

Interim Short Report September 2013
For the six months ended 31 July 2013

M&G Global Emerging Markets Fund

a sub-fund of M&G Investment Funds (7)

How to contact us



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* 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.

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

† Please note that information contained within an email cannot be guaranteed as secure. We advise that you do not include any sensitive information when corresponding with M&G in this way.

AUTHORISED CORPORATE DIRECTOR'S REPORT

Investment objective of the M&G Global Emerging Markets Fund

The Fund aims to maximise long term total return (the combination of capital growth and income) by investing in emerging market countries.

Investment policy of the M&G Global Emerging Markets Fund

The Fund will invest mainly in the securities of companies domiciled in or conducting the major part of their economic activity in emerging market countries^[a]. Exposure to these securities may be gained through the use of derivatives. The Fund may invest across a wide range of geographies, sectors and market capitalisations. The Fund may also invest in other assets including collective investment schemes, other transferable securities, cash and near cash, deposits, warrants, money market instruments and derivatives.

[a] The current reference point for defining emerging market countries are those included within the MSCI Emerging Markets index and/or those included in the World Bank definition of developing economies as updated from time to time.

Investment approach

The M&G Global Emerging Markets Fund is an equity fund invested in publicly listed companies throughout Asia, Latin America and EMEA (Europe, Middle East and Africa) or companies that conduct the majority of their business activities in these regions. The fund manager aims to deliver consistent top-quartile performance in the global emerging markets sector by focusing exclusively on bottom-up stock selection. (In the UK, it is the IMA Global Emerging Markets sector; in Europe, the Morningstar Global Emerging Markets Equity sector.)

It is the core belief of the fund manager that value creation for shareholders, not economic growth, drives share prices over the long run. Consequently, investment decisions are determined by the fundamental analysis of individual companies and the fund's country and sector exposure is not influenced by top-down views.

The investment strategy of the fund is to identify companies that are undergoing improvements in their return on capital, either through external change, internal change or asset growth. The fund also invests in quality businesses with high and sustainable returns.

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

Risk and reward profile*



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

The Fund has the above risk number because of the effect of the following risks:

- The value of stockmarket investments, and the income from them, will fluctuate. This will cause the Fund price to fall as well as rise and you may not get back the original amount you invested.
- Any investment in international companies means that currency exchange rate fluctuations will have an impact on the Fund.
- There is a risk that one or more countries will exit the Euro and re-establish their own currencies. In light of this uncertainty or in the event that this does occur, there is an increased risk of asset prices fluctuating or losing value. It may also be difficult to buy and sell securities and issuers may be unable to repay the debt. In addition, there is a risk that disruption in Eurozone markets could give rise to difficulties in valuing the assets of the Fund. In the event that it is not possible to carry out an accurate valuation of the Fund, dealing may be temporarily suspended.
- **Emerging markets** – The fund will invest in emerging markets which tend to have larger price fluctuations than more developed countries. The Fund may encounter difficulties when buying and selling these investments or converting the proceeds of a sale or any income earned back into the base currency of the Fund.
- The Fund invests mainly in one geographic region or country. It is therefore more vulnerable to the market sentiment of that specific geographic region or country. This type of fund can carry a higher risk and can experience larger than average price fluctuations when compared to a fund with a broader investment universe.

* Please note that this 'Risk and reward profile' section is based on Sterling Class 'A' shares, the nominated share class.

INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

As at 1 August 2013, for the six months ended 31 July 2013

We focus on identifying companies whose long-term potential is under-appreciated by investors. In our view, investors' current pessimism about the future of emerging markets means that numerous businesses with excellent prospects are being overlooked, particularly in economically sensitive areas.

Given our long-term approach, the main activity during the period was adding to existing holdings that had fallen in value. We purchased more shares in Vale, a Brazilian mining giant, and Canadian copper miner First Quantum Minerals, as well as in Petrobras, a Brazilian oil & gas firm. We consider these businesses to be well managed with valuable assets that should enable them to generate superior returns over time.

We also added to several other Brazilian holdings that had declined, including Banco Bradesco, one of the country's largest non-state-owned banks, and insurance broker Brasil Insurance. In South Africa, we continued to build our positions in Standard Bank and Barloworld, an industrial group that distributes Caterpillar equipment.

Two carmakers joined the portfolio during the six-month period. Korea's Hyundai Motor is shifting its focus away from volume towards more profitable premium products, which we believe should boost future performance. We also purchased shares in Dongfeng Motor, a state-owned automaker from China that has joint ventures with Nissan, Honda and Peugeot. In our view, its shares are undervalued given its competitive advantages and the long-term trend of rising car sales in China.

In terms of sales, Grupo Financiero Banorte, a Mexican bank, left the portfolio. We were concerned that rather than consolidating and focusing on operational improvements after a series of acquisitions, the bank appeared keen to keep growing. We also disposed of our shares in Brazilian pulp producer Fibria Celulose as the company has restored its balance sheet and we believe its share price reflected its improved financial position.

Matthew Vaight

Fund manager

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

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

FUND SUMMARY

DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	03.02.14	31.03.14

	Ongoing Charges Figure ^[a]	
	31.07.13	31.01.13
Sterling	%	%
Class 'A'	1.77	1.74
Class 'I'	1.01	0.99
Class 'R'	1.28	1.24 ^[b]
Euro	%	%
Class 'A'	2.01	2.01
Class 'C'	1.01	0.98
US dollar	%	%
Class 'A'	2.02	1.99
Class 'C'	1.02	1.00

^[a] 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.

^[b] The comparative 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.

The M&G Global Emerging Markets Fund distributes annually, therefore there is no interim distribution.

FUND PERFORMANCE

Performance of share classes

	Net asset value per share as at 31.07.13		Net asset value per share as at 31.01.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	209.15	213.13	222.63	226.87	-6.05	-6.06
Class 'I'	210.35	220.30	223.09	233.63	-5.71	-5.71
Class 'R'	108.18	108.33	114.87	115.03	-5.82	-5.82
Euro	€	€	€	€	%	%
Class 'A'	n/a	21.4441	n/a	23.2173	n/a	-7.64
Class 'C'	n/a	22.4082	n/a	24.1359	n/a	-7.16
US dollar	\$	\$	\$	\$	%	%
Class 'A'	n/a	22.0735	n/a	24.4358	n/a	-9.67
Class 'C'	n/a	23.0792	n/a	25.4210	n/a	-9.21

PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
Sterling (net)		p	p	p	p
Class 'A'	2009 ^[a]	187.30	91.75	187.30	91.75
	2010	228.70	175.50	229.28	175.50
	2011	231.74	173.11	232.33	174.49
	2012	213.66	183.30	216.66	185.88
	2013 ^[b]	237.75	195.30	242.28	199.01
Class 'I'	2009 ^[a]	188.46	91.80	188.46	91.80
	2010	230.50	175.90	232.44	176.70
	2011	233.60	174.22	235.56	177.90
	2012	215.40	183.96	222.96	190.42
	2013 ^[b]	238.44	196.27	249.69	205.55
Class 'R'	2012 ^[c]	109.80	98.73	109.80	98.73
	2013 ^[b]	122.74	100.97	122.91	101.11
Euro (net)		€	€	€	€
Class 'A'	2009 ^[a]	n/a	n/a	18.3894	9.0626
	2010	n/a	n/a	23.5779	17.8436
	2011	n/a	n/a	24.4106	17.8262
	2012	n/a	n/a	23.2903	19.8468
	2013 ^[b]	n/a	n/a	24.7170	20.5544
Class 'C'	2009 ^[a]	n/a	n/a	18.5361	9.0691
	2010	n/a	n/a	24.0033	18.0051
	2011	n/a	n/a	24.8605	18.2892
	2012	n/a	n/a	24.1919	20.4125
	2013 ^[b]	n/a	n/a	25.7704	21.4565
US dollar (net)		\$	\$	\$	\$
Class 'A'	2009 ^[a]	n/a	n/a	20.5547	8.8629
	2010	n/a	n/a	24.4111	18.1722
	2011	n/a	n/a	25.2157	18.3701
	2012	n/a	n/a	23.8462	19.8687
	2013 ^[b]	n/a	n/a	25.0427	20.9562
Class 'C'	2009 ^[a]	n/a	n/a	20.7361	8.8692
	2010	n/a	n/a	24.8740	18.4057
	2011	n/a	n/a	25.7754	18.8597
	2012	n/a	n/a	24.7883	20.5189
	2013 ^[b]	n/a	n/a	26.1241	21.8893

^[a] From 5 February 2009 (the launch date of the fund).

^[b] To 1 August 2013.

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

Past performance is no indication of current or future performance and the performance data does not take account of the commissions and costs incurred on the issue and redemption of shares.

The price of shares and the income from them may go down as well as up, and you may get back less than you invested.

INCOME

Dividend income per share

	Calendar year	Distributed	Reinvested
Sterling (net)		p	p
Class 'A'	2010	0.4480	0.4480
	2011	1.1570	1.1599
	2012	1.1930	1.2026
	2013 ^[a]	1.0970	1.1146
Class 'I'	2010	1.4920	1.4920
	2011	2.6960	2.7186
	2012	2.7100	2.7675
	2013 ^[a]	2.6080	2.6990
Class 'R'	2013 ^[a]	0.1780	0.1624
Euro (net)		¢	¢
Class 'A'	2010	n/a	nil
	2011	n/a	6.7820
	2012	n/a	7.3250
	2013 ^[a]	n/a	6.2800
Class 'C'	2010	n/a	15.2160
	2011	n/a	28.0140
	2012	n/a	29.3880
	2013 ^[a]	n/a	27.8948
US dollar (net)		¢	¢
Class 'A'	2010	n/a	0.3120
	2011	n/a	7.0600
	2012	n/a	7.5300
	2013 ^[a]	n/a	6.5859
Class 'C'	2010	n/a	16.4950
	2011	n/a	29.7690
	2012	n/a	30.0970
	2013 ^[a]	n/a	29.3891

[a] The M&G Global Emerging Markets Fund distributes annually, therefore there is no interim distribution.

Past performance is no indication of current or future performance and the performance data does not take account of the commissions and costs incurred on the issue and redemption of shares.

The price of shares and the income from them may go down as well as up, and you may get back less than you invested.

MAJOR HOLDINGS

The top ten holdings at the end of this period and the previous year end are shown below.

	% of sub-fund as at 31.07.13		% of sub-fund as at 31.01.13
Samsung Electronic	4.13	Samsung Electronic	4.56
Delta Electronics	3.15	Taiwan Semiconductor Manufacturing	3.00
Taiwan Semiconductor Manufacturing	2.83	Krung Thai Bank	2.45
Mindray Medical International ADR	2.49	Lukoil ADR	2.44
Standard Bank	2.48	Delta Electronics	2.42
Lukoil ADR	2.47	Vale Non-cum. Pref.	2.35
Tikkurila	2.44	Energy Development	2.34
Vale Non-cum. Pref.	2.41	CNOOC	2.32
DP World	2.35	Tikkurila	2.32
Petrobras	2.31	AZ Electronic Materials	2.30

GEOGRAPHIC SPREAD OF INVESTMENTS

The table below shows the percentage holding per sector.

	% of sub-fund as at	
	31.07.13	31.01.13
Finland	2.44	2.32
Spain	2.04	1.46
Russia	2.47	2.44
Turkey	4.49	5.03
United Kingdom	2.81	2.92
China	15.77	14.66
Hong Kong	1.43	1.04
India	9.93	9.77
Philippines	2.17	2.34
Singapore	1.17	1.48
South Korea	11.96	11.58
Taiwan	6.97	6.18
Thailand	1.44	2.45
United Arab Emirates	2.35	2.16
Canada	2.70	2.70
Brazil	14.58	14.42
Colombia	1.04	1.08
Mexico	2.14	4.97
Egypt	1.28	1.39
South Africa	9.42	7.48
'AAA' rated money market funds ^[a]	0.48	0.00

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

OTHER INFORMATION

The information in this report is designed to enable shareholders to make an informed judgment on the activities of the sub-fund during the period covered by the report and the results of those activities at the end of the period. For more information about the activities and performance of the sub-fund during this and the previous period, please contact the Authorised Corporate Director (ACD).

Short Reports

This Short Report is issued in accordance with the requirements of the Collective Investment Schemes sourcebook as issued (and amended) by the Financial Conduct Authority. This Short Report does not contain the Financial Statements of the M&G Global Emerging Markets Fund, and it is unaudited.

Investment Report and Financial Statements

A copy of the ACD's Interim Investment Report and Financial Statements for M&G Investment Funds (7), which incorporates all the sub-fund's interim investment reports and unaudited financial statements, or a copy of the ACD's Annual Investment Report and Financial Statements for M&G Investment Funds (7), which incorporates all the sub-fund's annual investment reports and audited financial statements is available free of charge on request from our website at www.mandg.co.uk/reports or by calling M&G Customer Relations on 0800 390 390.

Authorised Corporate Director

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Fund manager

Matthew Vaight (an employee of M&G Limited which is an
associate of M&G Securities Limited)

Registrar

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

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

M&G Securities Limited is authorised and regulated by the Financial Conduct Authority
and provides investment products. The company's registered office is Laurence
Pountney Hill, London EC4R 0HH. Registered in England number 90776.