011	2.0620	1.9280	3.9900	4.6688
	2012	2.0680	1.6520	3.7200	4.4952
	2013	1.2724	1.2112	2.4836	3.0800
	2014	1.3196	1.2316	2.5512	3.2288
	2015 [a]	1.0780	0.9264	2.0044	2.5748
Swiss franc (gross)					
Class 'A-H'	2012	n/a	n/a	n/a	nil
	2013	n/a	n/a	n/a	25.4346
	2014	n/a	n/a	n/a	28.0025
	2015 [a]	12.1758	10.6710	22.8468	22.5541
Class 'C-H'	2012	n/a	n/a	n/a	nil
	2013	n/a	n/a	n/a	30.7962
	2014	n/a	n/a	n/a	33.9113
	2015 [a]	15.0141	13.6568	28.6709	28.5620
US dollar (gross)					
Class 'A-H'	2011	n/a	n/a	n/a	43.0092
	2012	n/a	n/a	n/a	43.6347
	2013	n/a	n/a	n/a	30.4158
	2014	n/a	15.1908	15.1908	32.3062
	2015 [a]	13.3433	12.2177	25.5610	25.8274
Class 'A-H M'	2015 [a]	11.8286	1.5060	13.3346	n/a
Class 'C-H'	2011	n/a	n/a	n/a	48.0417
	2012	n/a	n/a	n/a	49.6064
	2013	n/a	n/a	n/a	37.0792
	2014	n/a	18.7812	18.7812	39.5395
	2015 [a]	16.8846	15.8526	32.7372	33.1931

[a] Up to final: ex-distribution date 1 October 2015;
payment date 30 November 2015.

Yield

	Estimated gross distribution yield as at 01.10.15	
	Inc	Acc
Euro	%	%
Class 'A-H'	1.87	1.86
Class 'B-H'	1.37	1.36
Class 'C-H'	2.39	2.36
Singapore dollar	%	%
Class 'A-H'	n/a	1.89
Class 'A-H M'	1.89	n/a
Class 'C-H'	n/a	2.39
Sterling	%	%
Class 'A'	1.91	1.89
Class 'I'	2.42	2.40
Class 'R'	2.16	2.15
Class 'X'	1.65	1.64
Swiss franc	%	%
Class 'A-H'	1.89	1.87
Class 'C-H'	2.39	2.36
US dollar	%	%
Class 'A-H'	1.84	1.82
Class 'A-H M'	1.85	n/a
Class 'C-H'	2.34	2.31

Distribution yield: The distribution yield reflects the amounts that may be expected to be distributed over the next twelve months as a percentage of the mid-market price of the fund as at the date shown. It is based on a snapshot of the portfolio on that date. It does not include any preliminary charge and investors may be subject to tax on distributions.

The distribution yield and the underlying yield will always be the same figure.

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Fund Statistics

Net assets					
	Year ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
Euro					
		€	€		
Class 'A-H'	Sep 2013	16.9369	17.1445	731,000	582,923,200
	Sep 2014	17.5948	18.2469	40,409,408	866,866,403
	Sep 2015	17.0794	18.0643	52,639,574	660,721,600
Class 'B-H'	Sep 2015	9.7876	9.8773	3,001	3,000
Class 'C-H'	Sep 2013	n/a	17.7897	n/a	120,816,300
	Sep 2014	18.7544	19.0347	554,100	190,368,294
	Sep 2015	18.1835	18.9303	3,346,323	157,259,592
Singapore dollar					
		SGD	SGD		
Class 'A-H'	Sep 2015	n/a	9.8111	n/a	1,362,388
Class 'A-H M'	Sep 2015	9.6762	n/a	3,020,993	n/a
Class 'C-H'	Sep 2015	n/a	9.8433	n/a	40,029
Sterling					
		p	p		
Class 'A'	Sep 2013	137.34	175.08	703,598,500	1,142,514,000
	Sep 2014	143.29	186.31	544,711,868	838,568,207
	Sep 2015	140.09	185.07	385,395,778	564,919,157
Class 'I'	Sep 2013	137.33	179.52	915,047,000	175,871,800
	Sep 2014	143.28	191.79	1,199,857,143	598,244,131
	Sep 2015	140.07	191.26	1,095,418,033	704,071,961
Class 'R'	Sep 2013	106.75	109.50	3,149,000	3,857,000
	Sep 2014	111.37	116.76	3,672,929	8,542,281
	Sep 2015	108.87	116.20	3,578,994	7,051,647
Class 'X'	Sep 2013	137.26	172.59	86,359,000	73,121,500
	Sep 2014	143.21	183.28	72,391,712	58,456,625
	Sep 2015	140.00	181.72	63,257,225	46,665,649
Swiss franc					
		CHF	CHF		
Class 'A-H'	Sep 2013	n/a	10.7078	n/a	2,600,400
	Sep 2014	n/a	11.3853	n/a	8,231,107
	Sep 2015	10.9699	11.1962	196,988	11,910,392
Class 'C-H'	Sep 2013	n/a	10.7582	n/a	873,700
	Sep 2014	n/a	11.4955	n/a	2,549,287
	Sep 2015	11.0676	11.3582	412,494	3,443,163
US dollar					
		\$	\$		
Class 'A-H'	Sep 2013	n/a	12.5719	n/a	52,068,100
	Sep 2014	13.2651	13.4091	3,634,339	148,751,398
	Sep 2015	12.9309	13.3190	11,885,851	150,118,496
Class 'A-H M'	Sep 2015	9.6415	n/a	3,662,465	n/a
Class 'C-H'	Sep 2013	n/a	12.7720	n/a	22,532,200
	Sep 2014	13.5188	13.6926	475,445	44,037,703
	Sep 2015	13.1685	13.6678	3,185,873	29,182,769
Total net asset value of fund					
	Year ended	£			
	Sep 2013	15,559,258,000			
	Sep 2014	22,843,785,000			
	Sep 2015	18,235,013,000			

Operating charges and portfolio transaction costs

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

Operating charges

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

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

Operating charges do not include transaction costs or any entry and exit charges (also known as initial and redemption charges). The charging structures of share classes may differ, and therefore the operating charges may differ.

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

For this fund there is no difference between operating charges and ongoing charges figures.

Portfolio transaction costs

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

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

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

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

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Fund statistics

Operating charges and portfolio transaction costs (continued)

Portfolio transaction costs (continued)

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/reports or by calling M&G Customer Relations.

Direct portfolio transaction costs ^[a]

	30.09.15 %	30.09.14 %	30.09.13 %	Three year average %
Broker commission	0.00	0.01	0.01	0.01
Taxes	0.00	0.00	0.01	0.00
Costs before dilution adjustments	0.00	0.01	0.02	0.01
Dilution adjustments ^[b]	0.00	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.00	0.00	0.01	0.00

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

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

Portfolio

Portfolio statement

Holding	Value £'000	30.09.15 %	30.09.14 %
Oil & gas producers		0.00	1.17
Automobiles & parts		0.11	0.00
1,000,000 General Motors	19,172	0.11	
Tobacco		0.00	0.07
Fixed line telecommunications		0.00	0.17
Banks		0.00	0.69
Life insurance		0.05	0.00
300,000 MetLife	9,145	0.05	
Software & computer services		0.00	0.31
Non-convertible preference shares		0.03	0.10
5,000,000 Standard Chartered 8.25% Non-cum. Irrd. Pref.	6,100	0.03	
'AAA' credit rated bonds		29.32	29.20
£20,000,000 Abbey National Treasury Services 5.125% 2021	23,063	0.13	
£4,000,000 Abbey National Treasury Services FRN 2017	4,086	0.02	
£15,000,000 Abbey National Treasury Services FRN 2017	15,016	0.08	
£511,822 Alba FRN 2042	458	0.00	
£11,440,000 Arkle Master Issuer Var. Rate 2060 (3.986%)	11,930	0.07	
£33,000,000 Bank of Scotland 4.875% 2024	39,164	0.21	
£20,000,000 Barclays Bank FRN 2018	19,968	0.11	
£6,151,516 Broadgate Financing FRN 2032	5,819	0.03	
£10,000,000 Deco 12 M-Hill L FRN 2021	9,955	0.05	
£20,000,000 European Investment Bank FRN 2017	20,029	0.11	
£40,000,000 European Investment Bank FRN 2018	29,587	0.16	
£90,000,000 European Investment Bank FRN 2019	90,318	0.50	
£50,000,000 European Investment Bank FRN 2020	50,149	0.28	

Portfolio statement (continued)

Holding	Value £'000	30.09.15 %	30.09.14 %
'AAA' credit rated bonds (continued)			
£94,000,000 European Investment Bank FRN 2021	94,004	0.52	
£45,000,000 European Investment Bank FRN 2022	44,542	0.24	
£2,854,098 First Flexible No.5 FRN 2034	2,734	0.01	
£500,000,000 Germany (Federal Republic of) 0% 2020	369,734	2.03	
£50,000,000 Germany (Federal Republic of) 0.25% 2018	37,347	0.20	
£50,000,000 Germany (Federal Republic of) 0.5% 2017	37,455	0.21	
£285,000,000 Germany (Federal Republic of) 0.5% 2017 A1	212,740	1.17	
£150,000,000 Germany (Federal Republic of) 0.75% 2017	112,206	0.62	
£300,000,000 Germany (Federal Republic of) 1.25% 2016	224,793	1.23	
£125,000,000 Germany (Federal Republic of) 1.5% 2023	100,531	0.55	
£250,000,000 Germany (Federal Republic of) 1.5% IL 2016	214,245	1.17	
£250,000,000 Germany (Federal Republic of) 1.75% IL 2020	223,072	1.22	
£50,000,000 Germany (Federal Republic of) 2% 2022	41,205	0.23	
£150,000,000 Germany (Federal Republic of) 2.5% 2021	125,121	0.69	
£250,000,000 Germany (Federal Republic of) 2.75% 2016	187,333	1.03	
£100,000,000 Germany (Federal Republic of) 3% 2020	84,451	0.46	
£50,000,000 Germany (Federal Republic of) 3.25% 2020	42,146	0.23	
£550,000,000 Germany (Federal Republic of) 3.75% 2017	426,427	2.34	
£100,000,000 Germany (Federal Republic of) 4% 2016	76,152	0.42	
£100,000,000 Germany (Federal Republic of) 4% 2018	80,871	0.44	
£150,000,000 Germany (Federal Republic of) 4.25% 2017	119,425	0.65	
\$12,000,000 Johnson & Johnson 4.5% 2040	8,566	0.05	
\$5,500,000 Johnson & Johnson 4.85% 2041	4,127	0.02	
\$10,000,000 Microsoft 2.7% 2025	6,423	0.04	
\$10,000,000 Microsoft 3.75% 2045	6,011	0.03	
\$200,000,000 Microsoft 4% 2055	119,455	0.66	
\$15,000,000 Microsoft 4.5% 2040	10,163	0.06	
£13,124,020 Moorgate Funding FRN 2050	12,769	0.07	
£8,925,000 NewDay Partnership Funding FRN 2025	8,790	0.05	
£6,342,541 Paragon Mortgages No.19 0% 2041	6,270	0.03	
\$16,020,376 Paragon Mortgages No.14 FRN 2039 A2C	9,498	0.05	
\$2,355,600 Paragon Mortgages No.15 FRN 2039	1,377	0.01	
£6,252,176 Paragon Mortgages No.18 FRN 2041	6,218	0.03	
£11,959,000 Penarth Master Issuer FRN 2022	11,884	0.07	
£15,250,000 Permanent Master Issuer Var. Rate 2042 (4.805%)	15,868	0.09	
£9,714,650 Precise Mortgage Fund No.2 FRN 2047 B	9,518	0.05	
£4,595,601 Precise Mortgage Funding FRN 2047	4,477	0.02	
£5,148,069 Precise Mortgage Funding FRN 2048	5,042	0.03	
£1,517,207 Residential Mortgage Securities FRN 2041	1,539	0.01	
£12,667,482 Residential Mortgage Securities FRN 2046	12,418	0.07	
£4,683,317 Resimac UK RMBS No.1 A FRN 2045	4,618	0.03	
£13,962,579 Rochester Financing No.1 FRN 2046	13,868	0.08	
£3,000,000 Silverstone Master Issuer Var. Rate 2055 (5.063%)	3,106	0.02	
£46,604,647 Slate FRN 2052	46,416	0.25	

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Portfolio statement (continued)				
Holding	Value £'000	30.09.15 %	30.09.14 %	
'AAA' credit rated bonds (continued)				
£2,834,686 Tenterden Funding FRN 2044	2,845	0.02		
£14,013,119 THRONES Mortgages FRN 2049	13,555	0.07		
£100,000,000 Treasury 0.125% IL 2019	109,710	0.60		
£50,000,000 Treasury 1.25% IL 2017	70,581	0.39		
£100,000,000 Treasury 1.75% 2019	102,667	0.56		
£100,000,000 Treasury 1.75% 2022	101,669	0.56		
£50,000,000 Treasury 1.875% IL 2022	76,125	0.42		
£400,000,000 Treasury 2% 2016	401,792	2.20		
£325,000,000 Treasury 2% 2020	336,690	1.85		
£95,000,000 Treasury 2% 2025	96,737	0.53		
£35,000,000 Treasury 2.5% IL 2016	113,159	0.62		
£175,000,000 Treasury 4% 2016	180,688	0.99		
£90,000,000 Treasury 4.75% 2030	120,444	0.66		
£45,000,000 Treasury 4.75% 2038	63,442	0.35		
£30,000,000 Treasury 5% 2025	38,707	0.21		
£8,996,000 Warwick Finance Residential Mortgage FRN 2049	8,482	0.05		
£2,849,465 Alba FRN 2037	2,488	0.01		
'AA' credit rated bonds		4.56	5.24	
\$33,900,000 Apple 2.5% 2025	21,085	0.12		
\$70,000,000 Apple 3.45% 2024	47,315	0.26		
\$36,000,000 Apple 3.45% 2045	19,962	0.11		
\$16,182,000 Apple 4.375% 2045	10,416	0.06		
\$10,000,000 Coca-Cola 3.2% 2023	6,730	0.04		
\$18,000,000 Colgate-Palmolive 3.25% 2024	12,218	0.07		
£1,000,000 Deutsche Bahn Finance 2.75% 2022	1,032	0.01		
£10,000,000 Deutsche Bahn Finance 3.125% 2026	10,524	0.06		
£10,000,000 Deutsche Pfandbriefbank FRN 2017	9,996	0.05		
£3,000,000 Federal National Mortgage Association 5.375% 2028	3,905	0.02		
£16,150,000 GE Capital UK Funding 4.375% 2019	17,399	0.10		
£15,000,000 General Electric Capital 4.875% 2037	16,820	0.09		
£4,000,000 General Electric Capital 5.5% 2021	4,610	0.03		
£1,500,000 General Electric Capital 5.625% 2031	1,930	0.01		
\$5,000,000 General Electric Capital 5.875% 2038	4,121	0.02		
£4,500,000 General Electric Capital 6.25% 2020	5,309	0.03		
£255,973 General Electric Capital 6.44% 2022	284	0.00		
\$12,500,000 General Electric Capital 6.75% 2032	11,300	0.06		
£17,000,000 Land Securities Capital Markets Var. Rate 2019 (4.875%)	18,078	0.10		
£10,500,000 Land Securities Capital Markets Var. Rate 2022 (5.425%)	11,889	0.07		
£18,000,000 Land Securities Capital Markets Var. Rate 2025 (4.875%)	20,597	0.11		
£7,500,000 Land Securities Capital Markets Var. Rate 2026 (5.391%)	8,890	0.05		
£37,000,000 Land Securities Capital Markets Var. Rate 2027 (5.391%)	44,391	0.24		
£9,500,000 Land Securities Capital Markets Var. Rate 2036 (5.125%)	11,517	0.06		
£11,850,637 Landmark Mortgage Securities FRN 2044	10,502	0.06		
£7,308,825 Mansard Mortgages FRN 2049	6,917	0.04		
\$2,500,000 Merck & Co 2.8% 2023	1,620	0.01		
\$30,000,000 Novartis Capital 3.4% 2024	20,315	0.11		
£3,880,000 Paragon Mortgages No.10 FRN 2041 A2B	2,549	0.01		

Portfolio statement (continued)

Holding	Value £'000	30.09.15 %	30.09.14 %
'AA' credit rated bonds (continued)			
£207,777 Paragon Mortgages No.10 FRN 2041 B1A	182	0.00	
£1,648,334 Paragon Mortgages No.13 FRN 2039	1,080	0.01	
\$8,545,480 Paragon Mortgages No.13 FRN 2041	4,886	0.03	
\$51,000,000 Pfizer 3.4% 2024	33,904	0.19	
\$15,000,000 Pfizer 7.2% 2039	13,484	0.07	
£9,500,000 Réseau Ferré de France 5.25% 2028	12,186	0.07	
\$50,000,000 Roche Holdings 2.875% 2021	33,526	0.18	
\$45,000,000 Roche Holdings 3.35% 2024	30,046	0.16	
\$5,000,000 Security Capital Group 7.7% 2028	4,562	0.03	
£20,326,000 Slate No1 FRN 2051	20,468	0.11	
£20,000,000 SLM Student Loan Trust 5.15% 2039	16,800	0.09	
£20,000,000 SNCF 5.375% 2027	25,170	0.14	
£3,400,000 Toyota Motor Credit 2.413% IL 2017	4,506	0.02	
£35,000,000 Transport for London 2.25% 2022	35,240	0.19	
£3,856,023 Virgil Mortgage No.1 FRN 2045	3,906	0.02	
\$120,000,000 US Treasury 0.125% IL 2020	79,775	0.44	
\$30,000,000 US Treasury 0.375% 2025	19,264	0.11	
\$15,000,000 Wal Mart Stores 5.625% 2041	11,818	0.06	
\$33,000,000 Wal-Mart Stores 2.55% 2023	21,197	0.12	
\$40,000,000 Wal-Mart Stores 3.3% 2024	27,074	0.15	
\$8,000,000 Wal-Mart Stores 4.75% 2043	5,701	0.03	
\$1,000,000 Wal-Mart Stores 4.875% 2040	720	0.00	
\$39,700,000 Wal-Mart Stores 5.625% 2040	31,329	0.17	
\$10,050,000 Wal-Mart Stores 6.2% 2038	8,436	0.05	
\$20,000,000 Wal-Mart Stores 6.5% 2037	17,230	0.09	
\$6,250,000 Wyeth 5.95% 2037	4,906	0.03	
'A' credit rated bonds		9.73	11.61
\$14,454,000 ABBVIE Inc 3.6% 2025	9,368	0.05	
\$1,856,917 Air Canada 4.125% 2025	1,228	0.01	
£1,000,000 Aire Valley Mortgages FRN 2066 04-1X3B2	689	0.00	
£275,956 Aire Valley Mortgages FRN 2066 05-1X2A1	264	0.00	
£700,000 Aire Valley Mortgages FRN 2066 05-1X2C2	499	0.00	
\$12,356,712 Aire Valley Mortgages FRN 2066 06-1A144A	7,756	0.04	
£4,000,000 Aire Valley Mortgages FRN 2066 06-1C2	2,769	0.02	
£4,478,062 Aire Valley Mortgages FRN 2066 06-2A2	4,270	0.02	
£10,300,000 Aire Valley Mortgages FRN 2066 06-2C2	7,305	0.04	
\$33,221,602 Aire Valley Mortgages FRN 2066 07-2A1	20,895	0.11	
£3,056,985 Aire Valley Mortgages FRN 2066 07-2A3	2,892	0.02	
£8,428,200 Alba FRN 2038	7,542	0.04	
£870,541 Alba FRN 2042 05-1C	747	0.00	
£18,000,000 Allianz Finance II Var. Rate 2041 (5.75%)	15,098	0.08	
£13,500,000 Allianz Var. Rate 2042 (5.625%)	11,403	0.06	
£15,000,000 Allianz Var. Rate Perp. (3.375%)	10,310	0.06	
\$19,500,000 América Móvil 6.125% 2040	14,030	0.08	
\$3,000,000 América Móvil 6.375% 2035	2,234	0.01	
\$34,713,185 American Airlines 4.95% 2023	24,381	0.13	
\$25,000,000 Amgen 4% 2029	25,678	0.14	
\$21,000,000 Amgen 5.375% 2043	14,721	0.08	
£19,500,000 Amgen 5.5% 2026	22,968	0.13	
\$4,000,000 Amgen 5.65% 2042	2,883	0.02	
£2,500,000 Anheuser-Busch InBev 4% 2025	2,591	0.01	
£9,000,000 Anheuser-Busch InBev 6.5% 2017	9,672	0.05	
£3,400,000 Anheuser-Busch InBev 9.75% 2024	4,965	0.03	
£5,000,000 Aon 2.875% 2026	3,819	0.02	

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Portfolio statement (continued)			
Holding		Value £'000	30.09.15 % 30.09.14 %
'A' credit rated bonds (continued)			
£6,050,000	Aquarius Plus Investments Var. Rate 2043 (4.25%)	4,741	0.03
\$1,579,000	Autoridad Canal De Panam	1,035	0.01
\$19,940,000	Bank of America 4% 2024	13,469	0.07
£147,389	Bankinter FRN 2038	105	0.00
£6,000,000	BAT International Finance 6% 2022	7,154	0.04
\$5,000,000	Bayer US Finance 3.375% 2024	3,306	0.02
£5,650,000	BG Energy Capital 5.125% 2025	6,629	0.04
\$3,713,000	Bristol-Myers Squibb 7.15% 2023	3,115	0.02
\$17,041,605	British Airways 4.625% 2025	11,745	0.06
£1,183,593	Brunel Residential Mortgages No.1 FRN 2039	864	0.00
\$10,000,000	Cardinal Health 3.5% 2024	6,505	0.04
£20,500,000	Cloverie Var. Rate 2039 (7.5%)	17,933	0.10
£3,500,000	Cloverie Var. Rate 2042 (6.625%)	3,155	0.02
\$5,724,000	Cloverie Var. Rate Perp. (8.25%)	4,181	0.02
\$35,000,000	Comcast 3.375% 2025	23,142	0.13
\$14,388,000	Comcast 3.375% 2025	9,502	0.05
\$10,000,000	Comcast 3.6% 2024	6,763	0.04
£1,000,000	Comcast 5.5% 2029	1,219	0.01
\$3,000,000	Comcast 6.45% 2037	2,476	0.01
\$4,500,000	Comcast 6.55% 2039	3,749	0.02
\$5,783,000	Comcast Cable Communication 8.5% 2027	5,211	0.03
\$25,000,000	Credit Suisse 3.625% 2024	16,411	0.09
£22,400,000	EDF 5.5% 2037	25,133	0.14
£35,000,000	EDF 6% 2114	41,944	0.23
\$32,000,000	EDF 6% 2114	21,972	0.12
£9,995,000	ELM Var. Rate Perp. (2.6%)	6,396	0.04
£10,800,000	ELM Var. Rate Perp. (6.3024%)	11,368	0.06
£1,335,466	E-MAC NL 2005-III FRN 2038	928	0.01
£3,791,344	E-MAC Program FRN 2046	2,498	0.01
\$50,000,000	EMD Finance 3.25% 2025	31,901	0.17
£1,000,000	ESB Finance 6.25% 2017	818	0.00
£1,802,467	Eurosail FRN 2045	1,692	0.01
£1,519,450	Eurosail FRN 2047	1,062	0.01
£23,730,000	GDF Suez 5.95% 2111	24,914	0.14
£5,000,000	GE Capital Trust II Var. Rate 2067 (5.5%)	3,873	0.02
\$20,000,000	General Electric Capital 5.25% 2049	13,464	0.07
£10,000,000	General Electric Capital Var. Rate 2067 (5.5%)	7,768	0.04
£2,000,000	General Electric Capital Var. Rate 2067 (6.5%)	2,065	0.01
\$11,396,000	Gilead Sciences 3.65% 2026	7,489	0.04
\$14,940,000	Goldman Sachs Group 3.85% 2024	9,970	0.05
£17,500,000	Goldman Sachs Group 4.25% 2026	18,569	0.10
\$15,000,000	Goldman Sachs Group 5.75% 2022	11,258	0.06
£12,400,000	Goldman Sachs Group 7.125% 2025	16,194	0.09
\$1,927,162	Granite Master Issuer FRN 2054 04-1A1	1,264	0.01
£8,142,166	Granite Master Issuer FRN 2054 05-1A6	8,114	0.04
£6,570,000	Granite Master Issuer FRN 2054 05-1B2	4,797	0.03
£4,500,000	Granite Master Issuer FRN 2054 05-1B3	4,434	0.02
£6,200,000	Granite Master Issuer FRN 2054 05-1M2	4,505	0.02
£4,850,000	Granite Master Issuer FRN 2054 05-1M3	4,756	0.03

Portfolio statement (continued)

Holding		Value £'000	30.09.15 % 30.09.14 %
'A' credit rated bonds (continued)			
£5,152,785	Granite Master Issuer FRN 2054 05-2A7	5,138	0.03
£4,000,000	Granite Master Issuer FRN 2054 05-2B2	2,925	0.02
£3,000,000	Granite Master Issuer FRN 2054 05-2B3	2,958	0.02
£4,000,000	Granite Master Issuer FRN 2054 05-2M2	2,912	0.02
£1,000,000	Granite Master Issuer FRN 2054 05-2M3	982	0.01
£6,183,890	Granite Master Issuer FRN 2054 05-4A6	6,162	0.03
£1,500,000	Granite Master Issuer FRN 2054 05-4B3	1,477	0.01
£4,950,000	Granite Master Issuer FRN 2054 05-4B4	3,614	0.02
£1,000,000	Granite Master Issuer FRN 2054 05-4M4	727	0.00
\$1,345,255	Granite Master Issuer FRN 2054 05-M2	865	0.00
£7,022,019	Granite Master Issuer FRN 2054 06-1A8	6,998	0.04
\$6,600,000	Granite Master Issuer FRN 2054 06-1AM2	4,246	0.02
£2,375,000	Granite Master Issuer FRN 2054 06-1B3	2,339	0.01
£1,266,128	Granite Master Issuer FRN 2054 06-1XA7	1,262	0.01
£8,000,000	Granite Master Issuer FRN 2054 06-1XB4	5,840	0.03
£2,500,000	Granite Master Issuer FRN 2054 06-1XM3	2,452	0.01
£3,250,000	Granite Master Issuer FRN 2054 06-2B3	2,364	0.01
£2,000,000	Granite Master Issuer FRN 2054 06-2M3	1,448	0.01
£900,000	Granite Master Issuer FRN 2054 06-2M4	881	0.00
\$16,550,690	Granite Master Issuer FRN 2054 06-3A7	10,853	0.06
£2,557,745	Granite Master Issuer FRN 2054 06-4A8	2,547	0.01
\$1,250,000	Granite Master Issuer FRN 2054 06-4B1	796	0.00
£2,000,000	Granite Master Issuer FRN 2054 06-4B3	1,460	0.01
\$4,645,228	Granite Master Issuer FRN 2054 06-A1	3,037	0.02
\$4,539,272	Granite Master Issuer FRN 2054 06-A3	2,970	0.02
\$5,516,897	Granite Master Issuer FRN 2054 06-A4	3,610	0.02
£3,167,141	Granite Master Issuer FRN 2054 06-A6	3,154	0.02
\$2,296,221	Granite Master Issuer FRN 2054 06-A61	1,505	0.01
\$6,000,000	Granite Master Issuer FRN 2054 06-B2	3,844	0.02
\$1,750,000	Granite Master Issuer FRN 2054 06-M2	1,098	0.01
\$9,000,000	Granite Master Issuer FRN 2054 06-M21	5,677	0.03
£8,500,000	Granite Master Issuer FRN 2054 06-M4	6,189	0.03
\$4,595,000	Granite Master Issuer FRN 2054 07-11B1	2,978	0.02
\$5,000,000	Granite Master Issuer FRN 2054 07-12B1	3,246	0.02
\$5,000,000	Granite Master Issuer FRN 2054 07-12M1	3,207	0.02

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Portfolio statement (continued)				
Holding		Value £'000	30.09.15 %	30.09.14 %
'A' credit rated bonds (continued)				
£7,600,000	Granite Master Issuer FRN 2054 07-13B1	5,545	0.03	
£2,287,000	Granite Master Issuer FRN 2054 07-13M1	1,661	0.01	
£3,500,000	Granite Master Issuer FRN 2054 07-13M2	3,431	0.02	
£3,082,622	Granite Master Issuer FRN 2054 07-15A1	3,069	0.02	
\$1,675,000	Granite Master Issuer FRN 2054 07-21B1	1,084	0.01	
\$1,860,000	Granite Master Issuer FRN 2054 07-22B1	1,206	0.01	
\$750,000	Granite Master Issuer FRN 2054 07-22M1	481	0.00	
£2,250,000	Granite Master Issuer FRN 2054 07-23B2	1,638	0.01	
£600,000	Granite Master Issuer FRN 2054 07-23B3	589	0.00	
£6,200,000	Granite Master Issuer FRN 2054 07-23M2	4,512	0.02	
£1,800,000	Granite Master Issuer FRN 2054 07-23M3	1,765	0.01	
£4,965,208	Granite Master Issuer FRN 2054 07-1A1	4,941	0.03	
\$1,434,396	Granite Master Issuer FRN 2054 07-2A1	940	0.01	
£6,472,977	Granite Master Issuer FRN 2054 07-2A2	6,445	0.04	
\$4,545,923	Granite Master Issuer FRN 2054 07-3A1	2,981	0.02	
\$9,930,415	Granite Master Issuer FRN 2054 07-3A4	6,496	0.04	
£246,657	Granite Mortgages FRN 2043	246	0.00	
£1,529,807	Granite Mortgages FRN 2044	1,526	0.01	
£997,309	Granite Mortgages FRN 2044 04-13A	994	0.01	
£234,961	Granite Mortgages FRN 2044 04-22A2	234	0.00	
£3,660,601	Granite Mortgages FRN 2044 04-23A	3,648	0.02	
£1,852,153	Granite Mortgages Var. Rate 2044 (5.515%)	1,848	0.01	
£5,270,903	Great Hall Mortgages No.1 FRN 2038 A2B	3,641	0.02	
\$10,982,119	Great Hall Mortgages No.1 FRN 2039 AC	6,645	0.04	
£8,503,300	Greene King Finance FRN 2033	8,499	0.05	
\$1,000,000	GTE Southwest 8.5% 2031	773	0.00	
£46,500,000	Heathrow Funding 6.75% 2028	60,636	0.33	
£3,250,000	Heathrow Funding Var. Rate 2023 (9.2%)	4,306	0.02	
£4,222,000	Heathrow Funding Var. Rate 2030 (7.075%)	5,662	0.03	
£14,000,000	HSBC Bank Var. Rate 2023 (5%)	14,634	0.08	
£8,756,000	HSBC Bank Var. Rate 2030 (5.375%)	9,436	0.05	
\$4,250,000	HSBC USA 9.125% 2021	3,525	0.02	
£12,822,000	INTU Finance 4.25% 2030	12,963	0.07	
£5,500,000	INTU Finance 4.625% 2028	5,924	0.03	
\$110,000,000	JPMorgan Chase 3.875% 2024	71,443	0.39	
\$120,000,000	JPMorgan Chase 4.125% 2026	78,272	0.43	
\$5,000,000	JPMorgan Chase 4.25% 2020	3,525	0.02	
£354,772	Landmark Mortgage Securities FRN 2038	331	0.00	
£1,781,818	Landmark Mortgage Securities FRN 2039	1,598	0.01	
\$8,000,000	Legrande France 8.5% 2025	7,015	0.04	

Portfolio statement (continued)

Holding	Value £'000	30.09.15 %	30.09.14 %
'A' credit rated bonds (continued)			
£8,000,000	Linde Finance Var. Rate 2066 (8.125%)	8,349	0.05
£13,186,377	Ludgate Funding FRN 2061 A2A	11,781	0.06
£900,000	Marble Arch Residential Securitisation No.4 FRN 2040	610	0.00
£3,876,840	Marble Arch Residential Securitisation No.4 FRN 2040 A3C	3,835	0.02
£750,000	Marstons Issuer Var. Rate 2027 (5.1576%)	812	0.00
£2,000,000	Marstons Issuer Var. Rate 2032 (5.1774%)	2,160	0.01
\$5,000,000	McDonalds 6.3% 2037	3,961	0.02
\$12,000,000	McDonalds 6.3% 2038	9,474	0.05
£3,724,560	Mitchells & Butlers Finance 5.574% 2030	4,257	0.02
£2,152,350	Mitchells & Butlers Finance 5.965% 2025	2,438	0.01
£2,869,000	Mitchells & Butlers Finance 6.013% 2030	3,395	0.02
\$12,063,750	Mitchells & Butlers Finance FRN 2030	7,263	0.04
£201,063	Mitchells & Butlers Finance FRN 2030 A1N	176	0.00
£10,000,000	Mitchells & Butlers Finance FRN 2033	8,550	0.05
£1,815,000	Money Partners No.2 FRN 2039 A2A	1,707	0.01
£1,144,848	Money Partners No.2 FRN 2039 M1B	779	0.00
£1,780,356	Money Partners No.3 FRN 2039 A2A	1,656	0.01
£1,994,693	Money Partners No.4 FRN 2040	1,863	0.01
\$26,923,000	Morgan Stanley 3.7% 2024	17,747	0.10
\$35,000,000	Morgan Stanley 3.875% 2024	23,397	0.13
£3,106,422	Mortgages No.6 FRN 2037	2,843	0.02
£7,572,403	Mortgages No.7 FRN 2038	6,953	0.04
£15,000,000	Munich Re Finance Var. Rate 2028 (7.625%)	16,786	0.09
£2,900,000	Munich Re Finance Var. Rate 2042 (6.25%)	2,554	0.01
£8,500,000	Munich Re Finance Var. Rate 2042 (6.625%)	9,556	0.05
£4,850,000	Munich Var. Rate Perp. (5.767%)	3,787	0.02
£4,000,000	National Grid Electricity Transmission 3.806% IL 2020	6,879	0.04
\$18,000,000	NBC Universal Media 4.375% 2021	12,898	0.07
\$7,000,000	NBC Universal Media 5.95% 2041	5,515	0.03
£3,737,363	Newgate Funding FRN 2050 A2	3,653	0.02
£6,345,542	Newgate Funding FRN 2050 A3A	5,767	0.03
£2,004,380	Newgate Funding FRN 2050 A4	1,954	0.01
£1,461,000	Paragon Mortgages No.11 FRN 2041 B1A	1,269	0.01
£8,000,000	Paragon Mortgages No.13 FRN 2039 B1B	4,807	0.03
£1,000,000	Paragon Mortgages No.15 FRN 2039 B1B	568	0.00
\$11,964,253	Paragon Mortgages No.7 FRN 2034 A1A	7,071	0.04
\$11,485,000	Philip Morris International 3.6% 2023	7,761	0.04
£477,399	Preferred Residential Securities FRN 2040	347	0.00
£2,530,000	Province of Quebec 12.25% 2020	3,594	0.02
£3,093,480	Residential Mortgage Securities FRN 2039	2,105	0.01
£1,000,000	Rio Tinto Finance 4% 2029	979	0.01
£1,536,134	RMAC 2005-Ns1 FRN 2037	1,383	0.01
£1,719,552	RMAC 2005-Ns1 FRN 2037 A2C	1,148	0.01
£1,178,216	RMAC 2006-Ns1 FRN 2044 A2A	1,069	0.01
\$482,068	RMAC 2005-Ns2 FRN 2037 A2B	288	0.00
£2,389,286	RMAC 2006-Ns2 FRN 2044 A2C	1,577	0.01

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Portfolio

Portfolio statement (continued)				
Holding	Value £'000	30.09.15 %	30.09.14 %	
'A' credit rated bonds (continued)				
£5,234,067 RMAC 2006-Ns3 FRN 2044	4,682	0.03		
£31,979,452 RMAC 2006-Ns4 FRN 2044 A3A	28,680	0.16		
£2,500,000 Slate No.1 FRN 2051 C	2,522	0.01		
£3,000,000 Southern Water Services Finance 5% 2021	3,351	0.02		
£2,500,000 Suncorp Insurance Funding Var. Rate 2027 (6.25%)	2,536	0.01		
\$2,050,000 Swiss Re Capital I Var. Rate Perp. (6.854%)	1,367	0.01		
£27,000,000 Thames Water Utilities Cayman 4% 2025	29,038	0.16		
£2,000,000 Thames Water Utilities Cayman 4.375% 2034	2,118	0.01		
£7,000,000 Thames Water Utilities Cayman 4.625% 2046	7,671	0.04		
£14,000,000 Thames Water Utilities Cayman 7.241% 2058	15,678	0.09		
£15,000,000 Thames Water Utilities Cayman Finance 5.5% 2041	18,343	0.10		
£1,250,000 Thames Water Utilities Finance 3.375% IL 2021	2,132	0.01		
£24,000,000 Thames Water Utilities Finance 6.75% 2028	32,172	0.18		
£3,301,764 UCI 11 FRN 2041	2,254	0.01		
£6,000,000 UNITE (USAF) II 3.374% 2023	6,129	0.03		
\$40,792,000 Vodafone Group 6.15% 2037	28,999	0.16		
£5,000,000 Volkswagen International Finance 0.875% 2023	3,199	0.02		
£3,750,000 Volkswagen International Finance 1.625% 2030	2,234	0.01		
£7,500,000 Volkswagen Leasing 2.625% 2024	5,361	0.03		
\$20,000,000 Wells Fargo 3.45% 2023	13,092	0.07		
£9,500,000 Wells Fargo 3.5% 2029	9,583	0.05		
\$70,000,000 Wells Fargo 4.1% 2026	46,407	0.25		
\$30,000,000 Wells Fargo 4.125% 2023	20,412	0.11		
£6,500,000 Wells Fargo 4.875% 2035	7,021	0.04		
£51,000,000 Wells Fargo 5.25% 2023	58,172	0.32		
£7,500,000 Western Power Distribution 3.875% 2024	7,906	0.04		
£10,000,000 Western Power Distribution 5.25% 2023	11,470	0.06		
£19,000,000 Western Power Distribution 6% 2025	23,332	0.13		
£2,214,000 Yorkshire Water Services 3.625% 2029	2,257	0.01		
£10,000,000 Yorkshire Water Services 6% 2019	11,422	0.06		
£2,000,000 Yorkshire Water Services Odsal Finance 6.5876% 2023	2,451	0.01		
'BBB' credit rated bonds		32.15	28.48	
£12,000,000 3i Group 5.75% 2032	14,198	0.08		
£1,500,000 3i Group 6.875% 2023	1,815	0.01		
£12,000,000 AA Bond Company 4.2487% 2043	12,456	0.07		
£3,000,000 AA Bond Company 4.7201% 2043	3,150	0.02		
£3,000,000 AA Bond Company 6.6269% 2025	3,587	0.02		
£2,548,000 ABN AMRO Bank 2.875% 2025	1,891	0.01		
£5,000,000 ABN AMRO Bank 6.375% 2021	4,356	0.03		
\$3,125,000 Actavis Funding 3% 2020	2,054	0.01		
\$15,385,000 Actavis Funding 3.45% 2022	9,965	0.05		
\$28,933,000 Actavis Funding 3.8% 2025	18,369	0.10		
£10,404,000 Ahold Finance 6.5% 2017	11,069	0.06		
£25,000,000 Albemarle 1.875% 2021	17,632	0.10		
\$7,057,000 Altria Group 10.2% 2039	7,522	0.04		
\$12,000,000 Altria Group 2.85% 2022	7,635	0.04		

Portfolio statement (continued)

Holding	Value £'000	30.09.15 %	30.09.14 %
'BBB' credit rated bonds (continued)			
\$30,000,000 Altria Group 4% 2024	20,229	0.11	
\$25,510,000 Altria Group 4.75% 2021	18,183	0.10	
\$1,309,000 Altria Group 9.25% 2019	1,073	0.01	
\$20,000,000 Altria Group 9.95% 2038	20,858	0.12	
£38,066,000 América Móvil Var. Rate 2073 (6.375%)	39,450	0.22	
£10,000,000 Anglian Water Services 4.5% 2026	10,772	0.06	
£5,000,000 Anglian Water Services Var. Rate 2040 (5.5%)	5,284	0.03	
£2,830,000 Annington Finance No.4 8.07% 2023	3,724	0.02	
\$5,000,000 APT Pipelines 3.875% 2022	3,255	0.02	
£4,000,000 APT Pipelines 4.25% 2024	4,146	0.02	
£1,800,000 Asciano Finance 5% 2023	1,943	0.01	
\$7,500,000 AT&T 3% 2022	4,824	0.03	
\$10,000,000 AT&T 3.875% 2021	6,811	0.04	
£60,000,000 AT&T 4.25% 2043	54,130	0.30	
\$20,000,000 AT&T 4.3% 2042	11,180	0.06	
\$40,000,000 AT&T 4.35% 2045	22,430	0.12	
\$2,000,000 AT&T 4.45% 2021	1,404	0.01	
\$10,000,000 AT&T 4.8% 2044	6,047	0.03	
£38,000,000 AT&T 4.875% 2044	37,370	0.21	
\$70,000,000 AT&T 5.35% 2040	45,323	0.25	
\$39,000,000 AT&T 5.55% 2041	25,863	0.14	
£6,000,000 AT&T 5.875% 2017	6,341	0.03	
\$52,500,000 AT&T 6.3% 2038	37,762	0.21	
\$35,000,000 AT&T 6.5% 2037	25,598	0.14	
\$22,000,000 AT&T 6.55% 2041	16,395	0.09	
£1,000,000 AT&T 7% 2040	1,290	0.01	
£30,000,000 Aviva Var. Rate 2036 (6.125%)	31,566	0.17	
£18,000,000 Aviva Var. Rate 2041 (6.625%)	19,411	0.11	
£12,096,000 Aviva Var. Rate 2044 (3.875%)	8,658	0.05	
£18,001,000 Aviva Var. Rate 2050 (5.125%)	16,629	0.09	
£33,000,000 Aviva Var. Rate 2058 (6.875%)	35,910	0.20	
£10,000,000 Aviva Var. Rate Perp. (6.125%)	10,354	0.06	
£37,000,000 AXA Var. Rate 2054 (5.625%)	36,358	0.20	
£8,000,000 AXA Var. Rate Perp. (5.453%)	7,960	0.04	
£18,775,000 AXA Var. Rate Perp. (6.6862%)	20,664	0.11	
£22,360,864 AyT Hipotecario Mixto FRN 2041	15,384	0.08	
£15,000,000 BAE Systems 4.125% 2022	15,891	0.09	
\$26,717,000 Bank of America 3.95% 2025	17,033	0.09	
\$15,000,000 Bank of America 4% 2025	9,642	0.05	
\$30,000,000 Bank of America 4.2% 2024	19,639	0.11	
\$100,000,000 Bank of America 4.25% 2026	64,942	0.36	
£16,500,000 Bank of America 5.5% 2021	18,255	0.10	
£6,000,000 Bank of America Var. Rate 2019 (4.75%)	4,423	0.02	
£7,500,000 Bank of Scotland 10.5% 2018	8,809	0.05	
£2,700,000 Bank of Scotland 6.375% 2019	3,025	0.02	
£17,600,000 Bank of Scotland 9.375% 2021	22,249	0.12	
£9,100,000 Banque Fédérative du Crédit Mutuel 3% 2025	6,586	0.04	
£9,000,000 Barclays Bank 10% 2021	11,536	0.06	
£8,250,000 Barclays Bank Var. Rate 2023 (6.75%)	8,854	0.05	
£8,235,000 Bayer Var. Rate 2075 (2.375%)	5,502	0.03	
£26,923,000 Bayer Var. Rate 2075 (3%)	19,384	0.11	
\$10,000,000 Bellsouth 6.875% 2031	7,458	0.04	
£20,000,000 BG Energy Capital Var. Rate 2072 (6.5%)	21,042	0.12	
\$3,000,000 Bharti Airtel International (Netherlands) 5.125% 2023	2,077	0.01	
\$6,316,000 Bharti Airtel International (Netherlands) 5.35% 2024	4,422	0.03	
£60,000,000 BNP Paribas 2.375% 2025	41,256	0.23	
£7,000,000 Bouygues 5.5% 2026	8,277	0.05	

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Portfolio

Portfolio statement (continued)				
Holding		Value £'000	30.09.15 %	30.09.14 %
'BBB' credit rated bonds (continued)				
\$12,000,000	BPCE 5.15% 2024	7,978	0.04	
£10,000,000	BPCE 5.25% 2029	10,346	0.06	
\$7,000,000	British Sky Broadcasting 9.5% 2018	5,533	0.03	
\$2,000,000	British Sky Broadcasting Group 6.1% 2018	1,438	0.01	
£40,500,000	British Telecommunications 5.75% 2028	48,568	0.27	
£23,500,000	British Telecommunications 6.375% 2037	30,209	0.17	
£17,000,000	British Telecommunications 6.625% 2017	18,362	0.10	
£25,000,000	British Telecommunications Var. Rate 2016 (8.5%)	26,954	0.15	
\$22,000,000	British Telecommunications Var. Rate 2030 (9.125%)	21,578	0.12	
£14,800,000	BSkyB Finance UK 5.75% 2017	15,871	0.09	
\$5,000,000	Burlington Northern Santa Fe 3.05% 2022	3,261	0.02	
\$20,000,000	Campbell Soup 2.5% 2022	12,489	0.07	
\$15,000,000	Campbell Soup 4.25% 2021	10,685	0.06	
\$7,000,000	Capital One Bank 2.15% 2018	4,557	0.02	
\$7,000,000	CBS 3.5% 2025	4,395	0.02	
\$1,000,000	CBS 3.75% 2022	648	0.00	
\$5,000,000	CBS 3.75% 2024	3,211	0.02	
\$9,000,000	CBS 4.3% 2021	6,224	0.03	
\$10,500,000	CBS 4.85% 2042	6,326	0.04	
\$12,000,000	CBS 5.75% 2020	8,835	0.05	
\$3,000,000	CBS 5.9% 2040	2,033	0.01	
\$11,811,000	Celgene Corp 3.875% 2025	7,724	0.04	
\$20,000,000	Centrica 4% 2023	13,115	0.07	
£6,000,000	Centrica 6.4% 2026	7,500	0.04	
£13,750,000	Channel Link Enterprises Finance FRN 2050	10,134	0.06	
£5,750,000	Channel Link Enterprises Finance FRN 2050 A3	5,721	0.03	
\$15,000,000	Charter Communication Operation 4.908% 2025	9,768	0.05	
\$2,696,000	Cimarex Energy 5.875% 2022	1,864	0.01	
\$31,667,000	Citigroup 3.5% 2023	20,131	0.11	
\$10,000,000	Citigroup 4% 2024	6,512	0.04	
\$41,666,000	Citigroup 4.3% 2026	27,161	0.15	
\$25,340,000	Citigroup 4.4% 2025	16,745	0.09	
£2,500,000	Citigroup 5.125% 2018	2,691	0.01	
\$14,955,000	Citigroup 5.5% 2025	10,699	0.06	
£5,500,000	Citigroup 5.875% 2024	6,360	0.03	
\$5,000,000	Citigroup 6.625% 2032	3,898	0.02	
£15,000,000	Citycon 3.75% 2020	12,004	0.07	
\$10,000,000	Colombia (Republic of) 5.625% 2044	6,045	0.03	
\$2,727,000	Corporacion Financiera Desarrollo 3.25% 2019	1,785	0.01	
£20,000,000	Crédit Agricole 2.625% 2027	13,417	0.07	
\$5,000,000	Crédit Agricole 4.375% 2025	3,163	0.02	
£14,400,000	Crédit Agricole 7.375% 2023	17,811	0.10	
£7,500,000	Credit Suisse Group Funding 3% 2022	7,371	0.04	
\$49,142,000	Credit Suisse Group Funding 3.75% 2025	31,227	0.17	
£2,300,000	Credit Suisse Var. Rate 2023 (6.75%)	2,485	0.01	
£12,000,000	Credit Suisse Var. Rate 2025 (5.75%)	9,801	0.05	
£20,666,000	CS Group Funding 1.25% 2022	14,517	0.08	

Portfolio statement (continued)

Holding		Value £'000	30.09.15 %	30.09.14 %
'BBB' credit rated bonds (continued)				
£10,600,000	Daily Mail & General Trust 5.75% 2018	11,636	0.06	
£19,000,000	Daily Mail & General Trust 6.375% 2027	22,796	0.13	
\$12,000,000	Delphi 4.15% 2024	7,883	0.04	
£2,500,000	Deutsche Annington Immobilien 4.625% 2074	1,852	0.01	
£8,800,000	Deutsche Annington Immobilien Var Rate Perp (4%)	6,204	0.03	
\$14,000,000	Deutsche Telekom International Finance 4.875% 2042	9,200	0.05	
£15,000,000	Deutsche Telekom International Finance 6.5% 2022	18,166	0.10	
\$49,000,000	Deutsche Telekom International Finance 8.75% 2030	45,857	0.25	
£14,000,000	Deutsche Telekom International Finance 8.875% 2028	21,309	0.12	
\$9,000,000	Deutsche Telekom International Finance 9.25% 2032	8,868	0.05	
£1,500,000	Deutsche Telekom International Finance Var. Rate 2030 (7.625%)	2,112	0.01	
£45,000,000	DIRECTV Financing 4.375% 2029	45,277	0.25	
\$6,000,000	DIRECTV Financing 5.15% 2042	3,686	0.02	
\$15,000,000	DIRECTV Financing 6.35% 2040	10,539	0.06	
\$6,000,000	DIRECTV Holdings 3.3% 2022	3,945	0.02	
\$25,000,000	DIRECTV Holdings 3.95% 2025	16,029	0.09	
\$10,000,000	DIRECTV Holdings 4.45% 2024	6,724	0.04	
\$13,000,000	DIRECTV Holdings 6.375% 2041	9,199	0.05	
\$5,000,000	Dominion Resources 5.75% 2054	3,377	0.02	
£7,800,000	E.ON International Finance 6.375% 2032	9,305	0.05	
\$7,500,000	E.ON International Finance 6.65% 2038	5,796	0.03	
£3,500,000	E.ON International Finance 6.75% 2039	4,370	0.02	
£30,000,000	EDF 5.875% Perp.	29,332	0.16	
£32,000,000	EDF Var. Rate Perp. (6%)	31,794	0.17	
\$2,500,000	El Paso 7.75% 2032	1,651	0.01	
\$10,000,000	El Paso Pipeline Partners 5% 2021	6,725	0.04	
£10,000,000	Elenia Finance 2.875% 2020	7,863	0.04	
\$5,000,000	EnBW Var. Rate 2072 (7.375%)	3,874	0.02	
£4,000,000	Enel 6.25% 2019	4,531	0.02	
£2,000,000	Enel Finance International 5.625% 2024	2,310	0.01	
£45,000,000	Enel Finance International 5.75% 2040	51,655	0.28	
\$10,000,000	Enel Finance International 6.25% 2017	7,119	0.04	
\$10,000,000	Energy Transfers Partners 5.15% 2045	5,138	0.03	
£10,000,000	Engie Var. Rate Perp. (3.875%)	7,308	0.04	
£10,000,000	Eutelsat 5% 2019	8,325	0.05	
£5,500,000	Eversholt Funding 5.831% 2020	6,272	0.03	
£4,500,000	Eversholt Funding 6.697% 2035	5,819	0.03	
£6,250,000	FCE Bank 2.625% 2018	6,243	0.03	
£8,000,000	FCE Bank 5.125% 2015	8,012	0.04	
£6,000,000	Fidelity International 6.75% 2020	6,931	0.04	
£5,715,000	Fidelity International 7.125% 2024	6,962	0.04	
£670,740	First Flexible FRN 2034	655	0.00	
£6,363,000	FirstGroup 5.25% 2022	6,847	0.04	
£22,000,000	FirstGroup 6.125% 2019	24,067	0.13	
£11,000,000	FirstGroup 6.875% 2024	13,095	0.07	
£5,000,000	FirstGroup 8.75% 2021	6,211	0.03	
\$3,700,000	Ford Motor Company 9.215% 2021	3,084	0.02	
\$10,000,000	Ford Motor Credit 2.375% 2018	6,588	0.04	
\$15,000,000	Ford Motor Credit 3.219% 2022	9,682	0.05	
£5,000,000	Friends Life 8.25% 2022	5,890	0.03	

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Portfolio

Portfolio statement (continued)				
Holding		Value £'000	30.09.15 %	30.09.14 %
'BBB' credit rated bonds (continued)				
£3,000,000	Gatwick Funding 5.25% 2024	3,412	0.02	
£15,000,000	Gatwick Funding 6.125% 2028	18,447	0.10	
£15,000,000	GDF Suez Var. Rate Perp. (3%)	10,891	0.06	
£5,000,000	GDF Suez Var. Rate Perp. (3.875%)	3,753	0.02	
£20,000,000	GDF Suez Var. Rate Perp. (4.625%)	20,252	0.11	
£11,251,000	Gelf Bond Issuer 1.75% 2021	8,013	0.04	
\$30,000,000	General Motors Financial 3.15% 2020	19,545	0.11	
\$20,000,000	General Motors Financial 4% 2025	12,456	0.07	
£35,000,000	GKN Holdings 5.375% 2022	37,944	0.21	
£33,000,000	GKN Holdings 6.75% 2019	37,488	0.21	
£5,750,000	Go-Ahead Group 5.375% 2017	6,106	0.03	
£1,131,000	Goldman Sachs Group 4.75% 2021	960	0.01	
£34,000,000	Goldman Sachs Group 5.5% 2021	37,479	0.21	
\$20,100,000	Goldman Sachs Group 5.95% 2027	14,928	0.08	
£6,724,000	Goldman Sachs Group 6.125% 2017	7,138	0.04	
\$35,000,000	Goldman Sachs Group 6.75% 2037	27,441	0.15	
£32,000,000	Goldman Sachs Group 6.875% 2038	40,173	0.22	
\$2,500,000	Goodman Hong Kong 4.375% 2024	1,650	0.01	
£15,000,000	Grand City Properties 2% 2021	10,960	0.06	
£9,423,000	Granite Master Issuer FRN 2054 05-1C2	6,866	0.04	
£8,704,000	Granite Master Issuer FRN 2054 05-2C2	6,334	0.03	
\$2,152,409	Granite Master Issuer FRN 2054 05-4C2	1,361	0.01	
£918,000	Granite Master Issuer FRN 2054 05-4C3	904	0.00	
£5,337,000	Granite Master Issuer FRN 2054 05-C3	5,259	0.03	
£6,800,000	Granite Master Issuer FRN 2054 05-C4	4,948	0.03	
\$3,000,000	Granite Master Issuer FRN 2054 06-1AC2	1,909	0.01	
£3,950,000	Granite Master Issuer FRN 2054 06-1XC3	3,910	0.02	
£10,000,000	Granite Master Issuer FRN 2054 06-1XC4	7,316	0.04	
£1,500,000	Granite Master Issuer FRN 2054 06-2C2	1,084	0.01	
£364,000	Granite Master Issuer FRN 2054 06-2C3	357	0.00	
\$5,000,000	Granite Master Issuer FRN 2054 06-3C2	3,239	0.02	
£7,400,000	Granite Master Issuer FRN 2054 06-3C3	5,364	0.03	
\$2,885,000	Granite Master Issuer FRN 2054 06-4C1	1,782	0.01	
£5,000,000	Granite Master Issuer FRN 2054 06-4C3	3,613	0.02	
\$4,305,000	Granite Master Issuer FRN 2054 06-C1	2,692	0.01	
\$10,600,000	Granite Master Issuer FRN 2054 06-C2	6,886	0.04	
\$8,500,000	Granite Master Issuer FRN 2054 07-11C1	5,421	0.03	
\$2,500,000	Granite Master Issuer FRN 2054 07-12C1	1,555	0.01	
£1,907,000	Granite Master Issuer FRN 2054 07-12C2	1,378	0.01	
£3,000,000	Granite Master Issuer FRN 2054 07-13C2	2,947	0.02	
\$4,500,000	Granite Master Issuer FRN 2054 07-22C1	2,799	0.02	

Portfolio statement (continued)

Holding		Value £'000	30.09.15 %	30.09.14 %
'BBB' credit rated bonds (continued)				
£6,600,000	Granite Master Issuer FRN 2054 07-23C2	4,780	0.03	
£5,400,000	Granite Master Issuer FRN 2054 07-23C3	5,304	0.03	
£8,000,000	H.J. Heinz Finance 6.25% 2030	9,643	0.05	
£8,000,000	H.J. Heinz 4.125% 2027	8,239	0.05	
\$1,727,980	Hawaiian Airlines 3.9% 2027	1,114	0.01	
\$12,500,000	HCA 5.875% 2022	8,696	0.05	
\$11,400,000	HCA Holdings 4.25% 2019	7,533	0.04	
\$14,273,000	HCA Holdings 4.75% 2023	9,328	0.05	
\$25,727,000	HCA Holdings 5% 2024	16,884	0.09	
\$23,077,000	HCA Holdings 5.25% 2025	15,332	0.08	
\$50,000,000	HCA Holdings 6.5% 2020	35,503	0.19	
\$15,000,000	HCP 3.4% 2025	9,216	0.05	
£12,500,000	Health Care 4.5% 2034	12,406	0.07	
£3,022,000	Health Care 4.8% 2028	3,231	0.02	
£20,000,000	Heathrow Funding 6% 2020	22,450	0.12	
£10,000,000	Heathrow Funding 7.125% 2024	12,360	0.07	
\$25,000,000	Heineken 2.75% 2023	15,994	0.09	
£15,000,000	Henkel Var. Rate 2104 (5.375%)	11,110	0.06	
£4,217,000	HSBC Holdings 3% 2025	3,034	0.02	
£30,300,000	HSBC Holdings 6.75% 2028	36,272	0.20	
\$9,000,000	Hutchison Whampoa International 6% Perp.	5,929	0.03	
£10,000,000	Iberdrola Finanzas 6% 2022	11,804	0.06	
£10,000,000	Iceland (Republic of) 2.5% 2020	7,665	0.04	
£14,000,000	Imperial Tobacco Finance 5.5% 2016	14,559	0.08	
£5,000,000	Imperial Tobacco Finance 5.5% 2026	5,760	0.03	
£1,000,000	Imperial Tobacco Finance 7.75% 2019	1,182	0.01	
£19,500,000	Imperial Tobacco Finance 8.125% 2024	25,366	0.14	
£37,000,000	Imperial Tobacco Finance Var. Rate 2022 (9%)	48,957	0.27	
£26,000,000	ING Bank 3.625% 2026	20,008	0.11	
\$20,000,000	ING Bank Var. Rate 2023 (4.125%)	13,450	0.07	
£6,250,000	ING Bank Var. Rate 2023 (6.125%)	5,147	0.03	
£19,250,000	ING Bank Var. Rate 2023 (6.875%)	21,056	0.12	
£11,000,000	InterContinental Hotels 3.875% 2022	11,258	0.06	
£19,500,000	InterContinental Hotels 6% 2016	20,411	0.11	
\$38,000,000	Intesa Sanpaolo 3.875% 2018	25,731	0.14	
\$30,000,000	Intesa Sanpaolo 5.25% 2024	21,081	0.12	
\$15,000,000	Intesa Sanpaolo 6.5% 2021	11,299	0.06	
£16,861,000	INTU Finance 4.125% 2023	17,567	0.10	
£14,500,000	Italy (Republic of) 5.25% 2034	16,541	0.09	
£64,000,000	Italy (Republic of) 6% 2028	78,118	0.43	
\$2,000,000	Kerr-McGee 6.95% 2024	1,549	0.01	
\$40,000,000	Kinder Morgan 4.3% 2025	23,731	0.13	
\$45,000,000	Kinder Morgan 5.05% 2046	23,247	0.13	
\$40,000,000	Kinder Morgan 5.55% 2045	22,240	0.12	
\$4,000,000	Kinder Morgan 5.625% 2023	2,577	0.01	
\$9,917,000	Kinder Morgan Energy Partners 3.5% 2021	6,230	0.03	
\$25,600,000	Kinder Morgan Energy Partners 4.15% 2024	15,285	0.08	
\$11,503,000	Kinder Morgan Energy Partners 4.25% 2024	6,913	0.04	
\$3,500,000	Kinder Morgan Energy Partners 5.8% 2035	2,076	0.01	
\$3,000,000	Kinder Morgan Energy Partners 6.95% 2038	1,950	0.01	
\$10,000,000	Kohl's 4.25% 2025	6,564	0.04	
£7,000,000	KPN 5% 2026	7,471	0.04	
\$12,300,000	KPN 8.375% 2030	10,647	0.06	
\$10,000,000	Kraft Foods Group 3.5% 2022	6,705	0.04	

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Portfolio

Portfolio statement (continued)				
Holding	Value £'000	30.09.15 %	30.09.14 %	
'BBB' credit rated bonds (continued)				
\$5,000,000 Lamar Funding 3.958% 2025	3,074	0.02		
£26,000,000 Legal & General Group 10% IL 2041	33,603	0.18		
£29,000,000 Legal & General Group 5.5% 2064	27,676	0.15		
£5,670,000 Legal & General Group Var. Rate Perp. (5.875%)	5,852	0.03		
£12,744,000 Lend Lease Europe 6.125% 2021	14,372	0.08		
£7,323,080 Leo-Mesdag FRN 2019	5,269	0.03		
\$14,881,000 Liberty Mutual 4.25% 2023	10,017	0.05		
\$5,000,000 Lima Metro Line 2 Finance 5.875% 2034	3,253	0.02		
£7,500,000 Liverpool Victoria Friendly Society Var. Rate 2043 (6.5%)	7,424	0.04		
£25,000,000 Lloyds Bank 7.625% 2025	31,386	0.17		
£27,000,000 Lloyds Bank 9.625% 2023	36,134	0.20		
£4,500,000 Lloyds Bank Var. Rate 2025 (5.75%)	4,837	0.03		
£1,500,000 Ludgate Funding FRN 2061 (BB)	915	0.01		
\$11,589,000 LyondellBasell Industries 4.625% 2055	6,400	0.04		
\$5,555,000 LyondellBasell Industries 6% 2021	4,153	0.02		
£10,000,000 Marks & Spencer 6.125% 2021	11,563	0.06		
\$17,000,000 Marks & Spencer 7.125% 2037	12,871	0.07		
£5,000,000 Merrill Lynch 8.125% 2028	6,944	0.04		
£72,250,000 Mexico (United Mexican States) 5.625% 2114	68,096	0.37		
\$10,000,000 Mexico (United Mexican States) 5.75% 2110	6,037	0.03		
\$12,000,000 Mizuho Finance (Cayman) 4.6% 2024	8,209	0.05		
£10,000,000 Mondelēz International 2.375% 2021	7,733	0.04		
£18,414,000 Mondelēz International 2.375% 2035	11,813	0.06		
£14,500,000 Mondelēz International 3.875% 2045	12,854	0.07		
£8,250,000 Mondelēz International 7.25% 2018	9,376	0.05		
\$13,000,000 Monsanto 4.4% 2044	7,371	0.04		
\$4,750,000 Montell Finance 8.1% 2027	4,040	0.02		
\$20,000,000 Morgan Stanley 3.95% 2027	12,621	0.07		
\$10,000,000 Morgan Stanley 4.1% 2023	6,657	0.04		
\$75,000,000 Morgan Stanley 4.35% 2026	49,476	0.27		
\$7,000,000 Morgan Stanley 4.875% 2022	4,907	0.03		
\$50,000,000 Morgan Stanley 5% 2025	34,790	0.19		
\$24,876,000 Motorola Solutions 4% 2024	14,657	0.08		
£5,304,000 MPT Operating Partnership 5.75% 2020	4,149	0.02		
\$11,495,000 Mylan 4.2% 2023	7,494	0.04		
£15,000,000 Nationwide Building Society 6.75% 2020	13,481	0.07		
£30,000,000 NGG Finance Var. Rate 2073 (5.625%)	31,389	0.17		
£15,000,000 Nielsen Norman Group Var. Rate 2044 (4.625%)	10,978	0.06		
\$9,963,000 Omnicom Group 3.65% 2024	6,416	0.04		
£3,666,000 Orange 5.625% 2034	4,265	0.02		
£9,500,000 Orange 8.125% 2028	13,607	0.07		
\$49,000,000 Orange 8.5% 2031	46,115	0.25		
£24,223,000 Orange Var. Rate Perp (5%)	17,512	0.10		
£12,000,000 Orange Var. Rate Perp (5.875%)	12,023	0.07		
£10,600,000 Orange Var. Rate Perp. (5.75%)	10,546	0.06		
\$16,014,000 Oversea Chinese Banking 4.25% 2024	10,646	0.06		
\$3,975,000 PCA 4.5% 2023	2,730	0.01		
\$1,750,000 Pearson Funding Five 3.25% 2023	1,107	0.01		

Portfolio statement (continued)

Holding	Value £'000	30.09.15 %	30.09.14 %
'BBB' credit rated bonds (continued)			
\$17,000,000 Pearson Funding Four 3.75% 2022	11,375	0.06	
\$38,000,000 Pernod-Ricard 4.25% 2022	25,916	0.14	
\$18,000,000 Pernod-Ricard 4.45% 2022	12,408	0.07	
\$8,000,000 Pernod-Ricard 5.75% 2021	5,944	0.03	
£10,000,000 Petróleos Mexicanos 2.75% 2027	5,790	0.03	
£10,000,000 Prologis 3% 2022	7,701	0.04	
£20,000,000 Prologis 3% 2026	14,888	0.08	
£6,705,000 Prologis 3.375% 2024	5,206	0.03	
£4,634,000 Prologis International Funding II 2.875% 2022	3,536	0.02	
\$10,000,000 Qwest 6.875% 2033	6,344	0.03	
\$8,400,000 Qwest 6.75% 2021	5,864	0.03	
£19,128,000 Rabobank Nederland 4.625% 2029	19,463	0.11	
£12,929,000 Rabobank Nederland 5.25% 2027	13,946	0.08	
\$12,000,000 Reed Elsevier Capital 7.5% 2025	9,894	0.05	
\$4,750,000 Reed Elsevier Capital 8.625% 2019	3,717	0.02	
£10,500,000 Reed Elsevier Investments 2.75% 2019	10,674	0.06	
£25,000,000 Reed Elsevier Investments 7% 2017	27,726	0.15	
\$5,717,000 Regency Energy Partners 5.875% 2022	3,856	0.02	
£5,000,000 Rentokil Initial 5.75% 2016	5,102	0.03	
\$20,000,000 Reynolds American 4.45% 2025	13,641	0.07	
\$16,000,000 Reynolds American 4.75% 2042	10,057	0.06	
\$6,000,000 Reynolds American 6.15% 2043	4,423	0.02	
\$3,000,000 Reynolds American 6.875% 2020	2,278	0.01	
\$9,750,000 Reynolds American 7.25% 2037	7,965	0.04	
£4,772,000 RL Finance Bonds 6.125% 2043	4,969	0.03	
£1,732,405 RMAC 2006-Ns4 FRN 2044 M1C	1,098	0.01	
£9,500,000 RSA Insurance Var. Rate 2039 (9.375%)	11,034	0.06	
£8,550,000 RWE Finance 5.5% 2022	9,426	0.05	
£16,250,000 RWE Finance 6.125% 2039	17,061	0.09	
£2,362,000 RWE Finance 6.25% 2030	2,556	0.01	
£1,000,000 Santander 11.5% 2017	1,109	0.01	
£7,000,000 Santander Var. Rate 2023 (9.625%)	8,328	0.05	
£10,000,000 Scottish Widows 5.5% 2023	10,215	0.06	
£14,500,000 Severn Trent Utilities Finance 3.625% 2026	14,954	0.08	
£23,000,000 Severn Trent Utilities Finance 6.25% 2029	29,734	0.16	
£16,711,000 Siemens Financier. Var. Rate 2066 (6.125%)	17,185	0.09	
\$4,000,000 SKY 2.625% 2020	2,639	0.01	
£15,000,000 SKY 2.875% 2020	14,937	0.08	
\$2,500,000 SKY 3.75% 2024	1,615	0.01	
£12,500,000 Smiths Group 7.25% 2016	12,998	0.07	
£7,000,000 Snam 5% 2019	5,850	0.03	
\$40,000,000 Société Générale 5% 2024	26,586	0.15	
£16,600,000 Sogecap Var. Rate Perp. (4.125%)	11,201	0.06	
£2,500,000 Solvay Finance Var. Rate Perp. (4.199%)	1,804	0.01	
£12,000,000 Solvay Finance Var. Rate Perp. (5.425%)	8,721	0.05	
£2,878,000 South Eastern Power Networks Var. Rate 2031 (6.375%)	3,802	0.02	
£4,765,000 Southern Gas Networks 5.125% 2018	5,204	0.03	
£6,600,000 Southern Water Services Finance Var. Rate 2038 (4.5%)	6,823	0.04	
£19,000,000 Spain (Kingdom of) 5.25% 2029	21,724	0.12	
\$10,800,000 SSE Var. Rate Perp. (5.625%)	7,358	0.04	
£19,500,000 Stagecoach 5.75% 2016	20,376	0.11	
\$14,285,000 Standard Chartered 3.95% 2023	8,750	0.05	
£12,375,000 Standard Chartered 5.125% 2034	10,765	0.06	
\$2,750,000 Standard Chartered 6.4% 2017	1,936	0.01	

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Portfolio

Portfolio statement (continued)				
Holding		Value £'000	30.09.15 %	30.09.14 %
'BBB' credit rated bonds (continued)				
£15,000,000 Standard Life Var. Rate 2042 (5.5%)		15,699	0.09	
£2,000,000 Storebrand Livsforsikring Var. Rate 2043 (6.875%)		1,631	0.01	
£35,000,000 Telefónica Emisiones 5.289% 2022		38,785	0.21	
£5,000,000 Telefónica Emisiones 5.375% 2018		5,348	0.03	
£6,000,000 Telefónica Emisiones 5.375% 2026		6,663	0.04	
£15,250,000 Telefónica Emisiones 5.445% 2029		17,129	0.09	
£33,000,000 Telefónica Emisiones 5.597% 2020		36,434	0.20	
\$12,000,000 Telefónica Emisiones 7.045% 2036		9,306	0.05	
\$900,000 Telefónica Europe 8.25% 2030		775	0.00	
£5,955,000 Teva Pharmaceutical Finance 1.25% 2023		4,124	0.02	
£43,000,000 Thames Water Utilities Cayman 5.375% 2025		44,912	0.25	
£29,000,000 Thames Water Utilities Cayman Var. Rate 2030 (5.75%)		32,508	0.18	
\$15,000,000 Time Warner 3.55% 2024		9,693	0.05	
\$3,750,000 Time Warner 3.6% 2025		2,411	0.01	
\$4,000,000 Time Warner 4% 2022		2,735	0.01	
\$20,000,000 Time Warner 4.05% 2023		13,488	0.08	
\$7,000,000 Time Warner 4.75% 2021		4,980	0.03	
\$2,000,000 Time Warner 6.2% 2040		1,484	0.01	
\$10,000,000 Time Warner 6.25% 2041		7,381	0.04	
\$12,000,000 Time Warner 6.5% 2036		9,143	0.05	
\$3,000,000 Time Warner 7.625% 2031		2,511	0.01	
\$11,000,000 Time Warner 7.7% 2032		9,343	0.05	
£39,000,000 Time Warner Cable 5.25% 2042		33,667	0.18	
£28,000,000 Time Warner Cable 5.75% 2031		27,390	0.15	
\$4,200,000 Time Warner Cable 6.55% 2037		2,706	0.01	
\$8,136,000 Transportadora de Gas del Perú 4.25% 2028		5,036	0.03	
\$2,750,000 21st Century Fox 3.75% 2024		1,803	0.01	
£8,000,000 UBS Jersey Var. Rate 2024 (6.375%)		8,973	0.05	
\$8,000,000 United Business Media 5.75% 2020		5,748	0.03	
\$20,000,000 Verizon Communication 4% 2034		12,150	0.07	
\$90,000,000 Verizon Communication 4.862% 2046		55,271	0.30	
\$275,000,000 Verizon Communication 5.012% 2054		164,535	0.90	
\$30,000,000 Verizon Communication 5.85% 2034		19,718	0.11	
\$20,000,000 Verizon Communications 3.5% 2021		13,403	0.07	
\$10,000,000 Verizon Communications 3.5% 2024		6,505	0.04	
\$22,000,000 Verizon Communications 4.15% 2024		14,872	0.08	
\$173,382,000 Verizon Communications 4.272% 2036		103,186	0.57	
\$133,987,000 Verizon Communications 4.522% 2048		77,833	0.43	
\$297,000,000 Verizon Communications 4.675% 2022		167,781	0.92	
£3,000,000 Verizon Communications 4.75% 2034		3,148	0.02	
\$25,000,000 Verizon Communications 5.85% 2035		17,817	0.10	
\$24,000,000 Verizon Communications 6% 2041		17,108	0.10	
\$5,000,000 Verizon Communications 6.25% 2037		3,696	0.02	
\$2,342,000 Verizon Communications 6.4% 2033		1,764	0.01	
\$25,000,000 Verizon Communications 6.55% 2043		19,298	0.11	
\$3,000,000 Verizon Maryland 5.125% 2033		1,922	0.01	
\$5,000,000 Verizon New England 7.875% 2029		4,208	0.02	
\$5,000,000 Verizon New York 7.375% 2032		3,756	0.02	
£5,000,000 Vesteda Finance 1.75% 2019		3,718	0.02	
\$4,000,000 Viacom 3.875% 2021		2,590	0.01	
\$20,000,000 Viacom 3.875% 2024		12,271	0.07	
\$10,000,000 Viacom 4.25% 2023		6,371	0.03	
\$10,000,000 Viacom 4.375% 2043		4,867	0.03	
\$22,000,000 Viacom 4.875% 2043		11,520	0.06	

Portfolio statement (continued)

Holding	Value £'000	30.09.15 %	30.09.14 %
'BBB' credit rated bonds (continued)			
\$10,000,000 Viacom 5.85% 2043	6,108	0.03	
\$27,000,000 Vodafone Group 2.5% 2022	16,427	0.09	
\$30,000,000 Vodafone Group 2.95% 2023	18,649	0.10	
\$2,500,000 Vodafone Group 4.375% 2043	1,427	0.01	
£10,000,000 Vodafone Group 5.375% 2017	10,682	0.06	
£4,500,000 Vodafone Group 5.9% 2032	5,301	0.03	
\$13,900,000 Vodafone Group 7.875% 2030	11,374	0.06	
£18,750,000 Volkswagen International Finance Var. Rate Perp. (5.125%)	12,894	0.07	
\$10,000,000 W.P. Carey 4% 2025	6,386	0.04	
£13,333,000 W.P. Carey 2% 2023	9,198	0.05	
£7,500,000 Wales & West Utilities Finance Var. Rate 2036 (6.75%)	8,371	0.05	
£11,112,000 Walgreens Boots Alliance 2.875% 2020	11,074	0.06	
£16,666,000 Walgreens Boots Alliance 3.6% 2025	16,752	0.09	
\$4,750,000 Weyerhaeuser 7.375% 2032	3,872	0.02	
\$7,000,000 Williams Partners 4.875% 2023	4,266	0.02	
\$18,128,000 Williams Partners 4.875% 2024	11,166	0.06	
\$20,000,000 WPP Finance 3.75% 2024	13,098	0.07	
\$8,500,000 WPP Finance 4.75% 2021	6,092	0.03	
£20,000,000 WPP Group 6% 2017	21,259	0.12	
£12,000,000 Yorkshire Water Services Var. Rate 2025 (6%)	12,683	0.07	
\$5,500,000 Yum! Brands 3.875% 2020	3,777	0.02	
\$11,000,000 Yum! Brands 3.875% 2023	7,239	0.04	
\$8,000,000 Yum! Brands 6.875% 2037	6,130	0.03	
'BB' credit rated bonds		10.12	9.09
\$1,000,000 ADT 3.5% 2022	581	0.00	
\$1,500,000 ADT 4.125% 2023	880	0.01	
\$7,500,000 ADT 6.25% 2021	5,070	0.03	
\$10,000,000 AES 7.375% 2021	6,820	0.04	
\$3,000,000 Altice Financing 7.875% 2019	2,038	0.01	
£13,900,000 Arkema Var. Rate Perp. (4.75%)	10,287	0.06	
£12,800,000 Arrow Global Finance 7.875% 2020	13,422	0.07	
£9,795,000 Arrow Global Finance FRN 2021	7,270	0.04	
\$10,000,000 Ashland 4.75% 2022	6,023	0.03	
\$6,000,000 Ball 4% 2023	3,644	0.02	
\$8,182,000 Banglalink Digital Communications 8.625% 2019	5,369	0.03	
\$5,000,000 Bank of America Var. Rate Perp. (8.125%)	3,437	0.02	
£5,000,000 Bank of Ireland 10% 2022	4,873	0.03	
£8,000,000 Bank of Ireland Var. Rate 2024 (4.25%)	5,965	0.03	
£3,000,000 Bank of Scotland Var. Rate Perp. (7.281%)	3,506	0.02	
£1,015,043 Bankinter FRN 2048	633	0.00	
\$10,000,000 Barry Callebaut Services 5.5% 2023	6,949	0.04	
£8,000,000 BBVA 3.5% 2024	5,970	0.03	
£13,000,000 British Airways Var. Rate 2016 (8.75%)	13,590	0.08	
\$2,500,000 Case New Holland 7.875% 2017	1,732	0.01	
\$2,500,000 CCO Holdings Capital 5.125% 2023	1,511	0.01	
\$8,000,000 CCO Holdings Capital 6.5% 2021	5,249	0.03	
\$2,000,000 CenturyLink 5.625% 2020	1,199	0.01	
\$20,000,000 CenturyLink 5.8% 2022	11,204	0.06	
\$567,000 CenturyLink 6.15% 2019	372	0.00	
\$5,000,000 CenturyLink 6.45% 2024	3,011	0.02	
\$4,000,000 CenturyLink 6.75% 2020	2,276	0.01	
\$27,000,000 CenturyLink 7.6% 2039	13,333	0.07	
\$5,000,000 CenturyLink 7.65% 2042	2,457	0.01	
\$5,000,000 Citigroup Var. Rate Perp. (5.95%)	3,200	0.02	
£9,500,000 CNH Industrial Finance 6.25% 2018	7,381	0.04	
\$2,000,000 Cogeco Cable 4.875% 2020	1,303	0.01	

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Portfolio

Portfolio statement (continued)				
Holding		Value £'000	30.09.15 %	30.09.14 %
'BB' credit rated bonds (continued)				
\$9,742,000	Columbus International 7.375% 2021	6,587	0.04	
£3,300,000	Commerzbank 6.625% 2019	3,593	0.02	
£6,400,000	Commerzbank 7.75% 2021	5,542	0.03	
\$12,000,000	Commerzbank 8.125% 2023	9,098	0.05	
\$5,000,000	Community Health Systems 5.125% 2021	3,339	0.02	
\$10,000,000	Concho Resources 5.5% 2023	6,174	0.03	
\$14,000,000	Credit Suisse 7% 2020	8,645	0.05	
\$6,000,000	Crestwood Midstream Partners 6.125% 2022	3,406	0.02	
\$2,273,000	Crestwood Midstream Partners 6.25% 2023	1,286	0.01	
\$2,500,000	Crown Americas 6.25% 2021	1,694	0.01	
£17,382,000	Crown European Holdings 4% 2022	12,858	0.07	
£20,650,000	Delamare Finance 5.5457% 2029	20,902	0.11	
\$3,000,000	Denbury Resources 4.625% 2023	1,060	0.01	
\$10,000,000	Denbury Resources 5.5% 2022	3,874	0.02	
\$2,500,000	Dish DBS 5.875% 2022	1,453	0.01	
£1,500,000	Dufry Finance 4.5% 2022	1,132	0.01	
£4,708,000	Dufry Finance 4.5% 2023	3,482	0.02	
\$2,000,000	Dufry Finance 5.5% 2020	1,352	0.01	
\$5,000,000	EDP Finance 4.125% 2020	3,328	0.02	
\$4,667,000	EDP Finance 5.25% 2021	3,237	0.02	
£12,000,000	EDP Finance 6.625% 2017	12,885	0.07	
\$4,750,000	Enel 6.75% 2073	3,584	0.02	
£4,000,000	Enel Var. Rate 2072 (6.75%)	3,144	0.02	
£8,000,000	Enel Var. Rate 2075 (7.75%)	8,565	0.05	
£11,884,000	Enterprise Inns 6% 2023	11,722	0.06	
£17,500,000	Enterprise Inns 6.375% 2031	17,219	0.09	
£6,680,000	Enterprise Inns 6.875% 2021	6,868	0.04	
£4,500,000	Enterprise Inns 6.875% 2025	4,553	0.02	
£7,000,000	Fiat Finance & Trade 7.375% 2018	5,554	0.03	
£4,000,000	Fiat Finance & Trade 7.75% 2016	3,089	0.02	
\$9,749,000	First Data 6.75% 2020	6,735	0.04	
£12,000,000	FMC Finance 5.25% 2021	10,202	0.06	
\$4,000,000	FMC Finance 6.5% 2018	3,366	0.02	
\$20,000,000	Fresenius Medical Care 5.625% 2019	13,995	0.08	
\$22,000,000	Fresenius Medical Care 5.75% 2021	15,582	0.09	
\$13,630,000	Fresenius Medical Care 6.875% 2017	9,568	0.05	
\$10,000,000	Fresenius US Finance 4.25% 2021	6,604	0.04	
\$1,500,000	Frontier Communications 7.125% 2023	787	0.00	
\$9,000,000	Frontier Communications 8.125% 2018	6,188	0.03	
\$4,000,000	Frontier Communications 8.5% 2020	2,548	0.01	
\$5,000,000	Frontier Communications 8.75% 2022	2,958	0.02	
\$5,000,000	Frontier Communications 9.25% 2021	3,146	0.02	
\$2,000,000	Gannett 4.875% 2021	1,290	0.01	
\$2,000,000	Gannett 5.5% 2024	1,276	0.01	
£14,600,000	Gas Natural Fenosa Var. Rate Perp. (4.125%)	9,912	0.05	
\$3,000,000	Gestamp Funding Luxembourg 5.625% 2020	1,945	0.01	
£1,154,000	Gestamp Funding Luxembourg 5.875% 2020	856	0.00	
£4,515,000	Grainger 5% 2020	4,613	0.03	
£3,100,000	Greif Luxembourg Finance 7.375% 2021	2,654	0.01	
£5,702,000	Grupo Antolin Dutch 4.75% 2021	4,091	0.02	
£2,500,000	HBOS EURO Finance Var. Rate Perp. (7.627%)	1,819	0.01	
£6,800,000	HSS Financing 6.75% 2019	6,744	0.04	

Portfolio statement (continued)

Holding		Value £'000	30.09.15 %	30.09.14 %
'BB' credit rated bonds (continued)				
\$3,000,000	Indonesia (Republic of) 10.75% 2016	1,949	0.01	
£3,859,000	International Game Technology 4.125% 2020	2,769	0.02	
\$1,600,000	International Game Technology 5.425% 2020	1,031	0.01	
\$10,000,000	International Game Technology 6.25% 2022	6,004	0.03	
£15,000,000	Intesa Sanpaolo 2.855% 2025	10,494	0.06	
\$5,000,000	Intesa Sanpaolo 5.017% 2024	3,229	0.02	
£6,000,000	Kelda Finance No.3 5.75% 2020	6,253	0.03	
£17,000,000	KPN Var. Rate 2073 (6.875%)	17,345	0.10	
£5,000,000	KPN Var. Rate Perp. (6.125%)	3,814	0.02	
\$2,000,000	L Brands 5.625% 2022	1,379	0.01	
\$2,500,000	L Brands 6.625% 2021	1,805	0.01	
\$6,000,000	LBG Capital No.1 Var. Rate Perp (8%)	4,444	0.02	
\$30,000,000	Lear 5.25% 2025	19,318	0.11	
\$5,000,000	Lennar 12.25% 2017	3,791	0.02	
\$3,000,000	Levi Strauss & Co. 6.875% 2022	2,103	0.01	
£35,370,000	Lloyds Banking Group 7.875% Perp	36,414	0.20	
£20,000,000	Lloyds Banking Group Var. Rate Perp. (6.375%)	15,120	0.08	
£24,000,000	Lloyds Banking Group Var. Rate Perp. (7%)	23,694	0.13	
£36,000,000	Lloyds Banking Group Var. Rate Perp. (7.625%)	36,341	0.20	
£18,433,000	Lock 7% 2021	14,230	0.08	
£4,250,000	Lowell Group Financing 10.75% 2019	4,569	0.03	
£1,500,000	Ludgate Funding FRN 2061 (CB)	845	0.00	
\$6,187,500	Lynx I Corp 5.375% 2021	4,061	0.02	
£1,281,699	Magellan Mortgages No.4 FRN 2059	774	0.00	
\$9,333,000	Mallinckrodt 5.75% 2022	5,910	0.03	
\$7,399,000	Metalsa 4.9% 2023	4,208	0.02	
£7,000,000	National Westminster Bank 6.5% 2021	7,795	0.04	
£7,500,000	Nationwide Building Society Var. Rate Perp. (6.875%)	7,335	0.04	
\$3,750,000	Neptune Finco 6.625% 2025	2,406	0.01	
£1,500,000	Newgate Funding FRN 2050	853	0.00	
£8,000,000	Nexans 5.75% 2017	6,134	0.03	
£8,000,000	OI European Group 4.875% 2021	6,200	0.03	
£19,500,000	OI European Group 6.75% 2020	16,429	0.09	
\$3,888,000	Owens Brockway 5% 2022	2,456	0.01	
\$2,000,000	Paraguay (Republic of) 4.625% 2023	1,294	0.01	
\$6,364,000	Paraguay (Republic of) 6.1% 2044	4,060	0.02	
\$7,000,000	Pertamina Persero 6.45% 2044	3,994	0.02	
\$2,250,000	Pilgrims Pride 5.75% 2025	1,451	0.01	
£7,346,434	Priory Group 7% 2018	7,532	0.04	
\$5,000,000	R.R. Donnelley & Sons 6.5% 2023	3,067	0.02	
£4,000,000	Rexam Var. Rate 2067 (6.75%)	2,945	0.02	
CHF9,000,000	Royal Bank of Scotland 2.375% 2015	6,082	0.03	
£20,000,000	Royal Bank of Scotland 3.625% 2024	14,857	0.08	
£1,950,000	Royal Bank of Scotland 4.35% 2017	1,481	0.01	
\$19,900,000	Royal Bank of Scotland 5.125% 2024	13,181	0.07	
\$35,294,000	Royal Bank of Scotland 6.1% 2023	24,835	0.14	
\$18,000,000	Royal Bank of Scotland 6.125% 2022	12,751	0.07	
£15,000,000	Royal Bank of Scotland 6.934% 2018	12,287	0.07	
£9,000,000	Royal Bank of Scotland FRN 2017	6,342	0.03	
\$6,000,000	Royal Bank of Scotland Var. Rate 2022 (9.5%)	4,292	0.02	
\$21,000,000	Sable International 8.75% 2020	14,534	0.08	
£16,000,000	Samvardhana Motherson 4.125% 2021	10,609	0.06	
\$5,000,000	Sappi Papier Holding 6.625% 2021	3,347	0.02	
£5,869,000	Schaeffler Finance 3.25% 2025	4,049	0.02	
£4,783,000	Sealed Air 4.5% 2023	3,576	0.02	

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Portfolio

Portfolio statement (continued)				
Holding		Value £'000	30.09.15 %	30.09.14 %
'BB' credit rated bonds (continued)				
\$1,500,000	Sealed Air 5.125% 2024	982	0.01	
\$5,000,000	Service Corporation International 5.375% 2024	3,428	0.02	
\$8,000,000	Sirius XM Radio 5.75% 2021	5,264	0.03	
\$10,000,000	Sirius XM Radio 6% 2024	6,612	0.04	
£7,793,000	Smurfit Kappa Acquisitions 2.75% 2025	5,458	0.03	
\$1,789,000	Société Générale Var. Rate Perp. (7.875%)	1,148	0.01	
£3,750,000	Société Générale Var. Rate Perp. (8.875%)	4,136	0.02	
\$20,461,000	Société Générale Var. Rate Perp. (7.875%)	13,131	0.07	
£5,300,000	Southern Water (Greensands) Financing 8.5% 2019	5,936	0.03	
£2,550,000	Spirit Issuer 5.86% 2021	2,400	0.01	
\$10,500,000	Stora Enso 7.25% 2036	7,392	0.04	
£7,671,000	TA Manufacturing 3.625% 2023	5,298	0.03	
\$5,000,000	Taylor Morrison Communities 5.25% 2012	3,273	0.02	
£7,000,000	Telecom Italia 5.875% 2023	7,421	0.04	
£52,000,000	Telecom Italia 6.375% 2019	56,271	0.31	
£40,000,000	Telecom Italia 7.375% 2017	43,491	0.24	
£5,000,000	Telefónica (Europe) Var. Rate Perp. (5%)	3,671	0.02	
£30,000,000	Telefónica (Europe) Var. Rate Perp. (6.5%)	23,251	0.13	
£28,000,000	Telefónica (Europe) Var. Rate Perp. (6.75%)	28,700	0.16	
£20,000,000	Telefónica (Europe) Var. Rate Perp. (5.875%)	14,759	0.08	
\$5,000,000	Tenet Healthcare 4.375% 2021	3,240	0.02	
\$2,500,000	Tenet Healthcare 4.5% 2021	1,592	0.01	
\$2,000,000	Tenet Healthcare 4.75% 2020	1,329	0.01	
\$10,000,000	Tenet Healthcare 6% 2020	6,858	0.04	
£9,212,502	Tesco Property Finance 2 6.0517% 2039	8,892	0.05	
£20,178,723	Tesco Property Finance 3 5.744% 2040	18,314	0.10	
£49,397,593	Tesco Property Finance 4 5.8006% 2040	44,559	0.24	
£26,753,843	Tesco Property Finance 5 5.6611% 2041	23,649	0.13	
£21,440,469	Tesco Property Finance 6 5.411% 2044	18,554	0.10	
\$714,000	Tesoro Logistics 5.5% 2019	459	0.00	
£3,256,000	The Chemours Company 6.125% 2023	1,561	0.01	
\$2,000,000	T-Mobile USA 5.25% 2018	1,331	0.01	
\$3,500,000	T-Mobile USA 6.25% 2021	2,264	0.01	
\$6,000,000	T-Mobile USA 6.464% 2019	4,010	0.02	
\$30,233,000	T-Mobile USA 6.633% 2021	19,647	0.11	
\$10,000,000	T-Mobile USA 6.731% 2022	6,581	0.04	
\$10,000,000	UBS Preferred Funding Var. Rate Perp. (6.875%)	6,355	0.03	
\$33,000,000	UBS Var. Rate Perp. (5.75%)	22,417	0.12	
£20,000,000	UBS Var. Rate Perp. (5.75%)	14,772	0.08	
£3,000,000	Unicredit 6.95% 2022	2,526	0.01	
£22,000,000	Unicredit Var. Rate 2025 (5.75%)	17,276	0.09	
\$10,000,000	United Rentals North America 5.5% 2020	6,049	0.03	
£13,546,000	Unitymedia Hessen 3.5% 2027	8,796	0.05	
£35,833,000	Unitymedia Hessen 4% 2025	24,924	0.14	
\$27,273,000	Unitymedia Hessen 5% 2025	16,867	0.09	

Portfolio statement (continued)

Holding		Value £'000	30.09.15 %	30.09.14 %
'BB' credit rated bonds (continued)				
£21,150,000	Unitymedia Hessen 5.125% 2023	16,171	0.09	
£9,900,000	Unitymedia Hessen 5.5% 2022	7,622	0.04	
\$12,000,000	Unitymedia Hessen 5.5% 2023	7,857	0.04	
£19,244,700	Unitymedia Hessen 5.75% 2023	14,874	0.08	
\$44,000,000	Unitymedia Hessen 6.25% 2029	34,140	0.19	
\$14,400,000	UPCB Finance V 7.25% 2021	10,021	0.05	
\$5,000,000	UPM-Kymmene 7.45% 2027	3,849	0.02	
£5,000,000	Veolia Environnement Var. Rate Perp. (4.45%)	3,775	0.02	
£30,000,000	Veolia Environnement Var. Rate Perp. (4.85%)	29,928	0.16	
\$13,333,000	VideoTron 5.375% 2024	8,597	0.05	
£45,000,000	Virgin Media Finance 4.875% 2027	39,841	0.22	
\$40,000,000	Virgin Media Finance 5.5% 2025	25,594	0.14	
£34,650,000	Virgin Media Finance 6% 2021	35,018	0.19	
£16,033,000	Virgin Media Secured Finance 5.125% 2025	14,871	0.08	
£21,200,000	Virgin Media Secured Finance 5.5% 2021	21,952	0.12	
£37,800,000	Virgin Media Secured Finance 5.5% 2025	36,253	0.20	
£30,248,000	Virgin Media Secured Finance 6.25% 2029	29,650	0.16	
£14,500,000	William Hill 7.125% 2016	15,202	0.08	
£15,000,000	Wind Acquisition Finance 4% 2020	10,910	0.06	
£12,000,000	Wind Acquisition Finance FRN 2020	8,795	0.05	
\$5,000,000	Windstream 6.375% 2023	2,328	0.01	
\$7,330,000	Windstream 7.5% 2023	3,552	0.02	
\$1,000,000	Windstream 7.75% 2020	546	0.00	
\$20,700,000	Windstream 7.875% 2017	14,070	0.08	
\$8,500,000	WPX Energy 5.25% 2024	4,535	0.02	
\$27,500,000	Wynn Las Vegas 5.375% 2022	16,487	0.09	
£10,200,000	ZF North American Capital 2.75% 2023	6,803	0.04	
\$6,000,000	ZF North American Capital 4.75% 2025	3,582	0.02	
'B' credit rated bonds			4.32	5.35
\$23,000,000	1011778 BC ULC / New Red Finance 6% 2022	15,246	0.08	
\$4,040,000	Agrokor 8.875% 2020	2,849	0.02	
\$3,466,000	Aguila 7.875% 2018	2,297	0.01	
\$6,667,000	Ahern Rentals 7.375% 2023	3,816	0.02	
\$10,000,000	Alcatel Lucent 8.875% 2020	7,040	0.04	
£27,233,000	Altice Financing 7.25% 2022	18,904	0.10	
\$2,533,000	Altice Financing 8.125% 2024	1,571	0.01	
£750,000	Altice Financing 9% 2023	622	0.00	
\$2,667,000	AmSurg Corporation 5.625% 2022	1,748	0.01	
£54,000,000	Ardagh Packaging Finance 4.25% 2022	39,086	0.21	
\$25,000,000	Avis Budget Finance 5.25% 2025	15,133	0.08	
£14,450,000	Avis Budget Finance 6% 2021	10,865	0.06	
£6,071,235	Bakkavor Finance 2 8.25% 2018	6,280	0.03	
£7,500,000	Bakkavor Finance 2 8.75% 2020	8,165	0.04	
\$4,700,000	Banco Bilbao Vizcaya Argentaria Var. Rate Perp. (5.919%)	3,120	0.02	
£2,304,000	Barclays Bank Var. Rate Perp. (7%)	2,212	0.01	
£9,142,000	Barclays Bank Var. Rate Perp. (7.875%)	8,975	0.05	
£11,500,000	Belden 5.5% 2023	8,153	0.04	
\$3,000,000	Bombardier 4.75% 2019	1,550	0.01	
\$5,000,000	Bombardier 5.75% 2022	2,498	0.01	
\$5,000,000	Bombardier 6% 2017	2,405	0.01	
£14,000,000	Bombardier 6.125% 2021	9,163	0.05	
\$23,000,000	Bombardier 7.75% 2020	12,537	0.07	
£3,000,000	Cable & Wireless International Finance 8.625% 2019	3,358	0.02	

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Portfolio

Portfolio statement (continued)				
Holding		Value £'000	30.09.15 %	30.09.14 %
'B' credit rated bonds (continued)				
£8,000,000	Cabot Financial Luxembourg 10.375% 2019	8,600	0.05	
£7,000,000	Cabot Financial Luxembourg 6.5% 2021	6,860	0.04	
£5,000,000	Cabot Financial Luxembourg 8.375% 2019	5,113	0.03	
\$5,000,000	Calumet Specialty Products 6.5% 2021	2,987	0.02	
\$6,667,000	Cascades 5.5% 2022	4,200	0.02	
£15,000,000	Cemex 4.375% 2023	10,003	0.05	
£15,000,000	Cemex 4.75% 2022	10,405	0.06	
\$4,545,000	Cemex 5.7% 2025	2,692	0.01	
\$16,000,000	Cemex 5.7% 2025 1A	9,468	0.05	
\$1,875,000	Cemex 5.875% 2019	1,207	0.01	
\$12,000,000	Cemex 6.125% 2025	7,221	0.04	
\$5,000,000	Cemex 9.5% 2018	3,552	0.02	
£17,094,000	Cemex Finance 5.25% 2021	12,520	0.07	
\$17,076,000	Cemex Finance 9.375% 2022	11,848	0.06	
£2,678,000	Cognita Financing 7.75% 2021	2,665	0.01	
\$2,750,000	Community Health Systems 6.875% 2022	1,846	0.01	
\$5,000,000	Davita Healthcare 5.125% 2024	3,186	0.02	
£14,250,000	EDU UK Bond Company 8.875% 2018	14,159	0.08	
£10,000,000	Elli Finance UK 8.75% 2019	8,719	0.05	
£11,581,394	Gala Group Finance 8.875% 2018	12,121	0.07	
£2,000,000	HEMA Bondco 6.25% 2019	876	0.01	
£8,125,000	HP Pelzer Holding 7.5% 2021	5,990	0.03	
\$9,211,000	Huntsman International 5.125% 2021	6,288	0.03	
£14,590,000	Iglo Foods Bondco FRN 2020	10,665	0.06	
£15,000,000	Ineos Group 5.75% 2019	10,657	0.06	
\$4,000,000	Ineos Group 6.125% 2018	2,475	0.01	
\$5,000,000	Intelsat Jackson 7.25% 2020	2,991	0.02	
£16,040,000	Intergen 7.5% 2021	15,078	0.08	
\$4,572,000	Intesa Sanpaolo 7.7% 2025	2,920	0.02	
\$4,444,000	KB Home 7% 2021	2,938	0.02	
\$2,273,000	Kenya (Republic of) 6.875% 2024	1,350	0.01	
£6,000,000	Kerling 10.625% 2017	4,458	0.02	
\$9,333,000	Kindred Healthcare 8% 2020	6,509	0.04	
\$16,667,000	Kindred Healthcare 8.75% 2023	11,843	0.06	
£4,000,000	KM Germany Holdings 8.75% 2020	3,151	0.02	
\$10,000,000	Level 3 Financing 5.375% 2022	6,390	0.04	
£7,000,000	Magnolia 9% 2020	5,495	0.03	
£18,000,000	Matterhorn Telecom 3.875% 2022	11,787	0.06	
£5,682,000	Mizzen Bondco 7% 2021	5,455	0.03	
\$7,143,000	Neptune Finco 10.875% 2025	4,619	0.03	
\$8,000,000	Numericable Group 4.875% 2019	5,013	0.03	
\$9,102,000	Numericable Group 5.375% 2022	6,706	0.04	
£33,000,000	Numericable Group 5.625% 2024	24,229	0.13	
\$40,000,000	Numericable Group 6% 2022	25,002	0.14	
\$5,000,000	Numericable Group 6.25% 2024	3,142	0.02	
£3,500,000	Paprec Holding 5.25% 2022	2,507	0.01	
£1,849,000	Paprec Holding 7.375% 2023	1,301	0.01	
£1,351,000	Piaggio 4.625% 2021	1,006	0.01	
£13,410,000	Play Finance 2 5.25% 2019	10,042	0.06	
£1,667,000	Progroup 5.125% 2022	1,254	0.01	
£2,293,000	R&R Ice Cream 5.5% 2020	2,311	0.01	
\$24,500,000	Reynolds Group 5.75% 2020	16,145	0.09	
£5,000,000	Royal Bank of Scotland 5.5% Perp.	3,670	0.02	
\$5,357,000	Royal Bank of Scotland Var. Rate Perp. (7.5%)	3,509	0.02	

Portfolio statement (continued)

Holding		Value £'000	30.09.15 %	30.09.14 %
'B' credit rated bonds (continued)				
\$5,600,000	Royal Bank of Scotland Var. Rate Perp. (8%)	3,705	0.02	
£876,000	Selecta 6.5% 2020	606	0.00	
\$1,091,000	Shea Homes Funding 6.125% 2025	729	0.00	
£2,500,000	SMCP 8.875% 2020	1,969	0.01	
\$1,818,000	Spectrum Brands 5.75% 2025	1,223	0.01	
\$10,000,000	Sprint Capital 6.875% 2028	4,638	0.03	
\$5,000,000	Sprint Capital 6.9% 2019	2,796	0.02	
\$15,000,000	Sprint Corporation 7.125% 2024	7,590	0.04	
\$8,000,000	Sprint Corporation 7.25% 2021	4,304	0.02	
\$50,000,000	Sprint Corporation 7.625% 2025	25,274	0.14	
\$43,000,000	Sprint Corporation 7.875% 2023	22,448	0.12	
\$10,000,000	Sprint Nextel 6% 2016	6,493	0.04	
\$31,500,000	Sprint Nextel 6% 2022	15,194	0.08	
£8,000,000	Stretford 79 6.25 2021	6,599	0.04	
£15,000,000	Telenet Finance V 6.25% 2022	11,653	0.06	
£12,780,000	Telenet Finance V 6.75% 2024	10,106	0.06	
£7,105,500	TVN Finance III 7.375% 2020	5,632	0.03	
\$10,000,000	Univision Communications 6.75% 2022	6,810	0.04	
£6,000,000	UPC Holding 6.375% 2022	4,704	0.03	
£12,500,000	UPC Holding 6.75% 2023	9,047	0.05	
\$9,375,000	Valeant Pharmaceuticals 5.625% 2021	5,915	0.03	
\$3,000,000	Valeant Pharmaceuticals 6.75% 2021	1,988	0.01	
£4,000,000	Virgin Media Finance 4.5% 2025	2,676	0.01	
£21,000,000	Virgin Media Finance 5.125% 2022	21,210	0.12	
\$2,577,000	VPI Escrow 6.375% 2020	1,709	0.01	
\$5,963,000	VRX Escrow 4.5% 2023	3,916	0.02	
\$14,026,000	VTR Finance 6.875% 2024	8,423	0.05	
£40,000,000	Wind Acquisition Finance 7% 2021	29,380	0.16	
£3,964,000	Ziggo Bond Finance 4.625% 2025	2,630	0.01	
\$2,571,000	Ziggo Bond Finance 5.875% 2025	1,539	0.01	
'CCC' credit rated bonds			0.25	0.36
£2,846,199	Ardagh Finance 8.375% 2019	2,131	0.01	
\$10,000,000	Caesars Entertainment Resort Properties 8% 2020	6,329	0.03	
\$4,500,000	Chaparral Energy 7.625% 2022	873	0.01	
\$5,000,000	Hexion Nova Scotia Finance 9% 2020	1,974	0.01	
\$4,000	Intelsat Luxembourg 7.75% 2021	2	0.00	
\$10,000,000	Ithaca Energy 8.125% 2019	4,836	0.03	
£2,413,000	Matterhorn Telecom 4.875% 2023	1,485	0.01	
£36,622	New World Resources 8% 2020	15	0.00	
\$10,000,000	Ortho Clinical Diagnostics 6.625% 2022	5,675	0.03	
£5,787,000	Play Finance 2 6.5% 2019	4,389	0.03	
£5,000,000	Play Topco 7.75% 2020	3,726	0.02	
£11,769,145	R&R Ice Cream 9.25% 2018	8,758	0.05	
\$6,000,000	Reynolds Group 9% 2019	3,902	0.02	
\$2,000,000	Seventy Seven Energy 6.5% 2022	533	0.00	
'CC' credit rated bonds			0.00	0.01
\$1,610,000	Edcon 9.5% 2018	614	0.00	
'D' credit rated bonds			0.06	0.07
\$20,000,000	Codere Finance Luxembourg 9.25% 2019	9,474	0.05	
\$3,000,000	Halcon Resources 8.875% 2021	592	0.00	
\$6,333,000	Halcon Resources 9.75% 2020	1,354	0.01	
Bonds with no credit rating			5.14	6.76
£2,000,000	Admiral 5.5% 2024	1,981	0.01	
£3,000,000	Aggregate Industries 7.25% 2016	3,101	0.02	
\$5,094,000	American Tower Trust 3.07% 2048	3,337	0.02	
£4,831,000	Anglian Water (Osprey) Finance 7% 2018	5,206	0.03	
£4,500,000	Assicurazioni Generali 4.125% 2026	3,324	0.02	

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Portfolio statement (continued)			
Holding	Value £'000	30.09.15 %	30.09.14 %
Bonds with no credit rating (continued)			
£4,000,000 Assicurazioni Generali Var. Rate 2042 (7.75%)	3,451	0.02	
£20,000,000 Assicurazioni Generali Var. Rate Perp. (6.269%)	20,104	0.11	
£20,000,000 Assicurazioni Generali Var. Rate Perp. (6.416%)	20,188	0.11	
£4,762,000 ATON 3.875% 2018	3,558	0.02	
\$5,715,000 Aquarius & Investments 8.25% IL Perp.	4,042	0.02	
\$5,000,000 Banco Bilbao Vizcaya Argentaria 9% Perp.	3,475	0.02	
£4,200,000 Banco Bilbao Vizcaya Argentaria Var. Rate Perp. (7%)	3,013	0.02	
£10,000,000 Banco Santander Var. Rate Perp. (6.25%)	6,964	0.04	
£2,000,000 Barclays Bank 9.5% 2021	2,524	0.01	
\$9,524,000 BBVA BANCOMER S.A. 4.375% 2024	6,286	0.03	
£500,000 Birmingham Airport 6.25% 2021	570	0.00	
£550,000 British Land 5.264% 2035	595	0.00	
£1,800,000 British Land 5.357% 2028	2,065	0.01	
£1,000,000 Cheltenham & Gloucester 11.75% Perp.	1,795	0.01	
£9,597,000 Close Brothers 3.875% 2021	9,924	0.06	
£8,000,000 Close Brothers Group 6.5% 2017	8,446	0.05	
£7,362,000 Codere Finance Luxembourg 9.25% 2019	3,966	0.02	
\$3,333,000 Côte d'Ivoire (Republic of) 6.375% 2028	1,933	0.01	
\$4,167,000 Côte d'Ivoire (Republic of) 5.375% 2024	2,372	0.01	
\$15,000,000 Credit Suisse Guernsey Var. Rate 2041 (7.875%)	10,214	0.06	
£17,442,000 Davide Campari-Milano Spa 2.75% 2020	12,859	0.07	
£3,600,000 Davide Campari-Milano 4.5% 2019	2,863	0.02	
£8,500,000 Davide Campari-Milano 5.375% 2016	6,522	0.04	
£3,050,927 Deco 14 Gondola FRN 2026	2,236	0.01	
£930,000 Delamare Finance 6.067% 2029	967	0.01	
£7,647,000 Eurofins Scientific 4.875% Perp.	5,473	0.03	
£105,000,000 European Investment Bank FRN 2024	78,003	0.43	
£3,500,000 FCE Bank 3.25% 2020	3,533	0.02	
£29,000,000 Gosforth Funding FRN 2056	28,931	0.16	
£5,000,000 Hammerson 5.25% 2016	5,201	0.03	
£2,500,000 Hammerson 6% 2026	3,052	0.02	
£7,000,000 Hammerson 6.875% 2020	8,260	0.05	
£2,000,000 Hammerson 7.25% 2028	2,714	0.01	
£7,500,000 Heathrow Finance 5.75% 2025	7,585	0.04	
£25,000,000 Heathrow Finance 7.125% 2017	26,239	0.14	
£3,000,000 HeidelbergCement 7.5% 2020	2,665	0.01	
£3,000,000 Holmes Master Issuer FRN 2054	3,085	0.02	
£7,000,000 Intesa Sanpaolo Var. Rate Perp. (4.75%)	4,868	0.03	
£26,000,000 John Lewis 8.375% 2019	31,043	0.17	
£17,000,000 Lagardère 2% 2019	12,470	0.07	
£5,000,000 Lloyds Bank (formerly Lloyds TSB Bank) 4.875% 2027	6,008	0.03	
£55,000,000 Lloyds Bank (formerly Lloyds TSB Bank) 5.125% 2025	66,697	0.37	
£26,100,000 Lloyds Bank 6% 2029	35,239	0.19	
£10,000,000 Lloyds Bank FRN 2019	10,016	0.05	
£19,849,000 Lloyds Banking Group 1.75% 2022	19,264	0.11	
£2,000,000 Manchester Airport Funding 4.125% 2024	2,100	0.01	

Portfolio statement (continued)

Holding	Value £'000	30.09.15 %	30.09.14 %
Bonds with no credit rating (continued)			
£8,812,000 Manchester Airport Funding 4.75% 2034	9,636	0.05	
£3,478,000 Midland Heart Capital 5.087% 2044	4,216	0.02	
£18,000,000 National Express 6.25% 2017	18,923	0.10	
£8,000,000 National Express 6.625% 2020	9,273	0.05	
£1,003,079 New World Resources 4% 2020	74	0.01	
£5,000,000 Officine Maccaferri 5.75% 2021	3,542	0.02	
£34,000,000 Old Mutual 8% 2021	37,580	0.21	
£6,196,637 Paragon Mortgages No.22 FRN 2042	6,051	0.03	
£17,000,000 Pennon Group Var. Rate Perp. (6.75%)	17,514	0.10	
£7,000,000 QED Finance 6.5% 2020	7,470	0.04	
£11,500,000 Rabobank FRN Perp.	9,212	0.05	
\$10,000,000 Reynolds American 3.75% 2023	6,560	0.04	
£4,000,000 Safeway 6% 2017	4,177	0.02	
£1,800,000 Segro 5.25% 2015	1,796	0.01	
£8,953,000 Segro 5.5% 2018	9,786	0.05	
£14,500,000 Segro 5.625% 2020	16,467	0.09	
£12,000,000 Segro 6.75% 2021	14,635	0.08	
£2,800,000 Segro 7% 2022	3,475	0.02	
£18,225,000 Segro Var. Rate 2019 (6%)	20,643	0.11	
£35,000,000 Société Générale 2.625% 2025	23,934	0.13	
\$5,000,000 Société Générale Var. Rate Perp. (6%)	3,037	0.02	
£13,473,000 Symrise 1.75% 2019	10,156	0.06	
£5,000,000 Symrise 4.125% 2017	3,920	0.02	
£4,815,817 Taurus 2013 (GMF1) FRN 2024	3,566	0.02	
£1,106,592 TDA-14 Mixto FRN 2030	803	0.00	
£798,121 TDA-18 Mixto FRN 2045	561	0.00	
£24,800,000 Telefónica (Europe) Var. Rate Perp. (4.2%)	17,870	0.10	
£5,000,000 Tesco 4% IL 2016	7,861	0.04	
£17,500,000 Thames Water (Kemble) Finance 7.75% 2019	19,037	0.10	
£7,729,185 THRONES Mortgages FRN 2044	7,683	0.04	
£5,365,000 UBS Jersey 8.75% 2025	7,591	0.04	
\$7,500,000 UniCredit SPA 8% 2049	4,704	0.03	
£6,400,000 Vilmarin & Cie 2.375% 2021	4,777	0.03	
£5,000,000 Virgin Media Finance 6.375% 2024	4,957	0.03	
£17,340,000 Westfield Stratford FRN 2024	17,385	0.10	
£21,000,000 Wm Morrison Supermarkets 3.5% 2026	18,889	0.10	
£15,000,000 Wm Morrison Supermarkets 4.625% 2023	14,927	0.08	
£25,000,000 Wm Morrison Supermarkets 4.75% 2029	24,249	0.13	
£7,971,000 Yorkshire Building Society Var. Rate 2024 (4.125%)	7,993	0.04	
£5,639,901 Gemgarto 2015-1 FRN 2047	5,591	0.03	
£7,794,000 MAHLE 2.375% 2022	5,811	0.03	
Forward currency contracts		(0.88)	(0.17)
€184,614,365 Bought for £135,393,130 (expires 14.10.15)	868	0.01	
€(6,341,759,623) Sold for £4,607,434,226 (expires 14.10.15)	(73,326)	(0.40)	
CHF668,696 Bought for £450,128 (expires 14.10.15)	2	0.00	
CHF(23,089,096) Sold for £15,430,793 (expires 14.10.15)	(185)	0.00	
\$207,760,416 Bought for £136,262,307 (expires 14.10.15)	440	0.00	
\$(2,704,824,054) Sold for £1,762,232,385 (expires 14.10.15)	(17,486)	(0.10)	
\$(2,408,898,963) Sold for £1,541,671,216 (expires 10.11.15)	(43,544)	(0.24)	
\$(3,096,057,707) Sold for £2,010,326,870 (expires 09.12.15)	(27,334)	(0.15)	

M&G Optimal Income Fund

Authorised Corporate Director's Report

Portfolio

Portfolio statement (continued)				
Holding	Value £'000	30.09.15 %	30.09.14 %	
Interest rate futures contracts				
		(0.22)	0.01	
(7,000) 2 Year US Treasury Note Dec 2015	(39)	0.00		
(3,800) 5 Year US Treasury Note Dec 2015	(779)	0.00		
(8,600) 10 Year US Treasury Note Dec 2015	(3,284)	(0.02)		
(3,000) Euro BTP Dec 2015	(6,689)	(0.04)		
(4,000) Euro Bund Dec 2015	(7,146)	(0.04)		
(7,000) Euro OAT Dec 2015	(13,704)	(0.08)		
(15,280) UK Long Gilt Bond Dec 2015	(8,645)	(0.05)		
(4,000) US Long Bond Dec 2015	(1,059)	(0.01)		
(10,495) US Ultra Long Treasury Bond Dec 2015	4,165	0.02		
Credit default swaps				
		0.49	0.82	
\$10,000,000 21st Century Fox America Sep 2016	(60)	0.00		
€10,000,000 AstraZeneca Jun 2017	(111)	0.00		
€10,000,000 AstraZeneca Sep 2021	(229)	0.00		
\$70,000,000 Brazil (Federal Republic of) Sep 2016	735	0.01		
\$20,000,000 Brazil (Federal Republic of) Jun 2017	568	0.01		
\$10,000,000 Brazil (Federal Republic of) Jun 2018	536	0.01		
€3,000,000 Daimler Jun 2018	(3)	0.00		
€(10,000,000) Heathrow Funding Dec 2022	(84)	0.00		
€30,000,000 Imperial Tobacco Jun 2018	(347)	0.00		
\$(432,000,000) Markit CDX North American High Yield Series 19 5 Year Dec 2017	15,039	0.08		
\$(840,000,000) Markit CDX North American High Yield Series 20 5 Year Jun 2018	31,349	0.17		
\$(336,000,000) Markit CDX North American High Yield Series 21 5 Year Dec 2018	11,410	0.06		
\$(504,000,000) Markit CDX North American High Yield Series 22 5 Year Jun 2019	16,066	0.09		
\$(742,050,000) Markit CDX North American High Yield Series 23 5 Year Dec 2019	22,568	0.12		
\$(600,000,000) Markit CDX North American Investment Grade Series 23 10 Year Dec 2024	(9,811)	(0.05)		
€(150,000,000) Markit iTraxx Europe Series 22 5 Year Dec 2024	(2,113)	(0.01)		
€100,000,000 Markit iTraxx Europe Snr Fin Series 23 5 Year Jun 2020	(468)	0.00		
\$20,000,000 Markit iTraxx Sovereign Series 4 5 Year Dec 2015	145	0.00		
€10,000,000 Marks & Spencer Jun 2020	(21)	0.00		
€2,000,000 Mediobanca Jun 2018	24	0.00		
€30,000,000 RWE Dec 2015	(36)	0.00		
€30,000,000 RWE Jun 2020	536	0.00		
€10,000,000 Sanofi Sep 2021	(249)	0.00		
€2,000,000 Telecom Italia Mar 2018	12	0.00		
\$75,000,000 Turkey (Republic of) Jun 2016	177	0.00		
\$25,000,000 Turkey (Republic of) Sep 2016	93	0.00		
\$10,000,000 Turkey (Republic of) Jun 2017	73	0.00		
€6,000,000 Virgin Media Sep 2019	(380)	0.00		
Portfolio of investments	17,363,013	95.23	99.34	
'AAA' rated money market funds ^[a]				
		2.41	0.79	
439,997,000 Northern Trust Global Fund - Sterling	439,997	2.41		
Forward currency contracts for share class hedging				
		0.89	(1.89)	
€2,754,800,248 Bought for £2,013,868,655 (expires 07.10.15)	19,126	0.10		
€8,258,792,495 Bought for £6,000,288,094 (expires 14.10.15)	95,405	0.52		

Portfolio statement (continued)

Holding	Value £'000	30.09.15 %	30.09.14 %
Forward currency contracts for share class hedging (continued)			
€(484,410,905) Sold for £354,815,338 (expires 14.10.15)	(2,656)	(0.01)	
€2,773,870,342 Bought for £2,015,857,568 (expires 21.10.15)	31,781	0.17	
€(20,181,487) Sold for £14,666,512 (expires 21.10.15)	(231)	0.00	
€2,753,401,912 Bought for £2,026,900,222 (expires 28.10.15)	5,912	0.03	
SGD45,387,119 Bought for £20,853,515 (expires 14.10.15)	120	0.00	
SGD(2,043,003) Sold for £939,429 (expires 14.10.15)	(5)	0.00	
CHF188,811,654 Bought for £126,064,093 (expires 14.10.15)	1,633	0.01	
CHF(7,972,371) Sold for £5,326,443 (expires 14.10.15)	(65)	0.00	
\$3,312,460,287 Bought for £2,157,936,845 (expires 14.10.15)	21,593	0.12	
\$(652,903,978) Sold for £420,549,040 (expires 14.10.15)	(9,048)	(0.05)	
Total portfolio (notes 1b & 1c)	17,966,575	98.53	98.24
Net other assets	268,438	1.47	1.76
Net assets attributable to shareholders	18,235,013	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.

Asset class split	Value £'000	30.09.15 %	30.09.14 %
'AAA' credit rated bonds	5,344,278	29.32	29.20
'AA' credit rated bonds	829,617	4.56	5.24
'A' credit rated bonds	1,777,714	9.73	11.61
'BBB' credit rated bonds	5,863,955	32.15	28.48
'BB' credit rated bonds	1,846,394	10.12	9.09
'B' credit rated bonds	785,643	4.32	5.35
'CCC' credit rated bonds	44,628	0.25	0.36
'CC' credit rated bonds	614	0.00	0.01
'D' credit rated bonds	11,420	0.06	0.07
Bonds with no credit rating	936,659	5.14	6.76
Other investments	525,653	2.88	2.07
Total	17,966,575	98.53	98.24

Counterparty exposure

Counterparty	Financial derivative exposure			
	Credit default swaps £'000	Forward currency contracts £'000	Futures £'000	Total as at 30.09.15 £'000
Bank of America Merrill Lynch	0	0	(37,180)	(37,180)
Barclays Bank	8,235	8,341	0	16,576
BNP Paribas	9,183	20,482	0	29,665
Citigroup	526	(5,357)	0	(4,831)
Credit Suisse	38,223	5,912	0	44,135
Deutsche Bank	3,576	0	0	3,576
Goldman Sachs	(4,852)	0	0	(4,852)
HSBC	0	(16,049)	0	(16,049)
JPMorgan	30,564	(5,521)	0	25,043
National Australia Bank	0	(4,717)	0	(4,717)
Royal Bank of Scotland	0	(16,073)	0	(16,073)
State Street Bank	0	16,165	0	16,165
UBS	(36)	(183)	0	(219)
Total	85,419	3,000	(37,180)	51,239

M&G Optimal Income Fund

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Statement of total return

for the year ended 30 September	Note	2015 £'000	2014 £'000
Income			
Net capital losses	3	(1,474,291)	(371,915)
Revenue	4	773,526	765,566
Expenses	5	(292,459)	(254,394)
Finance costs: Interest	12	(194)	(198)
Net revenue before taxation		480,873	510,974
Taxation	6	3,202	(5,365)
Net revenue after taxation		484,075	505,609
Total return before distributions		(990,216)	133,694
Finance costs: Distributions	12	(484,081)	(505,610)
Change in net assets attributable to shareholders from investment activities		(1,474,297)	(371,916)

Statement of change in net assets attributable to shareholders

for the year ended 30 September	2015 £'000	2014 £'000
Opening net assets attributable to shareholders	22,843,785	15,559,258
Amounts received on issue of shares	3,594,229	8,612,687
Amounts paid on cancellation of shares	(7,106,057)	(1,414,282)
	(3,511,828)	7,198,405
Stamp Duty Reserve Tax	0	(374)
Change in net assets attributable to shareholders from investment activities (see above)	(1,474,297)	(371,916)
Retained distributions on Accumulation shares	377,352	458,412
Unclaimed distributions	1	0
Closing net assets attributable to shareholders	18,235,013	22,843,785

Balance sheet

	as at 30 September 2015 £'000	as at 30 September 2014 £'000
Assets		
Investment assets	18,195,713	23,041,458
Debtors		
Amounts receivable on issues	6,661	133,476
Bank interest receivable	1	1
Compensation receivable	3	8
Currency deals outstanding	199,231	166,100
Debt security interest receivable	229,123	272,345
Derivative revenue receivable	2,461	3,908
Distributions receivable	189	67
Dividends receivable	206	1,204
Interest recoverable on overseas tax previously withheld at source	16	0
Overseas tax recoverable	4,106	1,508
Prepaid expenses	0	1
Sales awaiting settlement	163,053	76,043
	605,050	654,661
Cash and bank balances		
Amounts held at futures clearing houses and brokers	235,042	114,316
Cash held as bank balances	15,951	51,982
	250,993	166,298
Total other assets	856,043	820,959
Total assets	19,051,756	23,862,417
Liabilities		
Investment liabilities	(229,138)	(598,658)
Creditors		
Amounts payable on cancellations	(154,128)	(18,690)
Bank overdraft interest payable	0	(1)
Currency deals outstanding	(199,178)	(165,923)
Derivative expense payable	(10,267)	(9,700)
Expenses payable	(10,630)	(12,608)
Income tax payable	(11,011)	(14,134)
Net distributions payable on Income shares	(27,836)	(35,811)
Purchases awaiting settlement	(174,307)	(161,351)
	(587,357)	(418,218)
Bank overdrafts	(248)	(1,756)
	(248)	(1,756)
Total other liabilities	(587,605)	(419,974)
Total liabilities	(816,743)	(1,018,632)
Net assets attributable to shareholders	18,235,013	22,843,785

M&G Optimal Income Fund

Financial statements and notes

Notes to the financial statements

1 Accounting policies

a) Basis of accounting

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

b) Basis of valuation of investments

All investments are valued at their fair value as at 12 noon on 30 September 2015 being the last business day of the financial year. The fair value of non-derivative investments is bid price; the fair value of exchange traded futures is the cost of closing out the contract at the balance sheet date; the fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles and for unquoted investments the Authorised Corporate Director (ACD) applies an appropriate valuation technique to estimate fair value. Over the counter credit default swaps are valued by Markit Valuations Limited, an independent credit derivative price provider.

c) Exchange rates

Transactions in currencies other than the fund's functional currency are translated at the rate of exchange ruling on the date of the transaction and where applicable assets and liabilities are translated into the fund's valuation currency at the rate of exchange ruling as at 12 noon on 30 September 2015 being the last business day of the financial year.

d) Non-derivative investment gains and losses

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

e) Other income from non-derivative investments

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

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

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

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

Interest on debt securities is recognised on an accruals basis, taking into account the effective yield on the investment and is treated as revenue. The effective yield basis amortises any discount or premium on the purchase of an investment over its

remaining life based on estimated future cashflows. Any adjustments resulting from changes in cashflow estimates are treated as capital.

f) Derivative returns

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

g) Expenses

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

h) Apportionment of income and expenses to multiple share classes

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

i) Tax

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

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

j) Distributions

The fund will distribute all available revenue accounted for in accordance with the above policies. Should expenses and taxation together exceed revenue, there will be no distribution and the shortfall will be met from capital.

Income attributable to Accumulation shareholders is retained at the end of each distribution period and represents a reinvestment of income.

The fund has been more than 60% invested in qualifying investments (as defined by s468L ICTA 1988) and will therefore pay an interest distribution.

Stock dividends form part of the distributable income.

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

M&G Optimal Income Fund

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Notes to the financial statements

2 Risk management policies

In pursuing the fund's investment objective, as set out in the Authorised Corporate Director's (ACD's) Report, the ACD accepts market price risk, interest rate risk and currency risk in relation to the investment portfolio. The Prospectus permits the fund to use derivative instruments for both investment purposes and to hedge against medium and long-term risk.

The ACD considers the credit rating, yield and maturity of each interest-bearing security, in order to ensure that the yield fully reflects any perceived risk. The capital value of interest-bearing securities within the fund will fall in the event of the default or perceived increased credit risk of an issuer.

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

The fund may undertake transactions in derivatives both on exchange and over the counter (OTC). These may include credit default swaps, options, contracts for differences and futures for the purposes of meeting the investment objective and protecting the risk to capital, duration and credit management, as well as for hedging. Although the fund manager will select the counterparties with which it enters into derivative transactions with due skill and care, there will be residual risk that the counterparty may default on its obligations or become insolvent. The use of these instruments may expose the fund to volatile investment returns and increase the volatility of the net asset value of the fund. All derivative positions are disclosed separately in the portfolio statement.

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

During the year, the fund entered into a number of interest rate futures contracts creating exposure to a number of underlying securities for the purposes of meeting the investment objective and protecting the risk to capital, duration and credit management, as well as for hedging.

At the ACD's discretion, interest rate swaps may be entered into to hedge the fund's exposure to interest rate fluctuations arising from its holdings of debt and floating rate securities. No interest rate swaps were entered into during the period.

The fund holds overseas investments and exchange rate fluctuations can affect both income and capital values. Short-term foreign currency exposures are generally covered by short-dated currency contracts. Income arising in foreign currencies is generally converted into sterling shortly after receipt and is not hedged in advance of receipt.

During the year, it has been the policy to hedge the majority of the non-sterling denominated investment portfolio against currency movements through the use of forward currency contracts.

The ACD will also use forward currency contracts to reduce the exposure of shareholders of the euro, Swiss franc and US dollar share classes to movements in the fund's base currency. The total benefits and costs of these forward currency contracts are assigned solely to the respective euro, Swiss franc and US dollar share classes.

Since the objective of the fund is to deliver returns over the long term, transactions with the sole objective of realising short-term returns are generally not undertaken.

Liquidity risk relates to the capacity to meet liabilities. The primary source of this risk to the fund is the liability to shareholders for any redemption of shares. The risk is minimised by holding cash and readily realisable securities and via access to overdraft facilities. The ACD's policy is that the fund should normally be close to fully invested.

These policies have been consistently applied since the beginning of the financial year (30.09.14: same).

3 Net capital losses

	2015 £'000	2014 £'000
Non-derivative securities	(9,804)	532,600
Derivative contracts	(330,080)	(139,132)
Forward currency contracts	(955,108)	(622,293)
Currency losses	(179,263)	(143,060)
Transaction charges	(36)	(30)
Net capital losses	(1,474,291)	(371,915)

4 Revenue

	2015 £'000	2014 £'000
Bank interest	226	91
Derivative revenue	(108,564)	(74,343)
Dividends: non-taxable	6,560	37,283
Interest distributions	1,284	707
Interest on debt securities	747,204	672,906
Interest on overseas tax previously withheld at source	263	0
Margin interest	(265)	(87)
Premium from credit default swaps	125,254	120,684
Stock dividends	1,564	8,325
Total revenue	773,526	765,566

5 Expenses

	2015 £'000	2014 £'000
Payable to the ACD or associate		
Annual management charge	253,211	220,354
Administration charge	34,176	29,336
Share class hedging charge	3,501	3,397
	290,888	253,087
Payable to the Depositary or associate		
Depositary's charge (including VAT)	707	611
Other expenses		
Audit fee (including VAT)	8	9
Legal fees	(16)	16
Regulatory fees	0	11
Safe custody charge	863	647
Tax fees (including VAT) ^[a]	9	13
	864	696
Total expenses	292,459	254,394

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

M&G Optimal Income Fund

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Notes to the financial statements

6 Taxation

	2015 £'000	2014 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Overseas tax	1,784	5,365
Overseas tax recoverable: previously withheld at source	(4,986)	0
Current tax charge (note 6b)	(3,202)	5,365
Deferred tax (note 6c)	0	0
Total taxation	(3,202)	5,365
b) Factors affecting taxation charge for the year		
Net revenue before taxation	480,873	510,974
Corporation tax at 20%	96,175	102,195
Effects of:		
Dividends: non-taxable	(1,312)	(7,457)
Stock dividends non-taxable	(313)	(1,665)
Interest distributions	(94,550)	(93,073)
Overseas tax	1,784	5,365
Overseas tax recovered: previously withheld at source	(4,986)	0
Current tax charge (note 6a)	(3,202)	5,365
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset in the current year (30.09.14: same).

Interest distributions have been made in respect of all distributions during the current and preceding periods. Income tax at 20% will be accounted for on shareholders' behalf to HM Revenue & Customs where applicable.

7 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (30.09.14: same).

8 Related parties

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

Amounts paid to M&G Securities Limited in respect of the ACD's annual management charge, administration charge and share class hedging charge are disclosed in note 5. Amounts due at the year end to the ACD of £10,323,000 (30.09.14: £12,161,000) in respect of the ACD's annual management charge, administration charge and share class hedging charge are included within expenses payable as disclosed in the balance sheet.

At the balance sheet date, there were no material shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary (30.09.14: same).

9 Financial instruments

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

Short-term debtors and creditors have been included in respect of the currency exposure only when this is applicable (30.09.14: same).

Currency exposure

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

	Portfolio of investments		Net other assets / (liabilities)		Total	
	as at 30.09.15 £'000	as at 30.09.14 £'000	as at 30.09.15 £'000	as at 30.09.14 £'000	as at 30.09.15 £'000	as at 30.09.14 £'000
Euro	16,817,033	15,721,181	85,372	64,079	16,902,405	15,785,260
Singapore dollar	20,974	0	(70)	0	20,904	0
Swiss franc	143,278	82,244	156	1,599	143,434	83,843
US dollar	7,553,881	1,637,494	47,283	141	7,601,164	1,637,635
	24,535,166	17,440,919	132,741	65,819	24,667,907	17,506,738
Sterling	(6,568,591)	5,001,881	135,697	335,166	(6,432,894)	5,337,047
Total	17,966,575	22,442,800	268,438	400,985	18,235,013	22,843,785

Interest rate profile

	Floating rate financial assets		Fixed rate financial assets		Total	
	as at 30.09.15 £'000	as at 30.09.14 £'000	as at 30.09.15 £'000	as at 30.09.14 £'000	as at 30.09.15 £'000	as at 30.09.14 £'000
Euro	810,121	3,082,500	3,724,442	929,853	4,534,563	4,012,353
Sterling	1,943,854	12,404,282	6,500,664	1,367,852	8,444,518	13,772,134
Swiss franc	0	96,434	15,129	432	15,129	96,866
US dollar	274,803	4,214,214	4,862,653	218,552	5,137,456	4,432,766
Total	3,028,778	19,797,430	15,102,888	2,516,689	18,131,666	22,314,119
	Weighted average gross interest rate of fixed interest-bearing assets		Weighted average period for which interest rates are fixed ^[a]			
	as at 30.09.15 %	as at 30.09.14 %	as at 30.09.15 years	as at 30.09.14 years		
Euro	1.62	3.58	3.97	8.94		
Sterling	3.50	2.88	6.79	7.90		
Swiss franc	3.80	5.53	4.50	3.52		
US dollar	5.02	4.42	12.03	12.96		

^[a] Assuming the earliest maturity date for those assets with variable maturity dates.

Floating rate interest-bearing assets at the balance sheet date consist of bank balances, on which interest is calculated at a variable rate by reference to sterling bank deposit rates or the international equivalent; floating rate notes, on which interest is calculated at a variable rate by reference to the London Interbank Offered Rate (LIBOR) or the Euro Interbank Offered Rate (EURIBOR); and variable rate bonds (30.09.14: same).

Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (30.09.14: same).

Risk analysis

Our core method of estimating each fund's overall risk position is to use value at risk based (VaR) techniques that enable us to measure each fund's sensitivity to core market risk factors such as credit and interest rates. VaR is a technique used to estimate the probability of portfolio losses based on the statistical analysis of historical price trends and volatilities.

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9 Financial instruments (continued)

Risk analysis (continued)

The MAGIM risk model for VaR production was originally created in 2001 utilising the Algorithmics RiskWatch software, a market leading risk solution. From the variance / covariance matrices, a parametric Monte Carlo scenario set of 5,000 simulations is derived and applied to the fund.

The key assumption within the variance / covariance matrix is the exponential weighted moving average approach that utilises a decay factor of 0.94 thereby weighting more recent data history with a higher significance.

The VaR analysis for the fund is produced on a daily basis. Market risk factors that are analysed include LIBOR / swap rates, government yield curves, equity prices, foreign exchange rates, market volatility and credit spreads.

With a statistical level of confidence of 99%, the VaR model suggests that the potential loss incurred could be £606,409,000 over the next 30 days from the balance sheet date, 30 September 2015.

Please note, the market risk information is a relative estimate of risk rather than a precise and accurate number. The model is based on historical data and cannot take account of the fact that future market price movements, correlations between markets and levels of market liquidity in conditions of market stress may bear no relation to historical patterns.

10 Portfolio transaction costs

	2015 £'000	2014 ^[a] £'000
a) Purchases ^[b]		
Purchases excluding transaction costs	65,672,116	38,499,011
Commissions	488	326
Taxes	56	512
Total transaction costs	544	838
Total purchases including transaction costs ^[c]	65,672,660	38,499,849
b) Sales ^[b]		
Sales excluding transaction costs	68,335,262	36,941,547
Commissions	(550)	(1,243)
Taxes	(4)	(13)
Total transaction costs	(554)	(1,256)
Total sales net of transaction costs ^[c]	68,334,708	36,940,291

^[a] Restated.

^[b] Purchases and sales of Futures have been included at the value of their exposure.

^[c] Excluding purchases and sales placed into 'AAA' rated money market funds.

11 Shareholder funds

This fund contains Euro Class 'A-H' (Gross Income and Gross Accumulation) shares, Euro Class 'B-H' (Gross Income and Gross Accumulation) shares and Euro Class 'C-H' (Gross Income and Gross Accumulation) shares.

This fund also contains Singapore dollar Class 'A-H' (Gross Accumulation) shares, Singapore dollar Class 'A-H M' (Gross Income) shares and Singapore dollar Class 'C-H' (Gross Accumulation) shares.

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

This fund also contains Swiss franc Class 'A-H' (Gross Income and Gross Accumulation) shares and Swiss franc Class 'C-H' (Gross Income and Gross Accumulation) shares.

This fund also contains US dollar Class 'A-H' (Gross Income and Gross Accumulation) shares, US dollar Class 'A-H M' (Gross Income) shares and US dollar Class 'C-H' (Gross Income and Gross Accumulation) shares.

The charging structure for each share class, as at 30 September 2015, is set out in the following table (30.09.14: same):

Charges and Expenses				
	Initial charge %	Withdrawal fee %	ACD's annual remuneration %	Share class hedging charge %
Euro				
Class 'A-H'	4.00	n/a	1.25	^[b]
Class 'B-H'	1.25	n/a	1.75	^[b]
Class 'C-H'	1.25	n/a	0.75	^[b]
Singapore dollar				
Class 'A-H'	4.00	n/a	1.25	^[b]
Class 'A-H M'	4.00	n/a	1.25	^[b]
Class 'C-H'	1.25	n/a	0.75	^[b]
Sterling				
Class 'A'	3.00	n/a	1.25	n/a
Class 'I'	1.00	n/a	0.75	n/a
Class 'R'	1.00	n/a	1.00	n/a
Class 'X'	nil	4.50 ^[a]	1.50	n/a
Swiss franc				
Class 'A-H'	4.00	n/a	1.25	^[b]
Class 'C-H'	1.25	n/a	0.75	^[b]
US dollar				
Class 'A-H'	4.00	n/a	1.25	^[b]
Class 'A-H M'	4.00	n/a	1.25	^[b]
Class 'C-H'	1.25	n/a	0.75	^[b]

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

^[b] This charge may vary between 0.01% and 0.055%.

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

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11 Shareholder funds (continued)

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

	30.09.15		30.09.14	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Euro				
Class 'A-H'	663,419	8,807,296	553,312	12,309,647
Class 'B-H'	22	22	n/a	n/a
Class 'C-H'	44,900	2,196,738	8,087	2,819,963
Singapore dollar				
Class 'A-H'	n/a	6,179	n/a	n/a
Class 'A-H M'	13,512	n/a	n/a	n/a
Class 'C-H'	n/a	182	n/a	n/a
Sterling				
Class 'A'	539,892	1,045,476	780,528	1,562,344
Class 'I'	1,534,306	1,346,596	1,719,154	1,147,341
Class 'R'	3,896	8,194	4,091	9,973
Class 'X'	88,563	84,803	103,671	107,155
Swiss franc				
Class 'A-H'	1,461	90,148	n/a	60,451
Class 'C-H'	3,086	26,438	n/a	18,904
US dollar				
Class 'A-H'	1,315,498	101,121	29,795	1,232,731
Class 'A-H M'	23,233	n/a	n/a	n/a
Class 'C-H'	27,603	262,429	3,972	372,666

The net asset value per share and the number of shares are given in the net assets table on page 11. The distribution per share is given in the distribution table on pages 31 to 33. Each share class has the same rights on winding-up.

12 Finance costs

	2015 £'000	2014 £'000
Income shares		
- Interim	36,524	31,672
- Final	27,767	35,811
Accumulation shares		
- Interim	233,078	216,455
- Final	144,274	241,957
	441,643	525,895
Income tax deducted at source	24,009	28,339
Finance costs: Interest distributions	465,652	554,234
Income deducted on cancellation of shares	37,999	8,037
Income received on issue of shares	(19,570)	(56,661)
Finance costs: Distributions	484,081	505,610
Finance costs: Interest	194	198
Total finance costs	484,275	505,808
Net revenue per statement of total return	484,075	505,609
Undistributed income brought forward	8	9
Undistributed income carried forward	(2)	(8)
Finance costs: Distributions	484,081	505,610

Distribution table

Interest distributions on Income shares	Gross income	Income tax	Net income	Equal- isation	Distribution payable/paid	
					2015	2014
Euro						
Class 'A-H' - Interim						
Group 1:	20.0816	-	20.0816	-	20.0816	22.6204
Group 2:	8.7278	-	8.7278	11.3538	20.0816	22.6204
- Final						
Group 1:	15.8256	-	15.8256	-	15.8256	21.8230
Group 2:	10.6185	-	10.6185	5.2071	15.8256	21.8230
Class 'B-H' - Final						
Group 1:	8.9740	-	8.9740	-	8.9740	n/a
Group 2:	8.9740	-	8.9740	-	8.9740	n/a
Class 'C-H' - Interim						
Group 1:	26.3976	-	26.3976	-	26.3976	n/a
Group 2:	8.6510	-	8.6510	17.7466	26.3976	n/a
- Final						
Group 1:	21.5549	-	21.5549	-	21.5549	28.2229
Group 2:	9.9421	-	9.9421	11.6128	21.5549	28.2229
Singapore dollar						
Class 'A-H M' - First interim						
Group 1:	0.8177	-	0.8177	-	0.8177	n/a
Group 2:	0.0615	-	0.0615	0.7562	0.8177	n/a
- Second interim						
Group 1:	1.3979	-	1.3979	-	1.3979	n/a
Group 2:	0.4671	-	0.4671	0.9308	1.3979	n/a
- Third interim						
Group 1:	1.7857	-	1.7857	-	1.7857	n/a
Group 2:	0.8741	-	0.8741	0.9116	1.7857	n/a
- Fourth interim						
Group 1:	1.4076	-	1.4076	-	1.4076	n/a
Group 2:	0.1513	-	0.1513	1.2563	1.4076	n/a
- Fifth interim						
Group 1:	1.6303	-	1.6303	-	1.6303	n/a
Group 2:	0.2924	-	0.2924	1.3379	1.6303	n/a
- Sixth interim						
Group 1:	1.3166	-	1.3166	-	1.3166	n/a
Group 2:	1.1432	-	1.1432	0.1734	1.3166	n/a
- Seventh interim						
Group 1:	1.6483	-	1.6483	-	1.6483	n/a
Group 2:	0.0360	-	0.0360	1.6123	1.6483	n/a
- Eighth interim						
Group 1:	1.7152	-	1.7152	-	1.7152	n/a
Group 2:	0.5458	-	0.5458	1.1694	1.7152	n/a
- Final						
Group 1:	1.4968	-	1.4968	-	1.4968	n/a
Group 2:	1.4968	-	1.4968	-	1.4968	n/a
Sterling						
Class 'A' - Interim						
Group 1:	1.5285	0.3057	1.2228	-	1.2228	1.4620
Group 2:	0.7233	0.1447	0.5786	0.6442	1.2228	1.4620
- Final						
Group 1:	1.3435	0.2687	1.0748	-	1.0748	1.3788
Group 2:	0.8839	0.1768	0.7071	0.3677	1.0748	1.3788
Class 'I' - Interim						
Group 1:	1.8930	0.3786	1.5144	-	1.5144	1.7464
Group 2:	0.8500	0.1700	0.6800	0.8344	1.5144	1.7464
- Final						
Group 1:	1.7035	0.3407	1.3628	-	1.3628	1.6656
Group 2:	0.9383	0.1877	0.7506	0.6122	1.3628	1.6656

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Distribution table (continued)						
Interest distributions on Income shares	Gross income	Income tax	Net income	Equalisation	Distribution payable/paid	
	p	p	p	p	2015	2014
Sterling						
Class 'R' - Interim						
Group 1:	1.3315	0.2663	1.0652	-	1.0652	1.2496
Group 2:	0.6360	0.1272	0.5088	0.5564	1.0652	1.2496
- Final						
Group 1:	1.1835	0.2367	0.9468	-	0.9468	1.1792
Group 2:	0.5073	0.1015	0.4058	0.5410	0.9468	1.1792
Class 'X' - Interim						
Group 1:	1.3475	0.2695	1.0780	-	1.0780	1.3196
Group 2:	0.6129	0.1226	0.4903	0.5877	1.0780	1.3196
- Final						
Group 1:	1.1580	0.2316	0.9264	-	0.9264	1.2316
Group 2:	0.8059	0.1612	0.6447	0.2817	0.9264	1.2316
Swiss franc						
Class 'A-H' - Interim						
Group 1:	12.1758	-	12.1758	-	12.1758	n/a
Group 2:	0.1021	-	0.1021	12.0737	12.1758	n/a
- Final						
Group 1:	10.6710	-	10.6710	-	10.6710	n/a
Group 2:	4.9709	-	4.9709	5.7001	10.6710	n/a
Class 'C-H' - Interim						
Group 1:	15.0141	-	15.0141	-	15.0141	n/a
Group 2:	0.0000	-	0.0000	15.0141	15.0141	n/a
- Final						
Group 1:	13.6568	-	13.6568	-	13.6568	n/a
Group 2:	5.7223	-	5.7223	7.9345	13.6568	n/a
US dollar						
Class 'A-H' - Interim						
Group 1:	13.3433	-	13.3433	-	13.3433	n/a
Group 2:	5.8166	-	5.8166	7.5267	13.3433	n/a
- Final						
Group 1:	12.2177	-	12.2177	-	12.2177	15.1908
Group 2:	7.6345	-	7.6345	4.5832	12.2177	15.1908
Class 'A-H M' - First interim						
Group 1:	0.8286	-	0.8286	-	0.8286	n/a
Group 2:	0.0000	-	0.0000	0.8286	0.8286	n/a
- Second interim						
Group 1:	1.5700	-	1.5700	-	1.5700	n/a
Group 2:	0.3116	-	0.3116	1.2584	1.5700	n/a
- Third interim						
Group 1:	1.7368	-	1.7368	-	1.7368	n/a
Group 2:	0.7836	-	0.7836	0.9532	1.7368	n/a
- Fourth interim						
Group 1:	1.4746	-	1.4746	-	1.4746	n/a
Group 2:	0.8719	-	0.8719	0.6027	1.4746	n/a
- Fifth interim						
Group 1:	1.6262	-	1.6262	-	1.6262	n/a
Group 2:	0.3531	-	0.3531	1.2731	1.6262	n/a
- Sixth interim						
Group 1:	1.2933	-	1.2933	-	1.2933	n/a
Group 2:	0.6818	-	0.6818	0.6115	1.2933	n/a
- Seventh interim						
Group 1:	1.6090	-	1.6090	-	1.6090	n/a
Group 2:	0.7216	-	0.7216	0.8874	1.6090	n/a
- Eighth interim						
Group 1:	1.6901	-	1.6901	-	1.6901	n/a
Group 2:	1.4819	-	1.4819	0.2082	1.6901	n/a
- Final						
Group 1:	1.5060	-	1.5060	-	1.5060	n/a
Group 2:	1.5060	-	1.5060	-	1.5060	n/a

Distribution table (continued)						
Interest distributions on Income shares	Gross income	Income tax	Net income	Equalisation	Distribution payable/paid	
					2015	2014
US dollar						
Class 'C-H' - Interim						
Group 1:	16.8846	-	16.8846	-	16.8846	n/a
Group 2:	6.8490	-	6.8490	10.0356	16.8846	n/a
- Final						
Group 1:	15.8526	-	15.8526	-	15.8526	18.7812
Group 2:	11.0577	-	11.0577	4.7949	15.8526	18.7812
Euro						
Class 'A-H' - Interim						
Group 1:	20.7886	-	20.7886	-	20.7886	22.9055
Group 2:	9.7695	-	9.7695	11.0191	20.7886	22.9055
- Final						
Group 1:	16.5083	-	16.5083	-	16.5083	22.3749
Group 2:	10.2824	-	10.2824	6.2259	16.5083	22.3749
Class 'B-H' - Final						
Group 1:	8.9743	-	8.9743	-	8.9743	n/a
Group 2:	8.9743	-	8.9743	-	8.9743	n/a
Class 'C-H' - Interim						
Group 1:	26.7963	-	26.7963	-	26.7963	28.3882
Group 2:	12.2636	-	12.2636	14.5327	26.7963	28.3882
- Final						
Group 1:	22.0914	-	22.0914	-	22.0914	28.2231
Group 2:	13.2318	-	13.2318	8.8596	22.0914	28.2231
Singapore dollar						
Class 'A-H' - Interim						
Group 1:	4.0266	-	4.0266	-	4.0266	n/a
Group 2:	1.8230	-	1.8230	2.2036	4.0266	n/a
- Final						
Group 1:	9.5198	-	9.5198	-	9.5198	n/a
Group 2:	5.0389	-	5.0389	4.4809	9.5198	n/a
Class 'C-H' - Interim						
Group 1:	4.8451	-	4.8451	-	4.8451	n/a
Group 2:	0.6316	-	0.6316	4.2135	4.8451	n/a
- Final						
Group 1:	12.1440	-	12.1440	-	12.1440	n/a
Group 2:	9.8837	-	9.8837	2.2603	12.1440	n/a
Sterling						
Class 'A' - Interim						
Group 1:	1.9880	0.3976	1.5904	-	1.5904	1.8600
Group 2:	0.9053	0.1811	0.7242	0.8662	1.5904	1.8600
- Final						
Group 1:	1.7510	0.3502	1.4008	-	1.4008	1.7800
Group 2:	1.0526	0.2105	0.8421	0.5587	1.4008	1.7800
Class 'I' - Interim						
Group 1:	2.5265	0.5053	2.0212	-	2.0212	2.2828
Group 2:	1.1949	0.2390	0.9559	1.0653	2.0212	2.2828
- Final						
Group 1:	2.2975	0.4595	1.8380	-	1.8380	2.1976
Group 2:	1.2981	0.2596	1.0385	0.7995	1.8380	2.1976
Class 'R' - Interim						
Group 1:	1.3955	0.2791	1.1164	-	1.1164	1.2828
Group 2:	0.7260	0.1452	0.5808	0.5356	1.1164	1.2828
- Final						
Group 1:	1.2490	0.2498	0.9992	-	0.9992	1.2244
Group 2:	0.6693	0.1339	0.5354	0.4638	0.9992	1.2244

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Distribution table (continued)						
Interest distributions on Accumulation shares	Gross income	Income tax	Net income	Equalisation	Amount reinvested	
					2015	2014
Sterling	p	p	p	p	p	p
Class 'X' - Interim						
Group 1:	1.7245	0.3449	1.3796	-	1.3796	1.6416
Group 2:	0.8519	0.1704	0.6815	0.6981	1.3796	1.6416
- Final						
Group 1:	1.4940	0.2988	1.1952	-	1.1952	1.5872
Group 2:	0.9008	0.1802	0.7206	0.4746	1.1952	1.5872
Swiss franc	¢	¢	¢	¢	¢	¢
Class 'A-H' - Interim						
Group 1:	11.8830	-	11.8830	-	11.8830	14.1620
Group 2:	6.9332	-	6.9332	4.9498	11.8830	14.1620
- Final						
Group 1:	10.6711	-	10.6711	-	10.6711	13.8405
Group 2:	7.2495	-	7.2495	3.4216	10.6711	13.8405
Class 'C-H' - Interim						
Group 1:	14.8046	-	14.8046	-	14.8046	17.0095
Group 2:	5.5019	-	5.5019	9.3027	14.8046	17.0095
- Final						
Group 1:	13.7574	-	13.7574	-	13.7574	16.9018
Group 2:	12.9105	-	10.3284	3.4290	13.7574	16.9018
US dollar	¢	¢	¢	¢	¢	¢
Class 'A-H' - Interim						
Group 1:	13.3655	-	13.3655	-	13.3655	17.1137
Group 2:	5.6999	-	5.6999	7.6656	13.3655	17.1137
- Final						
Group 1:	12.4619	-	12.4619	-	12.4619	15.1925
Group 2:	7.2038	-	7.2038	5.2581	12.4619	15.1925
Class 'C-H' - Interim						
Group 1:	16.9512	-	16.9512	-	16.9512	20.7425
Group 2:	8.3032	-	8.3032	8.6480	16.9512	20.7425
- Final						
Group 1:	16.2419	-	16.2419	-	16.2419	18.7970
Group 2:	13.5633	-	10.8506	5.3913	16.2419	18.7970
Interim period	01.10.14 - 31.03.15					
Final period	01.04.15 - 30.09.15					
First interim period	16.01.15 - 31.01.15					
Second interim period	01.02.15 - 28.02.15					
Third interim period	01.03.15 - 31.03.15					
Fourth interim period	01.04.15 - 30.04.15					
Fifth interim period	01.05.15 - 31.05.15					
Sixth interim period	01.06.15 - 30.06.15					
Seventh interim period	01.07.15 - 31.07.15					
Eighth interim period	01.08.15 - 31.08.15					
Final period	01.09.15 - 30.09.15					

Group 1: Shares purchased prior to a distribution period.

Group 2: Shares purchased during a distribution period.

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

M&G Optimal Income Fund

Financial statements and notes

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M&G Optimal Income Fund

Other regulatory disclosures

Interest bearing assets

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

	% of NAV
M&G Optimal Income Fund	99.23%

Swiss investor information

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

			Total Expense Ratio	
Share class			30.09.15	30.09.14
			%	%
M&G Optimal Income Fund	Euro	Class 'A-H'	1.43	1.43
		Class 'C-H'	0.93	0.93
	Sterling	Class 'A'	1.41	1.41
		Class 'I'	0.91	0.91
	Swiss franc	Class 'A-H'	1.43	1.43
		Class 'C-H'	0.93	0.93
	US dollar	Class 'A-H'	1.43	1.43
		Class 'A-H M'	1.42	n/a
		Class 'C-H'	0.93	0.93

Glossary

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

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Distribution: Distributions represent a share in the net income of the fund and are paid out to Income Shareholders or reinvested for Accumulation Shareholders at set times of the year (monthly, quarterly, half-yearly or annually). They may either be in the form of interest distributions or dividend distributions.

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.

Glossary

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-distribution date: The date on which declared distributions officially belong to underlying investors, rather than the fund, usually the first business day of the month.

Exposure: The proportion of a fund invested in a particular share/fixed income security, sector/region, usually expressed as a percentage of the overall portfolio.

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

Floating rate notes (FRNs): Securities whose interest (income) payments are periodically adjusted depending on the change in a reference interest rate.

Foreign exchange: The exchange of one currency for another, or the conversion of one currency into another currency. Foreign exchange also refers to the global market where currencies are traded virtually around the clock. The term foreign exchange is usually abbreviated as 'forex' and occasionally as 'FX'.

Foreign exchange (FX) strategy: Currencies can be an asset class in its own right, along with company shares, fixed income securities, property and cash. Foreign exchange strategy can therefore be a source of investment returns.

Forward contract: A contract between two parties to buy or sell a particular commodity or financial instrument at a pre-determined price at a future date. Examples include forward currency contracts.

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

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

Futures: A futures contract is a contract between two parties to buy or sell a particular commodity or financial instrument at a pre-determined price at a future date. Futures are traded on a regulated exchange.

Gilts: Fixed income securities issued by the UK government.

Government bonds: Fixed income securities issued by governments, that normally pay a fixed rate of interest over a given time period, at the end of which the initial investment is repaid.

Hedging: A method of reducing unnecessary or unintended risk.

High water mark (HWM): The highest level that a fund's NAV (net asset value) has reached at the end of any 12-month accounting period.

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

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

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

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

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

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

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

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

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

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

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

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

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

Open-ended investment company (OEIC): A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Options: Financial contracts that offer the right, but not the obligation, to buy or sell an asset at a given price on or before a given date in the future.

Over-the-counter (OTC): Whereby financial assets are traded directly between two parties. This is in contrast to exchange trading, which is carried out through exchanges set up specifically for the purpose of trading. OTC is also known as off-exchange trading.

Overweight: If a fund is 'overweight' a stock, it holds a larger proportion of that stock than the comparable index or sector.

Payment date: The date on which distributions will be paid by the fund to investors, usually the last business day of the month.

Physical assets: An item of value that has tangible existence, for example, cash, equipment, inventory or real estate. Physical assets can also refer to securities, such as company shares or fixed income securities.

Portfolio transaction cost: The cost of trading, such as brokerage, clearing, exchange fees and bid-offer spread as well as taxes such as stamp duty.

Principal: The face value of a fixed income security, which is the amount due back to the investor by the borrower when the security reaches the end of its life.

Private placement: An offer of sale of securities to a relatively small number of investors selected by the company, generally investment banks, mutual funds, insurance companies or pension funds.

Real yield: The return of an investment, adjusted for changes in prices in an economy.

Retail Prices Index (RPI): A UK inflation index that measures the rate of change in prices for a basket of goods and services in the UK, including mortgage payments and council tax.

Risk: The chance that an investment's return will be different to what is expected. Risk includes the possibility of losing some or all of the original investment.

Risk management: The term used to describe the activities the fund manager undertakes to limit the risk of a loss in a fund.

Risk premium: The difference between the return from a risk-free asset, such as a high-quality government bond or cash, and the return from an investment in any other asset. The risk premium can be considered the 'price' or 'pay-off' for taking on increased risk. A higher risk premium implies higher risk.

Risk-free asset: An asset that notionally carries no risk of non-payment by the borrower such as a high-quality fixed income security issued by a government or cash.

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

Safe-haven assets: Refers to assets that investors perceive to be relatively safe from suffering a loss in times of market turmoil.

Security: Financial term for a paper asset – usually a share in a company or a fixed income security also known as a bond.

Share class: Category of shares held by investors in a fund (share classes differ by levels of charge and/or by other features such as currency or share class hedging).

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.

Glossary

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

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

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

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

Treasuries: Fixed income securities issued by the US government.

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

UCITS: Stands for Undertakings for Collective Investments 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.

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.

